Payment Systems Regulator

Annual report and accounts 2025/26

HC 369

The Payment Systems Regulator Limited

Annual report and accounts 2025/26 (for the year ended 31 March 2026)

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Foreword

Ashley Alder
Chair

The payments sector is undergoing a profound transformation. Major developments and innovations are reshaping payments globally – like real-time payments, open banking, artificial intelligence-driven fraud prevention, and digital assets.

As the UK's economic regulator of payment systems, we have an important role to play. We must promote competition and innovation to create opportunities in this dynamic landscape, while making sure user needs are built in at every step. We're a key part of the UK's collaborative transformation of payments, aligned with regulators and industry behind the government's National Payments Vision. Together we're cementing the UK's position as a leader in global payments.

Last year we drove forward our 2025 strategy commitments, while also making progress towards consolidation into the Financial Conduct Authority (FCA). By modernising the UK's payments infrastructure and unifying our regulatory setup, we've helped enable innovation and support long-term growth.

I'm confident that the consolidation will improve efficiency and simplify engagement for firms, with a clear, joined-up regulatory framework. Internally, we're already seeing the benefits of streamlined decision-making and coordination. I'm privileged to see this first-hand as chair of the FCA and PSR boards. I was appointed to the PSR board in January 2026, and I'm honoured to lead both organisations as we navigate this period of transition.

I would like to express my gratitude to the previous chair, Aidene Walsh, who provided excellent leadership of the PSR board, and superb counsel and guidance across the PSR's work. I'm also thankful for the warm welcome from my PSR colleagues, and for the hard work of all our staff, board and stakeholders in delivering on our priorities over the past year. I look forward to all that we'll collectively achieve in the year ahead.

David Geale

PSR Managing Director
and FCA Executive Director of
Payments and Digital Finance

Looking back on the past year, we've achieved a lot and sustained the momentum on our work to make a positive difference in payments.

At the same time, we've been building the future model for payments regulation as we merge the PSR into the FCA. Bringing two organisations together like this is a significant task in itself; delivering on our strategic objectives and commitments at the same time is a real accomplishment.

Our work programme remains vital for producing good outcomes for people and businesses using payments. In the last year we completed the first full year of our mandatory reimbursement scheme for authorised push payment scams, which has materially improved protection for victims of fraud. We made good progress on our card market reviews and played a key role in open banking, supporting the creation of an industry-led entity to develop standards and infrastructure. And as part of the Payments Vision Delivery Committee, we've supported the development of next-generation retail payments infrastructure.

We've been a pivotal player in the UK's collaborative, multi-authority approach to enable growth and innovation in payments. We've engaged more closely with industry, including innovators and fintechs, to better understand enablers and barriers to innovation. And we've taken active steps to promote it, working with the FCA on TechSprints and its regulatory and digital sandboxes to help firms test new ideas.

This work is complemented by enhancing our approach to supervision and enforcement. We've kept up regular engagement to clarify our regulatory expectations, help payment system operators meet our requirements, and address specific threats to competition where they've arisen.

This is only possible because of the hard work and professionalism of colleagues across the PSR, who have continued to deliver while we adapt our operational model. When the government announced that it would consolidate the PSR with the FCA, we made changes quickly, giving clarity to colleagues as soon as possible. PSR and FCA teams have moved closer together, strengthening our collective expertise; we're already benefitting from a single strategic view of the payments landscape. Now we're laying the groundwork for the economic regulation of payment systems to continue under the FCA. We recognise the importance of preserving our powers and objectives under the appropriate framework to support and drive access, innovation and competition across all payment systems – with benefits for all their users.

I'm grateful to colleagues both in the PSR and those who continue to support our work having already moved into the FCA. I'm confident that we're well placed to build on our achievements and, together with the FCA, continue delivering where it matters most.

How we made a difference in 2025/26

Last year we had a strong impact across all our objectives, promoting competition and innovation, and meeting the needs of the people and businesses that use payment systems. In doing so, we played a pivotal role in shaping the future of payments in the UK. We worked collaboratively with other authorities to progress the government's National Payments Vision (NPV) and developments in open banking. Our anti-fraud measures took hold, and our card fees work is laying the foundations for better competition.

The National Payments Vision

We worked with HM Treasury, the Bank of England and the Financial Conduct Authority (FCA) on the Payments Vision Delivery Committee (PVDC), which progressed key deliverables under the NPV – supporting the government's ambitions for a world-leading payments sector.

This included supporting short-term improvements to Faster Payments and Bacs to enhance functionality and encourage innovation. Working with Pay.UK and the Bank to ensure completion of these short-term enhancements will be an ongoing area of focus for us.

We also helped drive forward work to deliver the UK's next-generation retail payments infrastructure, including establishing a new governance model, publishing a strategy for the UK's retail payments infrastructure in November 2025, and publishing the Payments Forward Plan in February 2026.

The next phases of delivery will be a priority. We recognise that improved infrastructure leveraging next generation technology will support competition and prime the UK to seize the opportunities of future innovation.

We welcome wider private sector innovations in the interim, like Great British Tokenised Deposits, that are helping advance the payments ecosystem towards the outcomes in our strategy.

Authorised push payment (APP) fraud

In October 2025 we celebrated the first anniversary of our APP fraud reimbursement requirement. The policy has shown strong results already: payment firms reimbursed £243 million to victims by the end of 2025 and we saw a drop in claims that fall in scope of the policy. Firms have stepped up to prevent fraud from happening in the first place and are reimbursing victims quickly – which was not happening consistently before we introduced our rules.

