

Annual plan and budget 2026/27



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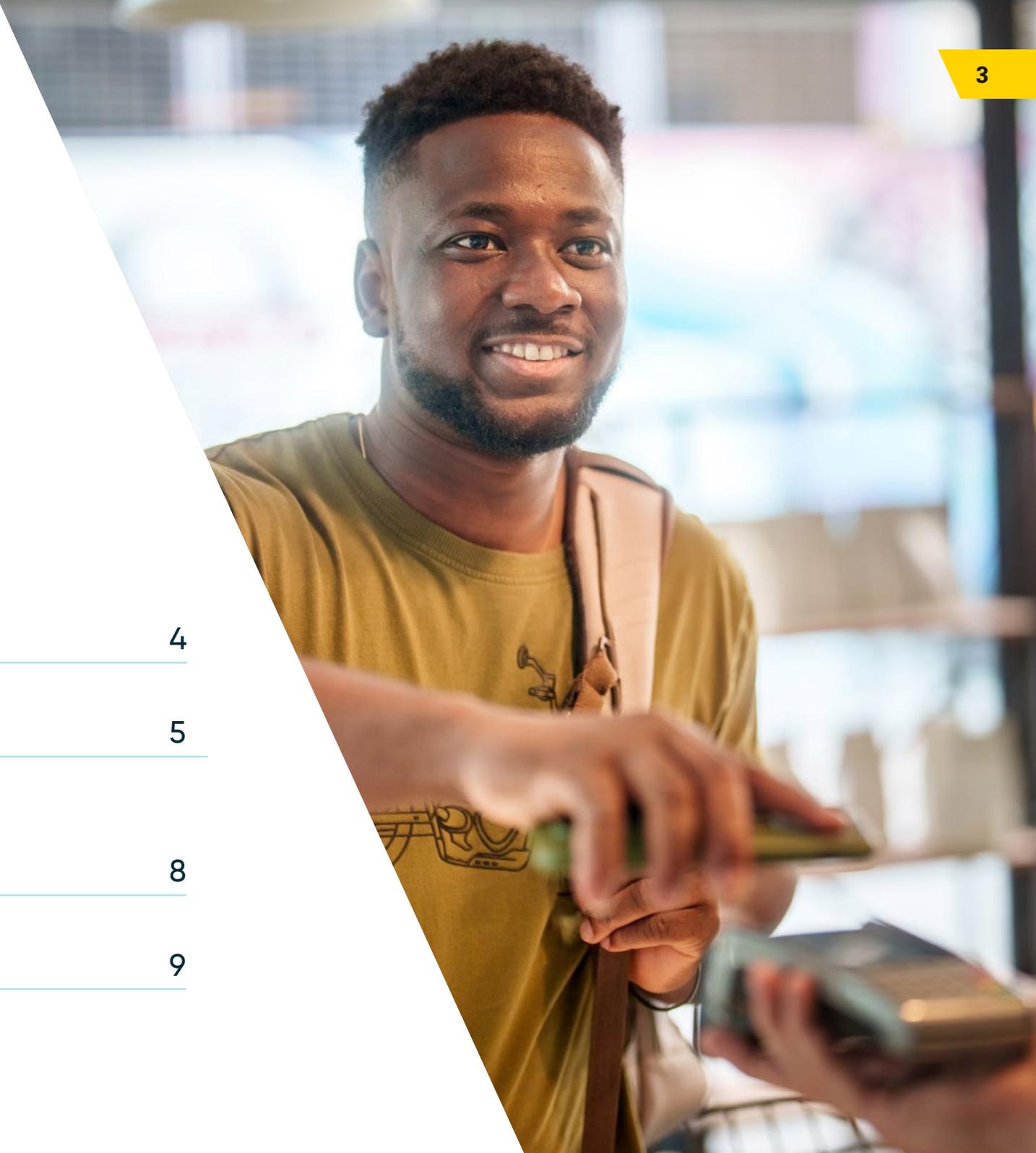
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Foreword

David Geale

The last 12 months have seen significant progress for the UK's payment systems. New technologies, changing user expectations and dynamic market conditions are driving the ecosystem's evolution. Meanwhile, we remain focused on making sure payment systems work well for the people and businesses that rely on them every day.

