

PSR Strategy update

Delivering impact through
promoting competition,
innovation and growth



January 2025



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Foreword: **Delivering with impact**

Payments are central to daily life and they are vital to our economy, including to the UK's vibrant fintech community. Well-functioning payment systems enable businesses to trade with confidence, reduce fraud, lower costs and provide a service that consumers can trust.

In many respects, UK payments generally work well, with most customers satisfied. Cards are trusted and by far the most prevalent form of retail payment in the UK, meeting many consumer needs. Faster Payments are also well established and growing. However, fraud remains a concern in payments and the lack of alternatives for merchants mean they have limited choice, impacting on competition.

While alternative means to pay have developed in other countries, these have yet to be significantly adopted in the UK. That is why, working with the Financial Conduct Authority (FCA), we are driving the development of trusted alternatives. We are also taking action where we are concerned that a lack of competition impacts the price paid by UK merchants, as well as addressing fraud.

At the Payment Systems Regulator, we seek to achieve 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.



We have already achieved a lot, delivering against the outcomes and priorities in our 2022 strategy to support positive change. We have acted to tackle authorised push payment (APP) fraud – including by rolling out Confirmation of Payee (CoP) to cover 99% of transactions using Faster Payments or the high-value CHAPS scheme, implementing the world’s first reimbursement requirement and shining a much-needed spotlight on where payment fraud originates. All of these have been designed to increase consumer confidence in digital payments.

We have promoted competitive outcomes through two approaches. Firstly, we have looked at directly addressing concerns around limited choice and competition – through our card reviews, by imposing fines for breaches of competition law in the prepaid cards market and helping merchants to make informed choices by enabling greater transparency on card-acquiring services. Secondly, we are working to increase choice and competition, by creating an alternative to cards through driving forward progress on open banking payments to unlock its potential. But there is more to do.

It is an important moment for the payments ecosystem. As we complete the third year of our five-year strategy, we’re seeing rapid market and technological developments, along with a greater public policy focus on payments. The government recently shared its [National Payments Vision \(NPV\)](#), which signals a clear strategic direction for a world-leading payments ecosystem.

We strongly welcome the NPV’s emphasis on a clear regulatory framework and resilient payments infrastructure, and recognise the close alignment with the pillars of our strategy. We particularly welcome the strong focus on regulatory collaboration – the recruitment of an FCA Executive Director of Payments and Digital Assets, who will also hold the position of PSR Managing Director, will support greater join-up. We have already seen the benefit this is bringing, particularly through greater alignment of the work on open banking, and we are excited about the opportunities for the future.