On 1 July, Frontier Economics published its independent evaluation of our APP scams policies. This highlighted that they have broadly delivered against their initial objectives, and yielded benefits greater than costs in the short term. We have published our response and a roadmap for the parts of our policy we will review.

Consolidation

The government has recognised the importance of payment systems regulation within its proposed new regulatory framework. The Financial Services and Markets Bill was introduced into Parliament on 19 May 2026 and contains provisions to abolish the PSR and transfer our functions to the FCA, preserving their substance and scope. Critically, the PSR's reach across users of payment systems, and our objectives on competition, innovation and user needs, are being carried over into the FCA.

We have made good progress with the consolidation, implementing operational changes and supporting the legislative process.

In October, we responded jointly with the FCA to the government's consultation on the future of payment systems regulation, setting out our support for the government's approach.

Ahead of consolidation we remain an independent regulator with our own board and decision-making committees. Colleagues who have formally transferred to the FCA already as part of the phased transitions are delivering PSR work from their new FCA teams under our service agreement, within a matrix-managed arrangement. This means we will seamlessly continue to meet our commitments while the consolidation is in progress.

Colleagues who remain in the PSR already know which FCA team they will join once consolidation is complete, and our supervisory and policy areas will continue as functions in the FCA.

Card fees and competition

We made important progress on our card fees market reviews. Cards are the most popular form of retail payment method, but there continues to be issues around limited choice and competition.

For **cross-border interchange fees**, we consulted on remedies but paused implementation in light of litigation regarding our powers. The High Court confirmed our powers to regulate prices, although this decision has been appealed to the Court of Appeal. While the appeal progresses, we are gathering information for the detailed analysis we will need to assess the appropriate level for these fees. We will then consider next steps in light of the continuing litigation.

On **scheme and processing fees**, we consulted on two draft directions: one on pricing governance, and one on information, transparency and complexity. We will publish the final directions in July 2026. They will mean better information for card acquiring firms, and more transparent governance by Mastercard and Visa that focuses on service users' interests.

We are currently consulting on our final remedy on regulatory financial reporting. We will publish the final direction later in the year, and monitor compliance with all our requirements.

Overall, this work represents incremental but integral steps towards improving transparency and fair pricing in the card payments market.

Open banking

In 2025 the number of open banking payments grew by 53%, and more than 16 million users now benefit from open banking services. Although this still only accounts for a small percentage of total UK transactions, the significant growth we have seen points to a real opportunity to help consumers and businesses manage their finances. A key driver has been the rise of variable recurring payments (VRPs), which now account for 16% of all open banking transactions.

Last year, we worked with the FCA to support the phase one roll-out of VRPs and the formation of the UK Payments Initiative – a new company formed by 31 firms to enable VRPs. Its commercial VRP scheme is helping consumers make flexible, recurring payments and manage their payment schedules more effectively.

We are continuing to support the FCA as it establishes a long-term regulatory regime for open banking.

Supervision and enforcement

Last year, we worked closely with the payments industry and further strengthened our supervision of payment system operators. We clearly set out our regulatory expectations and managed risks where those expectations were not being met. Alongside this, we took an active approach to enforcement where we found evidence of compliance failures. For example, in February 2026 we fined the Bank of Ireland UK for failing to implement Confirmation of Payee by the required deadline.

Our outcome indicators

In our 2022 strategy, we set out a series of indicators to assess our progress. Last year, we refreshed these indicators, reflecting changes to our work programme and limitations in the available data. These are not intended as a comprehensive competition assessment of payment systems. Instead, they provide a useful indication of whether payment systems in the UK are moving closer to or further away from the outcomes we want to see.

This is a summary of our latest findings, with updated data where it is available.

Indicator	Key findings	Our focus
Satisfaction levels of end users	Our headline finding – that consumers are largely satisfied with payment systems – has not changed since the consumer research we commissioned between December 2024 and January 2025 (conducted by Thinks). In that report, 95% of consumers felt that payments work well and 92% said that they could make and receive payments in a timely manner. However, 39% of consumers experienced limited choice of payment type and 41% were worried about the possibility of being a victim of fraud. Our engagement with merchants remains largely consistent with our 2024/25 findings – that card payments generally work well but merchants have concerns around the cost of accepting them.	These findings show the importance of our focus on promoting greater choice and competition in retail payments, and improving fraud protections to maintain consumer confidence. Alongside ongoing work on our card market reviews, we are considering our approach to competition in cards in the round. We will take account of other market developments to determine how best to regulate cards going forward.

Indicator	Key findings	Our focus
The degree of competition in retail payments	Cards remain the most prevalent form of retail payment: UK-issued debit and credit cards were used to make 31.4 billion transactions in 2024 (both here and abroad) – up from 30.2 billion transactions in 2023. Contactless is the most popular way to pay with UK consumers. Last year, we reported figures for debit and credit card contactless payments in 2023 – these were 15.8 billion and 2.6 billion respectively. In 2024, this had risen to 16.1 billion debit and 2.7 billion credit card contactless payments – solidifying their position as the dominant retail payment method. Meanwhile, the number of open banking payments grew by 53% year-on-year, reflecting a significant shift in how consumers and businesses manage their finances. While open banking is not yet a competitive alternative to cards, it is growing rapidly in the UK. Latest industry figures show there are now more than 16 million users (up from 13 million last year).	The risk to competition in retail payments that we identified in our strategy has not changed. However, we are seeing momentum building across industry behind open banking services. We will continue to support the FCA as it works to establish a long-term regulatory regime and a future entity to oversee open banking.
Access to payment systems	Most payment service providers (PSPs) access payment systems either through: • direct access – where the PSP has an arrangement in place with the payment system operator, or • indirect access – where the PSP has an arrangement with another PSP with direct access to the payment system Last year we reported that the number of direct participants in interbank payment systems grew from 38 in 2021, to 46 in 2025 (according to Pay.UK data). The latest figure is 47 participants. Our ongoing engagement with the fintech community reveals that the indirect access model continues to present challenges for new entrants, particularly for smaller firms.	Ease of access to payment systems and schemes is important for healthy competition between those who offer payment services. As part of our innovation focus, we have been engaging with stakeholders to better understand barriers to access. Our policy and supervisory teams will use the findings to inform their decisions. We are also applying insights to the work we are doing with other relevant authorities to deliver the NPV and support infrastructure upgrades. We are considering how upgrades could simplify access for PSPs.

