

Strategy outcomes

Progress report
July 2023



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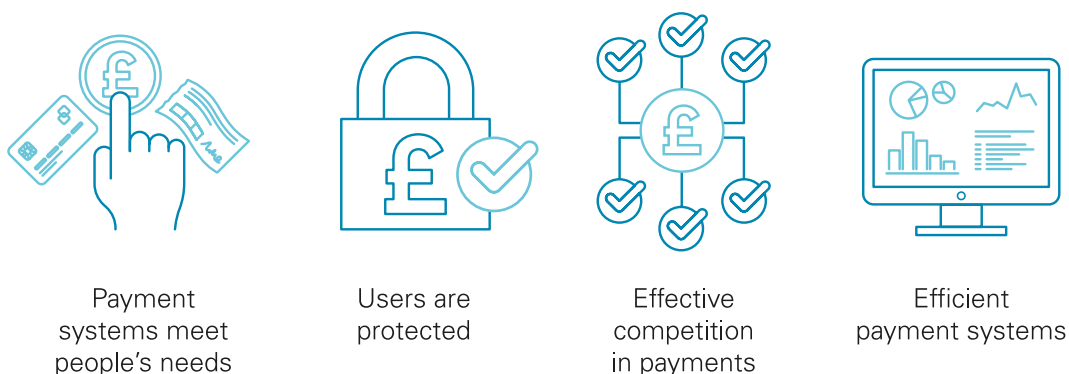
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1 Introduction

1.1 In January 2022, we published our Strategy¹, which sets out the four outcomes that the PSR is focusing on over a five-year period:

- Everyone has access to payment services that meet their needs.
- Users are adequately protected when using payment systems and services, so they can use them with confidence.
- Payment systems enable effective competition in the provision of payment services.
- Payment systems are efficient and commercially sustainable.

Figure 1: Our strategic outcomes



1.2 For each strategic outcome, we set out a number of indicators that could be used to assess progress. We said we'd report on progress against some of those indicators alongside our annual report, which will help us to establish whether payment systems and payment services in the UK are closer to or further away from the outcomes we want to see. This will help us assess whether the strategic priorities remain the right ones, or whether they need to be revised as we progress.

1.3 Since this is the first report on progress, and is in the early stages of our Strategy, many of the projects set up to deliver the Strategy have not yet completed, or are at a stage where their impact could not be discerned in presently available data. In other areas, we've revised our view of what indicators may be appropriate, in the light of work done over the past year. This report is our assessment of the current status of progress against each outcome.

1.4 For the reasons noted above, it is too early to draw any definitive conclusions about whether the PSR's strategic outcomes will be delivered or not. However, the data available remains consistent with a future where the outcomes we have identified can be achieved, so we appear to be heading in the right direction.

¹ See PSR Strategy, January 2022 at <https://www.psr.org.uk/media/m2kxfkg/psr-strategy-jan-2022.pdf>

1.5 In particular, the available data indicates the following:

- **Payment systems meeting users’ needs**

Indicators relating to cash use and access show that the longer-term trend of reducing cash use continues, but that free access to cash through ATMs and other free cash access points remains at good levels for most people. There has been a marked growth of contactless transactions, which represents a benefit in terms of the convenience of making many payments for those already willing and able to make card payments. Innovations have also benefitted merchants. Levels of resilience remain high.

- **Users are protected**

The number of reported authorised push payment (APP) scams has seen a slight decline in 2022 after a dramatic increase in the last six years, while reported card fraud has slightly increased last year. The measures we are driving forward, such as Confirmation of Payee (CoP), stronger authentication methods and new reimbursement policies, are aimed at protecting users and businesses to give them confidence when using payment systems. The increased coverage of CoP checks, the improvement in consumer awareness and the higher rates of reimbursement are all steps towards us meeting our Strategic outcome.

- **Effective competition in payments**

Indicators relating to the emergence of effective competition in payments suggest initial progress has been made towards enabling competition between payment systems. Specifically, some providers are now using open banking to develop services focused on expanded payments choice. Usage of payment initiation services has increased, but adoption remains low compared to card-based systems. We note that the structural changes required to enable adoption and competition will take some time to flow through as benefits to users.

- **Efficient payment systems**

Our current work plan aims to ensure that payment systems are efficient and sustainable and looks to maximise the opportunities this brings while minimising any associated risks. For instance:

- In the interbank systems, we have placed requirements on Pay.UK to ensure that the procurement of technical infrastructure for the New Payments Architecture (NPA) is competitive and effective.
- We are also working with other regulatory authorities in establishing a framework to ensure that open banking payments are efficient and cost effective.
- We have worked with LINK to ensure that the incentives in its system work to support the needs of users.
- Our market reviews of fees in the card systems are examining whether fee structures are appropriate and sustainable.

1.6 We’ll conduct a full review of our Strategy at its halfway point in 2024, to determine whether we are on track to deliver it and whether the strategic outcomes, priorities and actions remain appropriate – and, if not, how we should adapt them.

The structure of this report

1.7 This report is divided into four sections:

- Section 2 – Outcome 1: Payment systems meet people’s needs
- Section 3 – Outcome 2: Users are protected
- Section 4 – Outcome 3: Effective competition in payments
- Section 5 – Outcome 4: Efficient payment systems

1.8 The Annex lists the indicators we suggested in the Strategy, what we have done to measure each of them, and explains where we report on them in this document.

2 Outcome 1: Payment systems meet people's needs

Summary

- 2.1** In this chapter, we consider access to cash and digital payments and how the availability of those payment systems has supported their usage. While there are many dimensions to ensuring that payment systems meet people's needs, in our Strategy we focused on access to payment systems and choice between them. The Financial Conduct Authority (FCA) will be taking more responsibility for access to cash, so future reports for the PSR are likely to focus more on effective digital payments options.
- 2.2** Although the use of cash is in decline, a significant minority of consumers still regularly use cash to make payments. One of the reasons for cash use is the associated importance of avoiding overspending – which the physical nature of cash can make easier to manage. In the FCA's *Financial Lives 2022* survey, 26% of people surveyed reported paying with cash at least as much as other payment methods.² The extent of cash use varies between different groups, with the elderly and those living in the most deprived areas significantly more reliant on cash than the UK average.³ Cash use also varies markedly between the different countries of the United Kingdom. For example, in Northern Ireland, 38% of people report paying with cash at least as much as other payment methods, compared to 25% in England.
- 2.3** The fact that many people continue to use and rely on cash makes it important that people and businesses have good access to cash and retain confidence in the ATM network.⁴ While total numbers of free-to-use ATMs are declining, most of the population still have nearby access to cash – in 2022 Q2, 96.3% of UK population lived within 2km of a free-to-use cash access point⁵. We have been working with LINK to ensure they maintain a good geographical spread of free ATMs, including designating ATMs as 'protected' if there is no other free-to-use ATM within a 1km radius. LINK has increased the number of protected ATMs by 5% between August 2021 and December 2022 to ensure that communities continue to have free access to cash.⁶ We continue to review our policies on access to cash and we are working with the FCA, who will be taking on greater responsibilities to promote access to cash under the Financial Services and Markets Bill. The PSR will continue to be responsible for monitoring Special Direction 12 (SD12), which helps to maintain a broad geographic spread of free-to-use ATMs.

2 FCA, [Financial Lives 2022 survey](#).

3 By Index of Multiple Deprivation, Decile 1.

4 In March 2022, we issued Specific Direction 12 (SD12) to ensure the UK's cash system continues to be sustainable and provide good access to cash. In March 2023, we published a call for views from stakeholders on how well SD12 is working in practice. We will publish our findings in summer 2023.

5 [Access to Cash Coverage in the UK 2022 Q2](#).

6 [LINK Monthly Report, November 2021 and February 2023, paragraph 6](#).

- 2.4** Meanwhile, over the past few years, there has been significant innovation in ways to make and receive card payments, with widespread adoption of contactless payments and mobile wallets.
- 2.5** These innovations have brought benefits for people who already make card payments. They do not appear to have significantly improved access to digital payments for people not already using cards. We want consumers to have choice in how they pay and, in April 2022, the PSR Panel published a report identifying barriers to access to digital payments. We are taking forward its recommendations.
- 2.6** In contrast, innovations in ways to accept payments have improved convenience for merchants. In particular, the rise of payment facilitators has simplified card acceptance for smaller merchants.
- 2.7** Finally, high availability is also an important aspect of a payment system that meets people’s needs. In 2022, availability for cash withdrawal, cards and interbank payment systems was high, with all systems having at least 99.99% availability⁷, without many major outages.

Cash use

Although cash usage is falling, it remains one of the most-used payment methods

- 2.8** Cash use fell from 55% of payments in 2011 to 15% in 2021.⁸ Cash use is expected to continue to fall to the point that, by 2031, cash will account for 6% of all payments made in the UK.⁹ Despite this trend, cash remains one of the main forms of payment – in 2021, more payments were made using cash than credit card, Faster Payments or Bacs.

A significant minority of people still pay regularly¹⁰ using cash; and elderly consumers, or those living in deprived areas, are more likely to pay for most things using cash

- 2.9** At a national level, 26% of the population report using cash at least as much as other payment methods.¹¹ However, these national-level statistics obscure the fact that cash use is more concentrated in particular areas and demographics, making it very important for some users and less important for others. As Figure 2 demonstrates, elderly people and people in areas which are classed as ‘deprived’ use cash significantly more than the national average.¹² Moreover, there is significant variation in cash usage between different countries within the United Kingdom, further highlighting the varying importance of cash for different communities.

