

The Consumer Voice in Europe

DIGITAL EURO

BEUC's recommendations on the legislative framework for the digital euro



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Why it matters to consumers









In a digital society consumers need a public alternative to private digital payment methods. A digital euro which replicates key characteristics of cash, would be a major innovation for consumers allowing for privacy offline and online and ensuring access to an inclusive digital payment method free of charge for everyone. For those who want to continue using cash, this option should always stay available and easily accessible.

Summary

The following table summarises the Commission proposal and BEUC’s position on the different elements. Where BEUC considers that the approach taken by the Commission in its proposal is not beneficial to consumers, recommendations to improve the text are provided further down in the paper.

The table assesses the proposals with the following symbols, illustrating whether BEUC:

-  supports the Commission proposal
-  supports in principle but there is room for improvement
-  considers that an important point is missing

Commission proposal	BEUC position
 A public payment method with direct liability on the European Central Bank. The digital euro will be interchangeable with cash (not programmable money). Digital euros will be settled instantly around the clock.	 All important rules are set by public institutions with the interests of consumers at its centre. BEUC agrees that digital euros should be equivalent to cash, hence not limited to specific purposes like vouchers.
 Access to all residents and visitors of the eurozone with the possibility of extension to non-Euro area and third countries based on agreements with these countries.	 BEUC supports the introduction of a digital payment method which consumers can use across the eurozone with the same rules applying across Member States.
 A digital euro account free of charge for basic services and without the need to hold a bank account. Banks have to provide one electronic payment instrument for free.	 The proposal goes in the right direction, but digital euro accounts should include a payment card and direct debits as basic services to offer the same services as a basic payment account.
 Mandatory distribution by credit institutions. In addition, payment institutions and e-Money institutions can distribute the digital euro free of charge on a voluntary basis.	 Mandatory distribution will ensure wide availability of the digital euro. It should be assessed whether e-Money and payment institutions offering payment accounts should also be obliged to offer digital euro accounts.



Accessibility requirements to ensure financial inclusion:

One public entity per Member State must offer personal (face-to-face) support to vulnerable consumers and credit institutions have to set up dedicated assistance allowing vulnerable consumers to use all basic services. The digital euro shall be easy to use and comply with the EU Accessibility Act.



The right to human advice will be a key success factor of the digital euro among consumers who so far do not use digital payment methods. Access to such support systems should not be restricted but open and easily accessible to everyone who asks for it. All consumers should be able to use a public entity to open a digital euro account.



Higher privacy for offline payments

up to a certain threshold but no additional privacy for online payments as compared to other digital ways to pay.

Both offline and online versions will be available at first release.



The digital euro should allow for privacy not only offline but also online. For higher value payments, money laundering and tax checks can be done. Offline, checks should be aligned with cash. BEUC supports a parallel release of both versions.



Legal tender offline and online:

mandatory acceptance of the digital euro with no surcharges for consumers. Exempted are micro-entreprises which do not offer any comparable digital way of payment.



BEUC supports that the digital euro will be accepted everywhere online and offline.



Limits on merchant fees

are based on relevant costs and shall not exceed fees for comparable digital payment means. The European Central Bank is tasked to calculate and monitor the permitted fees.



Mandatory caps on merchant fees are needed to prevent high costs. The experience with private digital payment means strongly indicates that charges are otherwise set at very high levels.



Public digital euro app and ensured interoperability with all devices.



BEUC supports a public app which can be used on all devices.



Simple switching thanks to a portable account identifier

and the possibility to use European Digital Identity Wallets to onboard.



BEUC supports simple switching but would like to see in addition lighter onboarding rules for accounts only used offline or for lower values online.



Fraud detection:

ECB may set up a centralised fraud monitoring and banks are obliged to implement state-of-the-art fraud prevention.



BEUC supports centralised fraud monitoring but recommends clear consequences where payment providers do not invest in fraud prevention.



Dispute resolution:

ECB may set up a dispute management system. Consumers can seek redress collectively.



