

A more customer centric SCA

Although SCA has contributed to the reduction of fraud in commerce, existing provisions sometimes pose undue challenges for customers attempting legitimate transactions. SCA requirements should be reviewed to strike a better balance between customer and merchant protection against fraud and support good commerce and legitimate transactions for the benefit of European consumers and businesses, reducing unnecessary shopping cart abandonment. Some of our members experience that of 17% of failed transactions ~85% are false positives, i.e. transactions that could/should have been completed and are incorrectly rejected.

Reviewed SCA requirements should enable the payments ecosystem to:

- (i) implement more seamless flows between Third-Party Providers (TPPs) and Account Servicing Payment Service Providers (ASPSPs),
- (ii) expand access to various identification forms, including government-issued IDs and delegated SCA setups, and
- (iii) ensure the consistent application of SCA exemptions for legitimate transactions across the Union.

For our sector, in particular grocery e-commerce, a tolerance margin should be applied between the authenticated estimated amount at the time of the order and the final authorisation amount, known only when the shopping cart is completed. This tolerance margin would cover slight variations between the estimated and final amount of the variable weight products (e.g. meat, fruit, vegetables, etc.) Of course, customers should have the option to accept or decline this tolerance. When declined they should accept the risk that they will get a (much) lower weight or that the item would be completely removed from the cart.

To reduce unnecessary abandonment, SCA legislation should be adapted so a Payment Service Provider (PSP) can consider the real levels of fraud of a merchant instead of its entire portfolio. For the Exemption Threshold Value could be calculated by merchant, activity sector or specific portfolio, instead to calculate to all the current portfolio of the PSP.

To further reduce friction, we support the Commission's proposal to have SCA factors belong to the same category, as long as their independence is safeguarded, and also support the European Parliaments position to include environmental and behavioural factors in the inference category.

Without these changes, this will happen:

Without these reviewed Strong Customer Authentication (SCA) requirements, a significant number of legitimate online transactions will continue to fail unnecessarily.

Ensuring these changes would:

- Empower merchants to tailor their preferred authentication methods, thereby enhancing the efficiency and usability of customer journeys.
- Promote a seamless and customer-friendly transaction environment while upholding the standards of security and trust in e-commerce.
- Promote widespread adoption and acceptance of government-issued digital ID wallet (EUIDW) to enhance security and customer trust.
- Ensure that PSPs consider the real fraud level of the merchant.

Policy asks:

- Allow a tolerance margin between the authenticated estimated amount at the order time and the final authorization known amount for weighed goods in grocery e-commerce.
- Allow PSPs to consider the real fraud level of a merchant when applying SCA and its exemptions.
- Call on the European Banking Authority (EBA) to update the Regulatory Technical Standards (RTS) on SCA to reflect foreseeable improvements in SCA to reduce abandonment.
- Harmonise the application of SCA exemptions across the Union.
- Allow SCA factors to belong to the same category, provided their independence is guaranteed (Commission proposal) but also allow environmental and/or behavioural factors in the inherence category (European Parliament common position).

Contact:

Atze Faas | Payments Adviser, faas@eurocommerce.eu

EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 27 countries and 5 million companies, including leading global players and many small businesses. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of business and individual customers. The sector generates 1 in 7 jobs, offering a varied career to 26 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector.