

Final report: Market review into the supply of indirect access to payment systems

No.16/5

We've completed our market review into the supply of indirect access to payment systems. This review is part of our wider programme of work to promote better access to payment systems, and in turn, more competition and innovation in retail banking.

Our findings

Following feedback we received on our interim report – which was broadly supportive of our interim findings and proposals – we've found that competition in the supply of indirect access appears to be generating increasingly positive results. We have helped create an environment that has led to better outcomes, and expect the impact of our work and ongoing and anticipated market developments to continue to improve access.

However, we have specific concerns about the **quality of access, limited choice for some payment service providers (PSPs), and barriers to switching providers**.

Current progress and our approach to addressing our concerns

1. We are seeing developments that may address the concerns we've identified and so, for now, will focus our efforts on encouraging those rather than intervening directly. We will monitor and support these developments as set out in our report.

Some key developments since the publication of our interim report include:

- The Bank of England announced it will, for the first time, be extending settlement account access to non-bank PSPs, which means more PSPs will have the option of direct access.
- Five companies will be providing direct technical access to Faster Payments Service (FPS) via a New Access Model, providing more options for PSPs to have direct technical access. And four PSPs are scheduled to become direct PSPs in the system by the end of the year.

2. We've published a consultation on our proposed approach to assessing applications we receive under sections 56 and 57 of the Financial Services (Banking Reform) Act 2013. These powers enable us to require a payment system operator or indirect access provider to provide access or vary the terms of existing access.

Our work on access to payment systems

Over the past year, we've taken a number of steps to promote better choice in access services and improve service quality:

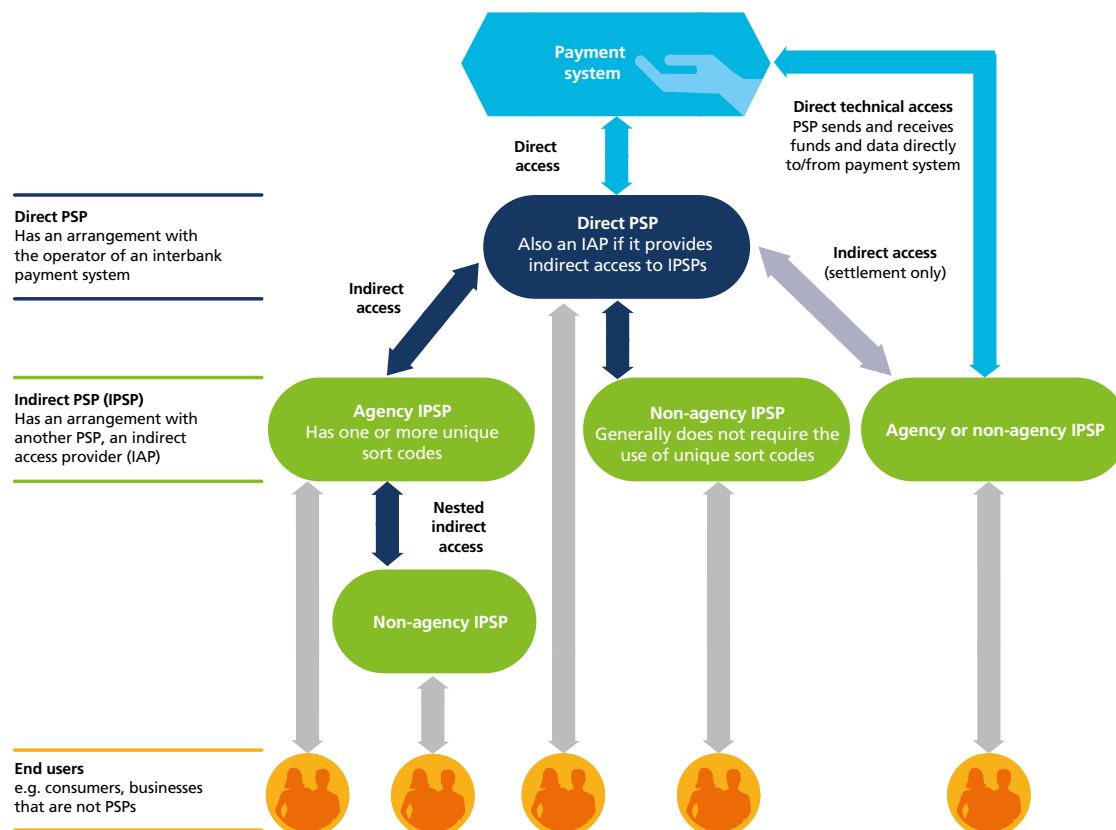
- We've helped to open up access to interbank payment systems so that larger PSPs such as challenger banks have a real choice between direct and indirect access.
- We've also made entry easier by increasing the amount of information available to PSPs through our sponsor bank information direction and are supporting the industry Code of Conduct to improve indirect access.

You can read more about our access work in our Access and Governance report.

Alongside our programme of work, the Payments Strategy Forum is also considering how payment systems can be developed to simplify access for PSPs. You can read more about their work in their draft strategy.

Factsheet

How different PSPs access payment systems



Background

Payment systems are a vital part of the UK's financial system. They make payments possible, whether you're paying a bill by direct debit, paying the deposit for your new house or using online banking.

In 2015, the UK interbank payment systems processed over £74 trillion worth of payments, or the equivalent of 42,000 payments per minute.¹

Why is access to payment systems important?

For banks, building societies and other PSPs to operate, they need to be able to move money between accounts. To do this they need access to a payment system. Access to payment systems is essential to drive competition in the banking and payments sector and, in turn, will give more options to consumers.

Indirectly accessing payment systems – where one PSP relies on another PSP to provide access – is an important way of accessing payment systems, especially for smaller PSPs. So it's key that this market works well.

Scope of the review

This review covers indirect access to the following payment systems: Bacs, CHAPS, Cheque & Credit and FPS.

More about the PSR

The Payment Systems Regulator is the economic regulator for the UK's regulated payment systems. Our purpose is to make sure the UK's payment systems work well for the people and organisations that use them. We want payment systems that are accessible, easy to use, reliable and secure, and provide value for money.

Keep informed about
PSR work and activities

www.psr.org.uk

¹ <http://www.paymentsuk.org.uk/sites/default/files/Monthly%20Payment%20Statistics%20Dec%202015.pdf>