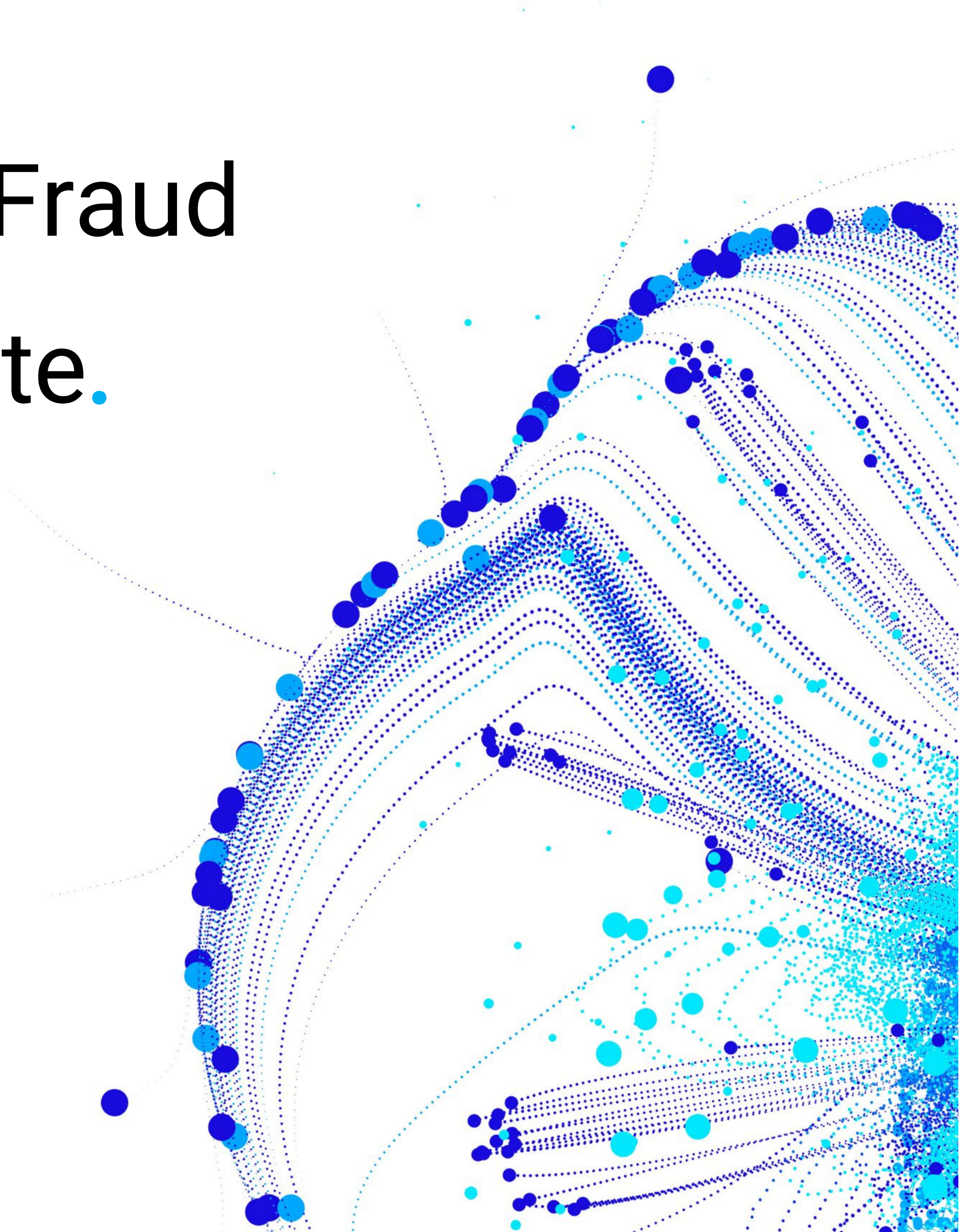
APP Fraud Update.



Authorised Push Payment Fraud Update

We previously wrote to you concerning the Authorised Push Payment ("APP") reimbursement policy and its commencement date on 07 October 2024. This is regulated by the Payment Systems Regulator (PSR), who is the UK regulator of payment systems which operate within the UK, including Banks, Building Societies and Payment Service Providers (PSPs).

This communication serves to further inform our customers that are "consumers"[1] of their rights under the Faster Payments Scheme ("FPS") reimbursement requirements. The Faster Payments Scheme is designated by the Treasury as a regulated payment system under section 43 of Financial Services (Banking Reform) Act 2013 (FSBRA) for the purposes of Part 5 of FSBRA. We have also included an information sheet setting out what 'APP Fraud' is, how fraudsters typically operate, common fraud scenarios and how consumers can make a claim with us should they become victims.

We would appreciate it if you could please inform your cardholders of their rights under the FPS new reimbursement requirements and reimbursement rules as detailed in this correspondence by no later 01 October 2024.