7 Availability is the proportion of scheduled time that a central payment system is operating to authorise payment transactions. Source: PSR analysis.

8 [UK Finance, UK Payment Markets 2022, page 27.](#)

9 [UK Finance, UK Payment Markets 2022, page 4.](#)

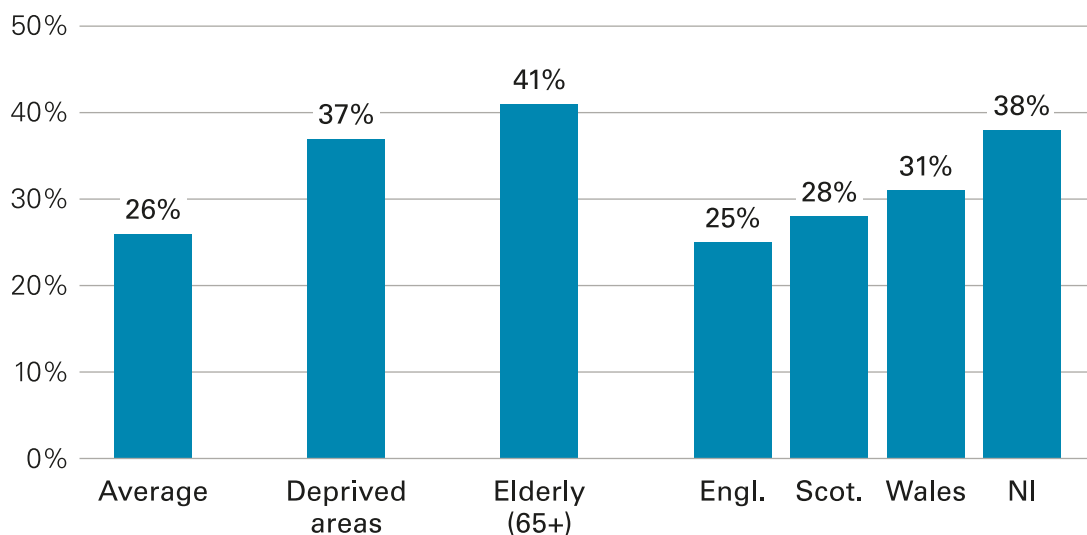
10 ‘Regularly’ means that people pay with cash equally to other payment methods or use cash to pay for everything/most things.

11 FCA, [Financial Lives 2022 survey.](#)

12 FCA, [Financial Lives 2022 survey.](#)

2.10 Our Strategy expressed our commitment to ensuring that people who want to pay with cash can do so. The following sections discuss our progress towards that outcome.

Figure 2: The proportion of people who pay with cash at least as much as other methods (2022)^{13,14}



Percentage of people responding: 'I use cash and other payment methods equally' and 'Everything/most things' to the question 'How often have you used cash rather than other payment methods in your day-to-day life in the last 12 months?'

Most people still have good access to cash although there has been a decline in the total number of free cash machines

2.11 Most people in the UK have a free cash access point nearby – such as a bank, building society branch, free ATM or a Post Office. Our research with the FCA estimates that in 2022 Q2, 96.3% of the UK population were within 2km of a free cash access point and 99.8% of the UK population are currently within 5km of a free cash access point.¹⁵

2.12 The number of free LINK-connected ATMs fell by 13% from 45,355 to 39,429 between year-end of 2019 and 2022.¹⁶

To combat the decline in free cash machines, and ensure good geographic coverage, there has been an increase in the number of protected ATMs

2.13 The fact that many people continue to use and rely on cash for many payments makes it important that people and businesses continue to have access to cash and have confidence in the ATM network. For this reason, we have been working with LINK to ensure that they maintain good geographic coverage of free-to-use ATMs.

13 FCA, *Financial Lives 2022* survey.

14 'Deprived areas': most deprived areas of the UK by Index of Multiple Deprivation, Decile 1.

15 FCA, [Access to Cash Coverage in the UK 2022 Q2](#).

16 [LINK Statistics and Trends, LINK ATM Numbers \(year-end\)](#).

- 2.14** To help ensure the geographic coverage of ATMs that communities rely on, LINK designates an ATM as protected if there are no free-to-use ATMs within 1km.¹⁷ The number of such protected ATMs increased by 6% between August 2021 and March 2023 from 3,180 to 3,365.¹⁸ This increase in protected ATMs is consistent with the overall decline in free-to-use ATMs, with ATMs becoming protected as nearby alternatives are closed.
- 2.15** Sometimes, operators decide to close protected ATMs. When an operator seeks to close a protected ATM, LINK will then seek to replace that ATM unless there are good reasons why the ATM cannot or does not need to be replaced. Of the total ATMs that have been designated as protected, the vast majority (86%) still remain open; 1% are temporarily closed and are planned to reopen;¹⁹ 11% were permanently closed without significantly impacting access to cash for the public;²⁰ and 1% were closed because replacing an ATM was not possible.²¹
- 2.16** In March 2022, we issued SD12 to support LINK in maintaining the geographic coverage of free cash machines. SD12 requires LINK to continue to maintain a broad geographic spread of free-to-use ATMs in the UK.
- 2.17** Over the last year we have been reviewing the effectiveness of SD12 and we will publish our findings in summer 2023.
- 2.18** Under the Financial Services and Markets Act 2023, the FCA will be the lead regulator for access to cash. We will continue to work closely with the FCA to ensure that payment systems provide users with the access to cash that they need.

Many users have been to shops that do not accept cash

- 2.19** People who rely on cash both need access to it and to be able to use it to make payments. In a Bank of England 2022 survey, 37% of surveyed consumers report having visited a cashless store in the past month.²² However, this proportion has decreased from a peak of 44% in 2021, potentially due to stores relaxing the precautions they took due to the pandemic. Cashless stores present an obvious challenge for people who rely on cash. The FCA reports that 98% of small business owners have said that if a customer needed to pay in cash, they would not refuse them.²³ It may be the case that cashless stores are concentrated in areas of lower cash use, but we do not have this data.
- 2.20** Shops reducing cash acceptance may present risks to those who rely on cash. However, given that the vast majority of stores continue to accept cash, our priority is ensuring that people have access to cash.

17 Or if LINK designate an ATM as protected for another reason. LINK's assessments of ATMs is in accordance with LINKs Protected ATM Policy, [Protected ATM Policy 5.0](#).

18 [LINK Monthly Report, November 2021 and April 2023, section 6](#).

19 ATMs classified as "Temporarily out of action" or with "Investigations with operator underway" or where "LINK [are] directly commissioning a replacement".

20 ATMs are not replaced where consumers have free access to cash over the counter from a nearby post office, where the site was not accessible to the public, where there are security concerns, or where there is assessed to be no community detriment following a site visit by LINK.

21 Where it is not currently possible to replace a Protected ATM for reasons such as no suitable premises within 1km, no willing site owners to host an ATM or no operator willing to deploy an ATM. LINK may still consider alternative actions and these sites remain on file.

22 Bank of England, [Quarterly Bulletin, 2022 Q3, Chart 5](#).

23 FCA, [Cash Acceptance Within SMEs, page 2](#).

Digital payments

2.21 Card usage continues to grow, and consumers have increasingly adopted new ways to make payments by card. According to a UK Finance report, 48% of transactions were made by debit card in 2021,²⁴ with a further 8% of transactions being made by credit card.²⁵ Debit card use has grown significantly (see Figure 7). The widespread usage of card payments means that innovations in card payments, and the availability of access to them, has significant impacts on users.

2.22 A spate of innovations in digital payments has seen widespread adoption by consumers over the last five years. For instance, the proportion of people who answered ‘yes’ to the question: ‘In the last 12 months, have you made any contactless payments?’ increased from 63% to 89% between 2017 and 2022.²⁶ The proportion of people who answered ‘yes’ to the question: ‘In the last 12 months, have you used a mobile or digital wallet to pay for goods or services?’ rose from 13% to 46% in the same period.²⁷

Barriers to the adoption of digital payments remain

2.23 Innovations such as mobile wallets have improved the convenience of making card payments for some users, but their benefits tend to be restricted to people who already use cards. We have not yet seen the innovation that is needed to improve access to digital payments for people who currently rely on cash.

2.24 In 2021 we launched the Digital Payment Initiative, to assess barriers to take-up of digital payments and identify potential solutions. In April 2022, the PSR Panel published its summary report of the Digital Payments Initiative, which identified the following barriers to adoption of digital payments:²⁸

- Lack of awareness and understanding of digital payment options
- Digital exclusion
- Failure of digital payment options to meet consumer needs
- Failure of digital payment options to meet small business needs

2.25 The report also highlighted the importance of understanding the nature of these barriers. In response to these findings, we have continued to engage with the payment schemes and consumer groups to focus our next phase of work.²⁹

24 [UK Finance, UK Payment Markets 2022, page 7.](#)

25 [UK Finance, UK Payment Markets 2022, page 66.](#)

26 FCA, [Financial Lives Survey 2017](#), question: ‘In the last 12 months, have you made any contactless payments?’.

27 FCA, [Financial Lives Survey 2022](#), question: ‘In the last 12 months, have you used a mobile or digital wallet to pay for goods or services?’.