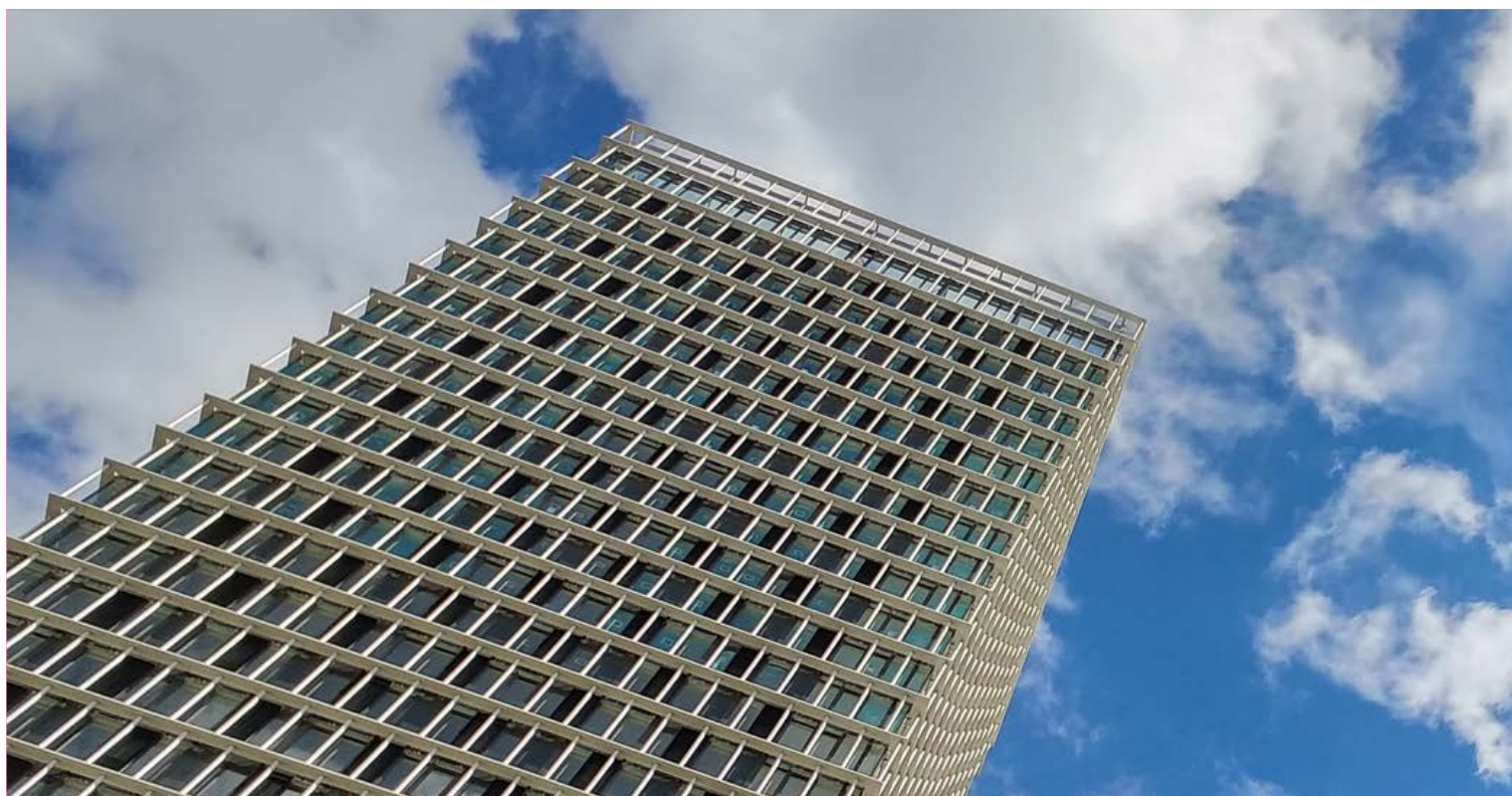
We have invested considerably in increasing our engagement with stakeholders over the last year. We are clear that an effective public-private partnership is key to the future of payments.

Payments are critical for sustainable economic growth. They underpin all economic activity and enable the wider economy. They directly contribute to economic growth, for example, by providing opportunities for fintech and payment firms generally to develop. We strongly support the government's growth mission, including the emphasis on regulators boosting business confidence and improving the investment climate. We will play our role in supporting this focus.

Through promoting trust in payments, supporting effective competition and innovation, and through proportionate, effective regulation, we can play our role in supporting a growing, competitive payments sector. Our determination to support growth underpins the commitments in this strategy update.

Taking account of our payment systems remit, what we have achieved, the focus on supporting economic growth and the developments in payment systems, we are clear where we can add value and drive a positive impact in the future, working closely with stakeholders and other regulators. We will focus on three core commitments for the remainder of the strategy term:

- **Complete the important work we have started to protect users and promote competition and innovation.** We will fully embed our world-first APP fraud reforms to enhance trust in payments and deliver our card market reviews, so we can be sure that these markets work well for merchants. As set out in the NPV, we will work closely with the FCA to enable it to take forward work on the overall framework for commercial open banking payments to support innovation, including variable recurring payments (VRPs). We will finish the work we have started on VRP Phase 1 and support the FCA in moving to Phase 2.



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- **With the Bank of England (the Bank), drive forward work to upgrade Faster Payments, and reform of Pay.UK, as well as assess other long-term retail infrastructure needs, setting out an approach by the end of Q2 2025.** This is critical to providing a sound foundation for future innovation and competition.
 - **Sharpen our focus on competition and innovation in payments systems, supporting economic growth and enabling the ecosystem of the future.** We will convene and engage domestic and international innovators, including those developing new payment systems, in order to support innovation. We will seek to better understand risks to and opportunities for innovation, creating the right regulatory conditions for it to thrive and removing blockers.