Dispute management system should be a mandatory feature of the digital euro and commercial disputes should be added to the scope.



A holding limit will be established to ensure financial stability.

Consumers can hold one or several digital euro accounts within the limits of the overall holding limit.



A holding limit is acceptable if it does not compromise the attractiveness of the digital euro, including when consumers decide not to use automatic (de)funding with a linked bank account.

1. Introduction

The digital euro will be a public payment method like cash but with the difference that it also works online for e-commerce and other forms of remote payments like peer-to-peer transactions using a mobile phone.

For consumers, as compared to private digital payment methods such as international card schemes, the main added value will be that they will have a new alternative to make payments in euros without passing through private networks. Legislators and central banks will determine how privacy-friendly the digital euro will be and how much consumers and merchants will pay to use it. The digital euro will be driven by the general interest and not by private companies where the main focus is to make profit. This will facilitate the implementation of objectives like accessibility for elderly people or people with disabilities.

As a payment method expected to be designed in the general interest of consumers, the digital euro can create synergies with cash by supporting existing cash infrastructure and replicating the characteristics of cash and hence creating a digital version of cash.

To meet this objective, the digital euro must fulfil high accessibility and privacy standards.

The digital euro must be easy to use, including for people who are not well acquainted/not familiar with the use of numerical tools. Consumers must be well accompanied in using the basic services of the digital euro.

Privacy must become a key added value of the digital euro. In a digitalised society where all our steps are tracked, paying without leaving data traces will help consumers to avoid monitoring and commercial surveillance techniques. This will ensure trust and confidence in using the digital euro.

The digital euro will only be successful if consumers can trust in it. Effective mechanisms to prevent fraud and to resolve disputes shall be set up by the European Central Bank to make the digital euro a secure way to pay.

The following chapters will summarise BEUC's recommendations for a legislative framework for the digital euro. Where BEUC is satisfied with the Commission text, this is indicated in the summary table above but not replicated in the following chapters.

2. Synergies or competition with cash?

Cash remains the preferred payment method for many consumers. The European Central Bank's SPACE study¹ shows that, in 2022, 59% of payments at point of sale were made in cash in Europe (with variations between countries). It is thus important to keep an efficient cash infrastructure alive to respect consumers' preferences. This requires a dense network of ATMs and bank branches as well as the obligation for merchants, public services and essential services such as healthcare and public transport to accept cash. At the same time, our society is becoming increasingly digital where many goods and services, including public services are offered online. Consumers who cannot pay digitally nowadays cannot access these goods and services.

¹ ECB (2022): Study on the payment attitudes of consumers in the euro area (SPACE). Available here: https://www.ecb.europa.eu/stats/ecb_surveys/space/html/ecb.spacereport202212~783ffdf46e.en.html#toc1_1

From a consumer perspective, we see the following synergies between the digital euro and cash:

First, the digital euro can reinforce the existing cash infrastructure by setting up a public digital payment method which is accessible via a broad network of ATMs and bank branches, including public intermediaries. Where access requirements are set for the digital euro, this will improve also access to cash as the same channels can be used for both.

Second, the digital euro should replicate characteristics of cash to ensure that consumers who use mainly cash gain access to a digital way to pay. This means that the digital euro must be designed in an inclusive way so that it can be used safely by elderly people and people with disabilities (*see chapter on accessibility*).

Third, it must be ensured that there is a public payment method, both for offline and online payments which guarantees that consumers do not have to rely solely on private providers to pay for goods and services. A well-defined obligation to accept both cash and digital euros everywhere (legal tender) will reinforce the space of public payment methods.

3. A public payment method

The digital euro should become a public payment method with interest of consumers at its centre.

Public rules of the game

Contrary to other payment methods, there will be a legal framework and several rules set by the European Commission and the European Central Bank (ECB). In addition, there is a public payment scheme which is drafted by the Digital Euro Rulebook Development Group chaired by the ECB. This group is composed of stakeholders including consumer organisations (BEUC, AGE), but also representatives of national central banks, commercial banks, payment institutions and e-Money institutions. The Rulebook Group is bound by the obligations set in the legislative framework and decisions by the ECB Governing Council but can in the absence of clear guidance take decisions on the rules of the digital euro scheme.

