



Focus: the case of Portugal

Keynote

Webinar “Sécurité de paiements”

June 2024

VINAY PRANJIVAN – DECO

Senior Economist | consumer protection in financial services





Introducing myself

- Graduated in Economics (ISEG-Lisbon) & MSc in Business and Competition Economics (ISCTE)
- Member of FSUG; PSMEG; EBA – BSG
- Advisor as Senior Economist for DECO since 2017
- Member of Banco de Portugal fora on conduct supervision, on payments, and digital Euro; and CMVM
- Policy expert in consumer protection and financial innovation at EBA (2013-16)
- Advocacy with the Portuguese Parliament, political parties, EC, EP and Council Members, and ESAs
- Financial consumer protection, payments, accounts, credit and over-indebtedness, financial literacy, access to cash and digitalisation

Introducing DECO

- Non-profit organisation, founded in 1974
- Over 300.000 members
- Member of BEUC and Consumers International
- Founder of CONSUMARE
- + 10 international representations
- National advocacy and support for consumer disputes

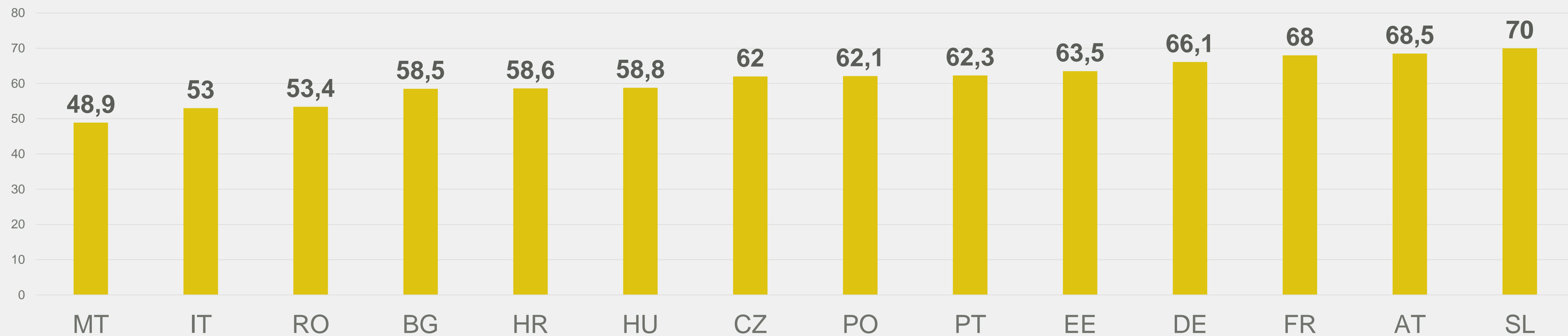


Financial literacy

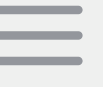
“These results highlight that large groups of citizens are lacking the necessary financial literacy and financial resilience to deal effectively with everyday financial management.”



Financial literacy scores normalised to 100



Source: OECD/INFE 2020 International Survey of Adult Financial Literacy



Digital skills

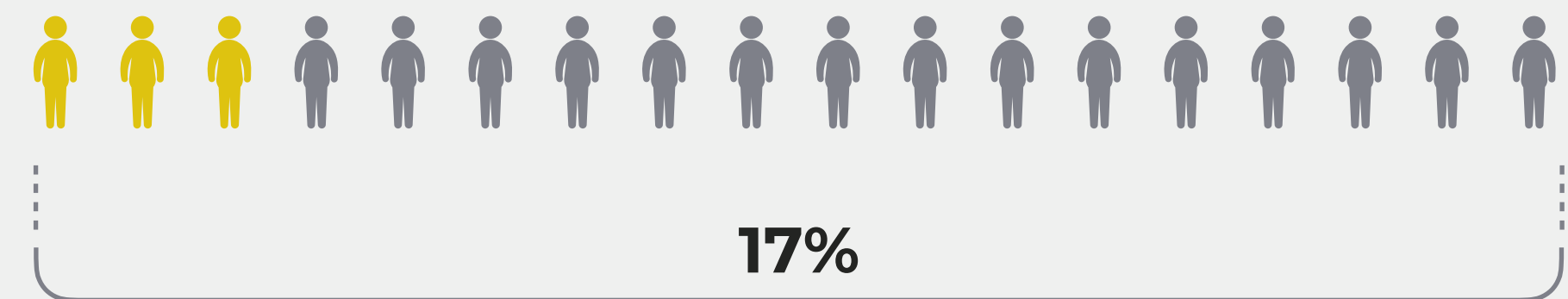
“Nearly half of the EU27 citizens lack basic digital skills.”

“EU target is at least 80% of all adults should have minimum basic digital skills by 2030”