Indicator	Key findings	Our focus
Rates of APP fraud (volume and value) and reimbursement rates	While overall fraud levels have risen, we have seen reimbursement rates improve and in-scope claims for APP fraud decline since we implemented our reimbursement requirement. In the calendar year 2025, 87% (£215 million) of the money lost to APP scams was reimbursed to victims. In comparison, UK Finance reported a 61% reimbursement rate in 2024. Consumers reported around 306,000 claims during this period, of which 209,000 were in scope for reimbursement. UK Finance reported 225,000 APP scams in 2024.	Effectively implementing and monitoring our APP fraud policies continues to be a key priority. This year, we commissioned an independent evaluation of our APP fraud policies. It concluded that they had broadly achieved their objectives. We will use 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.
The interests of investors and innovators (including fintechs) in the UK payments sector, and the role of payments in supporting economic growth	In 2025, UK fintech companies raised approximately £2.7 billion across 534 deals – retaining second place in global markets, behind the US. This investment represents a 0.4% increase on 2024 levels – which is relatively modest and does not match the global growth in fintech investment. However, funding in the UK increased in the second half of 2025, up 11% on the first half – the first such increase for two years. Three of the UK's top five largest fintech deals were in the payments sector (**Rapyd Financial Network, Dojo, and Fnality**) Of the top 20 deals, which accounted for 59% of all capital raised in the UK, 9 capital raises were for payments companies.	Our findings on the attractiveness of the UK for investment in payments are positive overall, but there is more we can do to keep pace with global growth. We are committed to helping create the conditions for innovation to thrive. That is why we are working to support the design and build of the UK's future payments infrastructure, and have been engaging innovators and the fintech community to better understand enablers and barriers to innovation. We are also working closely with the FCA on techsprints and select FCA Sandbox use cases.

Meeting our commitments

This section shows the commitments we made in our annual plan and budget 2025/26 and the progress we have made in delivering them.

Building and embedding a proportionate whole-system regulatory approach that supports growth

Annual Plan commitments	2025/26 progress
Work with the FCA and the Bank to deliver the National Payments Vision (NPV), identifying opportunities for regulatory simplification and coherence. **We met the key NPV deliverable targets, and continue to collaborate on improving infrastructure and integrating our approaches.**	Ongoing
Work with the FCA and Bank to: **a** review our Memorandum of Understanding **b** develop the Payments Forward Plan	**a** Completed June 2025 **b** Completed February 2026
Actively support the government as it develops the future approach for payment systems, including input on the proposed consultation on legislation. **Together with the FCA, we have worked closely with HM Treasury to support the development of legislation and ensure we are ready to deliver an effective, streamlined regulatory framework once the changes come into force.**	Ongoing

Fighting authorised push payment fraud

Annual Plan commitments	2025/26 progress
Publish the third set of data on PSPs' performance on APP fraud.	Completed February 2026
Work with the FCA on the approach to tackling fraud through improved data-sharing.	Completed December 2025
Work with industry to further embed our APP fraud measures, carefully monitoring their impact. Consult on implementing a reimbursement claims management system and commission an independent review of our new rules. **Our consultation on a reimbursement claims management system is on hold until the independent review of our rules is concluded. We continue to engage with industry to embed our requirements.**	Completed September 2025 **Independent review commissioned**

Promoting innovation

Annual Plan commitments	2025/26 progress
Dovetail with the FCA on how we can help innovators engage with the payments regulatory landscape. **We worked closely with the FCA on our approach, with wide-ranging engagement and roundtables with fintechs and innovators. We supported FCA-led initiatives like TechSprints and specific Sandboxed cases, and set up a dedicated PSR innovation point of contact for stakeholders.**	Ongoing
Gather insights on where payment systems infrastructure, rules and operation may be blocking innovation or competition in payments, and how we can address them where it is in our remit.	Completed September 2025
Enhance our engagement with those developing potential new payment systems (for example, the Regulated Liability Network and the digital pound) to clarify our expectations and inform our work. **For example, working closely with the FCA and the Bank, we have been engaging with new potential payment systems such as the Great Britain Tokenised Deposits pilot, to better understand them. We want to support new initiatives in a way that develops the payments ecosystem towards the PVDC strategy outcomes.**	Ongoing

Taking action on card fees

Annual Plan commitments	2025/26 progress
Consider the responses to our consultation on cross-border interchange fees, and decide on our next steps to address the harms we identified. To allow for litigation, pause any consultation or decision on an interim price cap, and provide an update after Q3 2025. **Last year, we decided not to proceed with work on an interim cap in light of the litigation relating to our powers. Since then, the High Court has confirmed our powers to regulate prices, although that decision has been appealed. We are continuing our analysis to decide on an appropriate level for these fees.**	Completed
Continue our consultation on remedies for ineffective competitive constraints in card scheme and processing fees. **We consulted on the detail of our information, transparency and complexity remedy and our pricing governance remedy in December 2025. We will publish our final decision and specific directions in July 2026. We consulted on a draft direction for the financial reporting remedy in May 2026.**	Ongoing

