

News

April 2023



Chris Hemsley, Managing Director

I wanted to start this edition of PSR news with a reflection of the last couple of months. It's already been a very busy period of delivering key pieces of work.

Last year we saw big changes that support our strategic priorities across the sector, and we'll continue building on the work already underway. This includes securing better incentives to protect consumers against authorised push payment (APP) scams, as well as our work examining card fees to ensure people and businesses get a good deal on card payments.

We'll also drive forward plans for open banking to realise its full potential. This is a big year for open banking, with over seven million active users in the UK; we see significant opportunities here to make payments better for everyone. Recently, the **JROC's report was published**, setting out recommendations for the next phase of open banking in the UK.

At the end of March, we published our **ambitious annual plan for 2023/24**. The work we've committed to will help us deliver our five-year Strategy and our priorities of protection, competition, unlocking account-to-account payments, and providing access and choice.

Our annual plan sets out how our projects will shape the future of payments. It includes work to unlock new ways to pay and greater competition in retail payments, all underpinned by new infrastructure. It is another year focused on delivery of the next stages of our work that will enhance UK payments.

In this edition of PSR News, you'll hear from Aidene Walsh, the PSR's new Chair. You'll also read more about the future of open banking,

the battle to tackle APP scams, and our work to make sure digital payments are inclusive.

I look forward to seeing as many of you as possible at our **annual plan event in London on 9 May**.

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A word from our Chair

Aidene Walsh
PSR Chair

It is a pivotal time for UK payment systems and the PSR has committed to delivering a number of strategically important pieces of work during 2023. Much of this is outlined in our recently launched annual plan, and I look forward to listening to the engaging discussions at our event on 9 May.

Delivering the PSR workload successfully will require your input and collaboration, and we will continue to focus on building our engagement with consumer groups, retail trade organisations and, of course, the wider payments industry over the coming months.

In March, I travelled to Belfast, where I met with a number of different groups, including consumer representatives, fintechs, retail trade associations, credit unions and banks. It proved to be an excellent opportunity to put into focus the different challenges that people in Northern Ireland face when it comes to payments. Cash is still the much-preferred payment option there, and is used extensively for budgeting purposes – heightened by the current cost of living crisis. This can be missed when information on the decline of cash is combined at a UK level.

Credit Unions are very prevalent in Northern Ireland, and they can face high costs when trying to offer their customers a range of payment options.

The visit really highlighted to me that, while there is a real desire to embrace new payment types and for people and businesses to understand what's on offer, it's hugely important to appreciate the different levels of understanding that people have in respect of these, and the necessary interventions required to truly enable consumers and businesses to have real choice.

This is certainly something we should all be thinking about.

Can we turn the tide on APP fraud?



Claire Simpson
Senior Manager, Policy

Losses to APP scams totalled £583.2 million in 2021. However, the impact on victims cannot be measured solely in terms of financial loss.

These crimes are often devastating, life-changing events. Our annual plan reflects our continued commitment to play a leading role in the fight against fraud. Our work centres around driving incentives to invest and innovate in fraud prevention controls. Reimbursement rules will also drive improved and consistent consumer outcomes, making it harder for criminals to commit these crimes.

It's critical that we support cross-authority working between government, industry, regulators, and consumer bodies to prevent fraud wherever possible. This requires coordinated actions to ensure we have a full and accurate understanding of the scale and nature of this destructive crime.

Another crucial tool in the fight against fraud is data sharing. We're working with Pay.UK and UK Finance on information-sharing between firms sending and receiving payments, which will improve fraud detection rates. In our efforts to empower consumers, we recently confirmed the new APP scam reporting structure; for the first time, people will be able to see how well their bank, building society or payment provider is performing in combatting APP scams. We'll publish the first performance dashboard in October.

At the heart of our work to tackle APP scams is engagement with other regulators, consumer groups and industry – working across the ecosystem to enable innovative approaches to fraud prevention. This is an important debate, and we hope that you will join us at our annual plan event for a dedicated panel discussion: *Can we turn the tide on APP fraud?*

What is the future for open banking?



Jeroen De Marteau
Manager, Policy

People and businesses benefit from competition between payment methods – it can increase choice, stimulate innovation (creating new ways to pay), improve services and lower prices.

With cards now representing the most popular payment method, we want the market to operate fairly and with conditions that are right for competition to deliver this – both now and in the future.

We have recently seen a significant level of growth in the use of account-to-account payments, including those initiated through open banking. There are already over seven million regular users of open banking in the UK. It's now relatively common to use account-to-account payments to, for example, pay a credit card bill, settle your tax payment, donate to charity or split a bill amongst friends who've been out for dinner.

However, while some firms are starting to offer account-to-account payments online, people are not yet using them in great numbers to make retail purchases.

We see real potential for account-to-account payments to become a viable alternative to cards, but recognise that further development is needed to facilitate their wider use.

That's why we've taken a leading role in the Joint Regulatory Oversight Committee (JROC) for open banking. The JROC brings open banking regulators and industry and consumer representatives together to work out how open banking can support account-to-account payments becoming a credible alternative to cards for retail purchases.

The **JROC recently published a roadmap** setting out the key themes that should be progressed in the next two years to allow open banking to continue to develop and help unlock its potential to compete effectively with other retail payment methods.

They are:

- levelling up availability and performance
- mitigating the risks of financial crime
- ensuring effective consumer protection if something goes wrong
- improving information flows to third-party providers and end users
- promoting additional services, using non-sweeping variable recurring payments as a pilot
- finalising the design of the future entity

We will be continuing to work with industry, consumer and business representatives, and other stakeholders, to deliver against these themes, and we look forward to discussing this at a dedicated session at the annual plan event.

Making sure digital payments are inclusive



Maria-Jose Barbero
Senior Manager, Policy

There has been growth in the number of digital payment methods, and at the PSR we're working on ways for people and businesses to benefit from better access and increased choice.

While regulation alone won't tackle the causes of financial exclusion, we're committed to playing our role to increase inclusion. We're doing this by challenging payment systems to consider people with limited digital and financial inclusion when designing and implementing payment services.

As part of our increased focus, we announced the Digital Payments Initiative in 2021 to understand the barriers to take-up of digital payments and identify potential solutions. This initiative was undertaken by the independent PSR Panel, which published its recommendations in 2022.

We've outlined how we'll take forward the recommendations through our work, including on open banking, and hold further engagement with the payment schemes and consumer groups to focus our next phase.

We're combining our work here with our plans on open banking to support development of new and innovative products that benefit consumers, including those with limited digital and financial access and skills. We believe this will help provide greater choice to people and businesses when they come to make and receive payments.

While digital payment methods are increasing, cash remains critical for many, and we're continuing our role as regulator of the ATM network to ensure people have good access to cash. We will remain active in this space and work alongside the Financial Conduct Authority, which will take lead responsibility for cash access in the UK following Royal Assent of the Financial Services and Markets Bill.

