

# Quarterly update

Summer 2021



## Welcome to our summer newsletter – a chance to recap on the work we've been doing.

And it's fair to say that a lot has happened – with lots of work focused on delivering change for now but, significantly, also focusing on what work we need to do to support plans for the future.

The last six months have seen a significant period of consultation on a range of important issues – and we're grateful for the engagement we've seen. This has included significant policy issues such as the renewal of the New Payments Architecture (NPA), and the changes needed to the application of the Interchange Fee Regulation (IFR) since the UK left the EU.

We've also heard your thoughts on what more we can do to give people greater protections from authorised

push payment (APP) scams, and the second phase of the implementation of Confirmation of Payee.

We reached an important stage in our ongoing competition enforcement action, where we have acted to bring potential cartel behaviour to an end in the prepaid cards market.

And looking further to the future, we published our **Annual Plan for 2021/22**, and have just launched the consultation on our proposed strategy.

Throughout all of this, we've engaged with stakeholders across the board, listening to and discussing your views. All this against the continued backdrop of COVID-19.



**Chris Hemsley**  
Managing Director  
Payment Systems Regulator



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## Introduction *continued*

Our PSR Strategy reflects the mix of areas where payments markets and systems are supporting good and improving outcomes, but also highlights that there are areas where more work is needed: work to meet immediate challenges, such as the change in payments behaviour brought on by COVID-19; and work to take forward changes that will improve outcomes over the longer term, as the UK moves towards increasing reliance on digital payments. Louise Buckley, our Chief Operating Officer, talks more about the aims and objectives of this significant piece of work.

Genevieve Marjoribanks, Head of Policy, looks at our work as we continue to focus on APP scams and their prevention. We know that fraudsters have adapted during the pandemic, so we must all keep pace if we are to really make a difference. Genevieve also includes a reminder of the work we've been doing with the FCA on access to cash.



And finally, Carole Begent, Head of Regulatory and Competition Enforcement, reminds us of the substantial work that went into our Competition Act case focusing on the prepaid cards market.

It's already been an interesting year and there's still more to come. Thank you for continuing to engage with us proactively and making sure the UK's payment systems remain some of the world's best.

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## Events update

### Westminster eForum Policy Conference

Our Head of Policy, Genevieve Marjoribanks, spoke at this conference on 10 June. Genevieve spoke about our work helping to protect access to cash, prevent scams and deliver renewals to the UK's interbank payment systems, as well as our proposed PSR Strategy.

**[Read the full speech here.](#)**

## Our senior leadership team



**Chris Hemsley –  
Managing  
Director**

Chris has overall responsibility for the work of the PSR. He joined in November 2018 as Head of Policy and Strategy. In April 2019, he became co-Managing Director, before being permanently appointed as Managing Director in September 2019.



**Louise Buckley –  
Chief Operating  
Officer and Head  
of Strategy**

Louise has worked for the PSR since January 2015, and leads the people, business management, risk and communications aspects of the organisation. Louise is also responsible for the PSR's strategy.



**Genevieve  
Marjoribanks –  
Head of Policy**

Genevieve is responsible for leading the development of regulatory policy. She started in January 2020, and has been working with the PSR's various stakeholders to develop policies that will effectively deliver the PSR's objectives.



**Carole Begent –  
General Counsel  
and Head of  
Regulatory and  
Competition  
Enforcement**

Carole joined in April 2015. She has extensive knowledge and expertise in competition, regulatory law and public law in advisory, policy development and litigation contexts.

# Our PSR Strategy



**Louise Buckley**  
Chief Operating Officer and Head of Strategy

We published our proposed five-year strategy on Thursday 10 June 2021. **The PSR Strategy** sets out an approach that aims to make sure payments and payment systems work well for everybody, and that there is fair competition and access to payments for all. Our approach will protect and embrace what's working well, change what is not, and lay the foundations for new products, ways to pay and new payment systems so that they develop with the needs of real people and businesses in mind.

The document is a proposed strategy informed by extensive engagement with stakeholders, and our experiences and observations since we began work in March 2015. We are now seeking feedback with a view to publishing a final version by the end of the year.

