

12 Endeavour Square
London
E20 1JN

Tel: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

The Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

11 November 2025

Our Ref: MC2025/00223

Dear Chancellor,

Joint response from the Financial Conduct Authority (FCA) and the Payment Systems Regulator (PSR) to HM Treasury's recommendations on payments regulation

We are writing to update you on how we have progressed the recommendations on payments regulation you outlined on 14 November 2024, following our response of 5 December 2024. Working through the Payments Vision Delivery Committee (the Committee), we have focused on facilitating growth while protecting consumers in a proportionate and effective way.

Enhancing coordination to address congestion in the regulatory landscape

We have worked in an increasingly collaborative way, with the FCA leading to manage any overlaps on our work on fraud, open banking and open finance. Together, we have:

- a. Begun consolidating PSR functions into the FCA early, where it is possible to do so, to smooth the overall transition, deepen our collaboration and enhance our coordination.
- b. Undertaken work on digital wallets following the joint call for inputs that informed the Competition and Markets Authority (CMA) Digital Market Unit's Strategic Market Status investigations. We continue to work with the CMA.
- c. Collaborated on industry roundtables and policy and technology sprints to ensure stakeholders get clear, joined-up messages.
- d. Progressed work with the Committee on publishing the Payments Forward Plan. This will set out sequenced initiatives across retail and wholesale payments, and certain aspects of digital assets.
- e. Revised the [Memorandum of Understanding](#) (MoU) with the Bank of England and Prudential Regulation Authority, to include principles for better cooperation to guide our ways of working across areas such as policy, strategy and supervision. This will mean we can better manage our collective impact on regulated firms and help the sector understand the regulatory landscape.

Supporting the development of open banking

The National Payments Vision provided clarity to accelerate open banking, enabling faster, cheaper payments and more innovative services. The FCA has established a new department incorporating FCA and PSR capabilities, replacing the Joint Regulatory Oversight Committee (JROC) and streamlining decision-making for open banking and open finance.

We have convened sector leaders to resolve blockers to progress and publicly support industry-led work. The tone across industry has shifted, supporting significant progress in the industry-led development of commercial models for phase 1 variable recurring payments (VRPs) (lower risk use cases like utility payments), and phase 2 (e-commerce).

We are now:

- Supporting an industry-led group funded by 31 parties across the sector, to establish a new organisation to facilitate the go-live of VRP phase 1.
- Working with industry to establish a future entity for open banking ahead of developing the Statutory Instrument with the Treasury and subsequently the long-term regulatory framework for open banking.
- Working to ensure the remaining actions of the JROC roadmap are incorporated within the long-term regulatory framework.
- Gathering evidence, identifying beneficial use cases, and supporting testing and experimentation on open finance. The FCA has launched the smart data accelerator (as announced at Mansion House), with applications currently open for two prioritised open finance use cases in SME lending and mortgages. The FCA will publish a roadmap in early 2026, with regulatory foundations in place during 2027.

The FCA is also working with the Department for Business and Trade on cross-sector data sharing. This will shape the Smart Data strategy for the UK and explore ways to reduce frictions and costs in global finance by enabling seamless cross-border data portability. We welcome recent government announcements on digital identity, which has the potential to unlock significant benefits with respect to payments, and look forward to collaborating with you as government thinking and execution plans are firmed up.

Ensuring high standards of consumer protection and that people and businesses can make payments efficiently and safely

Through the Consumer Duty, firms must put consumers first by delivering fair value and clear communications, and supporting their needs. Alongside this, our regulation prevents harm such as fraud, mis-selling and poor product design, building trust in financial services and enabling confident consumer engagement that supports sustainable growth.

a. Fighting financial crime

The FCA's five-year strategy theme of 'fighting financial crime' seeks to tackle money laundering and slow the growth in authorised push payment (APP) fraud cases and losses. Prevention is key, and we are working with industry and partners to strengthen the wider system to reduce the risk of harm, and on initiatives to inform and educate the public.

The FCA and PSR continue to invest in fraud prevention, often working alongside public and private sector partners. While many providers already share account and transaction-level data through consortium models, we are exploring the opportunities for greater data sharing in payments by engaging with key stakeholders in the ecosystem. We are also working in alignment with the Government's strategic approach on economic crime.

A unified approach to real-time data sharing in payments presents opportunities in the fight against fraud. We have worked to understand the data sharing landscape in detail, and are pleased that there have been significant commercial initiatives launched which recognise and respond to the demand for data sharing to reduce firms' exposure to fraud. We support and encourage innovation by firms and will continue to monitor this space, and step in if regulatory intervention is needed.

The FCA is investing in intelligence and data so it can target higher-risk firms and activities, and disrupt, pursue and sanction those committing and enabling crime. It will use data and technology in its authorisations and supervisory work to identify and tackle harm faster, such as identifying unauthorised financial services offered through social media.

b. APP reimbursement requirements

The PSR's APP fraud reimbursement requirements came into effect in October 2024. In the first ten months of the policy, 88% of money lost to in-scope APP scams was returned to victims and 83% of claims were closed within five business days. 126,000 claims were made between October 2024 and June 2025, around 15% lower than between October 2023 and June 2024.

The PSR has commissioned an independent review of its APP scams policies, including the APP scam reimbursement requirement. This began in October 2025 and the final report will be published by Q3 2026. The PSR and FCA sent an industry survey to 50 firms in August to support this, gather data on their fraud prevention measures, and address data gaps.

The PSR shares APP fraud reimbursement compliance data with the FCA, so firms' fraud rates can be monitored. This allows the FCA to better engage with firms. As a result, firms are improving their risk management controls to address risks arising from potential APP fraud, leading to lower fraud rates.

c. Strong Customer Authentication

The Government confirmed in the Vision that it will begin removing requirements relating to Strong Customer Authentication (SCA) from the relevant technical standards to enable the FCA to incorporate aspects of these into its rules and guidance, allowing for more agile and outcome-based regulation.

In the meantime, the FCA has consulted on a new approach to the contactless payment limits in the SCA regulatory technical standards, to enhance consumer choice and flexibility for payments firms. This new approach would allow payments firms to process low-risk contactless payments without asking the payer to authenticate.

d. Financial inclusion

The Vision sets out that there is more to do to for people who want to transact digitally but struggle to do so. As financial services shift online, those who lack access to devices or digital skills may find it hard to make payments and manage their money. This is a key area

of focus for the Government's Financial Inclusion Committee, and the FCA continues to work with the Government to progress the Financial Inclusion Strategy.

To further protect consumers, the FCA published in 2024 its [UK Payment Accounts Access and Closures: Update](#) and continues to monitor access to accounts. The next phase will focus on basic bank accounts and continuing our work to protect access to cash.

Driving an agile approach to delivering the UK's retail payments infrastructure needs

The UK's future retail payments infrastructure will be based on next-generation technology, to ensure the UK has a world-leading payments ecosystem to support innovation, competitiveness, security, and the Government's growth mission.

Earlier this year, the Committee announced a new public and private sector partnership model to deliver this. The new model supports short-term activity to enhance resilience and functionality of the existing Faster Payments system. Pay.UK has been progressing this with industry participants following a joint regulatory decision by the Bank and the PSR, endorsed by the Committee in February 2025.

On 7 November, the Committee published its strategy for retail payments infrastructure. It set out its strategic outcomes for future retail payments infrastructure, taking account of the Treasury and the authorities' objectives for the wider ecosystem. The strategy will inform the work of the Bank-chaired Retail Payments Infrastructure Board (the Board), which will translate it into design by consulting with the broader ecosystem. The PSR and FCA are observers on the Board and will continue to take an interest in how the Board approaches strategic trade-offs that affect our collective objectives.

We trust this update has been helpful. We will continue to take account of the Government's recommendations and support its growth mission in how we exercise our functions.

Yours sincerely,

Nikhil Rathi

Chief Executive

Financial Conduct Authority

David Geale

Managing Director

Payment Systems Regulator

Executive Director, Payments and Digital Finance

Financial Conduct Authority