



Solving Verification of Payee Challenges



Introduction

The payments industry is evolving. Driven by consumer expectations for more seamless payment experiences and technological advancements, consumers are looking for new ways to pay. Payments are increasing, but so is fraud.



APP fraud accounts for **75%** of digital payments fraud globally

£1.8bn

EU APP fraud losses reached **€1.8bn** in 2022

>£4bn

>**£4bn** APP fraud losses across UK, US and India in 2026

Mandate for VOP in Europe

The Instant Payments Regulation (IPR) was published on 19/Mar/2024 in the Official Journal of the European Union. The IPR mandates Verification of Payee for ALL credit transfers (instant or non-instant).

Verification of Payee (VOP) in short – the payer’s PSP must be able to do name-checks on the payee by communicating with the payee’s PSP for intended credit transfers. The VOP-check can also include fiscal identifier checks (e.g. VAT, TIN). Such checks should be offered on all payment initiation channels – generally on all customer present scenarios – physically or virtually. The PSUs could opt out of the service.

Scope	Credit Transfers (Inst or Non-Inst)
Mandates for	PSPs, incl. EMIs and Pls
Coverage	Connectivity to all PSPs in SEPA/EEA
Channels	All customer-engaging channels. E.g. Mobile banking, Branch Banking, Phone Banking
Implementation Deadline	Eurozone PSPs – 09 Oct 2025 Non-Eurozone PSPs – 09 Jul 2027
Availability	24x7x365
Liability	PSPs executing transactions without a VOP are liable

Challenges

A. Scalability & Coverage

PSPs should be able to connect with all the other PSPs in the market. Even though PSPs can be accessed through existing schemes or a new EPC VOP Scheme, there is still a very long tail of PSPs that may struggle to deliver on time. Even the connectivity in the PSD2 realm to connect to 5,000+ PSPs has never been attempted.

B. Delivery Risk in Customer Channels

Even though the scheme operators and vendors are ready to meet the challenge in terms of solution & coverage, there is a major challenge within PSPs VOP program delivery - which is - updating the customer channels (online banking, mobile banking, teller application, phone banking, payments backoffice application) with necessary customer/staff experience (CX) interface. This change management can often transpire into a major delivery risk. PSPs will need to budget the change management with necessary internal stakeholders and vendors if needed. The timeline may be short for PSPs.

C. Scheme/Solution Interoperability

1. Discovery

First and foremost, inter-PSP VOP is all about the discovery of the VOP technical solution – PSP Identification/Authentication methods, API Security, API Endpoints, BIC/SWIFT code association etc. Scheme operators may provide a facility to find this information between the participants. However, the challenge to solve is a discovery for non-scheme participants. (E.g., *Iberpay participant trying to find information on PSP who hasn't joined any scheme, or they are part of another scheme*). The EPC Directory Service (EDS) is likely to solve this challenge, but it leads to a situation where all PSPs could join the EDS. Market players like Banifico will also help to address the situation by acting as an RVM.

2. Scheme Participation

There are regional schemes/solutions in different jurisdictions like France, Netherlands, Spain, Italy, and Belgium. These schemes or scheme-like setups require memberships. For Pan-European coverage, each PSP will not join every other scheme. So in addition to “direct membership” in schemes, PSPs can also get “indirect membership” or “sponsored membership”. (E.g., *SEPAmail supports indirect membership where one participant PSP can support other PSPs to participate in the scheme. It also allows sponsored membership for non-scheme PSPs to request VOP check on the SEPAmail participant PSPs*).

Sending VOP requests between different schemes will involve scheme fees that need to be propagated to the requesting PSP. We see different commercial models in the market. The sponsor PSP or aggregator PSP will charge a portion of scheme membership and transaction fees to PSPs from other schemes.

3. Identification & Authentication

This is key to VOP-check connectivity. Using a PSD2-based eIDAS certificate or conforming to OpenID FAPI could be an ideal solution. However certain schemes require special certificates, vanilla OAuth2 and the connection is open only to the scheme participants. This creates challenges for accessing a VOP solution outside the scheme without the support of a Sponsor PSP. Schemes also have different connectivity models – a centralised solution or a decentralised solution. The connectivity in a decentralised solution could lead to scalability challenges if PSP must deal with other PSPs bilaterally - unless there is a strong mandate on “conformance certification”

4. API Standards Translation

Today there are different regional API standards defined in different technical protocols. All these schemes need to baseline minimum interoperability in terms of the data attributes and the response codes/score. We believe many regional implementations would baseline this based on the EPC VOP Scheme (hopefully). There are challenges where PSPs must deal with different schemes (directly/indirectly) and translate them to the common/native data model. These data models and the response codes should be used to define a consistent customer experience (CX) across all channels. (E.g., *a German PSP being part of the EPC VOP Scheme and Sepamail scheme, will have to send the request to the French Sepamail PSP in Sepamail Diamond standards, collect the result, translate it to the EPC standard and send it to the customer channel*)

5. Name Matching Algorithms

The name matching can vary between each PSP and each scheme. The quality of the match depends on the regional demographics and also the risk appetite of the responding PSP. A universal algorithm may not be effective. The interoperability situations could lead to false positives in the early days.