To establish the digital euro as an inclusive and privacy-proof payment method, the legislative framework should set clear obligations in this regard. Where technical considerations are needed such as the setting of holding and transaction limits and merchant cost caps, the ECB should be mandated to set such limits as foreseen in the Commission proposal to prevent rules being set by the private sector. Wherever privacy is concerned, the European Data Protection Board should be consulted.

A public distribution model

BEUC supports a dedicated onboarding channels via public entities. The public onboarding channel should be open to everyone who would like to use it. A restriction to those at risk of financial or digital exclusion as foreseen in the Commission proposal will create a lot of administrative burden for vulnerable consumers. They will have to prove that they are digitally or financially illiterate enough to receive access via a public entity.

It will be difficult to reflect different grades of digital literacy in rigid eligibility criteria. According to the ECB,² 40% of adults in the EU do not use the internet for banking services. In addition, there are different grades of usage, many consumers use a payment card to pay online but do not use online banking. Similarly, some consumers use a smartphone for basic messaging services, but this does not mean that they are able or feel at ease to use a smartphone for online banking.

In addition, there might be other reasons for consumers to choose a public entity. For privacy reasons, consumers might wish to not open their digital euro account at their home bank and should therefore have a public alternative.

BEUC recommends therefore to open access to public entities for all consumers. This will also drive competition for private distributors of the digital euro who will need to create attractive offers. Private distributors have the competitive advantage of already owning a large customer base which makes it unlikely that there are ruled out by a public alternative, but consumers should have a choice.

4. Accessibility

While consumers need to make payments every day, digital payment methods are far from being accessible to everyone. Even in highly digitalised countries such as the Netherlands and Norway, consumers struggle to pay digitally. The digital euro should aim at offering a digital way to pay which is accessible to all consumers.

In the Netherlands, a study by the Dutch National Bank³ shows that one in six adults are unable to do all their banking on their own. While most of them can perform everyday actions such as checking their bank balance and making payments in shops, many have difficulties operating devices such as ATMs which are not adapted to their needs, online banking and mobile banking apps.

In Norway, a study by the Norwegian Consumer Council⁴ on daily payments shows that in 2022, 10-25% of consumers depending on the market segment, have problems when paying for goods and services. This notably includes public services such as public transport where it is becoming impossible to pay in cash. On the other hand, 43% of the survey respondents reply that they are regularly helping someone (relatives/friends) to pay for goods and services showing that the need for personal advice/help is well present.

Access to a digital euro account

Financial inclusion starts with access to a bank account. From a consumer perspective, this could also be a digital euro account. Given the ECB plans to provide basic services free of charge and setting up public entities to offer such accounts to vulnerable consumers, the digital euro could further contribute to achieve the objective of financial inclusion. For example, in some countries, basic payment accounts are still far more expensive than

² ECB (2023): Presentation at the EPRB working group on digital & financial inclusion, slide 3. Available here: https://www.ecb.europa.eu/paym/digital_euro/investigation/governance/shared/files/ecb.degov230512_item3financialinclusion.en.pdf?566658e2298e378cbb2b9fca2fe88eb

³ Dutch National Bank (2023): Digitalisation of the payment system: a solution for some, a challenge for others. Available here: https://www.dnb.nl/media/v5lqqudn/impact-digitalisering_en_web.pdf

⁴Forbrukerradet (2023): Outsiders in the consumer markets. Available here : <https://storage.forbrukerradet.no/media/2023/01/forbrukerradet--outsiders-in-the-consumer-markets-en.pdf>

normal bank accounts⁵ and many banking services which rely on cash or paper-based transactions are way more expensive than equivalent digital services.⁶ If these services are offered free of charge, the digital euro will contribute also economically to financial inclusion.