European Commission, 2023



Individuals who have basic or above basic digital skills



Individuals who have low overall digital skills



Individuals who have no overall digital skills

Source: Eurostat 19-09-2023

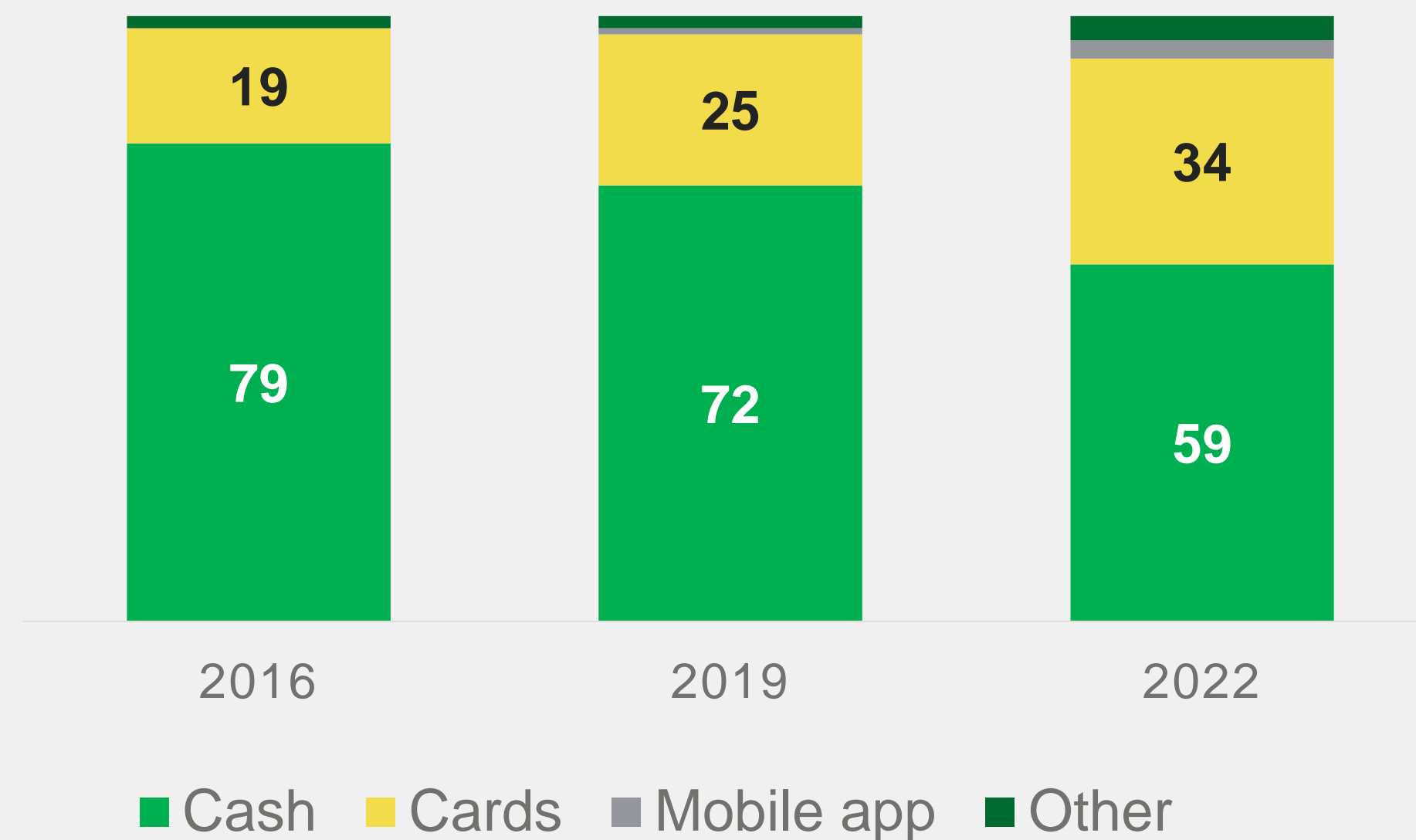


Share of payment instruments at POS

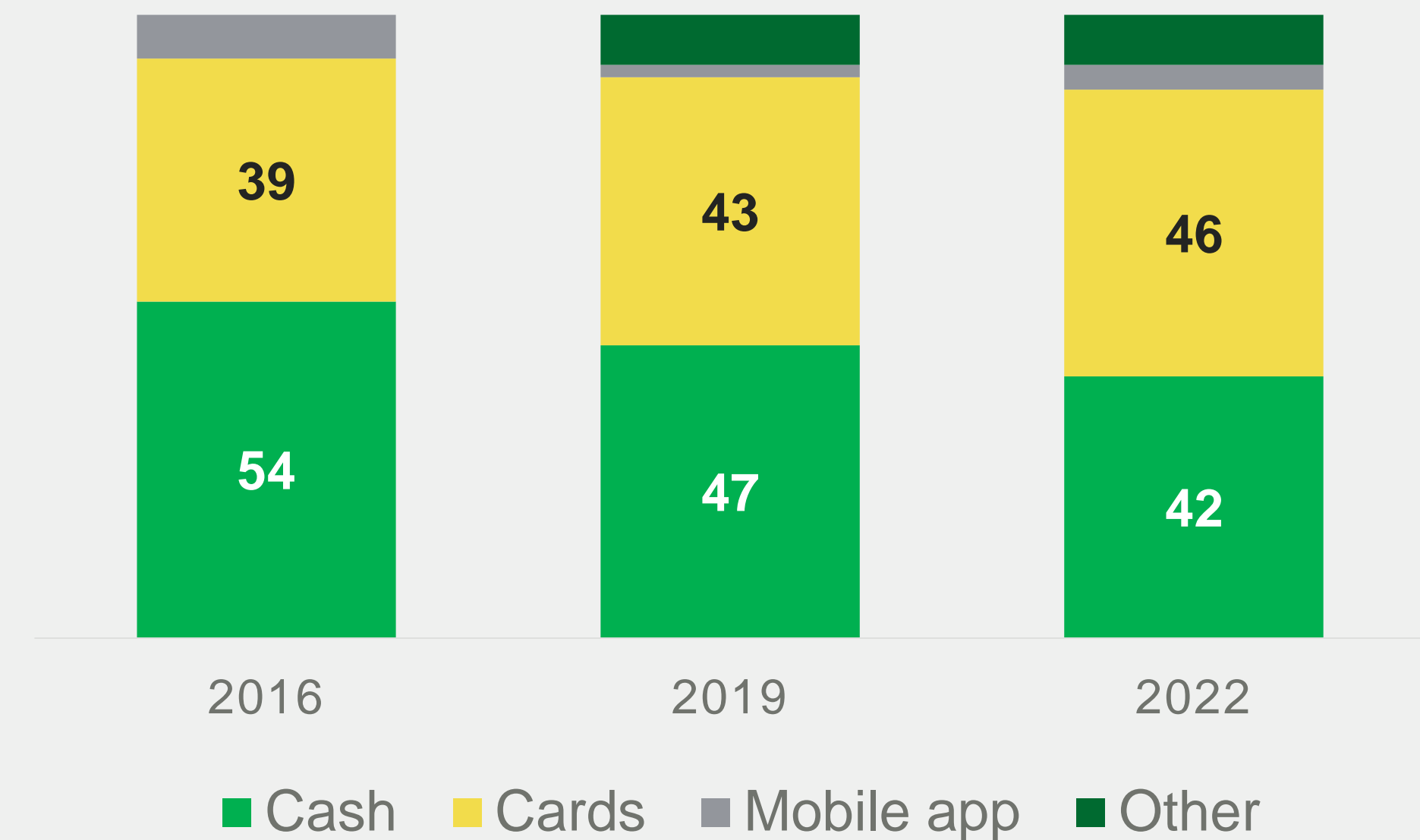
For daily non-recurring payments between 2019 and 2022, online payments have become more frequent. Share of cash payments declined in recent years but still most frequent.

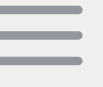
In 2022, value of card transactions higher than cash for the first time

NUMBER OF TRANSACTIONS



VALUE OF TRANSACTIONS





Cash or cashless?

