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Contactless Card Payment Limits and Crime Rates after the Pandemic

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The problem

Debit and credit cards are a high-risk target of acquisitive crimes. Over 40 percent of thefts from the person in 2019 involved the loss of a debit, credit or store card according to the Crime Survey for England and Wales (ONS 2020). To reduce the risk that such cards attract thieves, contactless payment limits have been set at low levels. In April 2020, to inhibit virus spread by removing fingers from keypads, the contactless card payment limit was increased from £30 to £45. In early 2021, lifting the limit to £100 is being discussed. We think that raising the limit is likely to generate crime to acquire debit and credit cards.

What we know about theft of credit and debit cards and how we know it

Credit, debit or store cards are the most commonly stolen item in theft from the person according to the Crime Survey for England and Wales (ONS 2020). Plastic card fraud is often unreported, which means the data are uncertain, but the Office for National Statistics collates data on fraud by all payment types (using the UK Finance CAMIS database) and this evidence shows a strong and steady increase from around 1M incidents in 2010 to almost 3M annually by 2020 (ONS 2020).

We know that measures can be taken that significantly limit or reduce credit card crime. The introduction of Chip-and-PIN in 2004 in England and Wales was reported to dramatically reduce the problem of fraudulent use of credit cards in England and Wales even in its first year.

The introduction of contactless payment limits to date is a clear acknowledgement of both the crime risk and the potential for crime prevention. When contactless card payments were introduced in 2007, the transaction limit was set at £10. The limit increased to £20 and then set at £30 in 2015. Relatively early in the pandemic, from 01 April 2020, the limit was increased to £45, "as part of the financial services industry's response to the Covid-19 pandemic" (UK Finance, 2020).

In theoretical terms, credit and debit cards are frequently stolen products known as 'hot products'. Hot products, including some models of cars and phones, have characteristics that make them attractive to offenders. The characteristics are captured in the acronym CRAVED (Clarke 1999). They are Concealable, Removable, Available, Valuable, Enjoyable, and Disposable (easily fenced). A series of studies identifies these characteristics across a range of hot products. Plastic cards are readily available (most adults carry at least one, most homes contain them), highly portable and concealable on the person, valuable and easily used without biometric or PIN checks, or easily re-sold to other offenders. They are an excellent example of a hot product.

What we think might happen in the COVID-19 pandemic

Raising the contactless card limit to £100 would likely make card theft more attractive, increasing a broad range of acquisitive crimes including snatch theft of wallets and purses, hold-up robberies, and home and vehicle break-ins to find cards that can be used fraudulently. If the increased limits continue beyond the pandemic not only is it probable that crime rates will increase in the short-term, but also past experience suggests it could attract new cohorts of teen criminals who are more likely to progress to extended criminal careers, with implications for longer term crime rates in England and Wales. We anticipate that the

pandemic will have reinforced trends towards reduced cash usage for payment. The trend will be welcome for the banking industry, retailers, and public finances who experience any economic benefit but bear little or none of the crime cost. Even customers, unlikely to factor-in the crime risk, are likely to perceive only the potential benefit.

There are sound theoretical reasons to believe that acquisitive crime to steal plastic cards will increase. Even if each stolen card is only used once, each card will be more than three-times as valuable to thieves in 2021 than 2020 due to the £100 limit. Other things equal, we might expect theft of contactless cards for illicit swiping to more than treble.

Studies of crime trends strongly indicate that easy crime opportunities such as these can have a lasting effect. With more teenage offenders recruited into an easy and rewarding crime, more progress to commit other types of crime over the longer-term. This leads to wave after wave of cohorts of aging offenders committing various types of crime at higher rates (Farrell, Laycock and Tilley, 2015)

Hence, we suggest that the potential short and long-term crime risk in England and Wales may more than offset the potential and uncertain short-term gain from reduced fingers on keypads.

Some ideas in response

- To avoid increasing the reward from card theft, do not increase the ceiling for contactless payments.
- Contactless phone payments should be preferred and encouraged because they are more secure. (requiring biometric or PIN verification) and over 90% of UK adults own a smartphone. Apple Pay, for instance, does not have payment limits.
- Bank of England research (Caswell et al. 2020) found that COVID-19 is not well transmitted on cash so a return to it would carry little risk.
- Check whether the premise for increased limits is valid: Determine whether there is *additional* risk from payment machine contacts compared to contactless card use. If there is no additional risk then even the grounds for increasing limits is undermined.
- Government and regulators should incentivise card issuers to reduce the crime risks of card-issuing practices, perhaps passing some of the social costs of crime to card issuers. This is needed because card issuers do not bear the bulk of the costs of crime and so may be tempted simply to write-off any losses: Victims, health services, policing and the criminal justice system bear the bulk of the financial, emotional and psychological damage of crime.
- Under the Consumer Credit Act, card issuers must refund financial losses to victims, so card issuers should consider how to reduce these losses. The PRA, FCA and APACS might be appropriate bodies to be consulted. Card issuers might also be encouraged to consider the potential criminogenic side effects of increasing the limits to contactless payment ceilings, as part of their corporate responsibility.

Relevant resources and references

Caswell et al. (2020) Cash in the Time of COVID. *Bank of England Quarterly Bulletin 2020 Q4.*
Deloitte UK. (2020). Mobile Consumer Survey: The UK Cut, August 2020.
Knutsson, J. and Kulhorn, E. (1997) 'Macro-measures against crime: the example of check forgeries.' In R. Clarke (ed.) *Situational Crime Prevention*. New York: Harrow and Heston.
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About this series:
This is brief 26 of a series of short, speculative papers developed by the UCL Jill Dando Institute to support the police services during the current pandemic. The raison d'être of the series is fully described at: https://www.ucl.ac.uk/jill-dando-institute/research/COVID-19-special-papers