We have achieved a great deal over the past year. We have embedded world-leading measures to protect people from authorised push payment (APP) fraud. We have progressed remedies for concerns about industry card fees, including cross-border interchange fees and domestic scheme and processing fees. And we have been a key influence in developing the next generation of retail payments infrastructure, through our work on the Payments Vision Delivery Committee. We are proud of this progress, and proud that we are delivering it even more efficiently at a time of change for the Payment Systems Regulator (PSR).

Our 2026/27 work programme continues this momentum. We will take action on cross-border interchange fees, implement key remedies on scheme and processing fees, oversee the delivery of critical payment systems infrastructure, and support the FCA on the next phases of open banking. We will also publish and respond to the independent evaluation of our APP fraud measures and continue to strengthen our supervision model.

We are committed to delivering this programme in a cost-effective way; our budget for 2026/27 is 7% lower than the previous year. By drawing down and reducing our reserves ahead of consolidation with the Financial Conduct Authority (FCA), we are reducing the total fees we collect from industry to £21.5m. This means our annual funding requirement for fee payers is 20% lower but still allows us to deliver a significant workplan.

We have made good progress on the work to consolidate the PSR into the FCA and we will continue to align more with the FCA operationally until legislation transfers the PSR's powers. We are building coherent and coordinated approaches with the FCA while continuing to operate as an independent regulator with our own Board and decision-making committees. Payment systems continue to be influenced by market dynamics that can negatively impact competition, innovation and user interests – so our role as the economic regulator of payment systems is as important as ever.

We look forward to working with all our stakeholders as we deliver on our mission over the coming year.

David Geale
Managing Director



Our work programme for 2026/27

Our work programme for the year ahead will embed many of the changes we set out last year; we will maintain momentum on major, long-term initiatives while responding to new challenges.

Our planned activities continue to deliver against our statutory objectives:

- To ensure that payment systems are operated and developed in a way that considers and promotes the interests of all the businesses and consumers that use them;
- To promote effective competition in the markets for payment systems and services - between operators, PSPs and infrastructure providers; and
- To promote the development of and innovation in payment systems, in particular the infrastructure used to operate those systems

And it will help us deliver the vision we set out in January 2025:

thriving, world-leading payment systems where competition and innovation deliver accessible, convenient, secure, trusted and value for money services that meet people's and businesses' needs.



Delivering the National Payments Vision

We will continue to work closely with the Bank of England, the FCA and the Treasury, as part of our role on the Payments Vision Delivery Committee (PVDC). Specifically, we will do significant work to support the design and build of the future infrastructure, recognising our, or the FCA's, anticipated future role as its dual regulator (along with the Bank). We will also continue to oversee Pay. UK and the short-term enhancements to Faster Payments.



Continuing action on APP fraud

Our work fighting APP fraud is having a big impact – payment firms reimbursed £173 million to victims in the first year of our reimbursement requirement. These world-leading measures help to build trust among consumers and give firms an incentive to prevent fraud. We will publish the independent evaluation of the first year and consider if any further action is needed. We will also continue to collect and monitor performance data to show the impact of our work transparently and clearly. Where firms are not complying with the policy to the expected standard, we will engage with them to determine appropriate action.



Enhancing our approach to supervision and enforcement

We will continue to refine develop our supervision and enforcement models, building on our existing capabilities. We will also align our supervisory model with FCA practices. This will enhance our oversight of the firms we supervise so that we can operate in the most effective way after our consolidation with the FCA.

Our work programme for 2026/27



Taking action on card fees

Cards remain the most popular retail payment method. However, the lack of alternatives for merchants has an impact on competition.

- Cross-border interchange fees have increased more than five-fold, by £150–200 million a year, since the UK left the EU. Last year, we consulted on remedies but paused further action in the light of ongoing litigation. The High Court has continued to uphold our powers to impose a price cap, and we are now considering the next steps. We will continue to progress our work should there be an appeal to this verdict.
- Domestic scheme and processing fees increased by over £170 million a year in real terms between 2017 and 2023. In March 2025, we consulted on remedies to address a lack of competition in the market. In December we issued draft directions on pricing governance and information, transparency and complexity. This year we will consult on our final remedy on regulatory financial reporting and monitor compliance with our requirements.
- We will also intervene in the Merchant Interchange Fee Umbrella Proceedings before the Competition Appeal Tribunal, to provide our expert regulatory insight.
- This year, we will consider our approach to tackling competition issues in cards markets in the round. This will support the FCA in determining how best to regulate these markets.



