

Market Commentary

Streamlining Financial Transactions: How Confirmation of Payee Is Transforming Bacs Payments

Confirmation of Payee can reduce risk and protect against fraud when collecting or making Bacs payments

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Confirmation of Payee (CoP) and Payer Name Verification (PNV), services offered by Pay.UK, emerged in 2019 and 2023, respectively, to help users verify that they are sending payments to, or collecting money from, the correct account holder.

These services give users peace of mind when making high-risk, high-volume or high-value transactions. It works by performing a real-time check with the bank of the account holder, verifying that the account details provided are correct, that the account exists and that it belongs to the name provided.

By checking that the data is correct when payers give their payment details to a call centre or on a website, the service gives

businesses an opportunity to prompt for the right details in real-time.

Payment timescales, manual interventions and indemnity claims are subsequently reduced, resulting in cost savings and better user experiences.

CoP, when used effectively, will set your organisation on course for smarter payment processing, reducing delays and offering stronger assurance into the integrity of automated recurring payments.

In this article, we provide information to help you build out your business case for implementing CoP within your organisation. We also examine some use cases to show how CoP streamlines payment processes.



About the author

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Liz has worked at Finastra for more than 20 years (starting originally with Accountis Europe, a startup in North Wales, now part of Finastra), joining to co-create their first Bacs product. She started her career as a software developer, but her passion for translating customer requirements into developer specs and quality software solutions, meant a move to product management was inevitable. With a keen interest in UK payments, Liz is the face of Finastra's Bacs business for corporate payment services.

How Confirmation of Payee works

CoP and PNV are automated services designed to check names and account details when setting up or editing a payer or payee. PNV is an extension of CoP, allowing organisations to perform a bank details check before setting up or amending a Bacs Direct Debit, whereas CoP is used when preparing to make a payment. For simplicity we will use CoP to cover both in this article as the functions are very similar. How it works is simple; users submit the name of the organisation or individual sending or receiving payment to the CoP scheme along with their sort code, account number and if it is a business or personal bank account.

From there, details are sent to the account holder's bank for a quick automated review. CoP then returns to the user one of four immediate responses:

- **Yes, the name and account number match the bank details supplied for the account.** The business is clear to send payments or collect funds with confidence.

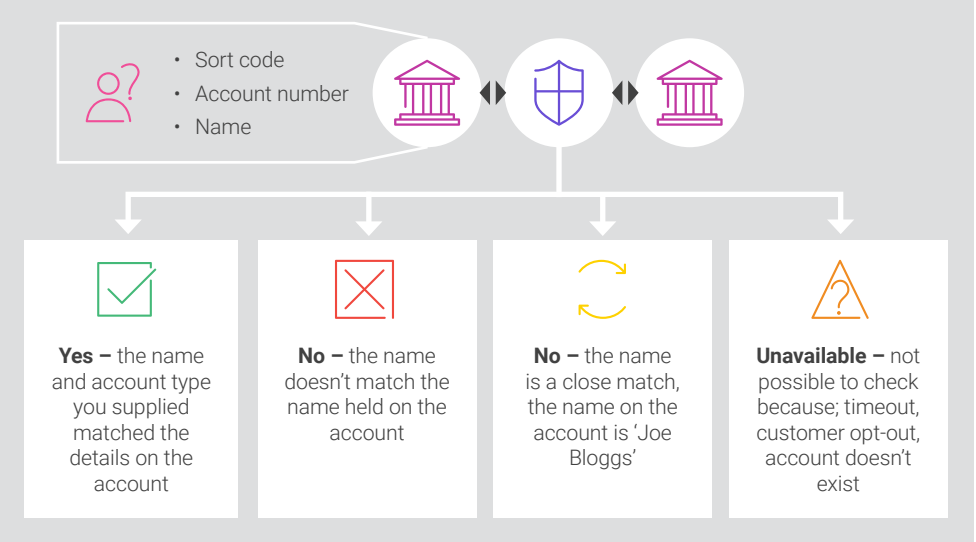
- **No, the name is close but not an exact match.** In this instance the actual name on the account is returned so it can be compared with the name passed in. The user can decide whether the match is close enough to complete the process or choose to seek clarification. For example, the business may enter a name such as Joe Smith. The name as it appears on the bank account is Joe S. Smith. As the details are a close match the actual name of the account holder is returned to the business for them to check if they are happy to proceed or not.