BEUC thus supports the proposal to offer the basic services of a digital euro account free of charge. However, as the text currently reads, only credit institutions have an obligation to offer digital euro accounts and only when the consumer is already one of their clients (unless the consumer fulfills the access criteria for a basic payment account). Consumers should have the right to choose their PSP where they receive one digital euro account free of charge. In addition, there should be an anti-circumvention rule preventing an increase of charges for normal payment accounts to circumvent the rule that digital euro accounts are offered free of charge.

Basic services should include all services which are required to render a digital euro account fully functional. In our view, the basic services should therefore correspond to the basic features of a basic payment account which include the provision of a payment card usable for online and offline transactions⁷ currently not foreseen in the Commission's digital euro proposal. BEUC supports the possibility to (de)fund digital euros with cash without the need for a smartphone. This possibility should be widely available and free of charge.

Current de-risking practices by PSPs (to combat money laundering) lead to denied onboarding and offboarding of certain consumer groups e.g. homeless people without a permanent address or refugees/asylum seekers but also residents from other EU Member States.⁸ Guidelines issued by the anti-money laundering authority (AMLA) and the European Banking Authority are a welcome step in the right direction but there should become binding and be paired with clear enforcement rules (e.g. administrative sanctions) in case PSPs do not comply with the guidelines.

Right to human advice and compliance with the EU Accessibility Act

BEUC welcomes the availability of human advice to guide consumers throughout all steps of the digital euro (incl. dedicated customer services) via public entities and credit institutions as foreseen in the Commission proposal. It needs to be further defined what is meant by availability. Consumers should receive satisfactory service in terms of geographical availability and opening hours. In addition, quality requirements as regards the services offered to different vulnerable groups need to be defined further.

The Commission proposal further foresees that credit institutions have to set up dedicated assistance allowing vulnerable consumers to use all basic services. To ensure quality and availability, further requirements need to be set, otherwise only a minimum service will be offered as currently the case for cash.⁹ In addition, payment and e-Money institutions

⁵ Stiftung Warentest (2022): Basis-konto. Giro-konto für alle – immer noch zu teuer. Available here: <https://www.test.de/Basiskonten-im-Test-4936098-0/>

⁶ Arbeiterkammer (2023): Bankenmonitoring über Spesen. Wie sich die wichtigsten Bankspesen im Vergleich von 2022 bis 2023 entwickelt haben. Available here: https://www.arbeiterkammer.at/beratung/konsument/Geld/Konto/AK-Bankenmonitoring_2023.pdf

⁷ Payment Account Directive (2014/92/EU), Article 17, point d ii).

⁸ Commission report on the Payment Account Directive: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023DC0249> and EBA Guidelines on to challenge unwarranted de-risking and safeguard access to financial services to vulnerable customers: <https://www.eba.europa.eu/eba-issues-guidelines-challenge-unwarranted-de-risking-and-safeguard-access-financial-services>

⁹ Various reports from BEUC members show that bank branches and ATMs are disappearing and cash is less available to consumers (e.g. [Tests-Achats](#), [UCL article](#), [Consumentenbond](#)) For more info, please consult the BEUC factsheet on cash, available here: https://www.beuc.eu/sites/default/files/publications/BEUC-X-2023-044_The_importance_of_inclusive_payment_methods.pdf

offering the digital euro should also offer such assistance to vulnerable consumers to allow them to choose between different payment service providers.

BEUC strongly supports the explicit reference to the EU Accessibility Act and that the digital euro shall have “usage and service features that are simple and easy to handle, including for persons with disabilities, functional limitations or limited digital skills, and older persons”.

The choice of the payment instrument

Consumers should be able to choose the payment instrument which is offered to them free of charge. If payment service providers can choose, they are likely to offer only an app and no payment card avoiding competition with their private card schemes. This will render the digital euro less accessible for many consumers.