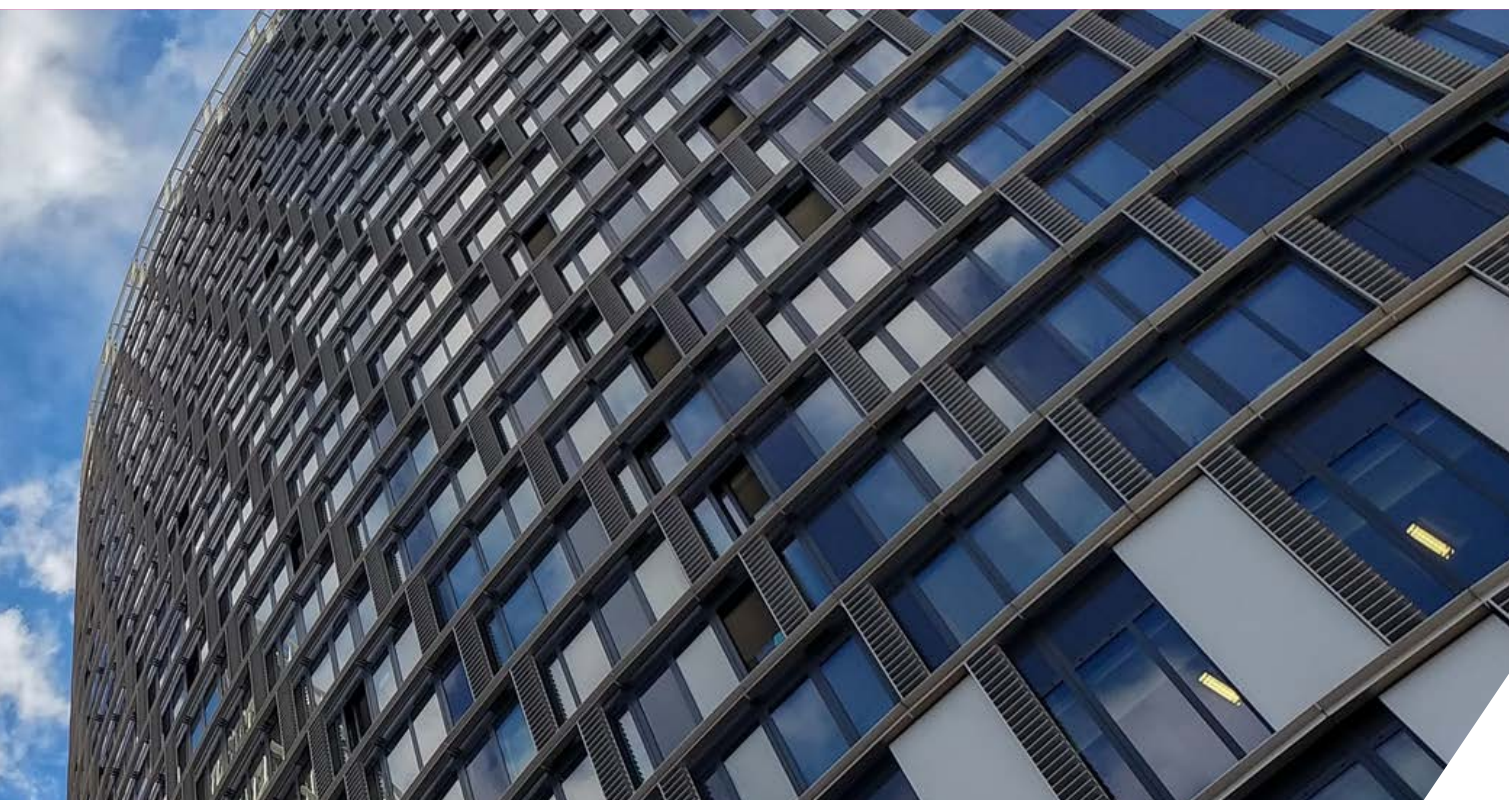
These core commitments align with the outcomes and priorities that we set out in 2022, while streamlining our activity. This, in turn, will deliver real impact and drive towards what we want to achieve for payments.

As we take forward our key existing programmes, embrace innovation, support growth and seize the opportunities on the horizon for the UK payments sector, we will also be building out the next strategy for the PSR.

We look forward to working with you to deliver benefits for users, providers, and the wider economy.

Aidene Walsh
Chair

David Geale
Managing Director



Developments since the strategy

Since we published our five-year strategy in 2022, there have been important developments in the payments landscape. We have also delivered important change. Reflecting on these is vital to ensuring that we are focused on those areas which drive maximum impact for UK payments in the future.

What we have achieved

We are proud of what we have achieved since 2022. We have implemented world-first measures to protect consumers from APP fraud, providing strong incentives on business to prevent fraud and supporting trust in digital payments. This is part of a broader programme of work, including the expansion of CoP – which is also being adopted by other jurisdictions including the EU and Australia. We have enabled greater transparency on firms' performance on fraud and where it originates.

We have also driven forward our work on card fees and open banking, so that we are well placed to deliver in the second half of the strategy period. We have addressed cartel activity in prepaid cards and, in doing so, mitigated harms where there was less competition and choice for local authorities who may have missed out on cheaper or better quality products used by some of the most vulnerable in society. We have continued to develop and improve as an organisation – including through developing our Supervision, Compliance and Monitoring team.

