

Payments Policy team
Financial Conduct Authority
12 Endeavour Square
London E20 1JN
By email to contactlesslimits@fca.org.uk

7 May 2025

Dear Sir/Madam

Consumer Scotland is the statutory body for consumers in Scotland, established by the Consumer Scotland Act 2020. We use data, research and analysis to inform our work on the key issues facing consumers in Scotland. In conjunction with that evidence base we seek a consumer perspective through the application of the consumer principles of access, choice, safety, information, fairness, representation, and redress. This consultation is particularly relevant to the principles of Information, safety and redress.

Consumer Scotland welcomes the opportunity to contribute to the Financial Conduct Authority's engagement paper on contactless payment limits. Our response is framed around the key considerations that will need to be taken into account to minimise potential detriment to consumers, particularly those in vulnerable circumstances, while still allowing for a flexible approach reflecting consumer demand and preferences, and the desirability of promoting competition and economic growth.

There are clear benefits for both businesses and individual consumers in being able to make contactless payments quickly, safely and securely, including faster and smoother transactions. We note the increasingly central role played by contactless payments for consumers, evidenced by the finding of the UK Finance Payments Markets summary report that 85% of people in the UK make contactless payments at least once a month. We acknowledge the importance of reviewing contactless payment limits as these payment methods become increasingly commonplace for consumers. We note also that due to inflationary pressures, some of the common payments consumers are making are rising as a result of the increase in cost of goods and services such as fuel and groceries. As a result of inflation, the Bank of England inflation calculator shows that £100 in October 2021, when the current contactless limit was set, would be valued at £122 today.

We consider that there are potential benefits to introducing a flexible and outcomes-based approach such as a risk-based exemption for in-person transactions, however we would welcome further detail about how 'low levels of fraud' would be quantified and monitored.

In addition to this, in line with the consumer principle of redress it will be important to ensure that robust redress measures are in place where fraudulent activity does occur.

We note that contactless fraudulent payments resulting from a card being stolen make up a very small part of card frauds - around 8% of overall card fraud losses according to UK Finance figures - and that technologies to identify and stop fraud are improving. Despite this, it is important to acknowledge the detriment caused to consumers as a result of fraudulent payments taking place and to mitigate this as much as possible. In line with the consumer principle of redress, it will be key that any changes to contactless payment limits are supported by action to ensure that robust redress measures are in place to protect consumers who are a victim of fraudulent contactless payments. Ensuring that robust redress measures are in place will also facilitate greater consumer confidence in making contactless payments.

In considering redress, it is important that when frauds or losses do occur, consumers are able to contact their providers, and to resolve issues swiftly and easily. The FCA's Financial Lives Survey 2022 shows that the most commonly reported customer service issue concerned contacting financial services providers, with 14% of adults who held financial products reporting they were unable to reach providers. Of those who were able to contact their provider, 7% did not receive the requested information or support (which would extrapolate to 3.6 million people), while 4.3 million adults said they received information which they could not understand, was not what was needed, or was not timely. These are significant numbers. The survey also found that 24% of respondents experienced technology issues such as IT failures and service disruption.

We are aware that more up to date survey findings should be available later this year, and an improvement in these figures would indicate a reduced risk of harm to consumers. However, should these figures not improve, there may be benefit in conducting further specific research on the experiences of consumers reporting frauds to their provider to consider whether targeted improvements to the consumer journey can be made in these cases and the findings reflected in any guidance issued to providers by the FCA. This would be consistent with the FCA's stated priorities of helping consumers to navigate their financial lives by ensuring the right information and support is available and fighting financial crime by supporting firms to be an effective line of defence.

We note the comparisons made in the engagement paper between contactless payments and digital wallets. However it is important to acknowledge that there are some differences between making payments via a digital wallet and by contactless card. Most significantly, there are additional security measures provided by digital wallets compared to contactless cards such as the use of biometric authentication or unlocking a phone via a pass code.

The engagement paper notes that several Payment Service Providers enable customers to set individual contactless limits, including disabling the contact payment functionality. In line with the consumer principle of information, we note the importance of financial service

providers taking clear, proactive steps to make consumers, particularly those in vulnerable circumstances, aware of these options and ensuring they have the information and support to make an informed decision about what is best for their individual circumstances. The FCA's recent review of firm's treatment of customers in vulnerable circumstances showed that while improvements are occurring, consumers continue to report challenges, particularly if they have multiple characteristics of vulnerability. In some cases, firms did not provide support promptly, or with an appropriate level of care, did not provide appropriate or accessible channels to customers in vulnerable circumstances, or did not test consumer understanding of information. The report found that most firms could not demonstrate how they had embedded the needs of customers in vulnerable circumstances into their product and service design processes. Given the distress and detriment that fraud, scams and financial vulnerability can cause, we consider that there is room for improvement here. If a risk based approach is to be pursued, it must be implemented in a way in which consumers can be empowered to understand and take control of their spending and their exposure to risk.

When considering amending the contactless limits exception, we note that limits placed on the amount of money that a consumer can spend in a contactless transaction may act as a beneficial friction point for some consumers, particularly those in vulnerable circumstances such as visually impaired consumers or consumers with mental health challenges who may be susceptible to over indebtedness or scams.

We would welcome further opportunity to engage throughout the further development of proposed rules or changes and look forward to commenting on specific proposed measures in future consultations.

Kind regards,

Douglas White