60% of euro area population

considered having the option to pay with cash to be very or fairly important

- cash is considered to make one more aware of one's own expenses
- cash is perceived as anonymous (and therefore protects privacy)
- cash transactions are perceived to be immediately settled

Cash was the most frequently used payment method at the POS in the euro area

59% of the total number of payments in 2022 (down from 72% in 2019)



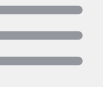
Cash remained the dominant means of payment in P2P transactions

73% in 2022 (down from 86% in 2019)

Use of cash at the POS

54% consumers reported no change

14% said that they used cash more often than before



Cash or cashless?

60% of euro area population

considered having the option to pay with cash to be very or fairly important

- cash is considered to make one more aware of one's own expenses
- cash is perceived as anonymous (and therefore protects privacy)
- cash transactions are perceived to be immediately settled

Cash was the most frequently used payment method at the POS in the euro area

59% of the total number of payments in 2022 (down from 72% in 2019)



Cash remained the dominant means of payment in P2P transactions

73% in 2022 (down from 86% in 2019)

Use of cash at the POS

54% consumers reported no change

14% said that they used cash more often than before



Fraud – EBA reported trends

- ❑ SCA had positive impact
- ❑ High levels of fraud for some specific payment instruments, geographic dimensions, jurisdictions, or combinations
 - Instant payments 10x higher than regular credit transfers
 - Cross-border have higher rates than domestic
- ❑ Distribution of liability
 - Card: app equal sharing PSUs and PSPs
 - Credit transfers: PSUs bore 79%, €1.2B
- ❑ New fraud types, of a more complex nature, emerged or became more widespread
- ❑ Manipulation of the payer through social engineering
 - Usually leverage on information gathered on the customer, e.g., via social networks
 - Corporate segment, e.g. so-called “CEO fraud”
- ❑ Mixed social engineering and technical scam
- ❑ Enrolment process compromise



E-commerce

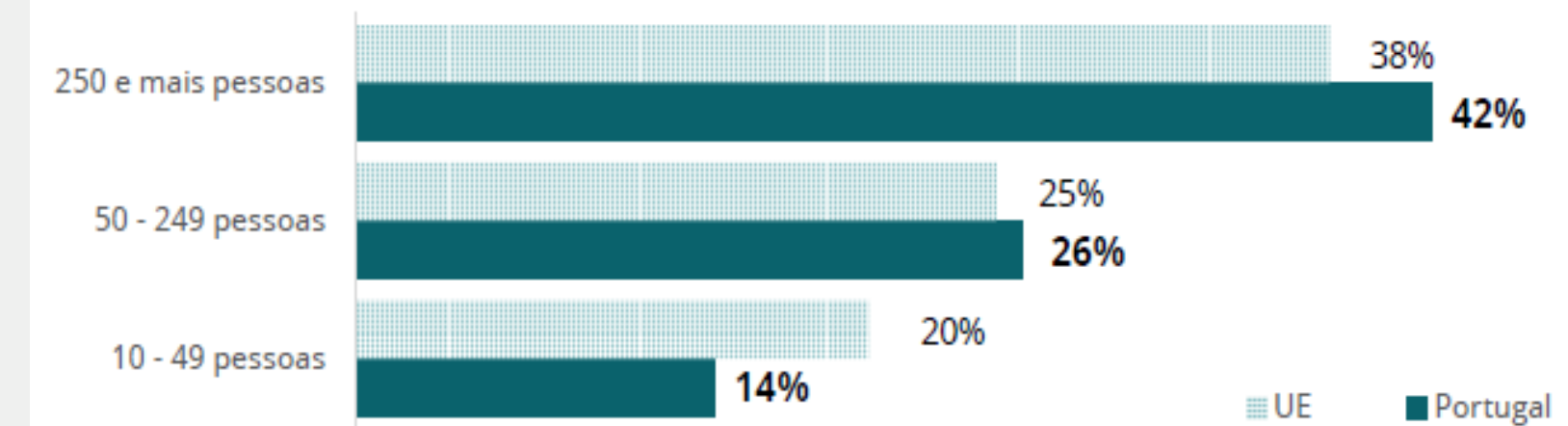
Companies using online sales: 16%

Estimated share of online sales: 23%



DAS EMPRESAS EM PORTUGAL TÊM PRESENÇA ONLINE (E.G. WEBSITE E REDES SOCIAIS)

% de empresas com *commerce* em Portugal vs. UE, por número de trabalhadores (2021)