Our work programme for 2026/27



Driving forward open banking

Open banking in the UK is growing rapidly. Latest industry figures show that more than 16 million users now benefit from the service. The number of open banking payments has soared by 53% year-on-year, reflecting a significant shift in how consumers and businesses manage their finances. We will continue to support the FCA in establishing a future entity for open banking and the long-term regulatory regime. This builds on last year's formation of the UK Payments Initiative (UKPI) and the phase one roll-out of non-sweeping variable recurring payments (VRPs) for lower-risk use cases.



Evaluating our card-acquiring market review

We have committed to reviewing the effectiveness of the specific directions we issued following our market review into the supply of card-acquiring services.



Supporting consolidation with the FCA

Consolidation will be a critical priority for the coming year, with robust planning and coordination helping us manage its impact across the organisation and on our stakeholders. We aim to ensure a smooth and orderly transition, providing clarity and certainty for regulated entities so they can continue to focus on their core activities.



Our budget for 2026/27

Our budget for 2026/27 is £26.0 million. This represents a 7% reduction compared with 2025/26, reflecting efficiencies we have achieved by consolidating our operations within the FCA.

The government has been clear that payment systems must continue to be regulated effectively. We have achieved this reduction while maintaining our capacity to deliver our core regulatory responsibilities, complete ongoing work, and support a smooth transition into the FCA.

We rely on the FCA to deliver efficient and economic services, reimbursing it on an annual basis. As more of our internal functions transfer into FCA Shared Services, the costs reflected in our budget will cover a broader range of operational services. We expect this to remain the case through the transition period and into full consolidation. We expect those costs to total around £14.9 million this year. This and the remaining £11.1 million are detailed in the “budget costs” table.

Of our £26.0 million budget, we propose to recover £21.5 million from fee payers through our annual funding requirement. We will fund the remaining £4.5 million from our end-of-year accumulated surplus. This draws on a significant proportion of our reserves to reduce the impact of consolidation and transition costs on fee payers, resulting in a material one-off reduction in fees for 2026/27. This reflects our commitment to passing efficiencies from consolidation directly to fee payers. We expect to retain around £1.5 million in reserves at year end.

We will continue to look for further efficiencies and will work closely with the FCA to ensure operational readiness ahead of full consolidation. If there are any additional transition costs during the year, we expect to absorb them within this budget.

Budget costs

Staff costs	9.2
FCA recharges (including accommodation)	14.9
Professional fees	1.7
Other non-staff costs (including training and events)	0.2
TOTAL	£26.0m

Staff costs fall significantly compared with last year because a greater proportion of PSR roles and functions transfer into the FCA Shared Services model, with a comparable increase in FCA recharges. This reflects the consolidation of operational activity with the FCA and a small reduction in workforce capacity.

The biggest change in our cost structure is the increase in FCA recharges, which reflects the consolidation of PSR operations into the FCA. This includes accommodation, technology services, finance, internal audit, facilities, and other shared service support including HR, Communications, Legal, Strategy, Enforcement, Economists, Data, Operations, Technology and Finance.

The increase also reflects the phased nature of consolidation, with more functions moving during 2025/26 and 2026/27, meaning a larger share of operational delivery is now provided through FCA services.

Working with others

Payments remains an agile and fast paced sector, with new entrants delivering innovative products alongside more established firms. Engaging widely across the industry will continue to be central to achieving the right outcomes and ensuring we keep pace with developments. With significant regulatory change underway, our stakeholder engagement in 2026 will be more strategically focused, joined up, and evidence driven.