28 [Summary Report of the Digital Payments Initiative, The PSR Panel, April 2022.](#)

29 The [Recommendations for the next phase of open banking in the UK](#) report confirms that the Joint Regulatory Oversight Committee will draft a delivery plan and framework to enable a phased rollout of non-sweeping VRP. This responds to calls in the [Summary Report of the Digital Payments Initiative \(The PSR Panel, April 2022\)](#) to address barriers to open banking variable recurring payments.

Merchants have benefited from innovations in card acceptance, and we have taken action to improve card acceptance service offerings

- 2.26** In recent years, a range of new products have made it easier and more convenient for merchants to accept card payments. Payment facilitators such as Zettle, PayPal (through its PayPal Here product), Square and SumUp now offer services with features such as simple standard pricing, low-cost cost card acceptance terminal hardware, and easy onboarding processes.³⁰ These services are particularly helpful for smaller merchants, making it easier for them to accept card payments.
- 2.27** Despite these innovations, our card-acquiring market review raised concerns about practices in the card-acquiring market. In October 2022, we published our card-acquiring market remedies with specific measures to ensure better outcomes for merchants, such as maximum contract lengths and trigger messages to encourage competition between acquirers.³¹ These remedies are designed to ensure merchants get a better deal, reduce their costs, and receive a higher level of service.

Payment system availability

Central payment systems are operating with almost continuous availability levels and with outages or incidents

- 2.28** When it comes to ensuring that payments services meet users' needs, a payment system's availability is an important complement to access.³² High levels of availability are essential to confidence in payment systems and the functioning of our economy, ensuring that people and businesses can make and receive payments when they want to. The loss of payment services for a few hours could be a minor inconvenience to some people, but could lead to a significant loss of income for a small business.
- 2.29** In 2022, all the card, cash, and interbank central payment systems that we regulate had operational availability of over 99.99%.³³

30 [PSR Market review into card-acquiring services. Final report, November 2021, page 44.](#)

31 [PS22/2: Card-acquiring market remedies: Final decision, PSR, page 9.](#)

32 Availability is the proportion of scheduled time that a central payment system is operating to authorise payment transactions. Source: PSR analysis.

33 Source: PSR analysis.

Conclusions

- 2.30** Over the past year we have been working to improve access and choice for all users.
- 2.31** Despite the decline in cash use, the geographic coverage of access to cash remains high. We've worked with LINK to ensure they continue to protect the geographic coverage of free-to-use ATMs. We have reviewed the effectiveness of the existing regime and we will work closely with the FCA as they take the lead responsibilities for maintaining access to cash.
- 2.32** While we are encouraged by the growing convenience of acceptance of digital payments, we know there is more work to do to improve access to making digital payments. We are taking forward the recommendations of the Digital Payments Initiative to determine how we can best ensure that more people have access to a range of payment options that suit their needs.

3 Outcome 2: Users are protected

Summary

- 3.1** In this section we discuss how levels of different types of fraud have changed, how new protections are helping to prevent fraud, and how the impact of fraud on victims is being reduced by greater reimbursement.
- 3.2** Recent years have seen a marked rise in payments fraud, which increased by 140% between 2017 and 2021³⁴ and then decreased by 8% in 2022.³⁵ This trend disguises the changing nature of the types of fraud that are happening. While the value of card fraud³⁶ is increasing at a slower rate, authorised push payment (APP) scams³⁷ increased significantly over the six years to 2021. In 2022, however, the number of APP scams declined.³⁸
- 3.3** In our Strategy, we acknowledged this rise in APP scams and the threat it poses to users, given the devastating effects these scams can have on victims. We have introduced new policies, such as Confirmation of Payee (CoP), to help prevent fraud – 92% of Faster Payments transactions are now subject to CoP checks, making it harder for criminals to commit fraud.³⁹
- 3.4** Another key tool in preventing fraud is ensuring that people are aware of their rights and know how they can protect themselves from being defrauded. Recognising this, we are supportive of the delivery of customer education campaigns to help people stay safe from fraud and spot the signs of a scam. These include the Take Five to Stop Fraud and Don't Be Fooled campaigns.⁴⁰
- 3.5** When fraud does occur, it is important that victims are appropriately reimbursed, both to mitigate the impact on them and to build trust in payment systems. In recent years, there has been considerable improvement in reimbursement for victims. Following the introduction of the Contingent Reimbursement Model (CRM) Code in 2019, there has been a 66% increase in victim reimbursement for APP scams for the firms that signed up to the Code.⁴¹ However, we recognise that there is more work to be done.

34 UK Finance, *UK Payments Markets Report 2022*.

35 UK Finance, *Annual fraud report – The definitive overview of payment industry fraud in 2021* (August 2022), page 7.

36 Card fraud is a form of identity theft in which a criminal uses a victim's credit card information for the purpose of charging purchases to the account or removing funds from it.

37 APP scams occur when fraudsters trick someone into sending a payment to a bank account controlled by the fraudster.

38 UK Finance, [Annual fraud report – The definitive overview of payment industry fraud in 2021](#) (August 2022) and [2022](#) (May 2023).

39 PSR, [Confirmation of Payee Requirements for further participation in CoP](#)

40 PSR, [Financial Crime Education and Awareness Solution](#).

41 UK Finance, [Annual fraud report – The definitive overview of payment industry fraud in 2022](#) (May 2023), page 51.

- 3.6** More information about what we are doing to fight APP scams can be found in the section on APP scams in our [Annual Report and Accounts](#).

Levels of fraud

In 2022, the value of reported APP scams declined slightly, while the value of reported card fraud increased slightly

- 3.7** In 2022, the total losses associated with reported fraud (both authorised and unauthorised) amounted to £1.2 billion, a decrease of 8% compared to 2021.⁴² The financial impact of these crimes is significant because of the material impact on individuals and their wellbeing, and because of its wider impact on confidence in the economy.
- 3.8** The reported volume of APP scams dramatically increased from 2017 to 2022 (see Figure 3).⁴³ Reported APP scam fraud value also increased between 2017 and 2021, but decreased slightly in 2022. For context, the reported volume of card fraud losses decreased by 3% in 2022, but their value increased by 6% in the same period.⁴⁴ This latest increase in the value of card fraud interrupted the downward trend started in 2018 that had previously led to a 20% decrease in the value of card fraud from 2018 to 2021.⁴⁵
- 3.9** As Figure 3 shows, in 2021, there were around 196,000 reported APP scam cases on personal accounts (an increase of 27% on 2020), and losses to APP scams totalled £580 million, a 39% increase on the previous year.⁴⁶ However, in 2022, while the number of reported APP scams rose to 207,000, their value fell to £485 million, almost a 17% decrease compared to 2021.⁴⁷

42 UK Finance, *Annual Fraud Report – The definitive overview of payment industry fraud in 2022* (May 2023), page 2.

43 PSR analysis of various UK Finance annual fraud reports: UK Finance, [Annual Fraud Report 2022](#) and [2023](#) and [Fraud: The Facts 2018, 2019, 2020](#) and [2021](#).

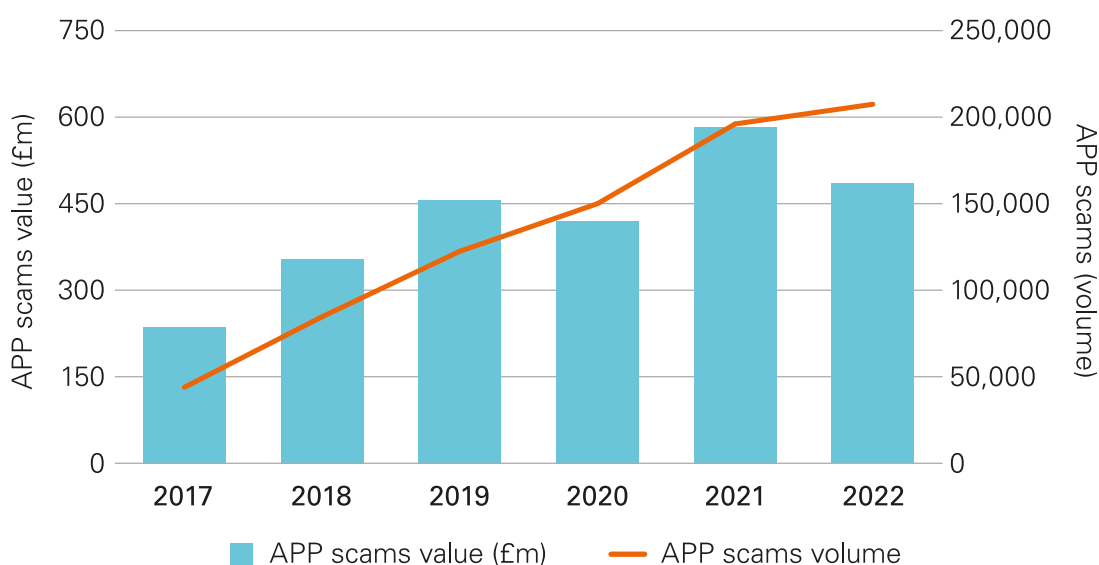
44 UK Finance, *Annual Fraud Report – The definitive overview of payment industry fraud in 2022* (May 2023), page 13.

45 PSR analysis of various UK Finance annual fraud reports: UK Finance, [Annual Fraud Report 2022](#) and [2023](#) and [Fraud: The Facts 2018, 2019, 2020](#) and [2021](#).