Enabling payments infrastructure for the future

Annual Plan commitments	2025/26 progress
Work with the Bank and the Payments Vision Delivery Committee (PVDC) to clarify short-term infrastructure upgrades for Faster Payments, and assess the longer-term requirements for retail payments infrastructure. **Pay.UK is delivering short-term upgrades to Faster Payments and Bacs, which should be completed during 2026 and 2027. The PVDC published its strategy in November 2025, outlining five outcomes that the retail payments infrastructure should deliver through new governance and funding arrangements.**	Ongoing
With the Bank, assess the governance and funding arrangements for the UK's retail payments infrastructure. **In July 2025, the PVDC announced a new model to deliver the future UK retail payments infrastructure. The Retail Payments Infrastructure Board (RPIB), chaired by the Bank, is responsible for the design of the future infrastructure, and for overseeing its procurement and build by a new industry-led delivery company. We and the FCA have an observer role in the RPIB's design work, and support its progress to date.**	Ongoing

Realising the opportunities of open banking

Annual Plan commitments	2025/26 progress
Work with the FCA and industry to complete phase one of the roll-out of non-sweeping VRPs for lower-risk use cases (local government, utilities, regulated financial services), and support delivery of an industry-led commercial model. **We supported the phase one roll-out and the formation of the UK Payments Initiative (see page 6).**	Ongoing

Our organisation

Statement on section 172(1) of the Companies Act 2006

Section 172(1) of the Companies Act 2006 requires directors to act in a way that they consider would promote the success of the company. Sub-sections 172(1) (a) to (f) list specific matters they must take into account. Here we explain how our board has considered these matters during the year, and how this helped us deliver better outcomes for payment system users.

The likely consequences of any decision in the long term

Our board recognises that the decisions it makes will affect the PSR's success for the remainder of our remit and until we are consolidated into the Financial Conduct Authority (FCA). Details of the board's particular areas of focus for 2025/26 are on pages 38 to 39. The board engaged with PSR colleagues, consumers, firms, parliamentarians and regulatory partners through a range of channels, including:

- the PSR Panel on policy proposals, and through reports from the panel's Chair
- the FCA Cost Benefit Analysis (CBA) Panel, seeking its advice on individual CBAs
- consultation papers before confirming new or amended directions
- updates from PSR staff on our engagement with stakeholders such as regulated firms and trade associations
- the Chair and Managing Director giving evidence before the Treasury Committee
- inviting stakeholders to board meetings and away days to discuss topical issues

Our commitments for 2025/26 are set out in our Annual Plan and Budget 2025/26. We explain our progress against these commitments on pages 10 to 13.

The interests of the company's employees

We offer attractive salary and benefits packages and offer support through our range of family benefits, wellbeing, and diversity, equity and inclusion initiatives.

Our People Strategy's components are:

- growing leadership, management and key skills
- building a high-performance organisation
- enabling a collaborative and engaging working environment

We give our people extensive opportunities to develop skills in economic regulation, financial services, payments and innovation, and broader professional skills. These help our employees perform at their best.

Our aim is to continue to invest in diverse teams capable of dealing with the tough challenges we face, while reflecting the society we operate in.

As we transition into the FCA, we recognise that some of our people will feel uncertain. We are answering their questions and giving clarity as soon as we are able, developing a package of support measures.

The need to foster the company's business relationships with suppliers, customers and others

Our key stakeholders include: consumer and industry representative groups; businesses that use and rely on payment systems, such as merchants; payments companies, such as payment system operators and payment service providers (including banks and third-party payment processors); and infrastructure providers.

We work closely with stakeholders to ensure we build the right conditions for innovation to thrive, leading to the right outcomes for everyone.

We work alongside other financial regulators to foster secure and resilient ways to pay, including the FCA, the Bank of England, HM Treasury, the Competition and Markets Authority, the Digital Markets Unit, the UK Competition Network and the UK Regulators Network. We aim to make sure end users have appropriate protections in a fast-changing world.

Over the course of the last year, and with our consolidation into the FCA in mind, we have worked to simplify our regulatory approach and operations. Many PSR colleagues have moved to the FCA as part of a phased transition, which has included creating new organisational structures. As in previous years, we use FCA operational services where appropriate to create value for money for fee payers, such as IT and facilities. We can take advantage of the scale, scope and established practices of the FCA through a provision of services agreement. As the consolidation work progresses, we will continue to assess opportunities to use FCA services to support delivery of our Annual Plan.

The impact of the company's operations on the community and the environment

The board, together with our executive, oversees our strategies for community engagement, diversity and inclusion, and sustainability.

Our diversity in 2025/26

Our diversity figures reflect the consolidation into FCA, with more than half of our headcount transferring to the FCA by the end of the financial year. For more information, visit the FCA DEI and workforce representation web page.

This year, we continued to strengthen our relationships with organisations that help us advertise our vacancies to candidates from under-represented backgrounds. We successfully broadened our candidate pool and continued to meet our targets for building and maintaining a diverse workforce.

We recognise and celebrate our diverse workforce and support network groups aimed at sharing experiences, improving policy and fostering inclusion.

We also provide support to our people through our wellbeing framework. An employee assistance programme offers our people physical and mental health support via a 24-hour confidential helpline, structured counselling and an online health portal.

The latest pay gap data and analysis is detailed in the FCA Pay Gap Report 2026.

We are proud signatories of the Women in Finance Charter and the Social Mobility Pledge. We hold Level 2 Carer Confident accreditation from Carers UK.

We are committed to interviewing all disabled applicants who apply under the Disability Confident scheme and meet the minimum criteria for a vacancy. Further information is available on our website.