National Payments Vision

In November last year, the government published the NPV, setting out its ambitions for the UK's payment sector to deliver world-leading payments and support its growth mission. The NPV emphasises the need for a clear regulatory framework and resilient infrastructure to strengthen the foundations of our payments ecosystem. The NPV also outlines three key pillars designed to guide future activity – innovation, competition and security. In line with these pillars, the government has set out priority initiatives in retail payments. These pillars closely align with our strategy and are reflected in this update.

Developments in the payments landscape

Many aspects of UK payments look similar to how they did in 2022 – for example, high card usage and a continuing role for cash. This is unsurprising as the UK payments market is mature and highly developed relative to many other countries. Cards are popular and work well in many respects, with broad card acceptance across the economy and customers valuing the features cards provide. A large proportion of the population are digitally enabled. Overall, there is high demand for instant, free, embedded and frictionless payments. Fraud continues to be a major challenge for payments – not just in the UK, but globally – which is why we have taken action of a type we consider is likely to be followed in other jurisdictions.

There have also been important developments which impact UK payment systems and indeed the wider ecosystem – technological and market innovations in payments are developing rapidly. Some consumer behaviours have evolved, and we are operating in an increasingly complex and interoperable global environment. Account-to-account payments, alternative payment methods, digital payments, biometrics in payments, and AI are all important developments. The role of digital wallets in making payments, in particular, has continued to grow.

We have also seen significant progress in other countries, with the continued development of new payment methods. These include continued developments in account-to-account payments, building on their successful adoption in various countries. The European Payments Initiative has also recently launched Wero – a new digital payment solution. We expect that other new payment systems models will emerge, and welcome opportunities for greater competition and innovation.

Many countries are also exploring how digital currencies – whether in the form of central bank digital currencies (CBDCs) or cryptocurrencies – can be integrated into their economies and payment ecosystems. In the UK, the Sterling Finality Payment System – based on distributed ledger technology, used primarily for wholesale transactions – became designated for our regulation in 2022, and was launched in 2023. Industry is developing a potential Regulated Liabilities Network (RLN) – a type of financial markets infrastructure exploring tokenisation and programmability. The government is working with the Bank of England to design a potential retail and wholesale digital pound. We continue to support initiatives that deliver the outcomes we want to see, promoting competition and innovation in payments, while providing appropriate protection for consumers, regardless of the particular method.

Many countries are advancing their payment infrastructures by adopting instant payments. The ISO 20022 messaging standard is enabling new payment services that enhance users' experiences and support greater integration with global payment ecosystems. Big technology companies are increasing their payments footprints.

It is important that we consider all of these developments in the round – including both opportunities and risks. On the following page you will see a summary view of the updated payments landscape against which we developed this strategy update. We will continue to remain strongly engaged with developments in payments and their impact across our statutory objectives.





Merchants, including many SMEs

What has changed?

- SMEs have come under increasing cost pressures
- Card acceptance by smaller merchants has further increased
- More retailers have ceased to accept cash

What hasn't changed?

- Merchants have limited choice and, particularly for SMEs, still do not have market power to effectively negotiate on card fees or the transparency they need in all cases



Industry

What has changed?

Industry has witnessed/driven:

- The increasing relevance of AI to payments, including in relation to fraud detection
- The potential for digital IDs to play an even greater role in payments
- The emergence of new potential payment systems and the growth of digital assets
- The increasing use of biometrics in payments

What hasn't changed?

- Big tech players continue to move into payments, albeit at greater pace in recent years
- The NPA has not developed as anticipated – we continue to see a need for an upgraded infrastructure to support the changing role in interbank systems and innovations in payment services
- Though we have seen strong growth in open banking payment services and development of premium application programming interfaces (APIs), we are not yet to see widespread availability of premium APIs for open banking retail payments
- Risks to protection continue to emerge as payment uses change and new payment systems develop



International countries

What has changed?

- Alternative payment methods (APMs), often based around interbank instant payments, are becoming more widespread across various countries
- Interoperability is enabling real-time payment processing and settlement across different payment systems, networks and countries
- Many countries are advancing their payment infrastructure by adopting ISO 20022 messaging standard

What hasn't changed?

- Notwithstanding changes, there is still significant focus in many countries on their own domestic systems



Consumers

What has changed?

Consumers have witnessed/driven:

- A rise in the use of digital payments
- The growth of digital wallets
- An increase in the number of transactions made using Faster Payments
- An increase in the number of open banking-initiated payments
- Cost of living pressures

What hasn't changed?