46 UK Finance [Annual Fraud Report 2022](#) and [2023](#).

47 UK Finance, *UK Payments Markets Report 2022* and UK Finance, *Annual Fraud Report – The definitive overview of payment industry fraud in 2022* (May 2023), page 53.

Figure 3 – value and volume of APP scams fraud losses, 2017-2021⁴⁸



3.10 We recognise the growing threat of APP scams in our Strategy. Much of our work over the past year has been focused on fighting this type of payment fraud.

Fraud prevention

CoP now covers the vast majority of Faster Payments transactions

- 3.11** To reduce the rate of APP scams, we have been working to make sure that payment service providers (PSPs) do everything they can to limit fraudsters’ ability to access the UK banking system and their ability to move money into their control.
- 3.12** To support this, we introduced CoP requirements. CoP is a name-checking service that helps make sure payments are sent to the correct personal or business account. This check makes it harder for fraudsters to redirect payments into their accounts. In August 2019, we issued Specific Direction 10 (SD10) to the UK’s six largest banking groups, instructing them to implement CoP by the end of March 2020.⁴⁹
- 3.13** As a result of our work with industry, in 2021, 92% of transactions made over Faster Payments – the usual means of conducting APP scams – were subject to a CoP check. Pay.UK reported that in 2023 more than one million Faster Payments transactions per day were covered by CoP.⁵⁰ We have been working to expand CoP, publishing our final Policy Statement and Specific Direction 17 (SD 17) in October 2022, to include 400 new PSPs. This will see over 99% of Faster Payments and CHAPS payments covered by CoP by October 2024.⁵¹

48 PSR analysis of various UK Finance annual fraud reports (UK Finance [Annual Fraud Report 2022](#) and [2023](#), UK Finance *Fraud – the Facts 2018 to 2021*).

49 PSR, [Specific Direction 10 \(Confirmation of Payee\) \(Varied February 2020\)](#).

50 www.wearepay.uk/what-we-do/overlay-services/confirmation-of-payee/

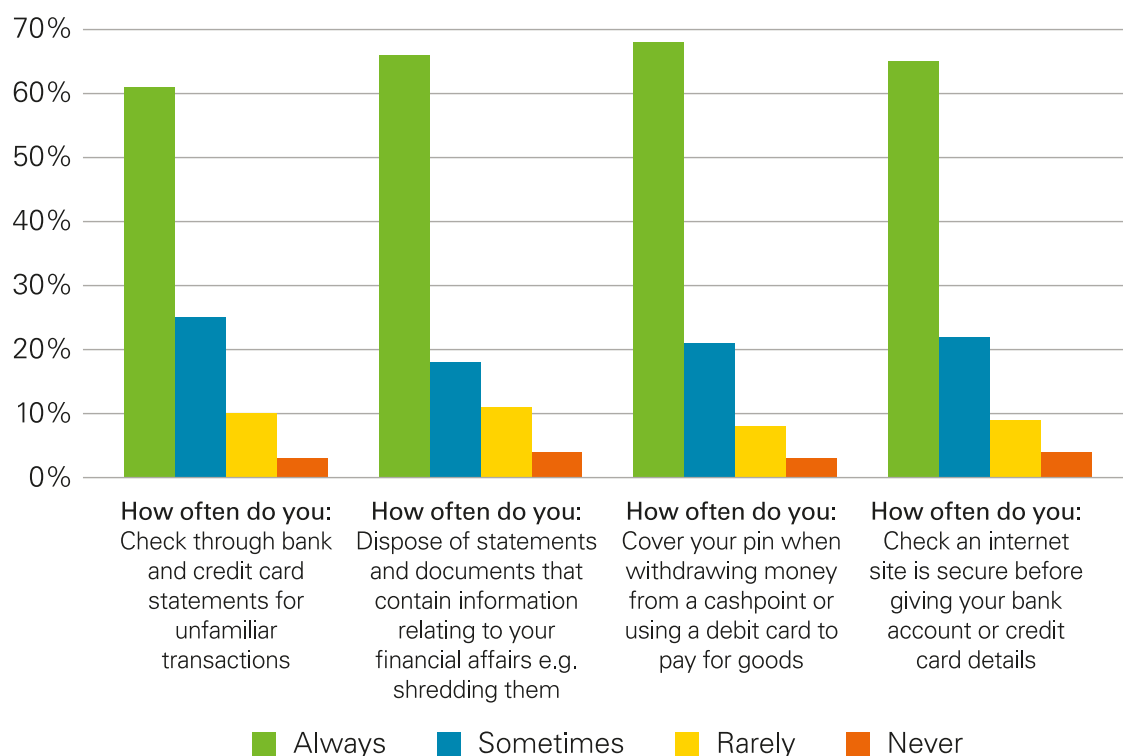
51 PSR, [CP 22/2, Confirmation of Payee Requirements for further participation in CoP](#).

Awareness of consumer protection is improving and users appreciate stronger authorisation methods

3.14 In our previous work on consumer protection, we found that general awareness of the protections available in payments is low.⁵² Although some consumers have some knowledge of different protections, many may not know precisely what protection is offered.

3.15 Figure 4 shows that a significant majority of adults in the UK take some key precautions that can be effective at spotting or preventing fraud. For instance, in 2022, only 13% of UK adults answered ‘rarely’ or ‘never’ to the question: ‘How often do you check through bank statements for unfamiliar transactions?’⁵³ However, survey data suggests that young adults (aged 16 to 34) and consumers with vulnerabilities are less likely to take such precautionary measures to protect themselves from fraud.⁵⁴

Figure 4 – percentage of UK adults that take certain precautions with regard to their finances (2022)⁵⁵



52 PSR, [CP21/4 – Consumer protection in interbank payments: call for views](#).

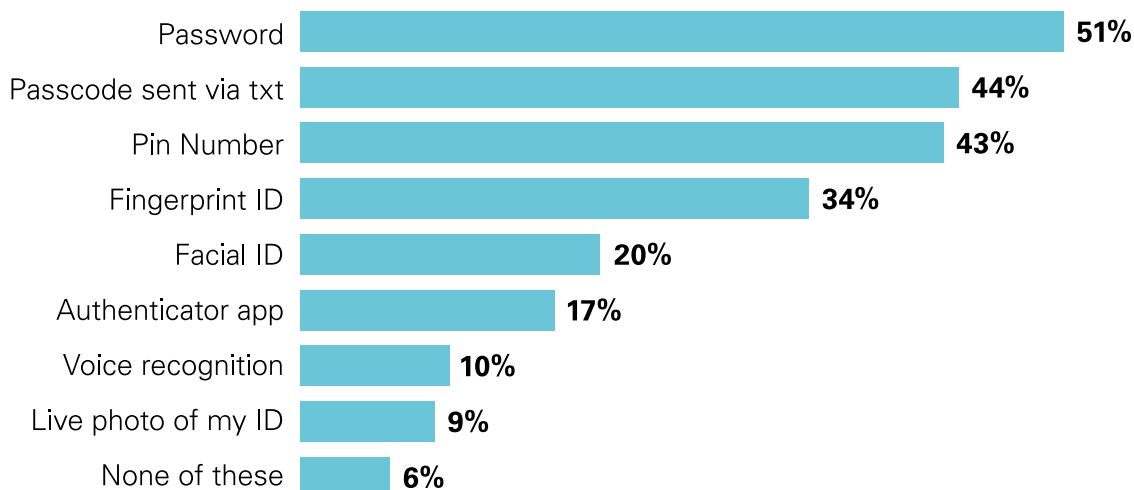
53 FCA, [Financial Lives 2022 survey](#).

54 FCA, [Vulnerability Guidance](#).

55 FCA, [Financial Lives 2022 survey](#).

3.16 However, aggregated data from the FCA shows that 94% of users agree that strong customer authentication gives them confidence that their payments are safe and secure. Passwords, passcodes sent via text message, and PIN numbers are the most preferred methods, as shown in Figure 5.⁵⁶

Figure 5 – security methods that give users comfort when using payments online⁵⁷



3.17 Finally, most people appear to appreciate the importance of protection when making payments and accessing online banking, with 89% of users saying that they don't mind that stronger authentication requires more time and extra steps.⁵⁸

Fraud reimbursement

More victims of fraud are being reimbursed

3.18 Over the last five years there has been considerable progress in improving reimbursement for victims. The CRM Code, launched in 2019, sets out consumer protection standards to reduce both the occurrence and impact of APP scams. It is designed to give people the confidence that, if they fall victim to an APP scam and have acted appropriately, they will be reimbursed.^{59,60}

3.19 Ten PSPs have now signed up to the CRM Code. The value of victim reimbursement rose by 66% between 2021 and 2022.⁶¹

3.20 To further improve the dispute and resolution mechanism for APP scams, we are introducing a new reimbursement requirement that will go beyond the voluntary CRM Code, setting consistent minimum standards of reimbursement for victims. It will also introduce financial incentives onto all PSPs to stop these frauds in the first place.