3 PLAYERS REPRESENTAM 10% DAS RECEITAS ONLINE EM PORTUGAL

Some data

Top 3 categorias com maior volume de compras *online* em 2022⁴



VESTUÁRIO E MODA



ELETRÓNICA



BELEZA, HIGIENE E PERSONAL & HOUSEHOLD CARE

Top 3 tipologias de *websites* com maior volume de compras *online* em 2022⁵



GRANDES MARKETPLACES

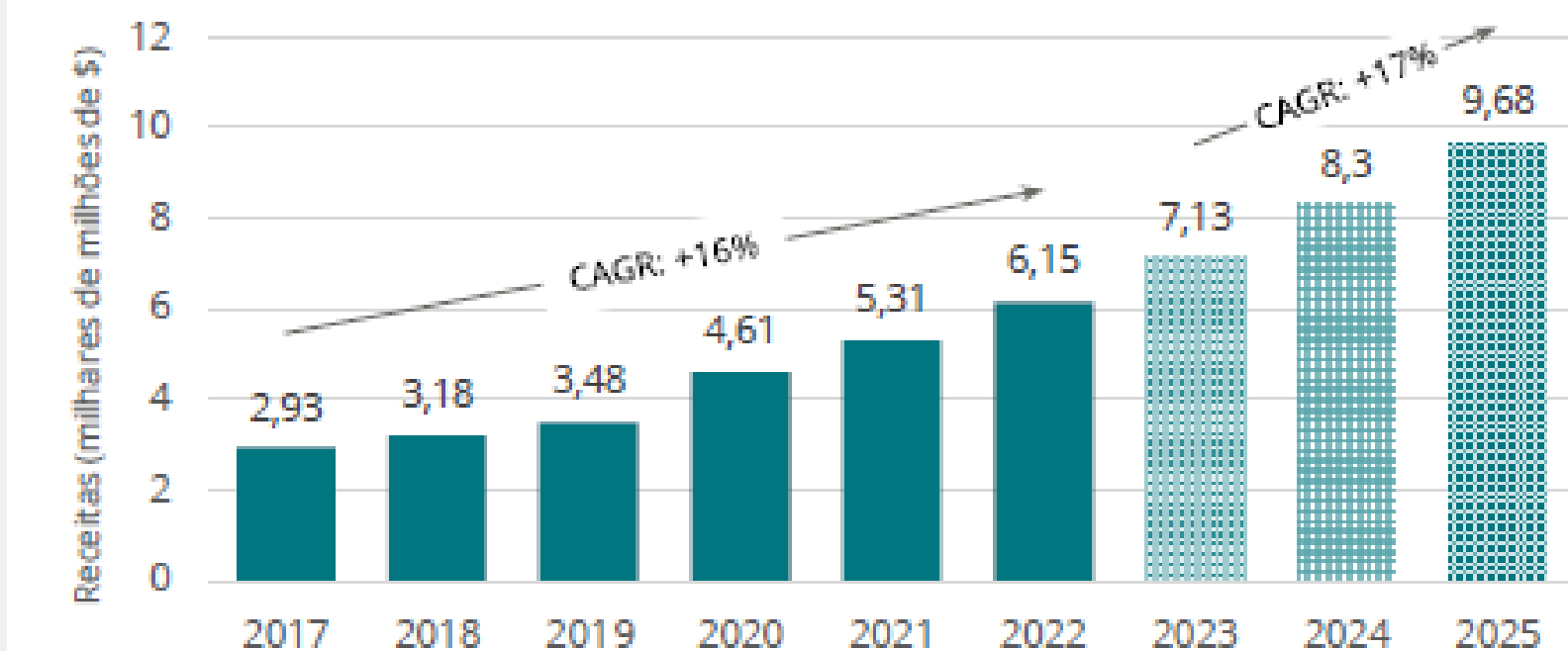


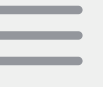
LOJAS PRÓPRIAS



MARKETPLACES DE PRODUTOS EM 2ª MÃO

Receita de *commerce* em Portugal [2017-2025]¹





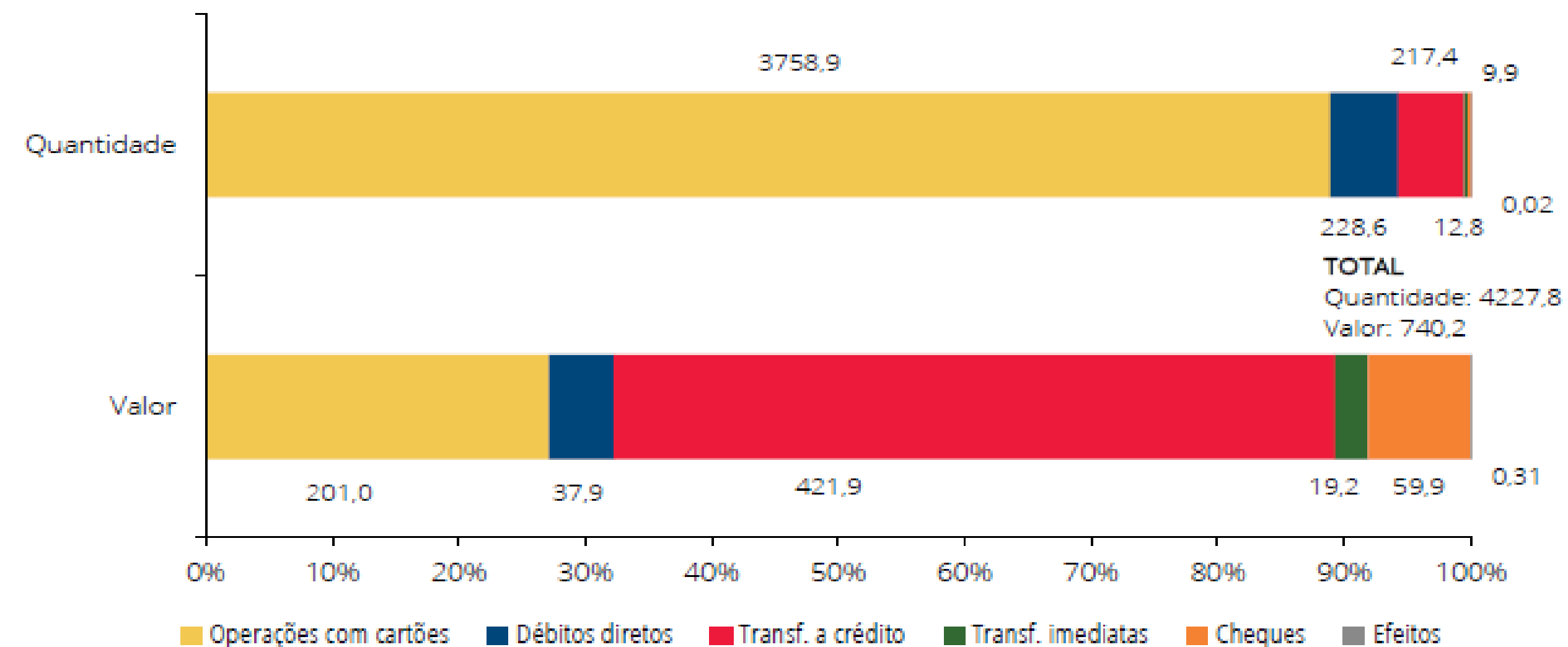
Payments landscape

Payments processed

Sistema de Compensação Interbancária (SICOI) processed:

- 4,2 thousand Mil operations, up by 13,3%
- 740,2 thousand Mil in value, up by 12,9%

Gráfico I.5.2 • Operações processadas no SICOI em 2023, por subsistema | Quantidade em milhões e valor em milhares de milhões de euros