We contribute to our local community through volunteering programmes and our work with our nominated local charity, Shelter From The Storm. We have raised £939 since partnering in December 2024.

Through our joint environmental strategy with the FCA, we are committed to running a sustainable operation that minimises our environmental impact. The FCA and PSR Net Zero Transition Plan was published in July 2023.

The environmental impacts, targets, performance and strategies of our operations are reported internally as part of the Environmental Management System.

The FCA and PSR share office premises in London, Leeds and Edinburgh, and the FCA shares environmental performance, policies and actions with us through a service level agreement and collaboration.

Read more about our environmental sustainability work in the FCA annual sustainability report.

The desirability of the company maintaining a reputation for high standards of business conduct

The board is committed to providing strategic leadership and direction within a framework of robust corporate governance and internal control. As part of the consolidation into the FCA we adopted the FCA values in January 2026 to ensure a consistent approach for our culture and standards.

Our values

Deliver in the public interest	Act with integrity	Be ambitious	Work inclusively	Connect and deliver
Public first – we put the public's needs first and act in the public interest **Informed and data led** – we understand the facts and use data and information to make better decisions **Resourceful** – we deliver the greatest public value for our money	**Open and honest** – we say exactly what we'll do – and then do it **Courageous** – we stand up for what is right, even under pressure **Accountable and empowered** – we take responsibility for our decisions and actions	**Outcome driven** – we stay focused, deliver at pace and measure our success by results **Forward thinking** – we are curious, preparing for the future and continuously improving **Challenging** – we use judgement to challenge and change the status quo	**Keep an open mind** – we are objective and fair, put your preconceptions in a box **Get the full picture** – we actively seek the input of others with different experiences **Be a good colleague** – we are caring, helpful and support each other under pressure	**Forge productive links** – we create collaborative relationships across and outside the FCA **Join things up** – we freely share our knowledge and connect our work **Many perspectives** – we reflect the public we protect and bring a range of ideas and perspectives to work

The need to act fairly as between members of the company

As a wholly owned subsidiary of the FCA, the PSR has only one member.

Principal risks and uncertainties facing the PSR

Many factors influence UK payments, such as changes to payment systems technology and legal developments in the UK and internationally. These create risks and opportunities that could affect our ability to achieve our strategic outcomes and statutory objectives.

The PSR's consolidation into the FCA is a pragmatic, positive step. We will remain focused on our statutory objectives. However, we understand there could be uncertainties around our role and objectives during the transition period, particularly among external stakeholders.

We are communicating with stakeholders throughout the process, working closely with the FCA to support a smooth transition. We are taking steps to minimise any disruption to our operations and have clear governance in place overseeing the transition.

Principal external risks (risks of harm)

We review a broad range of intelligence, through horizon-scanning activities and domestic and international stakeholder engagement, to monitor external developments and update our risk analysis. This includes analysing political, economic, social, technological, legal and environmental factors, to help us contextualise changes that may affect our strategic objectives.

We also remain mindful of the broader payments ecosystem in considering principal external risks, and are working increasingly closely with the FCA to track and understand emerging trends. These include (but are not limited to) the continued rise in the use of digital wallets, innovative applications of generative AI, and national and international developments that can impact the UK payments ecosystem. Through the consolidation of the PSR into the FCA, as well as through the structures and processes we established internally, we are seeking to ensure a proportionate yet robust approach to regulation that helps advance our statutory objectives.

Risks we have been tracking throughout this financial year include:

- **Barriers to innovation and competition in payment systems due to their economic characteristics (the need for coordination between parties to deliver change):** We continue to address this through our engagement on the NPV, and our work on designing the future interbank retail payments infrastructure.
- **Fraud risks for users:** We are working closely with the FCA on payment systems-related fraud risks, and are monitoring relevant developments in this space. We also commissioned an independent review of our recent reimbursement rules to assess their impact in practice, and to consider whether we need to change anything to ensure strong consumer protections. We appointed Frontier Economics to carry out the review. It published its findings on 1 July 2026 and we have set out our response (see page 5).
- **The impact of a potential lack of competition in payments, including in building and operating key payment system infrastructure:** Understanding the potential impact of individual parties on the effective operation of the payments ecosystem is critical to our work. We continue to gather information and anticipate issues through horizon-scanning and supervisory engagement so we can act where it is proportionate to do so.
- **Big tech's continued expansion into payments and the digital wallets market:** This provides both opportunities and risks. Following our joint working with the FCA to explore the role of digital wallets, we continue to engage with the Competition and Markets Authority on its investigation into mobile ecosystems.

We continue to **review our risks and opportunities through our risk of harm management process**, which includes actively monitoring external changes. As the PSR is being consolidated with the FCA, we are aligning our risk management processes with the FCA's, while ensuring we preserve the PSR's specific regulatory focus.

Principal internal risks (own risks) and examples of mitigations

After introducing a new, more comprehensive risk management framework (RMF) in spring 2025, aligned with the FCA's RMF, we have been embedding it into business-as-usual activities. Our RMF provides guidance for consistently documenting, assessing, managing and reporting risks. We have focused on maturing risk management throughout the PSR, to ensure we continue to advance our statutory objectives and support colleagues moving to new teams within the FCA.

We have taken a proportionate, value-for-money approach, considering the consolidation programme. For example, we have recalibrated our risk management business partnering to be more appropriate for a reduced organisation. We have deprioritised creating PSR-specific risk training products, instead using FCA materials. We have embedded PSR colleagues into the FCA risk directorate to ensure early adoption of FCA ways of working. We have also focused on ensuring the PSR's risk portfolio is in the most accurate position through the consolidation process.