## What this looks like in practice

In the strategy we set out a number of actions we will take to deliver these priorities. Some of the key actions we're proposing include:

- Promoting competition between payment systems so that, for example, in future people may choose to use interbank payments (when a payment moves from one bank account to another, like an online transfer) to buy their groceries. Most people currently use card payment systems to do this.
- Continuing to protect access to cash for those that rely on it.
- Making sure that, as interbank payments develop (like in the example above), so do the consumer protections associated with them.
- Supporting developments to Pay.UK's governance of the interbank rules so it has greater ability to enforce compliance with its rules and make changes that improve outcomes.
- Understanding and taking account of the perspectives of vulnerable consumer groups towards new ways of paying and the choices available to them.

## Key elements of the PSR Strategy

The strategy sets out our perspective on payment systems and the markets they support. It considers what is going well, where there is scope for improvement, and the risks and issues that need to be tackled.

We've identified four strategic outcomes that we want to help bring about in the next five years. These flow into four strategic priorities that provide a framework for meeting this ambition.

### Priority 1: Access and choice for users

Ensure users have continued access to the payment services they rely on, and support effective choice of alternative payment options.

### Priority 2: Protection for users

Ensure users are sufficiently protected when using the UK's payment systems, now and in the future.

### Priority 3: Competition

Promote competition in markets, including between payment systems within the UK and in the markets supported by them – and protect users where that competition is not sufficient.

### Priority 4: Governance of interbank payments

Ensure the renewal and future governance of the UK's interbank payment systems supports innovation and competition in payments.

More detail on the actions we want to take can be found in Chapter 4 of the document.

In future our focus may need to change depending on new developments or where we see evidence of harm to people or businesses, including where competition isn't working well in a particular area. As the sector evolves, our role will adapt accordingly.

## What happens next

This document is a proposed strategy and we're now seeking feedback from everyone with an interest in payment systems and how they work.

The deadline for responding is **10 September 2021**.

This will help us finalise our approach, and ensure we're focused on the right outcomes, and – ultimately – have a strategy that is balanced and credible in the eyes of those we regulate and protect.





## Our Competition Act enforcement case

**Carole Begent**  
Head of Regulatory and Competition Enforcement

As a concurrent competition authority, we have the powers to investigate cases that relate to participation in payment systems. We recently **published details about our ongoing Competition Act investigation**, and announced that we had issued a Statement of Objections in which we provisionally found that Mastercard, allpay, APS, PFS and Sulion broke the law by engaging in cartel behaviour in prepaid card services. We also announced that three out of the five parties being investigated had admitted liability for breaching competition rules and agreed to pay maximum penalties totalling over £32 million as part of the settlement.

The case relates to prepaid cards that are used by local authorities to distribute welfare payments to vulnerable members of society, such as the homeless, victims of domestic violence, and asylum seekers.

In the Statement of Objections, we alleged there were two infringements of the Competition Act 1998 that took the form of market sharing/customer allocation:

- One lasting six years (between 2012 and 2018) and involving all five parties.
- The other lasting two years (between 2014 and 2016) and involving APS and PFS.

The Statement of Objections sets out our case against the parties but is not the end of the investigation, and the parties can make representations on the provisional findings.

To give you a brief history of the case: we started our investigation in October 2017. In February 2018, we carried out unannounced searches at a number of premises. We then reviewed the evidence to set out our findings in our Statement of Objections.

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**Collusion in payments is absolutely unacceptable, and where we see it happening we will take action, stop it, and seek to impose significant penalties.**

We provisionally concluded that between 2012 and 2018, the parties coordinated their commercial behaviour to share the market and allocate customers in relation to the supply of prepaid card services used for welfare disbursements to public bodies in England, Scotland and Wales. The prepaid cards operated on just one card scheme: Mastercard.

We consider that the alleged collusion ultimately meant that public bodies were limited in the choice of suppliers of prepaid card services, and potentially deprived of lower prices and better quality for those services. Prepaid card services, like these, can provide significant benefits to the public sector (including bodies such as local authorities) as one way to make welfare payments to some of the most vulnerable people in society.