56 FCA, [Financial Lives 2022 survey](#).

57 FCA, [Financial Lives 2022 survey](#).

58 FCA, [Financial Lives 2022 survey](#) and Mintel (2021, 2022).

59 PSR, [CP22/4 Consultation paper Authorised push payment \(APP\) scams: Requiring reimbursement](#).

60 Lending Standards Board, [Review of the Contingent Reimbursement Model Code for Authorised Push Payment Scams](#).

61 UK Finance, *UK Payments Markets 2022* report, page 51.

Conclusions

- 3.21** We have seen significant progress in measures to protect users from fraud, with a very large proportion of transactions now covered by CoP checks, and users increasingly taking more precautions themselves. In coming years, we expect to see the effects of these policies translate into a lower incidence of APP scams. We made good progress on victim reimbursement, which helps protect users from some of the worst impacts of fraud.
- 3.22** We recently published new reimburse requirements⁶² that will introduce consistent minimum standards to reimburse victims of APP fraud in Faster Payments. Once implemented, our changes will deliver a major shift from the status quo, bringing the UK at the forefront of the fight against APP fraud globally and stopping fraud from happening in the first place.

62 PSR, 7 June 2023. See <https://www.psr.org.uk/news-and-updates/latest-news/news/psr-confirms-new-requirements-for-app-fraud-reimbursement/>

4 Outcome 3: Effective competition in payments

Summary

- 4.1** In this section we discuss progress towards effective competition that leads to better services, with a focus on retail payments.
- 4.2** Over the last decade, the use of cash has declined significantly and debit card usage has increased significantly. This trend is particularly pronounced in retail payments: debit cards account for 64% of 'spontaneous payments'⁶³, and are the most popular payment method online and in shops, whether for high-value or everyday items.
- 4.3** The prevalence of debit cards as a method of payment is not in itself a cause for concern. However, Mastercard and Visa process the vast majority of payments (i.e. there is high concentration in the provision of debit clearing services). In the UK, these are the only two debit card system operators – there is no separate national debit card system (which many other countries have). Mastercard and Visa also clear the majority of credit cards transactions, so that concentration appears high even when considering all types of card payments.
- 4.4** An important test of the effectiveness of competition is whether the industry is delivering good outcomes for users. Effective competition in payment systems should result in lower costs and higher-quality services for all users. Retail consumers are generally satisfied with the choice and security of payment methods.⁶⁴ However, merchants continue to express dissatisfaction with the cost of accepting payments (see paragraph 4.21).
- 4.5** Accordingly, in our Strategy we warned of an emerging risk to competition in retail payments markets, arising from:
- the concentration of debit card services
 - the prevalence of debit cards in retail payments
- 4.6** We set out our view that more effective competition within and between payment systems could mitigate this risk and support better outcomes for users.

63 UK Finance, *UK Payments Markets 2022* report. Spontaneous payments are ones that someone is not committed to in advance, in contrast to regular scheduled payments. As well as retail purchases, people make spontaneous payments to other types of business, for person-to-person payments, and for financial purposes – for example, transferring money between current and savings accounts.

64 *Financial Lives 2022* survey, question: 'How much do you agree or disagree with the following statements: I have a range of methods that allow me to make payments securely'.

- 4.7** In recent years we have seen innovation in retail payments and the emergence of new ways of making payments. Mobile wallets, more convenient payment acceptance technologies, and Buy Now Pay Later (BNPL) are providing new services for both consumers and merchants, which is reflected in their growing adoption. However, these innovations are predominantly based on card payments and do not support greater competition *between* payment systems.
- 4.8** In our Strategy we identified opportunities for interbank payment systems to provide competition in retail. We said this could be an important way of improving outcomes, as there may be limited opportunities to improve competition between card systems. In particular, payment initiation services enabled by open banking⁶⁵ could compete with card payments for some retail uses.
- 4.9** There is continued interest from PSPs in gaining direct and indirect connections to interbank systems. This is not an immediate basis for competition in retail payments, because a retail application of account-to-account systems is still in development. However, the growing provision of these services establishes a market where more PSPs can innovate.
- 4.10** Open banking is increasingly enabling PSPs to develop innovative payment services. New organisations have launched services focused on expanded payments choice – for example, providing new ways for consumers to flexibly manage their finances by moving money between their accounts using variable recurring payments (VRP) to top up a savings account or avoid an overdraft, or to pay a self-assessment tax bill. There is increasing usage of the kinds of payment initiation services that may become a viable alternative for a wide range of retail transactions. At the moment, popular use cases include making payments to charities, paying insurance premiums and tax bills, but some providers are also starting to offer open banking-based payments services to online retailers as an alternative to card payments.⁶⁶ In the future we anticipate seeing a wide range of retail payment offerings enabled by the expanded capabilities of open banking, ranging from online and in-store retail payments to utility bill payments.
- 4.11** However, we are still at the start of our journey to deliver our strategy to help promote the application of interbank systems for retail uses and achieve more effective competition in retail payments. In April 2023 the Joint Regulatory Oversight Committee (JROC) set out its vision and roadmap to further develop open banking, which includes introducing capabilities that will help the development of account-to-account payments. Over the coming year we will be working closely with JROC and industry to deliver the roadmap’s goals, including to support the growth of account-to-account retail payment services.⁶⁷ This includes enhancements to the functional capabilities and technical standards of open banking to ‘level up’ availability and performance, and the definition of measures to mitigate the risks of financial crime, ensure effective consumer protection if things go wrong, and promote additional services including expanded use cases for VRP. We will also be looking to finalise the design of a future entity that will take up the **Open Banking Implementation Entity**’s role and influence the further evolution of open banking. Over the next two years we will

65 Open banking is a secure way for consumers and businesses to give regulated third-party providers (TPPs) secure access to their payment account data and to initiate payments. Based on this access under the customer’s explicit consent, these TPPs are then able to provide consumers and businesses with value-added services and products that save time and money.

66 [The Open Banking Impact Report](#) (March 2023).

67 Policy paper *Recommendations for the next phase of open banking in the UK* available at www.gov.uk/government/publications/recommendations-for-the-next-phase-of-open-banking-in-the-uk

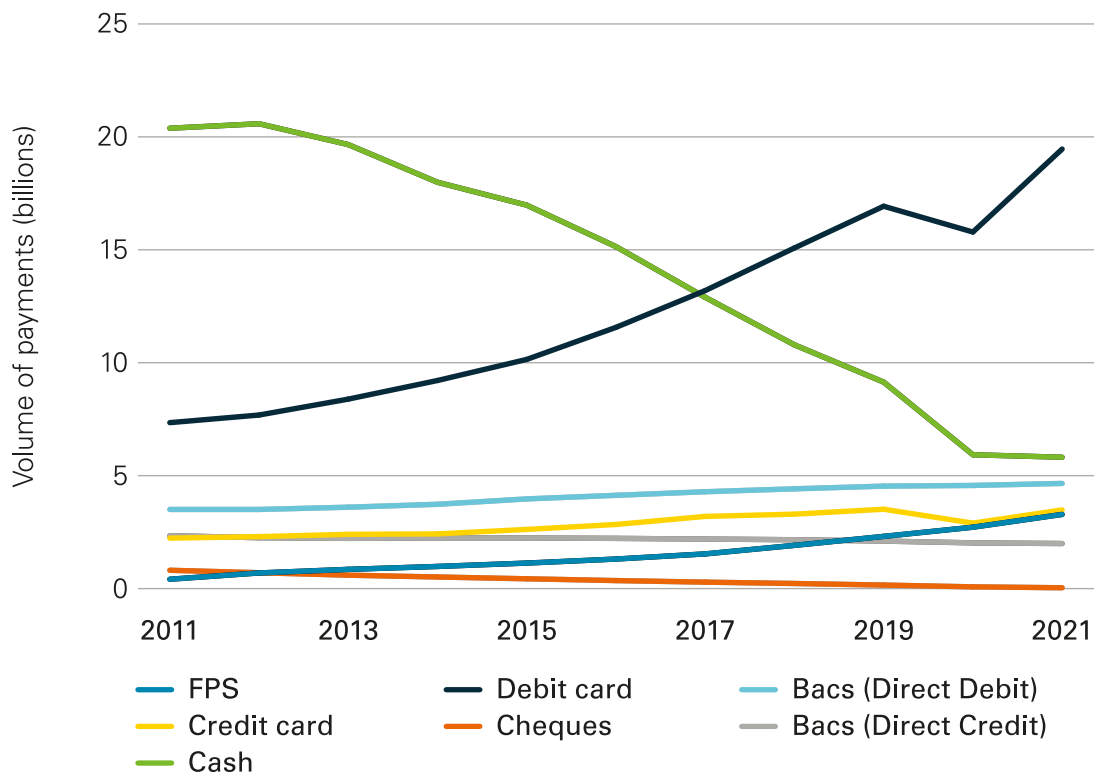
work closely with the open banking ecosystem to implement these changes and anticipate that a sustainable commercial model will have been developed and piloted, and that innovative new business models will have been tested.