We have introduced a new automated risk and audit system in partnership with the FCA. The system improves the quality and accessibility of risk information, strengthens oversight and, alongside our updated RMF, builds an increasingly risk-aware culture.

Over the past year, our risk profile was shaped by familiar themes and by change associated with the consolidation programme. Early in the year we identified heightened risks in areas such as People and culture, and Data, information and records. We took targeted actions to reduce these risks. For example, we established a dedicated consolidation steering committee with clear accountability for risks and actions. We introduced information-sharing agreements to ensure that PSR and FCA data was managed appropriately between the two organisations. We also recognised the heightened risks of colleague distraction and senior leadership turnover. We managed these through increased staff engagement and providing clarity on PSR priorities. This provided stability and continuity throughout the transition.

Where organisational risks are relevant to work being co-delivered by the FCA and PSR, we established a dedicated first line of defence cross-cutting team to ensure that risks are managed consistently. Where risks impact both organisations, we introduced new risk ownership principles to ensure that risks are accurately recorded, owned and escalated, and appropriately visible, in each organisation.

The principal own risks for the PSR are set out in the following table. We show how each risk has trended over the past 12 months since we published our Annual Report and Accounts (ARA) 2024/25, providing a comparable view of changes in risk exposure and informing an assessment of our future risk outlook.

Our principal risks

Improved Stable Declining

Consolidation

The risk that consolidation negatively impacts delivery, or causes disruption and distraction during the transition, which could impact our overall risk profile.

Key management actions

- Clearly articulated senior roles and responsibilities.
- Business plan for 2026/27 published in March, clarifying our priorities.
- Consolidation programme was established with senior oversight including a joint PSR and FCA Steering Committee.

People and culture

The risk that we do not have enough people to carry out our work, colleagues do not behave appropriately, or their work experience is inconsistent with our desired culture.

Key management actions

- The PSR Executive Committee now includes colleagues who have similar responsibilities in the FCA as in the PSR, providing wider knowledge and expertise.
- Workforce planning and successful recruitment campaigns.
- Internal communication of priorities and plans.
- Colleague support and promotion of employee wellbeing services.
- Executive-led response to issues raised in our annual employee survey.

Data, information and records

The risk that we have insufficient, inadequate or ineffective processes for managing and governing data and records, including data quality, security and lifecycle controls.

Key management actions

- Closer partnering on data management approach with the FCA.
- Operational improvements to our records management system.
- Upskilling and training on data management.

Compliance, governance and legal

The risk that we do not meet legislative requirements, manage legal risk, or ensure that our governance is effective.

Key management actions

- Maintaining relationships with HM Treasury and key stakeholders, and monitoring developments in the legislative process.
- Refreshed approach to governance, supported by organisation-wide training.
- New risk management principles that will apply to the PSR throughout consolidation.

Whistleblowing received by the PSR

In the current reporting period (1 April 2025 to 31 March 2026), we have the following to report:

- We received three disclosures of information for assessment as a potentially qualifying disclosure. We treated all of them as qualifying disclosures from workers that fell within our remit as a prescribed person.

None of the disclosures fell within matters in respect of which the PSR is prescribed. There is further information about the PSR and whistleblowing at www.psr.org.uk/psr-approach-to-whistleblowing/

Financial overview

Analysis of performance during the financial year

Table 1: Income and costs

Total	2026 £'000	2025 £'000	Year-on-year change
Fee income	27,000	25,251	1,749
Interest and other income	774	923	(149)
Total income	**27,774**	**26,174**	**1,600**
Staff costs	(19,848)	(20,839)	991
Administrative costs	(6,089)	(7,220)	1,131
Total operating costs	**(25,937)**	**(28,059)**	**2,122**
Profit/(loss) for the year	**1,837**	**(1,885)**	**3,722**

For 2025/26, we set a budget of £28 million (2024/25: £28 million).

We delivered our work programme within budget. Our total costs were lower than planned, reflecting a pause in recruitment while plans for consolidation into the FCA were confirmed. Other income was higher than budgeted, due to higher interest earned on deposits.

On 31 March 2026, we had an accumulated surplus held in reserves of £6.8 million, an increase of £1.8 million from March 2025. We will use up to £5.3 million of reserves in 2026/27 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 is an increase from the £4.5 million we stated in our Annual Plan and Budget for 2026/27. We will retain the remainder in reserves to manage any risks, uncertainties or new priorities that may arise during the consolidation into the FCA.

Figure 1 on page 27 shows a breakdown of our operating costs. Overall, operating costs have decreased by £2.2 million to £25.9 million (March 2025: £28.1 million). This reflects lower staff costs following the pause in recruitment, and early savings delivered through consolidation activity.

Our staff costs make up 77% of our cost base and our headcount was 113 at the end of this financial year, compared to 188 at 31 March 2025. This reduction reflects the transition of 47 staff to the FCA (who continue to support delivery for the PSR), alongside the recruitment pause. We will continue to work with the FCA to consolidate activities while delivering our core objectives.

Analysis of total income and operating costs

Income

Table 2: Income breakdown

Total income	2026 £'000	2025 £'000	2024 £'000	2023 £'000	2022 £'000
Fee income	27,000	25,251	26,718	18,048	17,203
Interest and other income	774	923	620	126	29
Total	**27,774**	**26,174**	**27,338**	**18,174**	**17,232**

We do not receive funding from the government. We are funded by fees from the participants in the regulated payment systems. We currently regulate using an 80:20 volume-to-value ratio calculation and the 2025/26 fees were gathered using this method.

