

17th March 2003

Sir,

PINS or signatures

Serena Allott (17th March, Features, page 15) draws attention to the large fraud losses which the banks are trying to reduce by switching from paper signatures to the use of PINs. If the switch in fact reduces fraud losses, that is to the good for all of us. But if it simply transfers the losses from the banks to their customers, that is a much less happy outcome.

Signatures are actually a safeguard for customers, who cannot normally lose them - Serena Allott's unusual experience apart - and certainly cannot pass them to anyone else. PINs are much harder to safeguard, especially as they are intended for use in computer systems, whose insecurities are becoming notorious. But when someone else uses my PIN, I foresee that my bank will be more than likely to blame me, wherever the fault may lie; and I shall have a hard time proving a negative.

I foresee a need for revision to the banks' code of practice before PINs replace signatures, and one paying special attention to the burden of proof in these difficult disputes.

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