According to the ECB SPACE study¹⁰, in 2022, at the point of sale, 34% of the transactions are made with a card. The decrease in cash payments has translated into an increase in card payments. In 2022, the highest share of use of mobile apps at the point of sale was among the young population (18-24 years), but even there it remains marginal (6% so far). Cards are used for the majority of online payments (51%). A study commissioned by the ECB on the digital euro wallet¹¹ comes to similar results. Underbanked consumers have preference for cash, and if they use digital tools, then they prefer cards and web browsers over mobile applications. Cards are therefore a must-have for consumers and should be offered free of charge and should be usable for all use cases including e-commerce, point of sale and to pay for public services.

Budget management

BEUC recommends the introduction of “3customisable account settings” for budgeting and automatic functions. According to a study by BEUC’s member vzbv in 2022, budget management is named as the most important reason to use cash by 35% of consumers.¹² This is in line with the findings of the recent ECB study on digital wallets¹³ where the focus group of underbanked consumers highlights the importance of a top-up functionality similar to prepaid cards.

The same focus group expressed the fear that the so-called ‘waterfall’ functionality makes budget management more difficult. When using the waterfall functionality, money is automatically taken from a linked bank account with a risk to overrun this account. Consumers should be therefore able to set by default that funding from a linked account only works with a positive balance. And consumers should be able to hold high amounts on their digital euro account so that they can use the digital euro account without the waterfall functionality.

¹⁰ ECB (2022): SPACE study, *op cit.*

¹¹Kantar Public (2023): Study on Digital Wallet Features. Available here: https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.pr230424_1_annex~93abdb80da.en.pdf

¹²vzbv (2021): Bargeld – Verfügbarkeit und Nutzung. Available here : https://www.vzbv.de/sites/default/files/2021-12/2021-12-03_Chartbericht%20Bargeld_3.0.pdf

¹³ Kantar Public (2023), *op. cit.*

5. Privacy

Cash is so far the only payment method which offers consumers the ability to pay in a fully anonymous manner. There are no requirements for identification when accessing cash and no storage of transaction data when paying with cash. In a digital society, where payments are increasingly done with cards and mobile applications, all our transaction data will be stored and can reveal a lot about our private lives.

The digital euro could counterbalance such a development by offering a payment method which allows consumers to pay offline - and to a limited extent online - with limited requirements for identification and no storage of transaction data.

Onboarding

For consumers using only cash-like transactions such as offline transactions and lower-value online transactions, lighter onboarding requirements should be considered, as also supported by the ECB¹⁴. Lighter onboarding requirements, similar to Article 12 of the 2015/849/EU (Anti-Money-Laundering Directive), should be considered to increase privacy. This article foresees an exemption for e-money payments of up to €250 per month for which not all or no customer due diligence measures are required.

Offline functionality

The offline functionality is not relying on the use of the internet and is thus only available for proximity payments (point of sale, peer to peer). The payment would be peer-to-peer validated i.e. not by a third party such as a commercial bank or the ECB and hence from a technical perspective, transaction data does not need to be stored.

The Commission proposal foresees that the only data available is data on funding and defunding i.e. similarly to cash withdrawals at an ATM, data on the amount funded or defunded, the identifier of the local storage device, the account number used and the date and hour of the funding and defunding is available. As for cash, transaction data “shall not be retained by payment service providers or by the European central banks and the national central banks”. To guarantee that transactions are fully anonymous as for cash, transaction data should also not be stored on the local storage device, even if only accessible to the consumer. Otherwise, there is still a risk that PSPs or public authorities try to get access at a later stage.¹⁵ Where consumers want to have a record of transaction data, they can use the online functionality.

Online functionality

The online functionality of a digital euro would be available for all use cases, including proximity payments. To pass through, the payment process requires an internet connection and is validated by a third party (i.e. payment service provider). The Commission proposal foresees a similar level of privacy as private digital means of payment while the ECB considers it feasible to establish higher levels of privacy for lower-value payments.¹⁶

¹⁴ECB (2023): Presentation on digital financial inclusion, slide 6. Available here: https://www.ecb.europa.eu/paym/digital_euro/investigation/governance/shared/files/ecb.degov230512_item3financialinclusion.en.pdf?566658e2298e378ccb2b9fca2fe88eb

