

Fight against payment fraud vital for consumer confidence says Commission report

The Commission has published a report on the actions undertaken on prevention of payment fraud following the Commission's 2004 Action Plan. This report shows that the security of means of payment and payment systems is a necessary condition for improving consumer confidence and trust in new payment services.



Credit and debit card fraud threatens to obstruct the development of a cross-border payments system in Europe. And while some types of payment fraud are being reduced through action by banks, other kinds of fraudulent practices – particularly those involving the Internet – are on the rise, it emerges from a report drawn up by the Commission.

Confidence in payment systems

The study is part of the Action Plan implemented by the Commission over the 2004-2007 period concerning payment fraud prevention.

Whilst in practice fraud only affects a minority of users, it has a wider negative impact in undermining general confidence in payments systems, the report notes.

Maintaining or enhancing user confidence does not necessarily require new legislation but rather the commitment of the parties involved to achieve this goal. Increasing public awareness and education is crucial in this context.

Moving target

Payment fraud is unfortunately a moving target. The move towards 'chip and pin' technology has cut down on fraud associated with lost and stolen cards. One of the effects has been to shift fraud into other areas, notably involving the internet.

New threats have appeared, such as identity theft/fraud and, more generally, cyber crime.

In 2007, the Commission announced its policy objectives regarding cyber crime and will continue to closely monitor developments in this area.

Meanwhile, criminals involved in payment fraud are becoming sophisticated and internationalised, with organised crime playing a growing role.

Tightened security

The new legal framework for payments, the 'know your customer' obligations, as well as the development of SEPA by industry should provide a good basis for increasing both security and trust.

Additionally, the measures adopted by the Commission, beyond the Action Plan, in relation to the prevention of and fight against identity theft/fraud and cyber crime, should also contribute to those goals.

The Commission has been giving financial support to actions undertaken by stakeholders related to the prevention of/fight against fraud, notably in the context of the research framework programme(s) and of the Prevention of and fight against Crime programme.

Consumer education

The work conducted in 2004-2007 shows that while it is important to ensure the security of means of payment and payment systems, it is also important to improve consumer confidence and trust.

In this context, increased consumer education and awareness as well as cooperation of all stakeholders involved appear key to a successful approach to the fraud problem. The Action Plan included other initiatives, such as specialised conferences, with a view to raising awareness about this threat.

"Payment fraud affects consumer confidence in non-cash means of payment and therefore remains a threat to the success of the Single Market for payments," said Internal Market and Services Commissioner Charlie McCreevy.

"The Commission is working actively to minimise the payment fraud threat, for the benefit of consumers and financial services providers alike."

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