- Cash remains important
- Cards work well in many instances and are trusted
- Anecdotal reports suggest cheques remain important for some
- Fraud remains a very significant issue

How we work

Collaboration between regulators and the private and public sectors is key to the success of UK payments.

Working within our remit

While the ecosystem is constantly changing, the PSR has a clear remit – to regulate payment systems. Through our statutory objectives, we promote competition and innovation, as well as the interests of current and future users of payment systems. Our rules, decisions and guidance also apply to the participants of those systems which are often supervised or regulated by others. Across our work, we are focused on delivering value for money in how we work and to regulate proportionately.

Since we published our 2022 strategy, there have been some changes to our remit. Responsibilities for ensuring access to cash have been transferred to the FCA, although we continue to regulate the LINK ATM network and continue to support the accessibility of digital payment options where relevant.

Where we do not have primary responsibility, but where we can add value, we offer our expertise and perspectives including views on risk and opportunities to support broader payments developments. This may include, for example, on developments in digital ID and AI in payments. We will convene stakeholders to explore such areas, encouraging awareness and industry action where appropriate, and seek to influence debate.

Our work is underpinned by ongoing horizon-scanning to understand and engage with new trends, opportunities and potential issues.

Collaborating with other regulators

Our collaboration with the government, FCA, Bank of England and other authorities is crucial to delivering the outcomes we want to see. Only through working effectively together can we better realise the opportunities for UK payments. For example, we recently issued a call for information jointly with the FCA on the implications of digital wallets across our respective remits. The importance of collaboration also underpins the recent decision to join the role of Managing Director of the PSR with the new FCA Executive Director of Payments and Digital Assets role, which will further strengthen our joint ability to drive positive change. Over the remainder of the strategy term, we will deepen our collaboration with other regulators, including through the work of the Payments Vision Delivery Committee and a Payments Forward Plan announced in the NPV.

We have a long-standing Memorandum of Understanding (MoU) on how we work together with other regulators, which has been effective. However, the regulators have identified areas for future cooperation and coordination. We will therefore, consistent with the NPV and working with the other regulators, update the MoU by Q2 2025.

Working with our stakeholders

Private and public partnership is critical to ensuring a successful future for UK payment systems, enabling us to collectively focus on the right opportunities and risks and prioritise effectively. Over the last year, we have focused significantly on improving the quality of our engagement with stakeholders on PSR work – we are grateful for the input of the many stakeholders who informed our strategy review, and their feedback is summarised at Annex A. As we focus on our three core commitments for the next two years of our strategy, we look forward to further enhancing this engagement, both domestically and internationally.

Our commitments

Reflecting these developments, and taking account of our remit, strategic priorities and outcomes from 2022, we see three core areas of priority for the remainder of the strategy period:



1. Complete the important work we have started to protect users and promote competition and innovation



2. With the Bank of England, drive forward work to upgrade Faster Payments, and reform of Pay.UK, as well as assess other long-term retail infrastructure needs



3. Sharpen our focus on competition and innovation in payment systems, supporting economic growth and enabling the ecosystem of the future



1 Completing what we started

We are confident that our existing projects remain important in promoting competition and innovation, and addressing harm to users. We are committed to delivering on them, working in partnership with others where appropriate.