6. SLA

To achieve a workable solution for the instant payment experience, the recommended response time could be in the order of 1-3 seconds before the requesting PSP enable time-out logic from the CX perspective. Different schemes have different SLAs - some quote 5-10 seconds. Also, intermediary PSP / RVM routing could lead to extended latency. Overall - to achieve the realtime CX experience could be a challenge.

7. Service Desk

The communication between requesting and responding PSPs within the scheme and across schemes could be challenging at times of issues. The framework to publish the planned/unplanned outages in the system maintenance to all other PSPs needs to be considered.

Banfico Account Verification Service

- Your Gateway to European and Global VOP

Single VOP API

Banfico's native VOP API is interoperable with many existing schemes. Our PSPs are required to integrate with a single API which can abstract many standards in the market.

Technical Service Provider

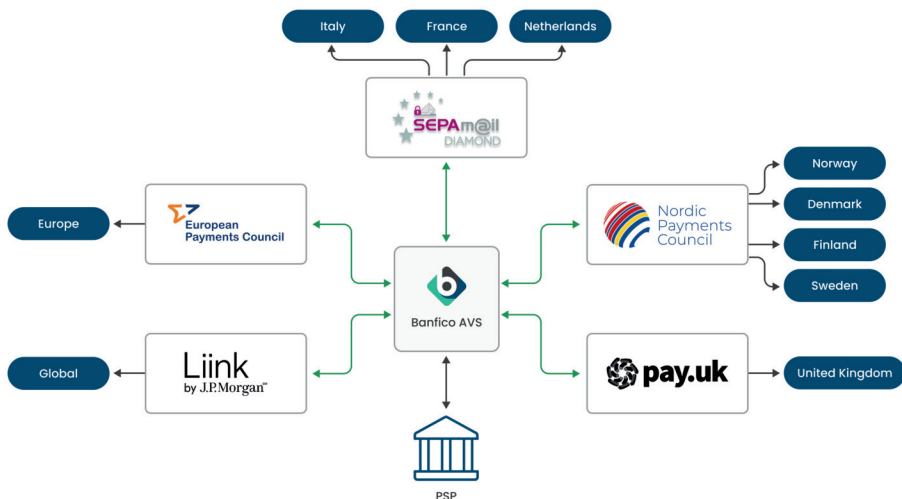
Banfico is a trusted technical solution provider to implement VOP solutions for different schemes. Where a PSP is required to participate in a scheme, Banfico provides complete hand-holding with a fully conformant technical implementation. The solution is built with an enterprise-grade technology stack - capable of being deployed on-premise in addition to the SaaS model.

Routing & Verification Mechanisms (RVM)

Banfico is well positioned to operate as an RVM with its own Pan-European Directory Service. Banfico is capable of aggregating operational data from different scheme registers/directories. With our partner PSP, Banfico will be able to provide a sponsored route into relevant schemes.

Collaboration with other Schemes/Solutions

The biggest challenge of Pan-European coverage can only be achieved by collaboration with different schemes and vendors. So far, Banfico has been at the forefront of such collaboration.



Why Banfico?



Trusted VOP Expert

PSPs looking to implement VOP should look for a trusted partner who has the expertise and knowledge to seamlessly and flexibly integrate into their own systems



Rapid Implementation

We will deliver at pace and can deploy our VOP solution in as little as 2-4 weeks, offering end-to-end and hands-on support



With you every step

We combine technical agility with access to business-led expertise in VOP to answer all your questions



Adaptable Integration

No "one size fits all" - you can expect a completely adaptable solution and approach that meets your individual circumstances



Reliability

With our outstanding track record in delivery, we'll work alongside you and place a dedicated team with the knowledge and experience to deliver to your needs

Banfico VOP Solution features -

- SaaS & On-premise
- Single API for Pan-European & global VOP
- User-friendly web portal with SSO support
- Conforms to OpenID FAPI, OAuth2, DCR, eIDAS (PSD2)
- Support for Batch processing
- Support for PSP-specific name-matching algorithm customisation
- Core bank integration through API or PSU accounts file upload through SFTP
- Production-ready to more than 15+ countries today
- Conformance validator solution included
- 24x7 ITSM Support
- Typical implementation timeline 2-4 weeks (excluding PSU Channels)
- Support for connectivity with different schemes through our sponsor PSP partners

**Get your
Verification of Payee
demo booked today!**

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Legend

ASPS - Account Servicing Payment Service Provider
CX - Customer Experience
EDS - European Payments Council (EPC) Directory Service
IPR - Instant Payments Regulation

PSP - Payment Service Provider
PSU - Payment Service User
RVM - Routing and Verification Mechanisms
VOP - Verification of Payee