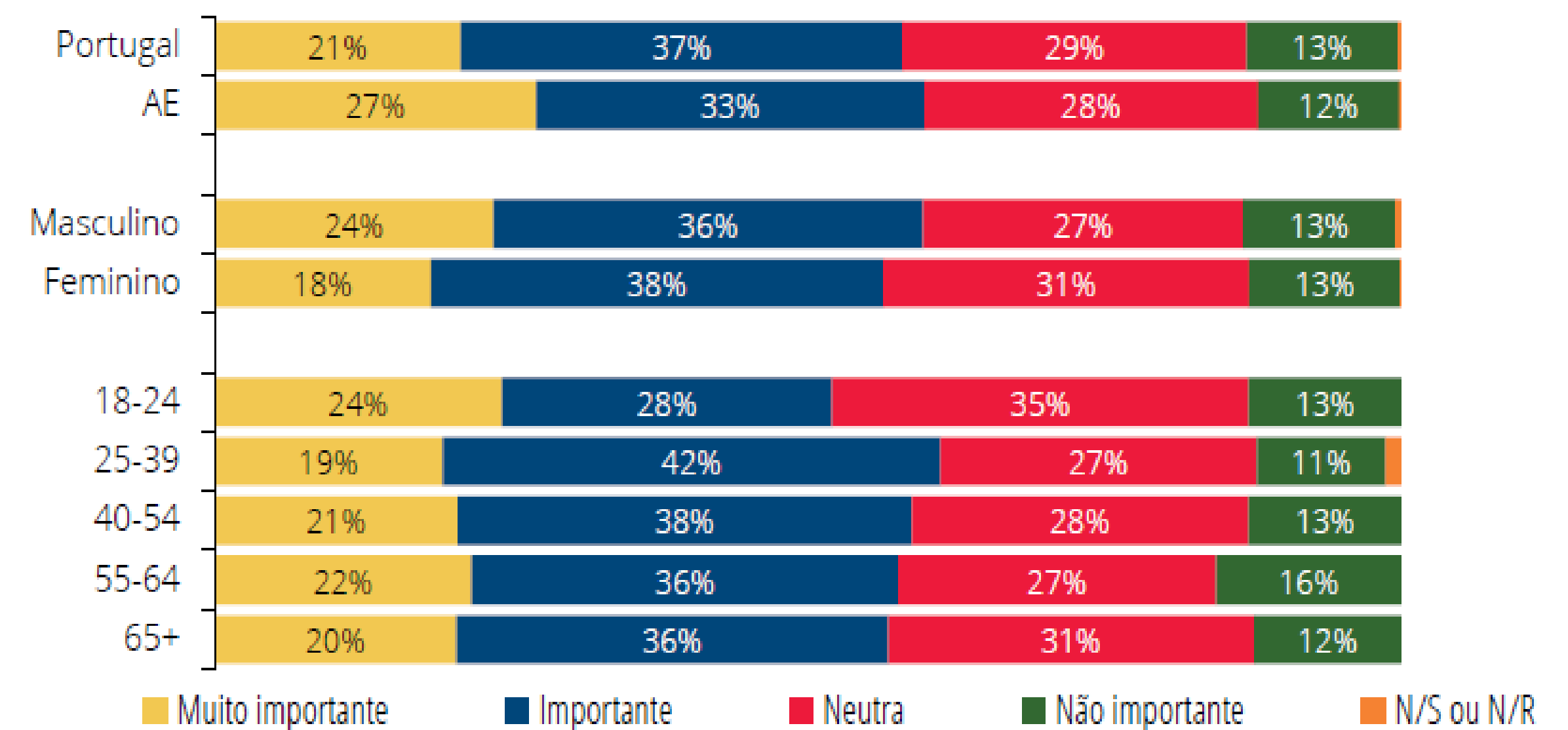


Payments landscape

Cash preference

- 64% cash payments at POS
- Euro Area 59%
- Downward trend since 2019

Gráfico 1.1 • Importância da opção de pagar com numerário, em Portugal (2022)



Fonte: SPACE 2022.



Payments landscape

Cards: payments and numbers

Card payments prevail within electronic payments:

- ✓ 88,9% of transactions
- ✓ 3,8 thousand Million transactions - average 10,3 Million per day

27,2 Million active cards (issued by PSPs in Portugal), up by 3,7%

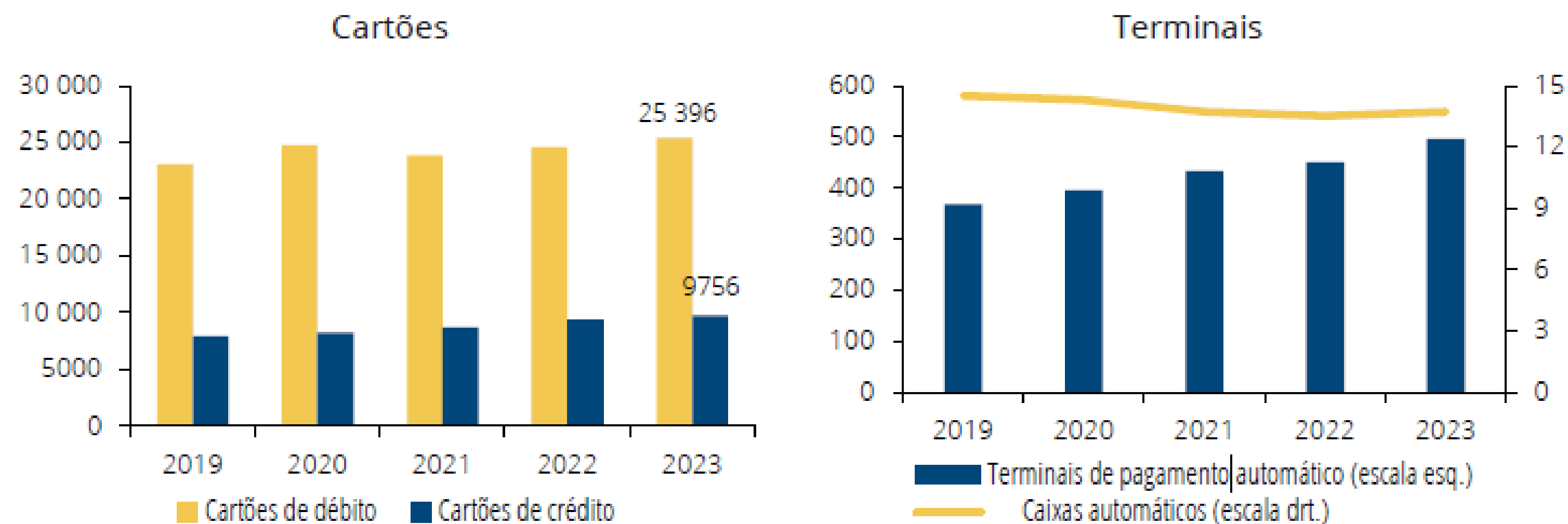
- ✓ 25,4 Million debit cards
- ✓ 9,8 Million credit cards
- ✓ Average 2,6 cards per inhabitant
- ✓ 23,9 Million with contactless, up by 10,9% - 94% of terminals allowing