Investigations like this are important for everyone. Collusion in payments is absolutely unacceptable, and where we see it happening we will take action, stop it, and seek to impose significant penalties. We'll continue to analyse the payments sector and will intervene to promote competition and improve outcomes for people using payment systems. This includes enforcing legislation to tackle anticompetitive conduct. Where we can provide updates on this work, we will.



## Authorised push payment (APP) scams and Confirmation of Payee

**Genevieve Marjoribanks**  
Head of Policy

**Since the start of 2021, we've been working to take further steps to stop APP scams from happening, and identifying ways to make sure everyone is protected.**

In our **call for views, issued in February**, we focused on APP scams and sought your views on three measures we think could help stop the scams from happening and protect people who fall victim. This is an ongoing priority for us as, in 2020 alone, APP scam losses totalled £479 million, with the actual figure including unreported losses likely to be much higher.

In our call for views, we were keen to explore three measures:

- Making sure everyone can see how banks and building societies handle APP scams by requiring them to publish their APP scam data, including reimbursement and repatriation levels.
- Making it harder for fraudsters by requiring banks and building societies to adopt a standardised approach to sharing risk data during transactions, which will help identify these scams to stop them from happening in the first place.
- Extending customer protection across all banks and building societies at a minimum standard by changing payment system rules.

Our call for views closed on 8 April and, taking your views in account, we plan to set out our proposed actions in September so they are in place by the end of the year.

More recently, we published our **call for views on the second phase of delivering Confirmation of Payee (CoP)**, the name-checking service designed to prevent APP scams and misdirected payments.

You'll remember that in 2019 we issued Specific Direction 10, directing the UK's six largest banking groups to introduce CoP. By July 2020, CoP was available to consumers of those directed banking groups, and since then a number of non-directed financial institutions have implemented the service.

This is an important tool and we want to move to Phase 2, which aims to enable further participation in the service by making it possible for all banks and building societies to offer CoP. So our latest call for views explores the industry's plans and progress to make sure the service is technically capable of operating across all bank transfers over the next year, and also whether we should direct additional banks, building societies and financial institutions (going further than the six biggest banking groups) to implement the service. For certain types of accounts, we want to understand if alternative solutions to Phase 2 could be more appropriate to secure the benefit of CoP.

We've seen that the implementation of CoP by the UK's six biggest banks is having a positive impact. We want to see all banks, building societies and financial institutions give everyone the same levels of protection when they make payments.

The call for views on CoP closed on 30 June, with the responses received feeding into our next steps – and we will update you all further in September this year.



# Access to cash



**Genevieve Marjoribanks**  
Head of Policy

**We will continue in our role overseeing LINK, and support the FCA in ensuring that cash remains available for those who need it.**

We continue to work closely with the FCA to protect access to cash for those who need it. We recently reaffirmed this commitment in a **joint statement with the FCA**, reiterating our expectations of industry to deliver cash access that meets the needs of all its customers. We welcome the **announcement by industry** to work together to protect access and develop long term solutions, in a way that is compliant with competition law. We expect to see outcomes that work for all sectors of society, especially vulnerable customers.

Our priority remains ensuring cash access via ATMs, which is the most popular channel for consumers to access cash. This month we published our **second annual review of Specific Direction 8 (SD8)**. SD8 plays an important role in helping to protect access to cash; its intervention has ensured that LINK maintains a broad geographic spread of free-to-use ATMs, even during the pandemic. As SD8 is due to expire in January 2022, we are assessing whether to pass a new Direction. This will need to take account

of current and potential future developments in cash access, such as the impact of recent regulatory changes to **cashback without purchase**, the **Community Access to Cash Pilots initiative**, and the work of the Access to Cash Action Group, and how this might affect the future role of LINK.

We continue to build on our mapping capability, following our **'cold spots' analysis with the FCA** (to identify temporary gaps in access), and our collaboration with the University of Bristol last year to produce the **first comprehensive map of cash access points across the UK**. We have been working with the FCA to update this analysis, which we will publish soon.

Over the longer term, the key to protecting access to cash is legislation. We **welcome the government's consultation**, including proposals to ensure the FCA has the tools to oversee the cash system. We will continue in our role of overseeing the LINK network and support the government as it consults on its legislative proposal.