Usage of different payment methods

Debit cards are the most-used payment method, while cash use has been in consistent decline for more than a decade

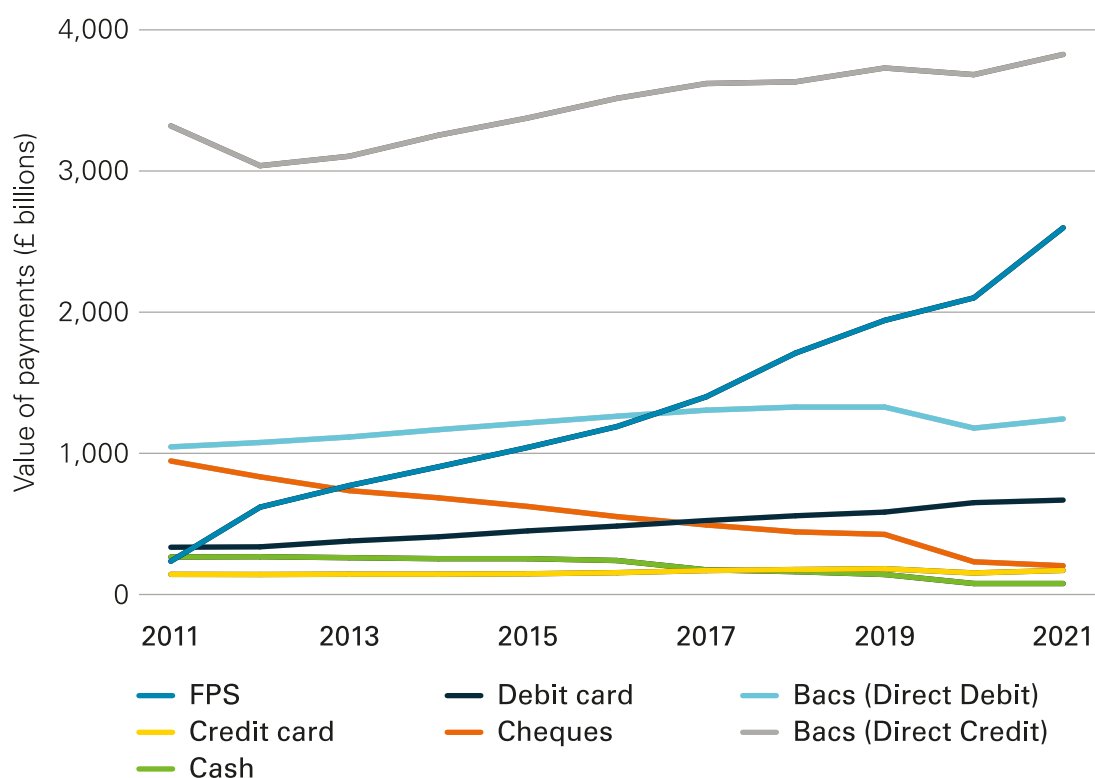
4.12 The main trend over the past decade in payments has been the decline in the usage of cash and the rise in the usage of debit cards. Over the same period there has been a steady increase in the volume and value of payments over Faster Payments, which coincides with the increased convenience of online and mobile banking, and may also partially account for the decline of cash and cheques (see Figure 6 and Figure 7).

Figure 6: Volume of payments by payment system (2011-2021)⁶⁸



68 UK Finance, [UK Payments Markets 2022](#).

Figure 7: Value of payments by payment system (2011-2021)⁶⁹



4.13 In terms of total value of payments, Bacs Direct Credit is leading. Faster Payments is next and has been growing (see Figure 7). The different ranking between volumes and values reflects the different ways people use each system: interbank systems are characterised by larger transactions, whereas debit card and cash are most frequently used for retail payments.

Debit cards remain prominent in retail payments

4.14 The decline of cash and rise in debit card usage has been largely driven by retail payments, where debit cards are now the most common payment method by a considerable margin.

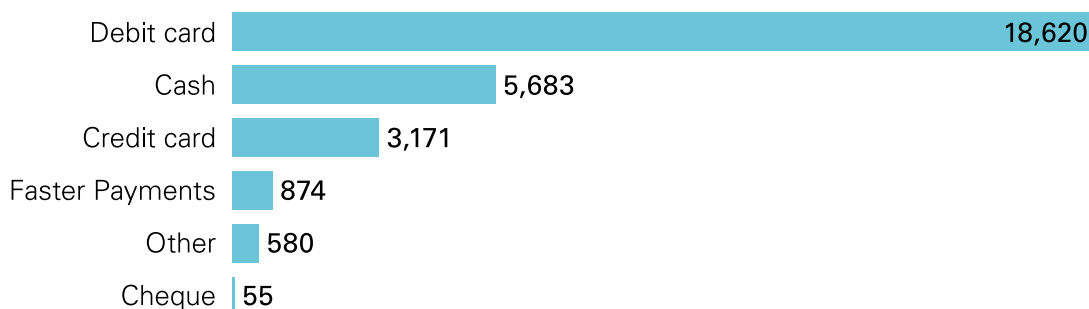
4.15 We can see people’s preference for debit cards in the number of spontaneous debit card payments. Spontaneous payments⁷⁰ accounted for 83% of all consumer payments (by volume) in 2021. Of those, 90% went towards the retail, entertainment, or travel sectors, which means they are a good indicator of consumer choices for retail payments.

⁶⁹ UK Finance, [UK Payments Markets 2022](#).

⁷⁰ See footnote 63 for a definition of spontaneous payments.

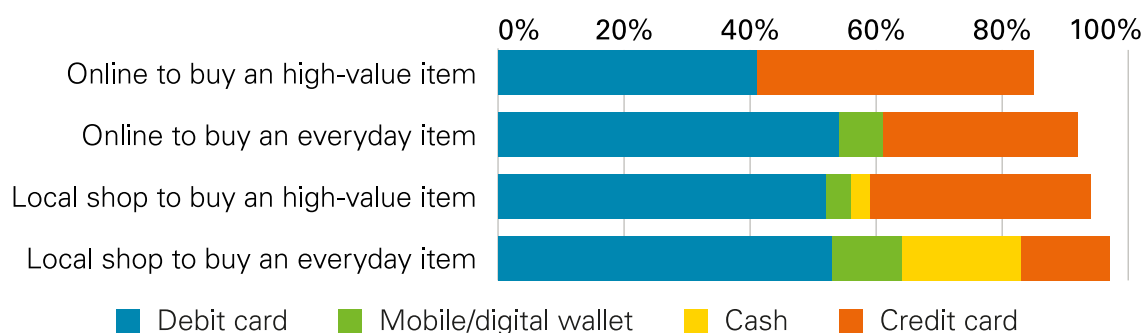
4.16 In 2021, most spontaneous payments were made by debit card (64%). Cash was the next most popular method and accounted for 20% of spontaneous payments. Credit cards accounted for 11% and Faster Payments for 3% (see Figure 8). In line with our strategy for promoting the application of interbank systems to retail payments, we would expect the share of Faster Payments to increase.

Figure 8: Spontaneous consumer payment volumes by payment method, millions of payments, 2021⁷¹



4.17 The importance of debit cards for retail transactions is further confirmed by the findings of the *Financial Lives 2022* survey, which shows the preponderance of debit card usage for everyday and high-value shopping (see Figure 9).⁷² Although credit cards appear to be more frequently used for high-value online purchases, these account for a relatively small proportion of total transactions.

Figure 9: Last payment method used by types of transaction (2021)⁷³



Question: ‘The last time you [made this type of payment] which type of payment method did you use?’ Answer: list of ten options, including ‘other’.

Base: All UK adults doing this type of activity/making this type of payment. Bars don’t add up to 100% because only the options chosen by more than 3% of respondents are shown.

71 UK Finance, [UK Payments Markets 2022](#).

72 *Financial Lives 2022* survey, question: ‘The last time you [made this type of payment], which type of payment method did you use?’. The survey question explores how consumer preferences of payments vary in different scenarios. Results in 2022 indicate that slightly more than half of UK adults who shopped locally or online for everyday items used debit cards for their last transaction. The same holds for high-value item purchases in local shops (not online, where credit cards lead with 44% against 41%).

73 *Financial Lives 2022* survey

The high concentration of debit card clearing services continues to create a risk to competition

- 4.18** Debit card clearing services are still concentrated on two main providers. Card issuers typically determine whether current accounts offer payments via Mastercard or Visa (but do not offer this choice to their customers). And unlike many other countries, the UK does not have a separate national debit card system.
- 4.19** In principle, credit cards could offer an alternative to debit cards, but some factors suggest they offer limited opportunities for competition. There is both a high degree of concentration in the provision of credit card clearing services, and the main providers of credit card clearing services are the same ones who are also providing debit card clearing services. Furthermore, credit card use has seen no noticeable rise, whereas debit card use has surged (see Figure 6 and Figure 7) and in 2021 there were six times more debit card spontaneous payments than credit card spontaneous payments (see Figure 8).

Current outcomes for payment system users

Consumers appear largely satisfied with their payment options

- 4.20** Retail consumers appear to be largely satisfied with the payment methods available to them. The percentage of people who feel they have a range of payment methods which allow them to pay securely was 83% in 2021.⁷⁴ New complaints and disputes with payment providers have been stable during 2022, at a level approximately one third lower than the peak registered during the first quarter of 2021.⁷⁵ We note this reporting period would be affected by COVID.

Merchants report increasing costs for accepting retail payment collection

- 4.21** For large merchants, the cost of accepting debit card payments has increased in recent years, reaching 0.27% in 2021, according to research by the British Retail Consortium (BRC).⁷⁶ The BRC also found that credit card and other payment types⁷⁷ have remained considerably more expensive for merchants than debit cards.
- 4.22** The BRC survey focuses on large merchants. However, historically, small and medium-sized merchants have paid higher fees for accepting card payments than larger businesses. So we would expect to see that cost of accepting retail payment collection was the same or higher for small and medium merchants too.

74 *Financial Lives 2022* survey, question: 'How much do you agree or disagree with the following statements: I have a range of methods that allow me to make payments securely'.

75 Financial Ombudsman Service data on number of new consumer protection-related complaints and disputes raised with payment providers.

76 [British Retail Consortium Payments Survey 2022](#). The *Payments Survey* is an annual publication of the British Retail Consortium (BRC) measuring the sales volumes and values of different payment channels employed by retailers across the UK. The data for the 2022 survey was gathered in 2022 and covers the 2021 calendar year. The survey was completed by retailers that represent just under 40% of UK retail annual sales turnover which in 2021 was £421 billion.

77 In the BRC survey, the category 'other payment types' includes store cards and coupons, Payment Initiation Services (PIS), BNPL and services such as PayPal, Alipay or WeChat Pay.

Entry, exit and adoption of alternatives to card-based payments

4.23 As we focus on promoting competition between different payment systems, we are monitoring the number of PSPs participating in each system, in terms of how many are joining and leaving the systems (entry and exit). We are also monitoring the take-up of different payment services. Stronger alternative payment systems may offer greater competition to card-based payments.

Use of new and innovative payment methods is growing, but they tend to be based on traditional card payment systems

4.24 User choice is increasing both in terms of payment methods available (for example, BNPL⁷⁸, mobile wallets, cryptocurrencies, open banking-initiated payments), and the availability of different providers for each payment method.

4.25 Of the new ways to make payments, mobile wallets have been particularly successful: 46% of people report using them in 2021, up from 13% in 2017.⁷⁹ Over the same period, BNPL services have also become more common: around 12% of respondents report using them in 2021. There are many providers of BNPL, including card schemes, fintechs and merchants. Consumers who used BNPL services in the UK during 2021 were mostly likely to report using Klarna, PayPal Credit or Clearpay, but there is competition in the market from credit incumbents such as NatWest and Santander.⁸⁰

4.26 However, although these innovations provide services that people appreciate, the innovations still usually rely on card payment systems to authorise, settle and process payments. This means they do not yet mitigate the risks presented by the high level of concentration in the provision of clearing services for card payments.

4.27 Although cryptocurrencies represent a different payment method, they have not been widely adopted for mainstream retail payments. Some online merchants accept cryptocurrencies as payments, and there are platforms which allow users to spend their cryptocurrencies using a debit card.⁸¹ However, only 3% of survey respondents reported having ever made a payment using a cryptocurrency.⁸²

78 The term 'BNPL' refers to a type of interest-free instalment credit which allows borrowers to split the cost of purchases into regular repayments not exceeding a 12-month period. The government is bringing currently unregulated, interest-free BNPL into FCA regulation. The consultation on draft legislation closed on 11 April 2023. For updates, refer to <https://www.gov.uk/government/consultations/regulation-of-buy-now-pay-later-consultation-on-draft-legislation>

79 *Financial Lives 2022* survey, question: 'In the last 12 months, have you used a mobile or digital wallet to pay for goods or services?'

80 UK Finance, [UK Payments Markets 2022](#).

81 UK Finance, [UK Payments Markets 2022](#).

82 *Financial Lives 2022* survey, question: 'Have you ever paid for goods or services using cryptocurrency, e.g. through a cryptocurrency payment app such as Coinbase or BitPay?'

There is continued interest in direct and indirect participation in interbank systems, including Faster Payments

- 4.28** In our Strategy, we identified opportunities for interbank systems to provide competition in retail payments. We said this could be an important way of producing better outcomes, as the opportunities to improve competition between card systems may be limited.
- 4.29** A large proportion of interbank payments are supported by Faster Payments. This payment system will support the development of interbank retail transactions based on open banking (before it is eventually replaced by the New Payments architecture (NPA), which Pay.UK is currently developing). This means that an increase in PSPs participating in Faster Payments can make it more competitive and help enable the development of more varied use cases.
- 4.30** Throughout 2022, we continued to see new direct and indirect participants⁸³ in interbank systems, including Faster Payments. The access and governance report on Interbank payment systems provides a periodic update on trends and developments in payment systems – distinguishing between direct and indirect access. We will publish the next update, covering detailed data on 2022, in the third quarter of 2023.

Some providers are using open banking to develop services focused on expanded payments choice

- 4.31** As of December 2022, there were at least 74 firms with a live-to-market open banking-enabled business proposition focused on expanded payments choice.⁸⁴ Moreover, expanded payments choice is the second most popular open banking-enabled business proposition after improved financial decision making.⁸⁵ The fact that some providers are using open banking to develop services focused on expanded payment choice can help interbank payments develop into a mature alternative for retail payments. However, the entry of these firms is not in itself sufficient to achieve competition until wider adoption is achieved.

83 Payment system providers can become members of interbank systems (direct access) or operate via a sponsor (indirect access). Direct participants in payment systems can influence the competitiveness of payment systems by guiding their customers. In particular, participants in payment systems which could potentially compete for retail payments – such as Faster Payments and card payment systems – may all have incentives to prefer one system over another. Indirect access enables the provision of payment methods without having to meet the obligations, costs and the operational and technical requirements of being a direct member. This creates pro-competitive dynamics, including by expanding the number of providers that can roll-out innovative payment products.

84 [The Open Banking Impact Report](#) (March 2023), section on Outputs (Availability). In more detail, of the 74 firms, 45 are fully regulated firms and 29 are firms acting as an agent of a regulated provider. This estimate of 74 firms in total (45 fully regulated firms and 29 acting as an agent of a regulated provider) may be an underestimate because some firms may provide these services through third-party contracts with regulated providers. In more detail, there are three ways for firms to offer open banking-enabled services: become a fully regulated provider, act as an agent of a regulated provider, or have a commercial agreement with a regulated provider. The second two options provide a less complex route for firms to bring innovative and differentiated services to market, allowing for a highly dynamic market. All regulated providers are listed on the FCA Register, but some authorised entities are not active or do not have a live-to-market proposition. The regulated providers list all their agents on the FCA Register. However, there is no official reporting of the third category: entities who have commercial agreements with regulated providers.

85 [The Open Banking Impact Report](#) (March 2023), section on Outputs (Availability). For comparison, the total number of firms with a live-to-market open banking-enabled business proposition was 331 in December 2022 (159 fully regulated firms and 172 agents of a regulated provider).

Usage of payment initiation services has increased, but adoption remains low compared to card-based systems

4.32 Open banking-initiated payments have been expanding. In the six months to March 2022, there were 21.1 million open banking payments, compared with 6.1 million in the same period the previous year. Month-on-month growth is running at around 10%.⁸⁶ This is encouraging. However, the total number of open banking payments remains small compared to debit card payments (which numbered slightly less than 20 billion in 2021⁸⁷). It also only accounts for a small fraction of Faster Payments single immediate payments, although this is growing (approximately 2.7% in December 2022, up from approximately 1.6% in January 2022).⁸⁸ Furthermore, part of the growth is driven by non-retail payments, such as people transferring money between their own accounts, credit card repayments and tax payments.⁸⁹

Conclusions

4.33 Since we published our Strategy, some initial progress has been made towards enabling competition between payment systems. While concentration in card payments remains high, a number of firms are developing interbank retail payment options based on open banking. In particular, new entrants are developing services focused on expanded payments choice, and the take-up of open banking-initiated payments is growing.

4.34 However, we do not expect to see the structural changes required to enable competition immediately, or the changes to outcomes this will bring. This will not happen until the open banking ecosystem has matured enough. At the moment, card-based payments maintain their prominent role for retail payments, and high concentration persists. The benefits of competition are likely to take some time to take effect, even once the conditions for competition have been created.

86 [The Open Banking Impact Report](#) (March 2023), section on Intermediate Outcomes (Adoption). Figures refer to total payments – encompassing both retail and business users.

87 UK Finance, *UK Payments Markets 2022*.

88 [The Open Banking Impact Report](#) (March 2023), section on Intermediate Outcomes (Adoption), Figure 14.

89 [The Open Banking Impact Report](#) (March 2023), section on Intermediate Outcomes (Adoption).

5 Outcome 4: Efficient payment systems

Summary

- 5.1** Our Strategy set out a number of indicators for this outcome that focused on the implementation of the New Payments Architecture (NPA). However, these do not apply yet as the NPA will not launch until towards the end of our five-year Strategy.^{90,91}
- 5.2** Instead, in this section we:
- provide a progress update on Pay.UK’s NPA programme
 - discuss broader considerations about commercial sustainability
- 5.3** The NPA is an industry initiative to provide technical infrastructure that will renew and upgrade the Faster Payments system. Pay.UK is the delivery body responsible for the NPA, which includes managing the procurement of the central infrastructure services (CIS). We are monitoring the programme closely: we announced our non-objection to Pay.UK’s procurement of some limited additional functionality for its NPA CIS, aimed at helping to future-proof the new system and to assist organisations to migrate to it. The NPA is one of the many programmes and innovations that will change the payments industry in the next few years. We recognise that such a large scale of change brings both opportunities and risks. In that context, it is important for us to consider how this will affect payment firms’ commercial sustainability.

An update on the NPA programme

The NPA programme is progressing and has passed key milestones

- 5.4** Pay.UK has been conducting a tender to comply with Specific Direction 3, which requires the operator of Faster Payments to procure any future contracts for CIS in a competitive manner.
- 5.5** Pay.UK will finalise the NPA design, select a CIS provider and decide on the funding model to go live in 2025.
- 5.6** In March 2023, we announced our non-objection to Pay.UK’s procurement of additional functionality in its NPA CIS.⁹² This additional functionality was called ‘File Gateway and Message Ingress. These two components would operate as part of the NPA CIS and would enable submissions of batches of payments to the CIS, using either payment files or ISO 20022 multi-payment messages.

90 Please see more details in the Annex.

91 We have set a deadline to complete migration to the new, competitively procured, infrastructure by 1 July 2026.

92 See www.psr.org.uk/our-work/new-payments-architecture-npa/

Commercial sustainability

The payments industry is undergoing a lot of change, which presents both opportunities and risks

- 5.7** If payment systems are to remain commercially sustainable, they must balance the interests and incentives between firms participating in the systems and between participants and the systems' users. It must remain commercially attractive for payment system operators, technical infrastructure providers and payment service providers to provide services. However, people will not use payment services if they do not meet their needs, whether for personal or business use.
- 5.8** We recognise that the range of regulatory initiatives in the payments sector – not just from us – can create challenges to commercial sustainability. The payments industry is undergoing a lot of changes due to big and costly projects such as the implementation of open banking, the NPA and proposals to introduce a digital pound. Some firms have concerns about cost, and the industry's capacity to deliver all these projects.
- 5.9** Our current work programme addresses these challenges in various ways across the systems that we oversee. We have placed requirements on Pay.UK to ensure that the procurement of technical infrastructure for the NPA is competitive and effective. We have worked with LINK to ensure that the incentives in its system work to support the needs of users. Our market reviews of fees in the card systems are examining whether fee structures are appropriate and sustainable. And we are working with firms that use open banking payments to examine how account-to-account payments can be expanded to support the needs of as many users and participants as possible. All these large programmes will need the involvement and support of the payments sector.
- 5.10** We recognise that changes to payment systems may require firms to invest in technology or staff, whether the changes are regulatory requirements from us or other authorities, or due to changes in the market. We are required to carry out cost-benefit analyses before placing requirements on participants. We will examine any potential use of our formal powers to ensure that we only require investment and change where we consider that it represents good value for money.
- 5.11** As we look to the future, we note that several large programmes – the NPA, but also potentially the digital pound and enhancements to allow for retail transactions on our interbank systems – will need the involvement and support of the payments sector. We have broad powers to require change to systems in the interests of their users, but we also have a duty to act proportionately when exercising our powers.

Conclusions

- 5.12** The NPA is a critical enabler of competition and innovation in payment systems. We will continue to engage closely with Pay.UK on key elements of its delivery programme, including its proposed design and funding model. Our aim is to ensure the new system will deliver outcomes that support our regulatory objectives.
- 5.13** We will continue to engage with stakeholders, the government, and other regulators to ensure that we identify and, where appropriate, have a coordinated response to risks resulting from commercial sustainability issues.

Annex

- 1.1** In *The PSR Strategy*⁹³, we set out a range of indicators to measure how the industry is doing against the four strategic outcomes we identified.
- 1.2** The tables below show how we have reported against each indicator in this document.

Outcome 1: Payment systems meet people's needs

Indicator	How we cover this indicator in this report
Trends in the number and type of new and innovative payment methods and services	We discuss the adoption of new payment methods in the <i>Digital payments</i> section of Outcome 1.
Trends in use of different payment methods and for different users over time	We present data on the usage of cash and cash reliance in the <i>Cash usage</i> section of Outcome 1. We also present trends for volume and value of different payment methods in the <i>Usage of different payment methods</i> section of Outcome 3.
Trends in the uptake of existing alternative payment options for groups that currently rely on cash	We have not included this indicator in this report as there is not yet enough robust data available.
Availability levels (and outages) of central payment systems	We state a minimum level of central payment system availability for cash, card and interbank payment systems in the <i>Payment system availability</i> section of Outcome 1.
The number of 'protected' ATMs which have not been replaced under LINK's direct commissioning scheme	We show the change in LINK's protected ATM estate for different categories of protected ATMs in the <i>Cash use</i> section of Outcome 1.
Qualitative and quantitative information on users that can't make or receive payments, or incur costs in doing so	We have not included this indicator in this report as there is not yet enough robust data available.
Satisfaction levels of all user groups across a range of measures (including trust, convenience, cost, dispute resolution, unmet needs)	We discuss satisfaction levels for retail consumers in the <i>Current outcomes for payment system users</i> section of Outcome 3.

93 <https://www.psr.org.uk/media/m2kxfkg/psr-strategy-jan-2022.pdf>

Outcome 2: Users are protected

Indicator	How we cover this indicator in this report
Levels of APP fraud (by value and volume) over time in comparison with a ‘no action’ counterfactual	We present the volume and value of fraudulent APP transactions from 2017 to 2021, with data on card fraud for comparison in the <i>Level of fraud</i> section of Outcome 2. The original indicator proposed that we compare this with a ‘no action’ counterfactual. Establishing that comparison would require an ex post evaluation, which we have not done, but may do in the future.
Fraud prevention: the rate of transactions stopped by fraud warning messages (for example, CoP)	At the moment, we are not able to measure how many potential fraudulent transactions are stopped by CoP messages. As a proxy of this metric, we discuss the volume of payments with a CoP query response from Pay.UK, in the <i>Fraud prevention</i> section of Outcome 2.
Fraud resolution: rate of reimbursement, including levels of reimbursement under the CRM Code	We discuss data on rate of reimbursement (by value) in the <i>Fraud reimbursement</i> section of Outcome 2.
The number and nature of consumer protection-related complaints or disputes raised with payment providers (excluding APP scams measured above)	We discuss satisfaction levels for some user groups (retail consumers) in the <i>Current outcomes for payment system users</i> section of Outcome 3.
Consumers’ knowledge of protections associated with different payment methods and perceptions of risk when using payment systems	We present survey results on the precautions that users take and their attitudes to different security methods in the <i>Fraud prevention</i> section of Outcome 2.

Outcome 3: Effective competition in payments

Indicator	How we cover this indicator in this report
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Level of competition

Changes in shares of supply and market concentration for various payment services and user groups over time (both within the same payment systems and across different payment services)	We present data on the volume and value of different payment methods over time in the <i>Usage of different payment methods</i> section of Outcome 3.
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Trends in entry and exit of payment system participants	We discuss entry of payment system participants in Faster Payments and present the number of firms with a live-to-market open banking-enabled business proposition focused on expanded payments choice in the <i>Entry, exit and adoption of alternatives to card-based-payments</i> section of Outcome 3.
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Trends in payment system users switching between payment systems	We have not included this indicator in this report as there is not yet enough robust data available.
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Outcomes from competition

Changes over time in key price indicators, such as merchant fees, interchange fees, interbank transaction fees or transaction charges for business customers	We present data on key price indicators for merchants in the <i>Current outcomes for payment system users</i> section of Outcome 3.
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The level of revenue and cost for systems and their participants	We have not included this indicator in this report as there is not yet enough robust data available.
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The number of new services or products coming to market	We discuss the increasing choice of payment initiation methods for retail transactions in the <i>Entry, exit and adoption of alternatives to card-based payments</i> section of Outcome 3.
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The level of usage of new payment systems or existing payment systems providing new functionality	We present data on the adoption of new and innovative payment methods, including on usage of open banking initiation services, in the <i>Entry, exit and adoption of alternatives to card-based payments</i> section of Outcome 3.
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Indicator	How we cover this indicator in this report
Availability levels of central payment systems	We discuss payment systems availability in the <i>Payment system availability</i> section of Outcome 1 section.
Satisfaction levels of representative user groups across a range of measures (including trust, convenience, cost, dispute resolution and unmet needs)	We discuss satisfaction levels for some user groups (retail consumers) in the <i>Outcomes for users of payment systems</i> section of Outcome 3.

Outcome 4: Efficient payment systems

- 1.3** *The PSR Strategy*⁹⁴ set out a number of indicators for this outcome that focused on the implementation of the NPA. However, since the NPA has not yet been implemented by Pay.UK – consistent with planned timelines – these indicators are not yet applicable.

Indicator	How we cover this indicator in this report
Proportion of transactions migrated from existing interbank payment systems (Faster Payments, later Bacs) to the NPA	This indicator has not been included as it is not yet applicable.
Entry by new overlay service providers using the NPA central infrastructure (and volumes of transactions supported)	This indicator has not been included as it is not yet applicable.
Number of direct participants using new central infrastructure and percentage of total Faster Payments transactions for each participant member of new services offered by overlay providers	This indicator has not been included as it is not yet applicable.
The nature and number of rule changes made by Pay.UK and proposals for rule changes considered from different participants	This indicator has not been included as it is not yet applicable.
The extent and nature of compliance sanctions	This indicator has not been included as it is not yet applicable.
The resolution time and rate of disputes raised with Pay.UK	This indicator has not been included as it is not yet applicable.
Satisfaction of payment system participants (including with service levels, value for money, etc.)	This indicator has not been included as it is not yet applicable.
Implementation by Pay.UK of the decisions we made following our consultation on the delivery and regulation of the NPA, leading to the effective procurement of a central infrastructure service provider	This indicator has not been included as it is not yet applicable.

94 <https://www.psr.org.uk/media/m2kxfkg/psr-strategy-jan-2022.pdf>

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