Payments landscape

Cards and terminals

Gráfico I.1.1 • Cartões e terminais em Portugal^(a) | Quantidade em milhares



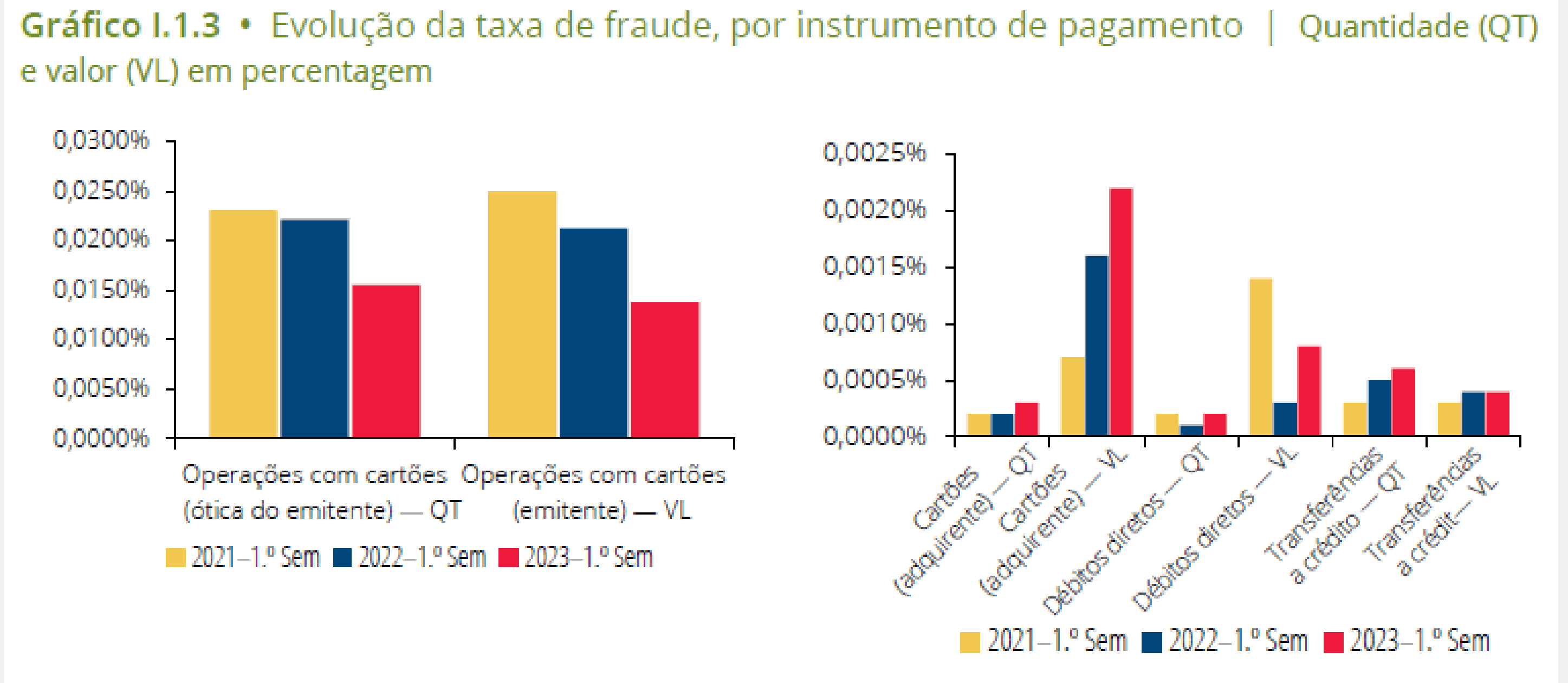
Fonte: Banco de Portugal. | Nota: (a) A desagregação dos cartões ativos por função de débito e de crédito resulta da classificação atribuída pelo banco emissor tendo em atenção o tipo de conta associada ao cartão. Os cartões de débito incluem os cartões pré-pagos. Os cartões de pagamento que tenham, simultaneamente, função de débito e de crédito são considerados em ambas as categorias.



Payments landscape

Fraud levels by payment instruments

- Overall, fraud rates are low
- Fraud rate more relevant in card payments



Source: Banco de Portugal, Relatório de Sistemas de Pagamento 2023



Payments landscape

Fraud numbers by transaction type

- **155** fraudulent transactions/1 M card payments (1st semester), up from 137 in 2nd semester 22
- Average value 47€ (down from 53€ in 22)
- 6 fraudulent transactions/1 M credit transfers, down from 6211€ in 22
- Average value **3086€** (down from 6211 in 22)
- 2 fraudulent transactions/1 M direct debits
- Average value 648€, up from 632€ in 22

