

Brexit and the UK Finance's proposed £100 contactless limit

(or will Brexit make stealing bank cards attractive again?)

What are the contactless payment limits?

The contactless payment card limit in the UK has been rising slowly but steadily from its lowly £10 limit in 2007 to the current £45 limit (£15 in 2010, £20 in 2012, £30 in 2015). This has been at times quite a painful and confusing process. Today occasionally the contactless payment will fail, and, if the POS handles this well, you will be asked to insert your card and do a chip & PIN transaction.

This is down to PSD2, the EU's 2nd Payment Services Directive. PSD2 does two things to limit contactless card payments:

- The maximum amount allowed without a Cardholder Verification Method (CVM i.e. PIN or biometric) is €50
- There is a limit to the number of contactless payments that can be made, which is either 5 payments in a row or a total value of €150, without a CVM having been used (the card issuer decides which one of these options used for the card).

Therefore, if the amount is over €50 or it's the 5th contactless transaction or the combined amount is over €150 then a CVM is required. As the UK (along with France & Finland) does not support Online PIN as a CVM this means that a Chip & PIN transaction is needed.

When the card is used from a mobile wallet or app, be it Apple Pay, Google Pay, Samsung Pay, Barclaycard Android Pay etc. then generally a CVM (Face; Fingerprint; Passcode etc) will have been used and the mobile contactless payment can be used for any amount. It has taken the UK POS infrastructure a long time to implement this correctly, in many cases the old £30 contactless limit was wrongly applied for mobile, leading to consumer confusion. The change of card limit to £45 has, by and large, allowed the POS estates to also resolve the mobile card limits and now allow mobile to be used for any amount.

Many players in the payments ecosystem, including UK Finance and Richard, have been calling for the contactless CVM limit to be higher than £45, but the £45 limit is ~€50 and that is the maximum legally allowed under PSD2 today.

What about Brexit?

Now that the UK is no longer part of the EU or bound by its rules, what's to stop the limit rising again? Actually, the UK is bound by the contactless rules set out by PSD2 as it is enacted as part of UK legislation¹. However, the UK can unilaterally change this limit, with UK Finance² asking the Treasury to consider raising the limit to £100 being the first part of this process, the Financial Conduct Authority will also be involved in determining the response to this request.

¹ <https://www.fca.org.uk/publication/finalised-guidance/fca-approach-payment-services-electronic-money-2017.pdf>

² <https://www.finextra.com/newsarticle/37203/banks-push-for-uk-to-increase-contactless-limit-to-100#:~:text=In%20the%20wake%20of%20Brexit,according%20to%20the%20Times%20newspaper.>

Why raise the limit to £100?

The pandemic has accelerated changes in payments, fuelling the move to contactless³ and contact free payments. Shopping habits are also changing with fewer visits to the supermarket and consequently larger transaction values⁴.

Raising the limit to £100 would ensure that most weekly shops can be carried out by contactless without the need for the consumer to touch a PIN Pad / POS terminal.

Is there a downside?

The headline of moving the contactless limit to £100 to prevent people from touching PIN Pads and POS terminals look eminently sensible, but we need to understand the full detail including:

- What happens to the 1 in 5 or €150 cumulative limit?
- Who is liable for fraud when a card is stolen?

Raising the contactless limit to £100 only works if the cumulative limit changes too. We've yet to see what is proposed here, let's assume for a moment that it increases proportionally to roughly £300, or we stick with the 1 in 5 limit, which raises the prospect of up to £300 - £500 fraudulent spend on a stolen card before Chip & PIN is required.

Today contactless fraud is very low, both UK Finance⁵ and Visa⁶ quote rates of around 2.5p for every £100. Would raising the limit to £100 and potential fraudster gain to £300 / £500 change that? It does seem like this would make cards an attractive target to fraudsters, but they would have to get hold of your card and use it in such a way as not to trigger the Issuers fraud systems before you notice it has gone missing and report its loss to the issuer.

If the banks are confident that their fraud systems are sufficient to detect abnormal contactless spend, through behavioural and risk-based analysis, and are prepared to carry the liabilities then there is very little downside. We have yet to see what is proposed here in terms of where the fraud risk would reside. Today the banks are not obliged to refund funds which are spent fraudulently⁷, however most banks operate under a voluntary agreement whereby the cardholder is not responsible for fraud providing they have not acted negligently⁸. How negligence is defined or determined is not very clear.

Are there parallels?

Australia raised its contactless limit "temporarily"⁹ to AUS\$200 (~£100) in April 2020, with review periods. At the latest review in December, it was determined that the pandemic had not eased and the AUS\$200 would remain until the next review, set for March.

Whilst this hasn't led to widespread increase in fraud, there are some reports of increases¹⁰ of cards being stolen from cars / handbags etc and used fraudulently, though Australian banks do protect the cardholder and refund any fraudulent spend.

³ <https://www.ukfinance.org.uk/news-and-insight/news-in-brief/news-brief-16-december-2020>

⁴ <https://www.bbc.co.uk/news/business-53178095>

⁵ <https://www.ukfinance.org.uk/system/files/Fraud-The-Facts-2020-FINAL-ONLINE-11-June.pdf>

⁶ <https://www.visa.co.uk/visa-everywhere/blog/bdp/2019/07/30/contactless-payments-are-1564505005367.html>

⁷ <https://www.legislation.gov.uk/ukpga/1974/39/section/84>

⁸ https://help.barclaycard.co.uk/brochure/contactless_payments/fraud-protection

⁹ <https://www.auspaynet.com.au/resources/ContactlessLimits>

¹⁰ <https://prwire.com.au/print/tap-and-steal-crimewave-continues-into-hard-lockdown>

In summary

Subject to approval by the Treasury and The Financial Conduct Authority, we are likely to see an increase of the contactless card limit to £100. Bear in mind that it is the banks, via UK Finance, who are seeking this increase, which must be accompanied by clear statements on overall limits and liabilities, and subject to periodic review. Ensuring the integrity of the payments system, and confidence that contactless payments are safe and secure is paramount.