Netzpolitik.org (2023): Digitaler Euro. Expert:innen warnen vor Überwachungspotential. Available here: <https://netzpolitik.org/2023/digitaler-euro-expertinnen-warnen-vor-ueberwachungspotential/#netzpolitik-pw>

¹⁶ ECB (2023): Presentation describing the high-level product design, Slide 35 about privacy. Available here : https://www.ecb.europa.eu/paym/digital_euro/investigation/governance/shared/files/ecb.degov230512_item5highlevelproductdescription.en.pdf?3eef044457c1b415149978596e4fbaa4

BEUC supports higher privacy requirements online for payments under a certain threshold. To avoid that anti-money laundering thresholds are bypassed, the ECB has investigated the possibility to establish a system of so-called anonymity vouchers where each consumer can spend a certain amount either in one time or split in several times.¹⁷ The European Data Protection Board also recommended the setting of a threshold below which no tracing of transactions occurs for online transactions.¹⁸

Where full anonymity is not an option, there should be measures to enhance privacy in other ways. The Commission proposal mentions “state-of-the-art security and privacy-preserving measures” without specifying them. To ensure that this provision does not remain an empty shell, we recommend that the ECB is mandated in consultation with the EDPB to set technical standards for such security and privacy preserving measures.

In addition, the purposes for which personal data is processed are not clearly limited by the Commission proposal. Fraud management and dispute resolution are listed as purposes in the general interest, but other purposes and sharing of data via open banking are not clearly ruled out. The proposed framework on open banking in the Commission proposal for Payment Services Regulation is weak in terms of privacy¹⁹ and will apply to the digital euro in the absence of clear limitations. Following the approach to develop a cash-like digital euro, payment data generated with digital euro payments, should only be processed for a pre-defined list of purposes (closed list) and not for commercial purposes or shared with third parties via open banking (e.g. with account information service providers).

Holding limits and transaction limits

A holding limit is considered as a safeguard for financial stability preventing consumers from withdrawing all their money from their payment and saving accounts to store it in digital euro accounts. This premise can be questioned as the digital euro account has never been foreseen as a place to store money and the digital euro will not bear interest rates incentivising consumers to do so. An effective remedy against this potential withdrawal of money from payment and saving accounts would be to offer attractive interest rates on saving accounts and offer inducement-free retail investment products. A study commissioned by the ECON Committee of the European Parliament also comes to the conclusion that holding limits have not been investigated enough and explores further benefits of the digital euro without a holding limit.²⁰

Should a holding limit still be deemed necessary to ensure financial stability, this needs to be counterbalanced against consumer interests. A low holding limit is a significant barrier to the convenient use of a digital euro account and will oblige consumers to link their bank account to a commercial bank account. In addition, as noted by the European Data Protection Board, “the introduction of holding limits would affect the rights and freedom of data subjects by requiring additional data collections and controls.”²¹ BEUC therefore

¹⁷ECB (2019): Exploring anonymity in central bank digital currencies. Available here: <https://www.ecb.europa.eu/paym/intro/publications/pdf/ecb.mipinfocus191217.en.pdf>

¹⁸ EDPB (2022): Statement 04/2022 on the design choices for a digital euro from the privacy and data protection perspective. Available here : https://edpb.europa.eu/system/files/2022-10/edpb_statement_20221010_digital_euro_en.pdf

¹⁹ BEUC (2023): Position paper on the Payment Services Regulation.

²⁰ European Parliament (2023): Digital Euro: An assessment of the first two progress reports. The case for unlimited holdings of digital euros. Available here: [https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/741511/IPOL_IDA\(2023\)741511_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/741511/IPOL_IDA(2023)741511_EN.pdf)

²¹ Response of the EDPB to the European Commission’s targeted consultation on a digital euro. Available here: https://edpb.europa.eu/our-work-tools/our-documents/other-guidance/response-edpb-european-commissions-targeted_en

recommends that the necessity of a holding limit is carefully assessed and when deemed necessary set at a high level allowing consumers full flexibility in making all their payments in digital euros and enough space to receive incoming payments (e.g. government payments, refunds from merchants) including when the timing of such payments is uncertain.