Source: Banco de Portugal, Relatório de Sistemas de Pagamento 2023

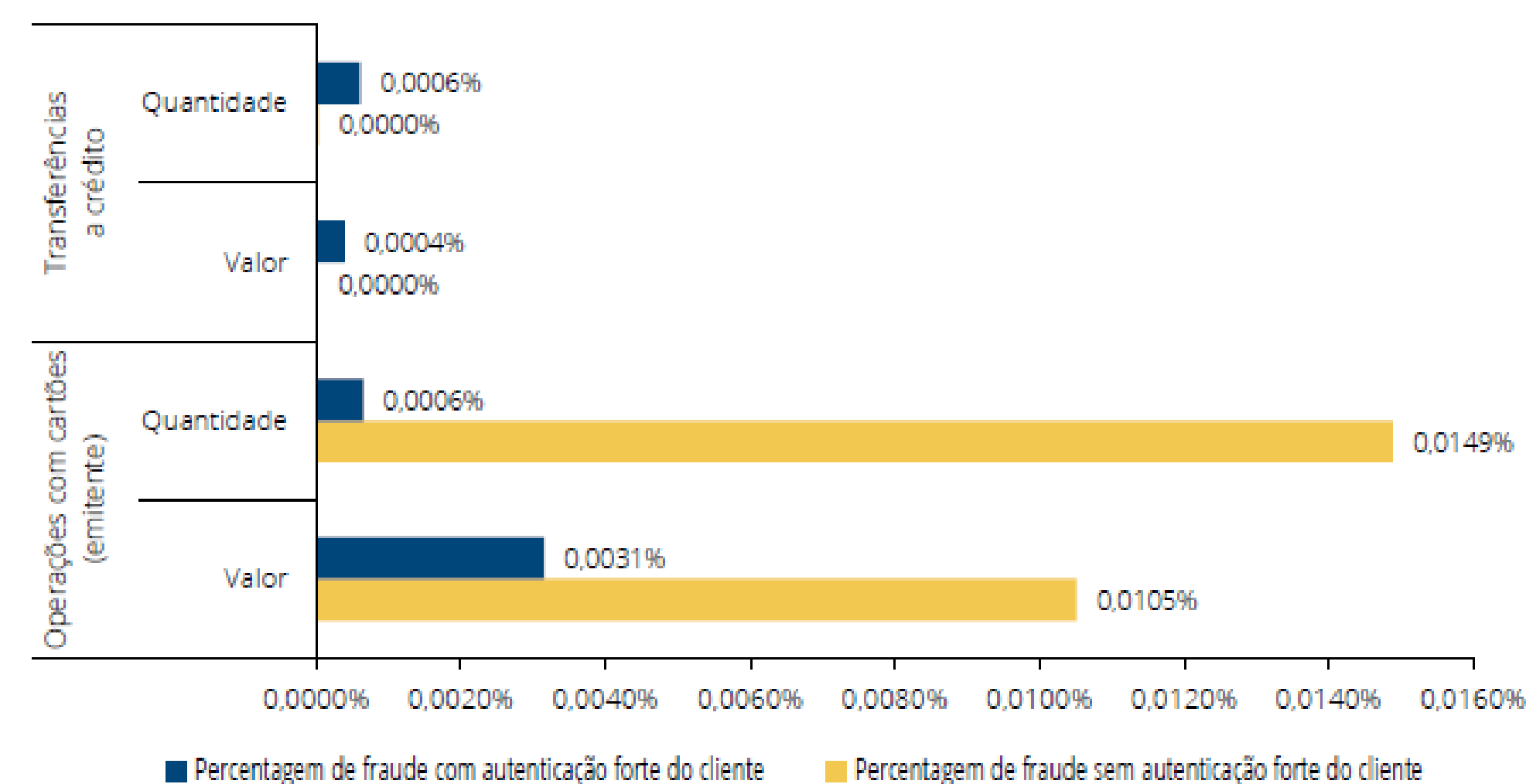


Payments landscape

Fraud levels and Strong Customer Authentication (SCA)

- Fraud levels are much lower in card payments with SCA than without
- Opposite in credit transfers – social engineering to get SCA data and initiate or trick

Gráfico I.1.5 • Fraude no primeiro semestre de 2023, por instrumento de pagamento e aplicação (ou não) de autenticação forte do cliente | Quantidade e valor em percentagem



Source: Banco de Portugal, Relatório de Sistemas de Pagamento 2023



Payments landscape

Fraud types and detriment

- Total losses in 1st semester 2023: 5 Million Euros
- Card payments
 - fraudster issues a payment order: 77%, including card data theft (70%)
 - changing payment order: 22%
 - majority of losses borne by PSPs (74%), payer (12%)
- Credit transfers
 - payer's manipulation: 60%, e.g. phone, messages to pay a friend or family member
 - majority of losses borne by payers (84%), PSPs (10%)

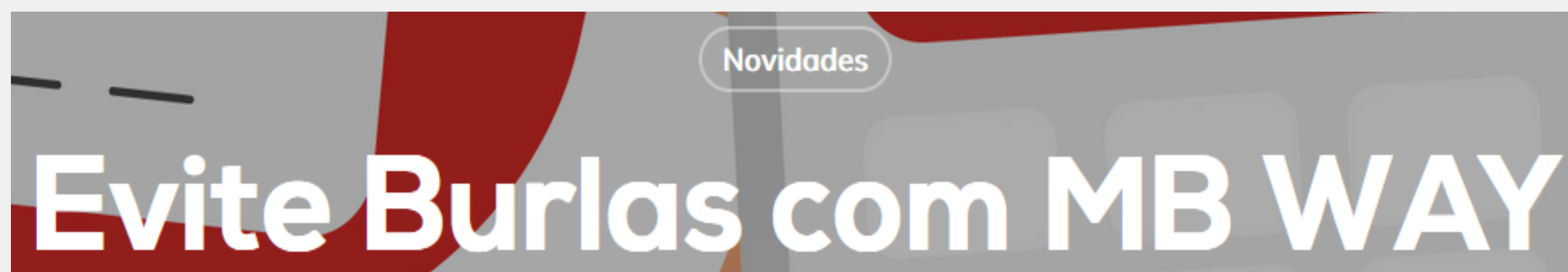


Fraud trends

Scams reported to authorities in S1 2023

- Phishing
- Cryptos
- “Olá pai, olá mãe”
- Fake pages
- MB Way
- Fake online shopping

Source: Ministério público 2023



Banco de Portugal alerta para tentativas de fraude associadas a ofertas de emprego, investimentos com retorno avultado e crédito fácil

30 abril 2024 ⌚ 02 minutos



Banco de Portugal

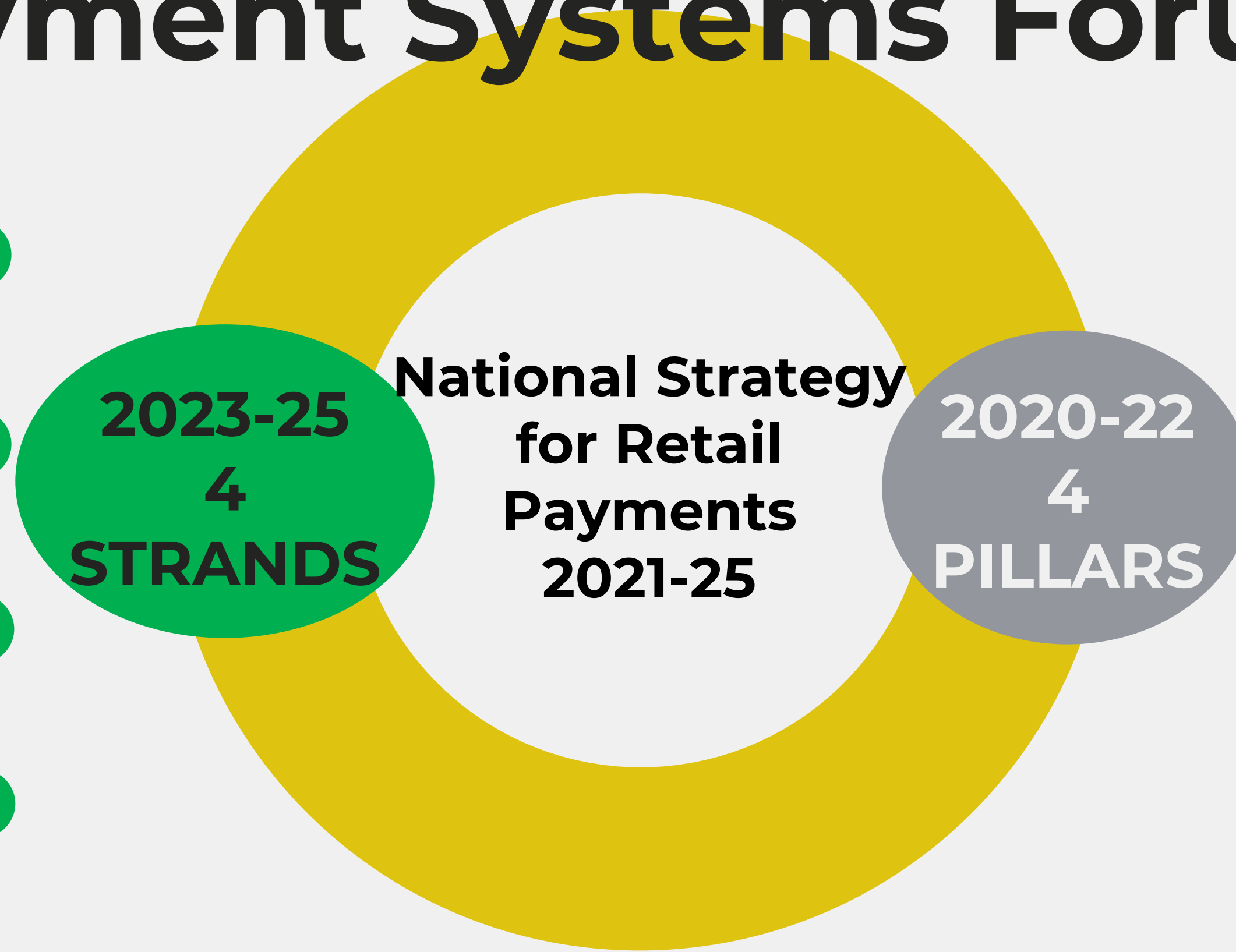
- Established in 2009, re-launched in 2018
- Advisory structure of the Banco de Portugal
- Main national stakeholders involved in the supply and demand of payment services, plus General Government
- Implementation of safe, efficient and innovative payment solutions
- Links with: Payment Systems Interbank Commission (Comissão Interbancária para os Sistemas de Pagamentos – CISP); Euro Retail Payments Board (ERPB); and European Forum for the Innovation in Payments (EFIP)
- National Strategy for Retail Payments, 2020-2022 and 2023-2025