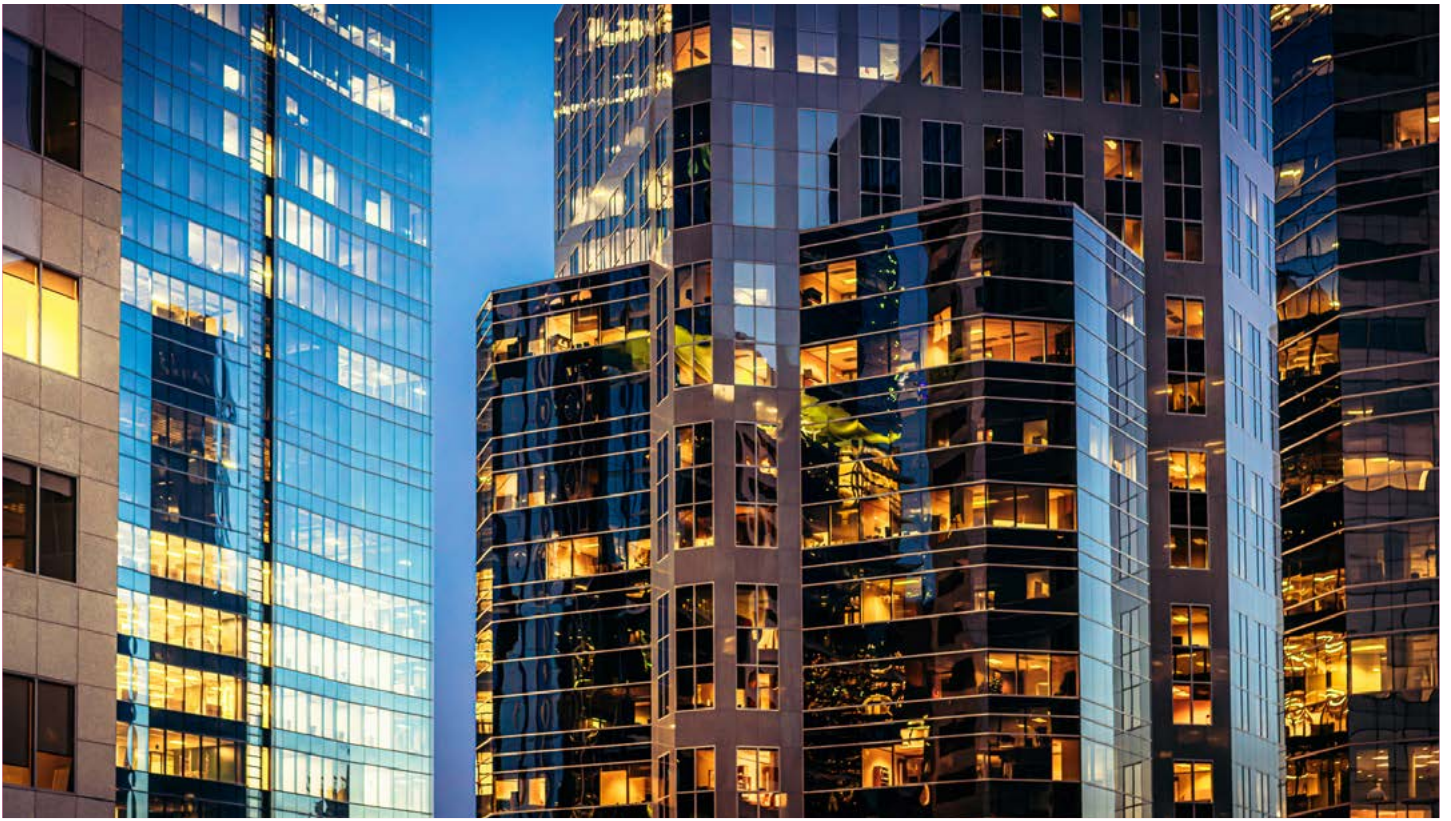
Completing our work to address authorised push payment (APP) fraud

Over the past few years, we have achieved a lot to protect consumers from APP fraud and support trust in payments. In October 2024, we implemented reimbursement requirements, with a cap of £85,000, covering 99% of APP claims by volume and over 90% by value. Alongside this, we delivered CoP to cover over 99% of transactions through Faster Payments and CHAPS. This has significantly enhanced protection for consumers, which will help increase trust, enabling more to feel confident in embracing digital payments.

These measures fundamentally change the incentives for payment service providers to combat APP fraud. They are also prompting positive change, with firms making greater efforts to tighten controls and tackle fraud in a coordinated way. Going forward, **we will work with industry to embed our APP fraud directions.**

We will also carefully monitor the impact of our measures, including commissioning an independently led evaluation of our reimbursement requirements, for when they have been in place for 12 months.

We welcome and will support the FCA leading a cross-sectoral approach to tackling fraud, including by helping to facilitate data-sharing between payments firms.



Delivering our card reviews

We will also continue to address harm to users where we have concerns that **competition is less effective**. Progressing our market reviews into card fees is a critical part of that – with effective competition also supporting the growth and development of UK businesses. In May last year, we published our interim report into our market review of scheme and processing fees. We will publish our final report soon and, if required, a remedies consultation. In December, we published our final report on our market review of cross-border interchange fees, and a consultation on a proposed price cap to protect UK businesses.

Delivering on Phase 1 of VRPs

We will complete Phase 1 of the rollout of non-sweeping variable recurring payments (VRPs) for lower-risk use cases (**local government, utilities, regulated financial services**), **supporting industry-led delivery of a commercial model**. VRPs will enable growth, investment and innovation, and give consumers greater control and flexibility over their recurring spending, which has the potential to bring benefits to those on variable incomes or those who would benefit from more flexible billing schedules. VRPs will also support choice and competition over time. Creating a framework for implementing VRPs will build momentum towards later phases that enable wider retail use cases, with innovative payment services that compete with cards. We will work closely with the FCA as it takes the lead for open banking.