- **No, the name does not match the name held on the account.** You may receive this response when the account name on record is significantly different from the details you entered. For instance, you may want to send funds to Joe Smith Design, but the name on the account is Joe Jones Plumbing. With this information in hand, you can delay setting up the account until you've sourced or verified the correct details.

- **Unavailable, not possible to check.** In this instance, CoP is unable to verify the identity of the company or individual. This could happen under a variety of circumstances, such as an account that has been switched using CASS (current account switching service) or when the recipient has opted out of CoP.

It's easy to see that verifying account details before authorising the transfer of funds can help reduce erroneous payments, but businesses can receive additional benefits from CoP. All it takes is a little forethought and advanced planning to streamline the payments process to reduce both costs and fraud.

Confirmation of Payee overview



Making a business case for Confirmation of Payee

In a Pay.UK survey, businesses reported that excess friction in the payment journey delayed payments to and from suppliers or individuals. Manually confirming payee details was one of the biggest challenges leading to the increased friction.¹

Employing CoP at the initial stages of account setup can alleviate these pain points by automating verification. Early use of CoP can also ensure more efficient payments processing by identifying early mismatches at a time when changes are easier to make. This saves employee resources as well as potential lost funds.

When initiating Direct Debit transactions, an identity mismatch could lead to the Direct Debit Instruction failing to be set up. Members of your payments team must then reconnect with the customer to obtain the correct details which could be a lengthy process. In addition, the customer may lose trust in the organisation and choose not to sign up again for Direct Debit, costing your company more time and expense when collecting future payments.

Businesses face similar challenges when initiating Direct Credit transactions. Errant payments often go undiscovered until a supplier or employee alerts the business to the fact that they are not receiving funds. At this point, your Accounts Payable team will spend considerable time in tracing the payment, with little assurance that money will ever be recovered.

While errant payments may easily result in financial losses, late payments are also a significant concern. Seventy percent of businesses responding to a recent survey indicated that delayed payments had a negative impact on their business, with small- to mid-sized firms alone waiting on an average of £27,214 in overdue funds.²

By instituting CoP at signup and when editing bank details, payments teams are alerted to any mismatches that could delay or misroute payments before transactions are made. As a result, errors can be addressed before the business begins transferring funds, allowing for a more efficient payments process and a reduced rate of errors.

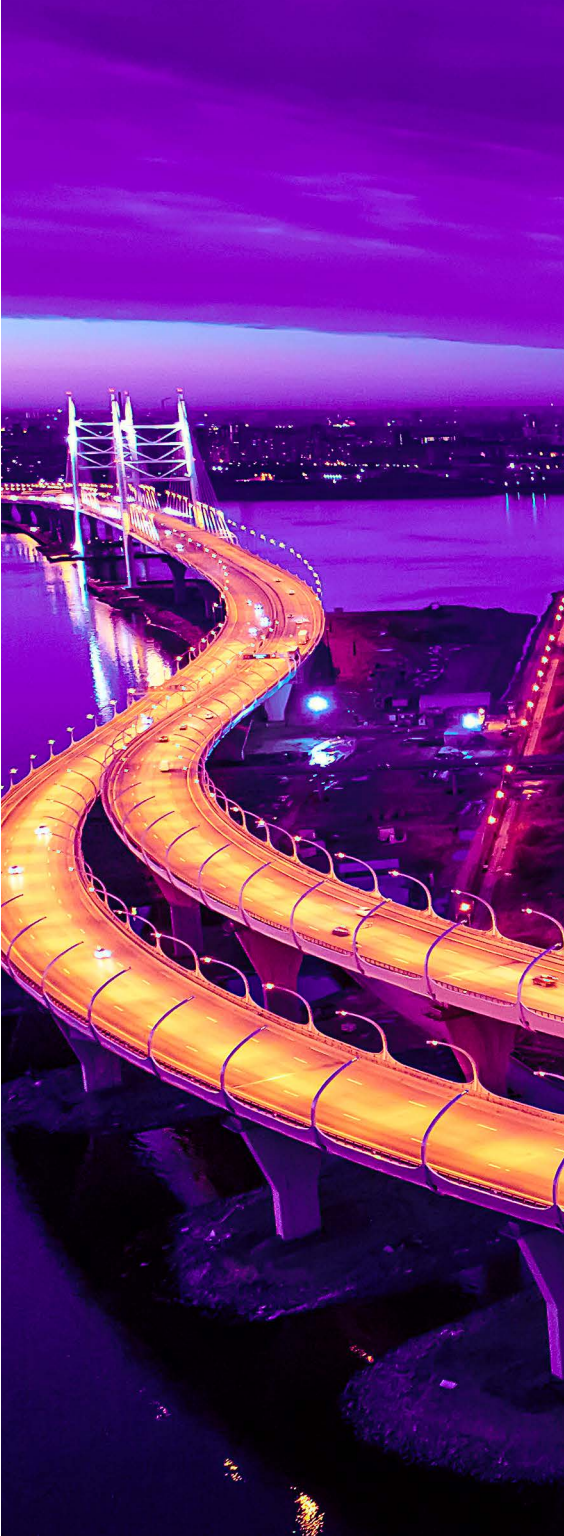
Let's examine some use cases to see how CoP streamlines payment processes:

- Historically, consumers have experienced some difficulty setting up or amending a Direct Debit or Direct Credit, leading to delays. By using CoP, details are verified in the moment, encouraging prompt corrections to help ensure that payments will be received on time.
- The total Direct Debit failure rate in the UK rose to 1.07% in 2024, representing a 14% increase year over year. This suggests that consumers do face difficulties with Direct Debit transactions, which can lead to payment failures and potential delays in collections. For businesses that use CoP, it could address this challenge and improve the efficiency and reliability of Direct Debit as a payment method.³
- Bank account or sort code errors make up a significant portion of failed Direct Debit or Direct Credit transactions. CoP can verify sort codes and account numbers as payment accounts are set up, to reduce delays as well as indemnity claims and customer dropouts.

- 32% of businesses experience delayed payments that result in additional fees.⁴ More importantly, late payments can disrupt cash flow and reduce the organisation's ability to reach operational goals. Since CoP can be used to confirm accuracy of the payee and recipient accounts at set up, the occurrence of late payments is reduced.

Implementing CoP offers a strategic advantage for businesses seeking to optimise their financial processes. While it's true that addressing payee details as accounts are established can minimise friction in payment journeys, CoP also plays a crucial role in mitigating fraud.

1. "SMEs and Payments—Challenges and Opportunities." Pay.UK, June 2022. Web.
2. "The Impact of Late Payments on Businesses." Intuit, 10 Sep 2023. Web.
3. "Economic activity and social change in the UK, real-time indicators." Office for National Statistics, 15 Feb 2024. Web.
4. The Impact of Late Payments on Businesses." Intuit, 10 Sep 2023. Web.



Confirmation of Payee as a Robust Shield for Business Transactions

As businesses in the UK adopt CoP, they're gaining a pivotal tool in enhancing transaction security and integrity. One notable example is Authorised Push Payment (APP) fraud, which accounted for 40% of all fraud cases in the UK in 2022,⁵ as losses reached £485.2 million.⁶

Fraud at this level occurs when businesses are tricked into sending payments to the wrong target account. The fraudster often initiates a fake communication from a company supplier, requesting to update banking details.

Upon receiving the notice, the business makes the requested changes to the information on file for the supplier. When future legitimate invoices are received and paid, funds are then sent to the scammer operating the fraud.

Thanks to the instant verification capabilities associated with CoP, businesses can greatly reduce the success of scams like these. In instances of APP fraud, CoP would alert the business to the mismatch in account names, allowing organisations to avoid making fraudulent changes.

In addition to its pivotal role in thwarting APP fraud, CoP also serves as a robust deterrent against a wide variety of scams, including phishing, CEO and invoice fraud.

By verifying bank account details before transferring funds, organisations are making it significantly more challenging for fraudsters to manipulate the payment process, thereby safeguarding businesses from substantial financial losses and reputational damage.

Fortifying payments with Confirmation of Payee

CoP's ability to automate payee and payer confirmation and identify mismatches ensures smoother transactions, fewer delays and increases trust with customers and business partners. By embracing CoP, businesses can fortify their financial operations, enhance cash flow and better position themselves to achieve operational goals.

Ultimately, CoP is not just a solution; it's a strategic imperative for modern businesses looking to thrive in today's fast-paced financial landscape.

5. APP Fraud Performance Data.* Payment Systems Regulator. Retrieved from www.psr.org.uk/information-for-consumers/app-fraud-performance-data
6. Annual Fraud Report 2023, UK Finance.

* PayPoint Payment Services Limited is an authorised payment institution regulated by the Financial Conduct Authority FRN 608227 and a participant in Pay.UK CoP services.

For information about our Bacs services or an introduction to a CoP participant*, please speak with your Account Manager or [Contact us](#).

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