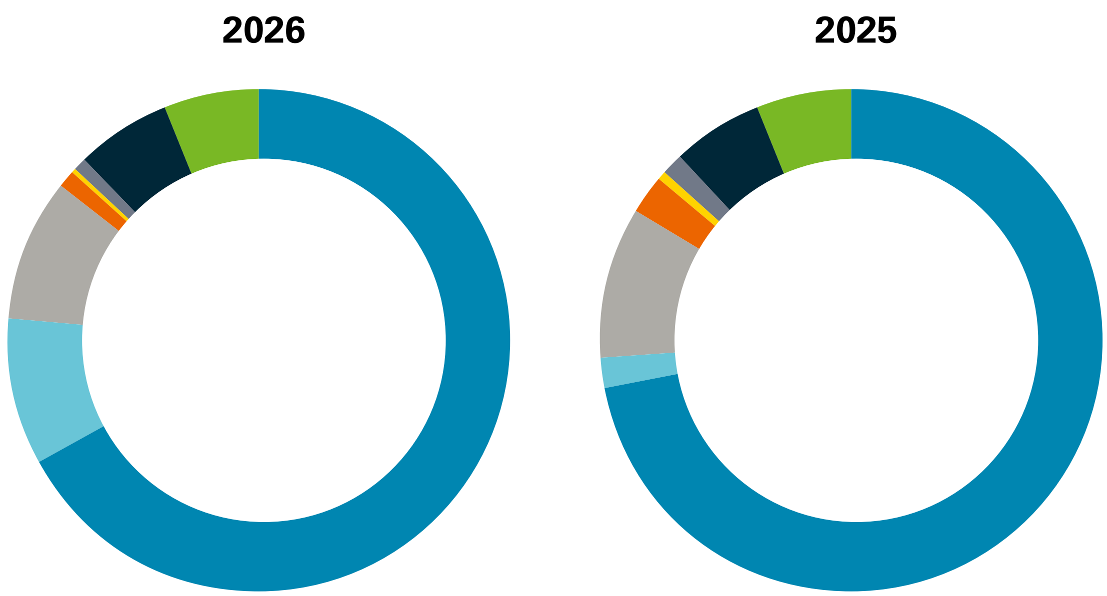
Under the Financial Services (Banking Reform) Act 2013, the FCA raises fees to recover the costs of carrying out our statutory functions and passes them to us.

Operating costs

Table 3: How we spend our money

Operating costs	2026 £'000	2025 £'000	2024 £'000	2023 £'000	2022 £'000
Staff costs	17,423	20,286	15,533	12,112	10,842
FCA recharges: staff costs	2,425	553	509	536	559
Professional fees	2,420	2,733	3,138	5,327	2,700
Recruitment, training and wellbeing	272	699	888	718	166
Travel and hospitality	26	40	31	17	8
Other costs	250	395	226	140	141
IT running costs	1,573	1,703	1,051	799	957
Accommodation and office services	1,548	1,650	1,393	1,346	1,350
Total	**25,937**	**28,059**	**22,769**	**20,995**	**16,723**

Figure 1: Breakdown of operating costs



Directors' report

The directors present their report for the year ended 31 March 2026.

Some information that fulfils the requirements of the Directors' report can be found elsewhere and is referred to below. Details of the directors who held office during the year are in Table 4 in the corporate governance statement (page 37).

The directors' discharge of their duty under section 172 of the Companies Act 2006 is explained in the section 172 statement (page 15) and the Corporate Governance Statement (page 34). Our Annual Plan and Budget for 2026/27 explains our programme of work for the next 12 months and is on our website.

The Payment Systems Regulator (PSR) is a wholly owned subsidiary of the Financial Conduct Authority (FCA) and has no branches or subsidiaries outside the UK.

Directors' responsibilities

The directors are responsible for preparing the PSR's Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have chosen to prepare the financial statements and annual report in accordance with International Financial Reporting Standards, as adopted by the UK. The financial statements are required by law to give a true and fair view of the PSR's state of affairs and its profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make reasonable and prudent judgements and estimates
- state whether applicable International Financial Reporting Standards, as adopted by the UK, have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the PSR will continue in business

The directors are responsible for keeping proper accounting records that show the PSR's financial position with reasonable accuracy and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the PSR's assets and for taking reasonable steps to prevent and detect fraud and other irregularities.

As far as the directors are aware:

- there is no relevant audit information that the company's auditor is not aware of; and
- they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for maintaining and ensuring the integrity of the corporate and financial information on the PSR's website.

The directors confirm that the Annual Report and financial statements are, as a whole, fair, balanced and understandable.

Going concern and key financial risks

Following the government’s initial announcement in March 2025, the Financial Services and Markets Bill was introduced into Parliament on 19 May 2026. It contains provisions to abolish the PSR and transfer our functions to the FCA, preserving their substance and scope. It is expected to receive Royal Assent in 2027, subject to parliamentary procedure taking its course.

At the time of signing these financial statements, the timeline for the abolition of the PSR is uncertain. There is expected to be a transition period once the Bill has received Royal Assent and passed into law as an Act of Parliament.

The directors consider that the PSR will remain a going concern for the next financial year, and conclude that using the going-concern basis is appropriate in preparing its financial statements.

The PSR was created under statute (the Financial Services (Banking Reform) Act 2013 (FSBRA)) to discharge certain duties through statutory powers. As expressed in the government’s statement and draft Bill, these statutory powers will continue and will be transferred to the FCA. Therefore, the PSR will exist and be suitably funded until the point of transfer.

However, the directors have concluded that, in the context of the Companies Act 2006, a material uncertainty exists that may cast significant doubt on the company’s ability to continue as a going concern beyond the next financial year.