As regards the offline functionality, the holding should not per se be different than the holding limit for the online functionality. Consumers should however, be warned that storing digital euros on their offline device can possibly mean losing money when the device is lost.

6. Fraud protection and dispute resolution

As pointed out several times in the ECB study on digital euro wallets,²² security is a key concern for consumers. The focus group on “underbanked consumers” is particularly afraid of becoming a victim of payment fraud and sending money to the wrong person. To allow consumers to build trust in the digital euro, several tools should be foreseen to protect consumers against payment fraud.

Application of the Payment Services Regulation

As spelled out in the Commission proposal, the provisions of the Payment Services Regulation and Payment Services Directive 3 apply to the digital euro. Hence, our understanding is that all rules including for example the introduction of a check verifying discrepancies between the unique identifier of an account and the name of the payee also apply to the digital euro.

BEUC has set out additional recommendations to prevent fraud in its position paper on the Payment Services Regulation²³ which will then also benefit the digital euro.

Central fraud monitoring service

Consumers are increasingly exposed to online fraud²⁴ and to ensure consumer protection, the digital euro should ensure the highest level of fraud prevention mechanisms. BEUC supports the ECB in pursuing a central fraud support service and recommends that it becomes a legal obligation to set up such a service and that PSPs distributing the digital euro must participate therein.

It remains important that next to a central fraud support service which looks at fraud cases across different PSPs, individual PSPs have their individual fraud prevention management in place and remain liable as foreseen in the framework set up in the Payment Services Regulation.

Moreover, a high number of fraud cases identified with a particular PSP has a reputational impact on the digital euro as a whole and the trust consumers will place in the digital euro as a payment method. Where the ECB identifies a high number of fraud cases, enforcement measures should be taken towards the responsible PSP to ensure that fraud prevention measures are improved and that there are adequate incentives for all PSPs to set up strong fraud prevention measures.

²² Kantar Public (2023): *op. cit.*

²³ BEUC (2023): Position paper on the Payment Services Regulation.

²⁴ BEUC (2023): Factsheet. A payment fraud epidemic: what’s the remedy for consumers? Available here : https://www.beuc.eu/sites/default/files/publications/BEUC-X-2023-027_A_payment_fraud_epidemic.pdf

A proportionate approach should be taken with full privacy ensured for offline transactions and increased fraud management for online transactions/higher transaction values.

Dispute resolution

Dispute resolution mechanisms are key for consumers to build trust in the digital euro as they ensure that consumer complaints will be adequately treated when money is lost e.g. due to fraud but also commercial disputes.

First of all, there should be not only a possibility for the ECB and national central banks to set up dispute resolution mechanisms but an obligation to do so. In addition, the scope of such dispute resolution mechanisms should reflect the state-of-the-art of private payment schemes. Currently, the Commission proposal foresees dispute mechanisms for technical errors and fraud related complaints but excludes commercial disputes. If commercial disputes are out of scope, this creates a significant weakness for the digital euro compared to other payment schemes which also include commercial disputes. This could prevent consumers from using the digital euro, namely when paying higher amounts. If commercial disputes are not included, there will be a lot of refusals of reimbursement which might not be properly understood by the consumer and consumers risk being left alone with disputed transactions. It would be much easier if PSPs could transfer the reported transaction to the merchant to solve these cases and provide an explanation as this is done by other payment schemes, too.

An explicit reference should also be added to the liability rules under the Payment Services Regulation. This includes compliance with the timelines set out in the PSR which are in practice often not respected by PSPs. Central banks should in cooperation with national competent authorities ensure that the Payment Services Regulation is fully enforced for the digital euro including by actively monitoring dispute resolution via their dispute resolution mechanisms.

For PSPs distributing the digital euro, participation in the dispute resolution mechanisms should be mandatory and they should be obliged to accept the outcome of such procedures.

As regards collective redress, BEUC welcomes that the digital euro proposal has been added to the annex of the Representative Action Directive.

END

