

Annual plan and budget 2026/27



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Foreword

David Geale

New technologies, changing user expectations and dynamic market conditions are driving significant progress for the UK's payment systems. As they do, 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. And we have influenced the next generation of retail payments infrastructure through our work on the Payments Vision Delivery Committee. We are pleased with 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 remedies on scheme and processing fees, oversee the delivery of critical payment systems infrastructure, and support the Financial Conduct Authority (FCA) on the next phases of open banking. We will publish and respond to the independent evaluation of our APP fraud measures. And we will continue to strengthen our supervision model.

We are committed to delivering this work in a cost-effective way; our budget for 2026/27 is 7% lower than last year. We are also drawing down and reducing our reserves ahead of consolidation with the FCA. This means we can deliver a significant work plan while reducing our annual funding requirement for fee payers by around 20% this year.

We have made good progress on consolidating the PSR into the FCA, and I am grateful for the input and support from colleagues across both organisations in getting us this far. Many of our staff are already working under the FCA's operational structure to deliver our work, as part of a phased transition. We continue to operate as an independent regulator with our own board and decision-making committees, while working with the FCA to plan for the follow through on our work beyond this year.

The Government has proposed that legislation will transfer all of our powers and functions to the FCA, reflecting that the economic regulation of payment systems is as important as ever. Payment systems are influenced by market dynamics that can negatively impact competition, innovation and user interests – so the UK's regulatory framework must continue to address these issues. We welcome the FCA taking on this responsibility once the PSR is consolidated.

We look forward to working with all our stakeholders as we deliver on our objectives 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 work will support our statutory objectives to promote:

- competition
- innovation
- the interests of the people and businesses that use payment 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 support the design and build of the future infrastructure, recognising the anticipated regulatory roles of the PSR and the FCA alongside the Bank of England, and furthering our statutory objective on innovation. 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 build trust among consumers and give firms an incentive to prevent fraud, strongly supporting our statutory objective to promote the interests of the people and businesses that use payment systems.

This year, we will publish the independent evaluation of the first year and consider if we need to take further action. We will also continue to collect and monitor data to show the impact of our work transparently and clearly. If firms do not meet the standards we expect, we will engage with them and decide what action to take.



Enhancing our approach to supervision and enforcement

We will continue to refine 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 this will continue in the most effective way after our consolidation with the FCA, in support of all of our statutory objectives.

Our work programme for 2026/27



Taking action on card fees

Cards are the most popular retail payment method. However, the lack of alternatives for merchants affects competition and innovation, with knock-on impacts for the people and businesses making payments.

- **Cross-border interchange fees** have increased more than five-fold since the UK left the EU, by £150–200 million a year. Last year, we consulted on remedies but paused further action in light of ongoing litigation. Since then, the High Court has confirmed our powers to price regulate. We continue to progress our work and consider next steps.
- **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 provide our expert regulatory insight in the Merchant Interchange Fee Umbrella Proceedings before the Competition Appeal Tribunal.



Our work programme for 2026/27



Developing our cards markets strategy

We will consider our approach to competition in cards markets in the round, taking account of other market developments. This will help determine how best we can meet our competition objective, and support the FCA in determining the best way to regulate these markets going forward.



Driving forward open banking

Open banking in the UK is growing rapidly and has the potential to offer a competitive alternative to cards in UK retail payments and support payment services innovation. The 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 long-term regulatory regime and a future entity to oversee open banking. This work builds on last year's formation of the UK Payments Initiative (UKPI) and the phase one roll-out of variable recurring payments (VRPs).



Evaluating our card-acquiring market review

We will review the effectiveness of the specific directions we issued following our market review into the supply of card-acquiring services, which aimed to further our competition objective.



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, while continuing to deliver our priorities and preserving the independence of the PSR until we are legally consolidated. Across our work, we will provide clarity and certainty for regulated entities so they can continue to focus on their core activities.



Our budget for 2026/27

The government has been clear that payment systems must continue to be regulated effectively.

Our budget for 2026/27 is **£26.0 million**. This is 7% less than 2025/26, reflecting efficiencies we have achieved by consolidating our operations within the FCA while maintaining our capacity to deliver our core regulatory responsibilities and complete ongoing work.

We rely on the FCA to deliver efficient and economic services, and we reimburse it annually. As we transfer more of our internal functions into FCA Shared Services, the costs reflected in our budget will cover a broader range of operational services. We expect those costs to total around £14.9 million this year.

We propose to recover around £21.5 million of our budget 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 its operations are ready for full consolidation. If there are any additional transition costs during the year, we expect to absorb them within this budget.

Budget costs

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

Staff costs are significantly lower than last year because more PSR roles and functions will be transferred into the FCA Shared Services model, with a comparable increase in FCA recharges. This reflects the consolidation of operational activity into the FCA, and a small reduction in workforce capacity.

The biggest change in our cost structure is the increase in FCA recharges. 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. More functions will move during 2026/27, meaning a larger share of operational delivery will be 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.

We engage widely across the industry to make sure we understand and keep pace with developments, so we can achieve the right outcomes. With significant regulatory change underway, our stakeholder engagement in 2026/27 will be more strategically focused, joined up, and evidence-driven.

We will continue to learn from others, including our international counterparts, and integrate these insights into our work. Our engagement will 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.

A major priority this year is strengthening our coordinated work with other regulators and authorities. We are collaborating more deeply with the FCA and the Bank of England through the Payments Vision Delivery Committee, the Retail Payments Infrastructure Board, and the Design Authority. This means 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 we need it.

As we move further towards consolidation, PSR and FCA teams will become more integrated. We will do joint work that would previously have been distinct, such as our work on open banking. We also have a new single process for horizon scanning that will serve both regulators and inform our strategic decisions across payments. 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 also 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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