

ISME,
17 Kildare Street,
Dublin 2.
4th July 2023

Minister Michael McGrath TD,
Department of Finance,
Government Buildings,
Merrion St Upper,
Dublin 2

Dear Minister McGrath,

I am writing to you concerning the very significant numbers of invoice redirect frauds affecting Irish businesses at the moment.

Invoice redirect fraud usually occurs after an email compromise, where criminals take a legitimate invoice sent to a business and change the IBAN on the invoice from that of the supplier to one which directs payment to them. They then email this bogus invoice to the business and wait for payment by EFT. We are separately communicating with Minister Ryan on the issue of email compromise, which facilitates the crime of invoice redirect fraud. GNECB figures put the quantum invoice redirect fraud in at least the tens of millions annually.

Businesses should, of course, always check back with suppliers who change their IBAN before paying them. However, very large numbers of legitimate IBAN changes have occurred in Ireland recently because of the closure of Ulster Bank and KBC.

EFT payments in Ireland effectively are entirely reliant on the payee IBAN to effect the payment, disregarding other payee information. Payee details are not cross-checked by banks against the IBAN on record for that payee.

We are asking your Department to tackle the incidence of invoice redirect fraud by requiring banks to institute Confirmation of Payee (CoP) for EFT transactions.

CoP requires a bank to match the payee IBAN with the name of the payee on file. If the IBAN does not match the payee name, the payment will not be processed.

When the Netherlands introduced CoP in 2017, it reduced invoice redirection fraud by 81%, and misdirected payments fell by 67%. The UK, despite Brexit, has remained in SEPA and has introduced CoP with similar levels of success in fraud reduction.

There is no reason Irish banks should not immediately roll out CoP. We are aware that the BPFI has advised the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach of the intention to adopt standardised CoP at EU level, we believe with its adoption by the Netherlands and UK that issue is moot, and Ireland should not delay its introduction any further.

We are aware that introduction of CoP will impose responsibilities on businesses as well as financial institutions, but that is a price SMEs are willing to pay to avoid the significant losses now occurring due to invoice redirect fraud.

We are happy to discuss the issue further with you and your Department should you wish.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Neil McDonnell', written over a light blue horizontal line.

Neil McDonnell
Chief Executive

Copy: John Hogan, Secretary General, Department of Finance
 Oliver Gilvarry, Assistant Secretary, Department of Finance
 Paul Ryan, Director, Department of Finance