2 Upgrading the retail payments infrastructure and Pay.UK reform

We strongly agree with the government's recent statement, as articulated in the NPV, that resilient payment systems infrastructure, supporting innovation and competition, is a prerequisite for a healthy payments ecosystem. We also recognise that upgrading the UK's interbank infrastructure has been slow and challenging.

Upgraded payments infrastructure will improve agility and flexibility, priming the UK to drive and seize the opportunities of innovation and supporting growth. We wrote to Pay.UK in April 2024 asking it to begin discussions with Vocalink on the scope and cost of resilience-related investment need for Faster Payments. We also sought options for increased capability, such as better access, innovation, adaptability, and reduced financial crime.

We will support the upgrades required to the UK's Faster Payments system infrastructure, working with the Bank of England and the Payments Vision Delivery Committee to clarify requirements for the short term, as well as considering future requirements for the UK's retail payments infrastructure beyond that. **We will therefore work with the Bank to assess those longer-term requirements.**

We will review the governance and funding arrangements of Pay.UK. In the light of that review, **we and the Bank will make proposals for its reform.** We will ensure that Pay.UK fulfils its role as a strong and effective payment system operator, actively improving the rules governing interbank payments to deliver the outcomes that we and society want to see.

Working with the Bank at pace, we will set out our approach to delivering the above by Q2 2025. We will then take forward next steps with the Bank.



The payments infrastructure and its governance arrangements are a foundation for the future success of UK payments. Working with the Bank, we will oversee the planning of necessary upgrades to support future resilience, competition and innovation.

3 Increasing our focus on innovation, competition and growth

Our work in driving forward VRP Phase 1, securing an upgraded Faster Payments infrastructure and clarifying the future requirements for the retail payments infrastructure will help enable innovation and competition in payments.

Our strategy sets out our clear focus on delivering improved outcomes for consumers and businesses as the end users of payment systems. Through the value chain, payment firms and other innovators play an important role in this and there can be trade-offs between regulation and innovation in delivering the right outcomes. Our decisions will therefore be proportionate and always taken in the round, factoring in how innovation and competition can benefit end users in the longer term, and how we can use regulation to enable firms to compete and innovate, rather than hinder this.

Our focus is on removing unnecessary barriers to payments innovation, enabling innovators to compete, and helping to create the conditions for innovation in payment systems to thrive – supporting economic growth. Over the remainder of the strategy term, we will build out our innovation capability, collaborating with the Bank of England, FCA and others – both domestically and internationally – to facilitate:

- a PSR ‘innovation pathway’ which can provide advice and clarity on the interaction between proposed new business models and our regulations.
- further insights on how payment systems’ infrastructure, rules and operation may be blocking innovation, or innovators competing, and how we can address them where it is in our remit. This may include a greater focus on access to payment systems where this is considered a blocker.

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- further engagement with those developing **potential new competitive payment systems** (e.g., RLN, the digital pound), supporting industry by clarifying our expectations for any new payment system designated to us and helping inform our work on the future requirements for retail payments infrastructure that can deliver effective **next-generation technology platforms**.
 - considering key technological developments such as the role of digital wallets. We will provide an update on our joint work with the FCA in Q1 2025 and set out next steps where we can add value.

With over £100 trillion flowing through the UK payments infrastructure in 2023 alone, payments are essential for the functioning of the economy and for economic growth.¹ In particular, the UK is home to fast-growing fintech sectors, including payments fintech. The 2021 Kalifa Review noted that the UK accounts for 10% of the global market share for fintech, with revenues forecast to triple between 2020 and 2030 – assuming that our market share is maintained.²

1 [Future of Payments Review report](#), 2023, p 21.

2 UK government, [The Kalifa Review of UK FinTech](#), 2021.

In setting out the commitments we have made in this strategy update, we have been guided by the importance of supporting sustainable economic growth and competitiveness in the medium to long term – whether that be promoting trust in payments, supporting effective competition and innovation, and through proportionate, effective regulation. Our commitments in supporting open banking, promoting innovation and taking action to address competition issues are all part of this.

We will maintain this focus over the strategy period – and as we consider our future strategy. We will ensure that we take account of the implications for growth of our interventions through our internal decision-making processes. We will identify how we have considered economic growth to enable us to be held to account.

Key to our forward work will be an enhanced focus on innovation, competition and growth.

The impact we want to see

We are seeking to achieve thriving, world-leading payment systems where competition and innovation deliver accessible, convenient, secure, trusted and value for money services that meet the needs of consumers and businesses.

