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Financial Conduct Authority
12 Endeavour Square
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23 February 2021

By email: cp21-03@fca.org.uk

Dear Sir/Madam,

Financial Services Consumer Panel response to CP 21/3 – Changes to the SCA-RTS: Contactless payments

The Panel is responding to the FCA's consultation on Changes to the SCA-RTS and to the guidance in 'Payment Services and Electronic Money'. We are responding here to the issues specific to contactless payments.

The Panel advocates that consumers should have choice and control over how they make payments. This includes the choice of being able to make contactless payments and control over the appropriate thresholds (below a maximum set by the FCA). The £45 limit introduced by firms during Covid-19 should be the default limit for consumers. Until consumers are provided with the appropriate choice and control, the Panel would not support raising the single and cumulative contactless thresholds to £100 and £200 respectively.

The higher contactless thresholds proposed may pose several risks to consumers including an increased risk of overspending, especially as household incomes are under extreme pressure¹ and fraud, and may therefore not be in the interest of all consumers.

Further, the number of contactless transactions have risen over recent years and during the Covid-19 pandemic against a backdrop in which access to cash has been complicated and overall payment choices have been reduced², with many merchants refusing to accept cash and actively encouraging contactless spend. We believe the proposals as they stand could herald a further move away from cash acceptance. It is essential that consumers have choice and control, and that Access to Cash remains a priority for the FCA.

Our concerns about raising the single and cumulative contactless thresholds in the way proposed are summarised below:

- There is a **lack of consumer choice**. Contactless debit and credit cards are issued by default. Some card issuers do not provide non-contactless alternatives at all, while those that *do* introduce 'sludge' into the process, complicating consumers' ability to obtain them. Measures must be put in place to ensure that consumers wishing to protect themselves against the risks of contactless cards can easily obtain non-contactless cards, and have control over the contactless threshold, without facing any friction.

¹ Bank of England: [How has Covid-19 affected the finances of UK households?](#)

² Which?: [One in three people have had cash payments reduced during the pandemic.](#)

- The proposals **increase the risk of overspending** and make it more difficult for consumers on low incomes to budget, which could lead to debt; the cumulative amount is well above many households' weekly spending budgets and the reduced 'friction' in contactless payments makes it easier to overspend. Research from the PSR³ in 2019 showed that some consumers find "contactless in particular is dangerously easy to use", and that budgeting and control emerge as the most common and important reason for preferring cash. While there are apps and other means of monitoring and controlling spend, these may not be accessible to the most vulnerable.
- The **risk of fraud** will increase substantially with the proposed changes, given the higher incentives, and these risks will increase as the current pandemic restrictions are eased. The proposals are not accompanied either by requirements for stricter controls or by requirements for faster redress processes. Whilst impacted consumers may *eventually* get reimbursed by their card issuers, they can face significant delays and additional costs before this happens, particularly in the current circumstances when customer service centres are under pressure and bank branches inaccessible.

In its cost-benefit analysis the FCA states that the harms to consumers of not raising the cumulative and single transaction thresholds are that: customers spend more time on reauthenticating; not all devices enable customers to conduct SCA; and it can lead to customers abandoning purchases. However, a reduction in friction at the point of purchase makes it more challenging for certain consumers to budget, and increases the fraud risk.

In conclusion, the Panel believes that consumers should have the choice to opt-in to contactless technology and control over the appropriate threshold. The impact on fraud and consumer behaviour of any changes should be continuously reviewed.

Yours faithfully,

Wanda Goldwag
Chair, Financial Services Consumer Panel

³ PSR: [Access to cash research](#).