

Mark Hoban, Chair  
Pay.UK  
2 Thomas More Square  
London  
E1W 1YN

21 March 2024

Dear Mark

We write to you in recognition of a number of developments relevant to the NPA work programme. We are mindful that payment markets are not standing still and we need to progress with investment that supports the economy, payment users and competition in payment markets.

This letter is therefore sent in recognition of regulatory processes being ongoing, the uncertainty and delay created by the government announcing its intention to consider the NPA's role as part of the National Payments Vision and Pay.UK's subsequent decision to pause the NPA programme. I recognise that these events have led to a significant delay in FPS migration and that FPS will likely be operational for significantly longer than originally envisaged.

In light of this, and following discussion with you, we note that many customers have released their change resources for 2024 and need to understand a way forward soon in order to secure resources for 2025. I consider it sensible for Pay.UK to begin discussions with Vocalink at the earliest opportunity to determine an appropriate scope and cost for the following:

1. Required additional resilience-related investment needed for FPS; and
2. Potential options for increased capability that might now be justified. We would expect that you would consider the potential for upgrades to deliver additional capabilities identified by the PSR (for example in our work on Open Banking), the capabilities and benefits envisaged as part of the NPA programme and any other outcomes identified more recently.

The PSR recognises Pay.UK's role as a Payments System Operator. Therefore, I ask that you provide the PSR with the following:

- Key milestones (and timings) for the items set out in the preceding section;
- Your initial view on the likely scope and costs of the items set out in the preceding section;
- Your view on the impact of this request on procurement of a new Central Infrastructure as recommended by the Payments Strategy Forum; and
- Your view on the likely industry reaction.

I also acknowledge that the delay referred to above, and the consequences that flow from this delay are likely to impact Pay.UK's ability to meet its Specific Direction 3 deadline of 1 July 2026. Therefore, the



PSR will consider next steps in relation to this deadline. We welcome engagement from you on this issue.

### **Next Steps**

I welcome your response to the request set out above and we will agree with you an appropriate deadline to receive this information in due course.

We look forward to discussions between our organisations on key milestones, timings and governance as well as the scope of negotiations with Vocalink. We see this important step as being about starting the process to better understand options and to inform any future policy decisions the PSR may take, in light of the current circumstances.

These should be considered short term actions which do not prejudice the findings of the National Payments Vision or any PSR policy in the longer term, including in respect of the ongoing tender or other aspects of the PSR's NPA policy.

We look forward to receiving your reply, which we expect would be shared with the Bank of England, and HM Treasury given the ongoing work on the National Payments Vision. This letter does not constitute a decision by the PSR.

Yours sincerely

A handwritten signature in blue ink that reads 'Chris Hemsley'.

Chris Hemsley  
Managing Director