

Opinion piece as submitted to the UK FCA Consultation (UK payments industry trade association)

Vendorcom invited opinions to inform their response to a consultation by the UK Financial Conduct Authority (the FCA oversees all banking, investments and payments in the UK), on whether the contactless limit should be increased to £100 or £120. During the early part of the pandemic, it was increased from £30 to £45.

1. Currently, (actually since 2017/18), contactless transactions are *online authorised*. This means that seconds after a card is reported to the bank as being lost or stolen, a transaction attempted with that card will fail (decline). The window of opportunity for a thief then, is between gaining illegal possession of the card and it being reported lost. During that time, up to five contactless transactions can be made up to the cumulative value limit, set by the bank. If the contactless transaction limit is raised, so will the cumulative limit have to be, and in turn, the value of the goods that can be fraudulently purchased goes up.

2. A merchant is not liable for this fraud because contactless transactions, accepted on an approved, bank-certified terminal are deemed to be as secure as Chip and PIN. The merchant is indemnified through the liability shift. The merchant will probably have some administration to contest the chargeback that arises, but this should be straightforward - it is the banks (issuers) that have to take the hit. I cannot see how they will knowingly take this on, just to enable greater cardholder convenience through a higher limit!

3. From a cardholder's standpoint, it's important to realise that if say, a debit card is stolen and fraudulent transactions made, they will initially come out of the cardholder's account. They will be refunded by the bank in due course, but for those of limited means, it could cause utility direct debits or worse, rent payments to fail and bring immense hardship. If the limit was raised to £100, a cardholder would suffer twice the size of short-term loss if their card was stolen, and the impact on the lives of those already struggling to make ends meet could be catastrophic.

4. Since the introduction of Chip and PIN, rates of card-present fraud have fallen as everyone expected, and EMV Chip and PIN is regarded worldwide as the gold standard in terms of payment security. It's true two-factor authentication and is all but uncrackable. The US really missed a trick when they implemented EMV without PIN as a cardholder verification method! Chip and PIN is the proper system for high-value card payments. To raise the contactless limit is taking a system designed for fast, low-value payments, and trying to use it for something it was never intended for.

For the reasons above, I think it's an extremely bad idea, and it should stay where it is (at £45), or even reduce back to £30 once Covid restrictions are lifted.

Pete Alcock.