BdP – Payment Systems Forum

- Outreach and transparency ✓
- Outreach and transparency ✓
- Security and usability. ✓
- Resilience and sustainability ✓



- 1 Promote a better-informed society
- 2 Enhance the benefits of digital transformation
- 3 Contribute to a regulatory framework that fosters innovation and efficiency
- 4 Encourage the adoption of more secure payment solutions





National Strategy Retail Payments 25

Strand I Outreach and transparency

- 9 lines of action
- 5 priorities:
 - Hold information sessions and briefings for consumers, businesses, general
 - Develop information content on the digital euro project in line with the content and schedule of the Eurosystem's communication strategy
 - Promote information campaigns on trends and types of fraud and scams and related mitigation measures
 - Prepare the study on the social costs of retail payment instruments ✓
 - Implement the Euro Retail Payments Board (ERPB) recommendations on transparency for retail payment end-users

Task force



Banco de Portugal

New projects in payments

- All PSP channels for credit transfers
- Confirmation of IBAN holder
- Single and bulk payments
- Since 20 May 24 (prev. ATM)

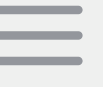
Payee/beneficiary
confirmation



- Initiation of credit transfers
- Account identification via proxy lookup/alias – mobile or tax number
- All PSP channels
- Since 16 Sep 24

SPIN





DECO

Proposals to address fraud/scams

Flagging of fraudulent IBANs and MB references

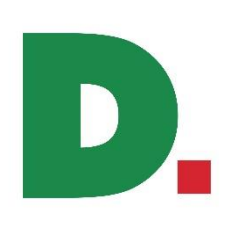
Better information in SCA SMS

Monitoring of pattern transactions

Better information in MB references

Support clients subject to fraud

Implementing awareness and education campaigns for consumers



Fraud in payments – consumers demand

1 More effective fraud prevention measures

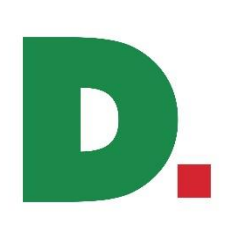
- **IBAN check** for all credit transfers
- Improved **transaction monitoring** and clearly allowing banks to block potentially fraudulent transactions

2 Consumers should be reimbursed more systematically in case of fraud

- Immediate **compensation** for unauthorised transactions
- **Gross negligence** applying only in exceptional cases - transactions as 'unauthorised' if tricked into them

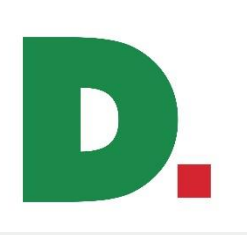
3 An improved liability regime must be paired with better enforcement mechanisms

- Obligation for **PSPs to inform** consumers: rights and procedures to contest denial of reimbursement
- Obligation for **PSPs to participate in alternative dispute resolution** and to accept the outcome



References (1)

- ✓ Banco de Portugal, Avaliação da cobertura da rede de caixas automáticos e agências Bancárias, 2022.
- ✓ Banco de Portugal- Dashboard payment preferences.
<https://app.powerbi.com/view?r=eyJrIjoiNmFjNGVkNDUtOTQwYy00NDBjLTlIM2YtZDFjMTBI NzI5N2UzliwidCI6ImY5MmMyOTlkLTNkNWEtNDYyMS1hYmQ0LTc1NWU1MmU1MTYxZCI sImMiOjI9>
- ✓ BEUC (2023). *A payment fraud epidemic: what's the remedy for consumers?* BEUC Factsheet
- ✓ DECO (2023). *Position paper: Measures addressing fraud and scams.* <https://deco.pt/servicos-financeiros/deco-apresenta-medidas-para-a-prevencao-de-fraude-e-burlas-nos-pagamentos/> –
- ✓ ECB (2022). *Study on the payment attitudes of consumers in the euro area (SPACE) – 2022.*
- ✓ EBA (2024). *EBA Opinion on new types of payment fraud and possible mitigants.* European Banking Authority



References (2)

- ✓ EPC (2022). *2022 Payment Threats and Fraud Trends Report*.
- ✓ OECD (2020). *OECD/INFE 2020 International Survey of Adult Financial Literacy*.
www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm
- ✓ World Bank (2023). *Global Financial Inclusion*.
<https://databank.worldbank.org/source/global-financial-inclusion>.

Thank you!

⊕ **Vinay Pranjivan**

⊕ vpranjivan@deco.pt
[linkedin.com/in/vinaypranjivan](https://www.linkedin.com/in/vinaypranjivan)