What can a consumer expect when making a claim with us?

1. We will assess each APP fraud claim on a case-by-case basis. This includes considering: (a) any evidence provided by the consumer, (b) any information from the receiving PSP and (c) any third parties (e.g. the police, competent national authorities etc).
2. If a consumer is not happy with the outcome of their claim to us, they can use our existing complaint process.The Complaints team can be contacted:

   Prepaid Financial Services Ltd
   4th Floor 35 Great St. Helen's, London,
   England, EC3A 6AP
   Email: pfslcomplaints@emlpayments.com
3. If a consumer is still not happy with our final response, they may have the right to refer their complaint for free of charge to the Financial Ombudsman Service. They have to do this within 6 months of the date of our final response. You can get in touch with them:
   - by writing to South Key Plaza, 183 Marsh Wall, London, E14 9SR
   - by calling 0800 023 4567 or 0300 123 9123
   - by visiting website- Financial Ombudsman Services

As previously advised, we are updating our website with relevant information concerning APP fraud. Please visit our website closer to the time for more details- Prepaid Financial Services | Pre Paid Card Solutions UK | PFS

The FPS reimbursement requirement and FPS reimbursement rules

- Sending PSPs are liable to reimburse APP scam victims, unless there is an exception in the consumer standard of caution (see below for further details), or the time limit to bring the claim has expired. This is known as the FPS reimbursement requirement. The new requirement for reimbursement for victims of APP fraud applies to all participants in the FPS (both direct participants of FPS and "indirect access providers) and that provide "relevant accounts" to customers in the UK. For the purposes of the APP fraud reimbursement scheme, relevant accounts are accounts which are operated by a PSP in the UK and can send or receive payments using the FPS, but exclude accounts provided by Credit Unions, Municipal Banks and National Savings Banks.

Time limits for claims

- A consumer must raise their claim within 13 months of the final payment of the APP claim. If the claim is made more than 13 months after, the sending PSP is not subject to the requirement to reimburse the customer.

Time limit for reimbursement

- As previously mentioned, a sending PSP must reimburse any APP fraud payment that is reimbursable to the consumer no later than 5 business days of the consumer making a valid APP fraud claim to the sending PSP. This is unless the sending PSP exercises the 'stop the clock' provision, in which case the 5-business day timescale will be paused whilst they await a response to their request.

- As a sending PSP, PFSL will only stop the clock if we have asked for information from the receiving PSP to help us assess the claim and are awaiting a response. Depending on the circumstances, we will send you a written response which sets out our decision by no later than the end of the 35th business day following the APP fraud claim being reported to us.

Maximum amount that can be claimed & claim excess

- The maximum claim limit that applies to an APP fraud claim is set by the PSR. For more information on this please visit the PSR website: Payment Systems Regulator
- We will levy an excess of £100 to each APP fraud claim. This amount will be deducted from the total claim amount reimbursed to the consumer. This will not apply in circumstances, where a consumer is classified as vulnerable as per the FCA guidance - FG21/1: Guidance for firms on the fair treatment of vulnerable customers (fca.org.uk) .[2]

Exceptions

The FPS reimbursement rules rely on the 'Consumer Standard of Caution', which is the standard of care that PFSL expects of our consumers when the latter are sending authorised push payments including:

- The requirement to have regard to interventions given by the PSP or competent national authority;
- The prompt reporting requirement to PSP upon learning or suspecting of falling a victim to a scam;
- The information sharing requirement from the PSP to support the assessment of the claim;
- The police reporting requirement or allow PSP to do so on their behalf, if required.

Please be aware that this does not apply to consumers who were vulnerable consumers at the relevant time of the APP fraud event, and this had a material impact on their ability to protect themselves from the fraud. Other exclusions include, first party fraud, gross negligence and fraud payments made using cash or cheques. For more information on this please visit the PSR's website: Specific Requirement 1 (July 2024) (psr.org.uk) APP scams | Payment Systems Regulator (psr.org.uk)
FSP reimbursement rules also do not apply to:

- International payments;
- Payments which take place across other payment systems; `
- Payments made to an account the consumer controls, or payments that are not authorised by the consumer ('unauthorised payments');
- Civil disputes.

As a PSP we will not provide the same reimbursement coverage for any 'on-us' payments. By the term ''on-us'' we understand those are transactions where the acquirer and card issuer is the same entity (intra-company or inter-company).

Terms and Conditions

We have advised you that we will be updating our Terms & Conditions soon.

[1] Consumer - a service user of PSP. These are individuals, microenterprises (enterprises that employ fewer than ten persons and have either an annual turnover or an annual balance sheet total that does not exceed €2 million) or charities (a body whose annual income is less than £1 million per year and is a charity as defined by the Charities Act 2011, Charities and Trustees Investment (Scotland) Act 2005 or the Charities Act (Northern Ireland) 2008).

[2] Vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to harm – particularly when a firm is not acting with appropriate levels of care.