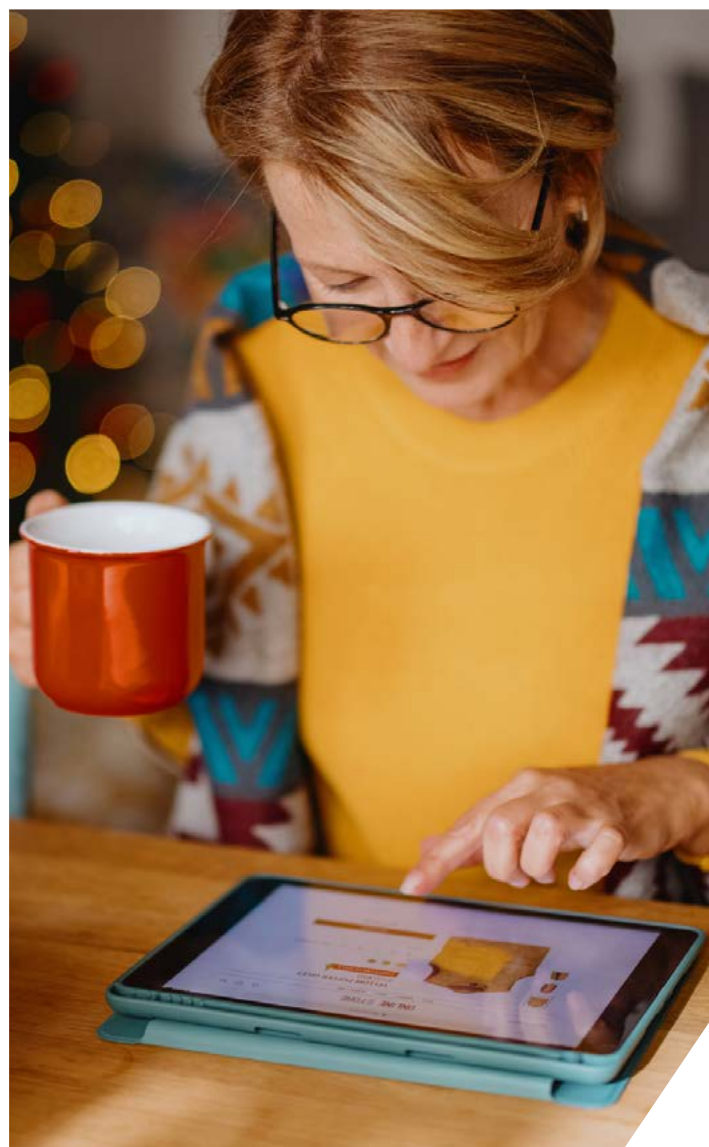
In delivering our work, we want to see by the end of the strategy period:

- **Stronger competitive alternatives:**
The effective implementation of a commercial model for VRP Phase 1, supporting further development of VRPs to ensure competition and choice, recognising that the outcomes of greater competition are more closely linked to Phase 2 which will be led by the FCA.
- **Appropriate regulation where we have concerns that competition is ineffective:**
The effective and appropriate regulation of relevant card fees following our market reviews to ensure the right outcomes for end users.
- **An agreed approach to governance and funding arrangements that facilitate the effective renewal of domestic retail payments infrastructure.** We want to see a clear blueprint for a future retail payments infrastructure that better enables innovation and competition.
- **Supporting innovation:**
Demonstrating progress on our innovation focus, including interventions to address barriers to innovation within our remit. We will assess our impact by getting feedback from businesses seeking to innovate.
- **Demonstrable contribution to economic growth,** through delivering the specific commitments in this update which contribute to economic growth in the medium to long term and support for the government's growth mission.
- **Decreased APP fraud (volumes and value) and increased reimbursement,** while recognising that rates of victims reporting frauds could rise in the short term as a result of our new reimbursement requirements.

As we note above, while customers are often satisfied about payments, we will continue to monitor satisfaction levels and experiences of payment system end users (consumers and businesses). We recognise that measures of perceived satisfaction may be influenced by other factors, but still consider these may provide useful insight into the operation of payment systems, including opportunities and risks. We will survey end users annually.

We will also seek structured feedback from parties across the payment ecosystem on our contribution to achieving the outcomes we want to see and to delivering our commitments. As well as gaining this through our regular engagement, we will conduct annual stakeholder sentiment surveys to gain feedback.

We will report on our progress in each annual report, using more focused indicators which set out our contribution, superseding those we set out in our 2022 strategy. We will continue to improve our ability to measure and evaluate our impact over the coming years.



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