SOUTH AFRICAN RESERVE BANK

FSCA
Financial Sector Conduct Authority

PASA

CONSUMER ALERT: "Instant-EFT" Online Payments

The South African Reserve Bank (SARB) and the Financial Sector Conduct Authority (FSCA), in consultation with the Payments Association of South Africa (PASA), issues a warning to consumers to be aware of the risks associated with the use of "instant-EFT" online payment services offered at eCommerce stores (i.e. stores which facilitate the purchase and sale of goods or services via the internet).

What is "instant-EFT"?

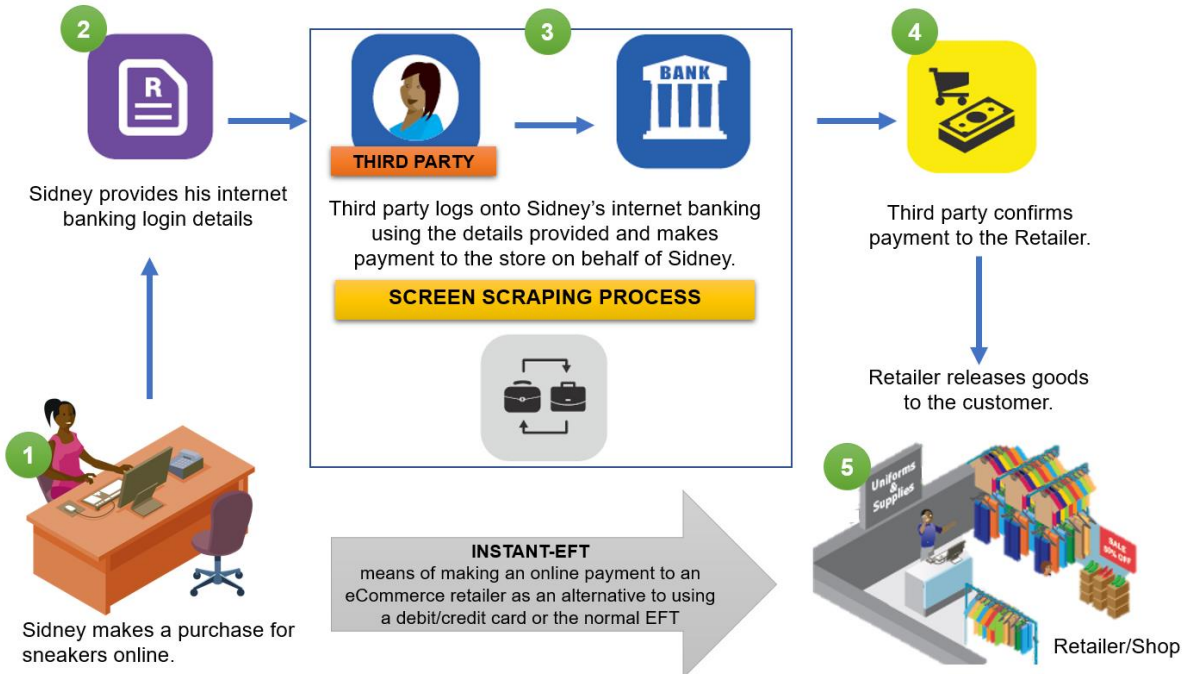
"Instant-EFT" is a payment method offered by a third-party, in partnership with eCommerce stores which automates the initiation of payments for consumers to eCommerce stores and also provides immediate confirmation of payment to the eCommerce store to enable them to dispatch goods or services purchased.

'Instant-EFT' makes use of a practice called **screen-scraping** which makes it possible for third parties to access bank account data and automate actions on behalf of a consumer using that consumer's online banking access credentials. The access to customer screen data is then used to facilitate payments.

Consider the following scenario:

Sidney (34) wants to order a pair of sneakers for his son's birthday. He searches for an online clothing store and finds the perfect pair. He selects the size and colour and then clicks on "buy now". Sidney then proceeds to the delivery details and payment page. Here, he is asked how he will make a payment and selects the 'instant-EFT' option. Sidney is given a list of banks and is prompted to select the bank he uses. Immediately he is redirected to a page with his bank's logo and is required to enter his online banking details. He inputs his online banking username and password and clicks "submit". Once he inputs the username and password, he is required to select the account from which he wishes to make the payment and is then required to authenticate the payment via his mobile phone. The webpage then moves to the payment confirmation page to inform Sidney that his payment was successful. Lastly, he receives an SMS from his bank alerting him that the payment has been successful. Instant-EFT benefits Sidney in that he can make online purchases quick and easy from the online store.

This is an example of an instant-EFT online payment which is illustrated below.



What are the risks to consumers?

The SARB, FSCA and the payments industry do not support the use of screen-scraping to effect payments given that it exposes consumers to the following risks:

Data Privacy

The method of using screen-scraping to effect payments puts consumers' access credentials at risk of being compromised. Consumers have no control over how their credentials and any other data or personal information accessed by the third party (e.g. account numbers, account statements, etc. may be stored and utilised).

Fraud Risk

Rogue entities might pose as third parties offering 'instant-EFT' services on fake eCommerce sites to capture consumers' access credentials for their bank's internet banking websites. From there such rogue entities may impersonate the consumer and conduct any activity that a consumer would have access to on their online banking platform (e.g. making real-time payments to themselves, applying for a personal loan, increasing transaction limits and ultimately initiating payments to mule accounts). Rogue entities might also access relevant data and personal information such as account information and monthly statements from which fraudulent collections through debit orders might occur.

Breach of Contractual Agreements

Consumers that make use of instant-EFT products may be in breach of their banks' terms and conditions, which regulate internet banking, by providing their internet banking login credentials to a third-party. As a result, consumers are, knowingly or unknowingly, giving up their rights of recourse and lack any legal protection in the event of fraud and subsequent loss suffered by such consumers.

Risk of Financial Loss and Goods Purchased Being Lost

EFT payments are final and irrevocable in nature and consumers will be unable to lodge disputes to reverse the transaction in the event of the online store not honouring their agreement (e.g. goods not delivered, or counterfeit goods). Consumers may also be held liable for interest payable on such amounts when payment is made from the consumers' credit card account or overdraft facilities.

Tips for Consumers

As the global economy experiences an increase in the use of electronic payments, online shopping, and the growing role of financial technology in payments, online crimes are increasing. It is becoming even more important for consumers to educate themselves on the risks and benefits of using online means to make payment or order goods and services online. It is also becoming exceptionally difficult for regulators and the financial industry alike to keep up with such crimes before a loss is experienced by either party.

We therefore encourage the following practices:

- Consumers need to be extra vigilant and ensure that they do all their checks, including contacting their banks for advice, before proceeding with something marketed and disguised under the premise of convenience.
- Consumers should make use of industry supported solutions like paying with their card (debit or credit card).
- Consumers should **not** share their online or internet banking logon credentials with any third-party.

Issued by: South African Reserve Bank, Financial Sector Conduct Authority and Payments Association of South Africa

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