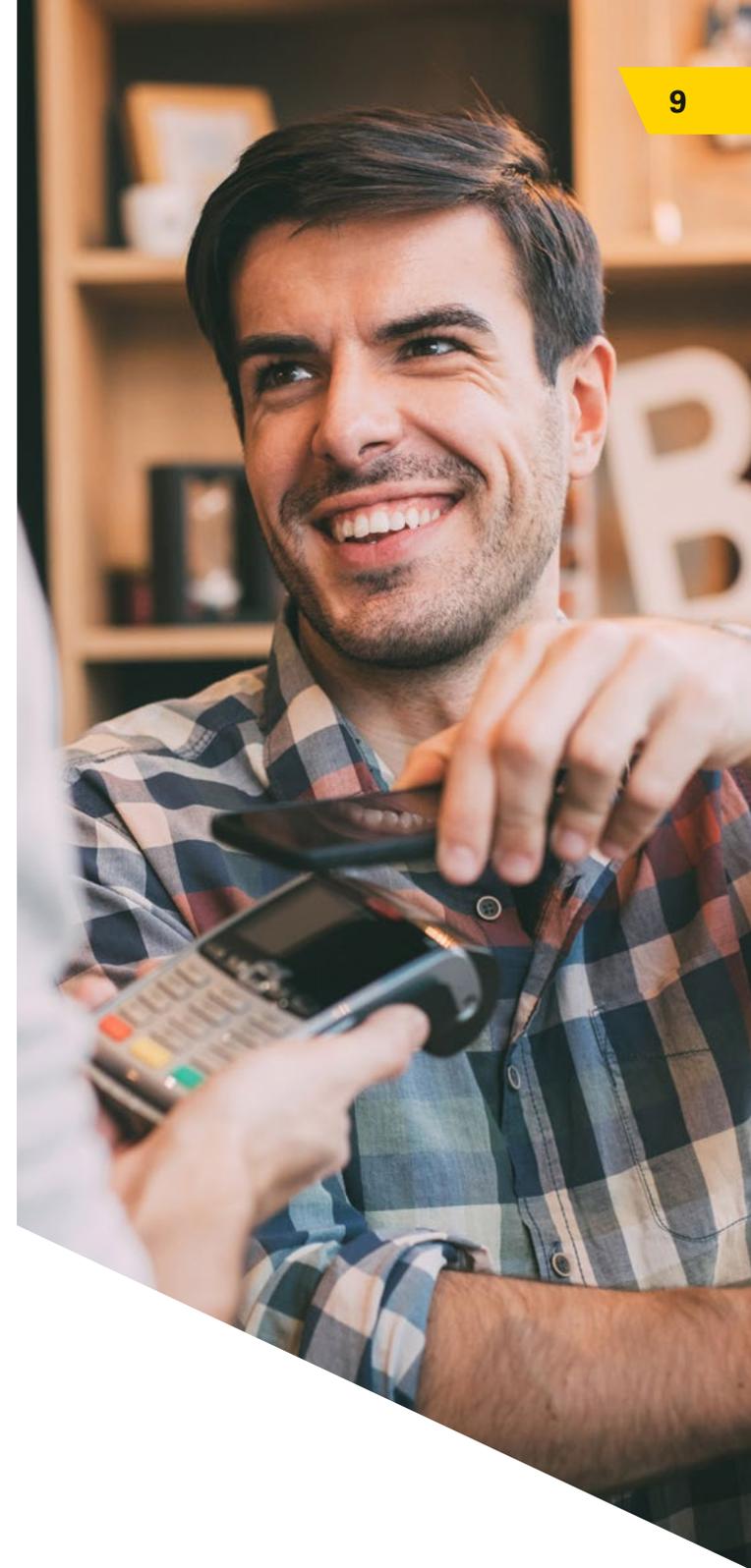
A major priority this year is strengthening our coordinated work with other regulators and authorities. Through the Retail Payments Infrastructure Board, as well as the Payments Vision Delivery Committee and the Design Authority, we are deepening collaboration with the FCA and the Bank of England, so we can align our actions and have a view across the whole payments ecosystem. We will maintain close joint working with the Competition and Markets Authority to complement our market reviews with broader competition oversight where needed.

Our wider engagement will continue to help us understand market developments. It will also ensure our regulatory approach is proportionate and evidence based, and reflects the diverse needs of users and participants. We also have a statutory requirement to maintain clear accountability to the Treasury and Parliament. This includes regular updates, data sharing, and supporting scrutiny on issues such as APP scams, competition in payments, and the evolution of digital services.

As we move further towards consolidation into the FCA, integration between PSR and FCA teams continues to deepen. Aligning our priorities, sharing expertise and coordinating delivery will aid a smooth transition. This will help us engage clearly with our stakeholders and produce coherent regulatory outcomes. We will strengthen how we work with firms on supervision and compliance through proactive monitoring, timely assurance, and constructive dialogue. This includes our work on APP scam reimbursement, access to payment systems, and competition in card and account to account payments.

We will continue to draw on the expertise of the PSR Panel. Their challenge and insights remain invaluable as we refine our approach and navigate an evolving regulatory landscape.

Taken together, these activities will ensure our work stays transparent, collaborative, and grounded in the needs of those who use and operate payment systems during a period of significant regulatory change.



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