The PSR is a subsidiary of the FCA, so its financial resilience is closely connected to the FCA’s. In preparing the FCA and PSR financial statements, the FCA board directors performed a going concern assessment, covering the period from 1 April 2026 to 31 March 2028. This included a robust assessment of the key emerging and principal risks, taking into consideration the FCA’s annual work programme 2026/27 and the PSR’s Annual Plan and Budget 2026/27. The risks and uncertainties identified include:

1 **Liquidity risk:** The risk that the FCA is unable to meet its payment obligations for its financial liabilities as they fall due.

In response to this risk:

a The FCA is well placed from a liquidity perspective, with cash and deposits of £440.8 million and an available overdraft facility of £50.0 million at 31 March 2026. This is sufficient to meet its short-term payment obligations when due or otherwise fund its ongoing operations. Due to the nature of the FCA’s billing cycle, the FCA raises fees in advance of them being required.

b The PSR has cash and deposits of £19.3 million, which are ring-fenced within the FCA total.

2 Cash flow risk: The risk the FCA's cash inflows are insufficient to cover outgoing cash obligations over a long-term horizon.

In response to this risk:

a The FCA's Annual Funding Requirement (AFR) is based on the forecast Ongoing Regulatory Activity expenditure, exceptional project costs and the funding of capital expenditure. Where the AFR is insufficient to cover these cash obligations, the FCA will consider using existing cash balances held.

b The FCA's strong fee covenants are underpinned by the statutory powers granted to it to raise fees to fund its own and the PSR's regulatory activities.

3 Credit risk: The risk from collecting fees from the financial services industry and the failure of a counterparty to perform its financial obligations for the placement of firm fees as deposits, including a failure to perform those obligations in a timely manner.

In response to this risk:

a The FCA has a strong record in terms of collecting fees, with bad debt experience averaging 0.2% (2025: 0.3%) of total income (excluding interest and finance income).

b The FCA only invests with financial institutions which, among other things, meet its minimum credit rating of A-, as assigned by credit rating agencies. The FCA also spreads its deposits across a number of counterparties to avoid the concentration of credit risk.

4 Significant accounting judgements and key sources of estimation uncertainty: The directors considered the following key accounting estimates and judgements for the FCA (the PSR has no significant accounting estimates or judgements):

- the assumptions underpinning the measurement and valuation of intangibles and right-of-use assets, lease liabilities and dilapidation provisions
- the assumptions underpinning pension assets and obligations
- the assumptions relating to provisions and contingent liabilities under the Complaints Scheme

5 The FCA has no material identified market risk. The FCA and PSR's risk committees oversee our respective work on identifying and mitigating risk relating to their own organisations. The associated procedures are described in more detail in the section on internal controls on page 22.

Events after the reporting period

The Financial Services and Markets Bill which proposes the abolition of the PSR and the merging of these powers into the FCA was published in May 2026. It received its first reading in the House of Lords on 19 May 2026 and second reading on 8 June 2026. It is expected to receive Royal Assent in 2027, subject to parliamentary procedure taking its course.

There were no other material events after the reporting period.

Directors' indemnities

Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were in force during the financial year ended 31 March 2026, and remain in force at the date of this report.

Under FSBRA, we have an exemption from liability in damages for anything done or omitted in relation to the exercise or purported exercise of our statutory functions, provided that such acts or omissions are in good faith and do not infringe section 6(1) of the Human Rights Act 1998. This is supplemented with indemnities given by the PSR for the protection of individual employees, including directors.

Political donations

The PSR is independent of the government. As such, the PSR did not give or receive any money for political purposes in the UK. It did not make any political donations to political organisations or independent election candidates or incur any political expenditure during the year.

Auditor

FSBRA requires the company's accounts to be examined, certified and reported on by the Comptroller and Auditor General.

Accordingly, the Comptroller and Auditor General was auditor throughout the year.

By order of the board on 24 June 2026.

Sarah Day
Company Secretary
3 July 2026

Corporate governance

Corporate governance statement for the year ended 31 March 2026

Introduction

This section explains the Payment Systems Regulator's (PSR's) governance framework. It covers the board and its committees, how they work and how they provide effective oversight. It also covers the board's performance, ongoing development and succession planning.

The PSR is a private company limited by shares (company no. 08970864) and is a wholly owned subsidiary of the Financial Conduct Authority (FCA). Last year, the government announced that the PSR will be consolidated with the FCA. Since then, the board has overseen the transition to support effective governance, accountability and continuity. During the transition, we continue to share operational support with the FCA through a provision of services agreement, which is kept under review. All PSR staff are employed by the FCA and designated to the PSR, as relevant.

The PSR is funded by the regulated payments industry through statutory fee-raising powers. We are independent of the government, but we are accountable to the government and Parliament through obligations set out in the Financial Services (Banking Reform) Act 2013 (FSBRA).

We consult industry participants and users on our work and policies, including through engagement with the PSR Panel (see page 44).

Our board is committed to meeting high standards of corporate governance and applies relevant principles of the UK Corporate Governance Code (the Code) in a proportionate way, reflecting the PSR's status, statutory remit and the ongoing consolidation into the FCA. FSBRA allows us to raise fees to recover the cost of carrying out our statutory functions. For this reason, the board considers that the disclosures under provision 31 of the UK Corporate Governance Code (which relate to assessing the PSR's prospects) do not apply.

The role of the board

The board is our governing body, responsible for providing strategic direction and ensuring effective governance and oversight of our statutory objectives.

Role of the board

- Setting matters reserved to the board
- Making strategic decisions
- Overseeing executive management
- Ensuring a sound system of internal controls, risk management and assurance
- Monitoring performance against strategy
- Maintaining key external relationships
- Holding board committees to account

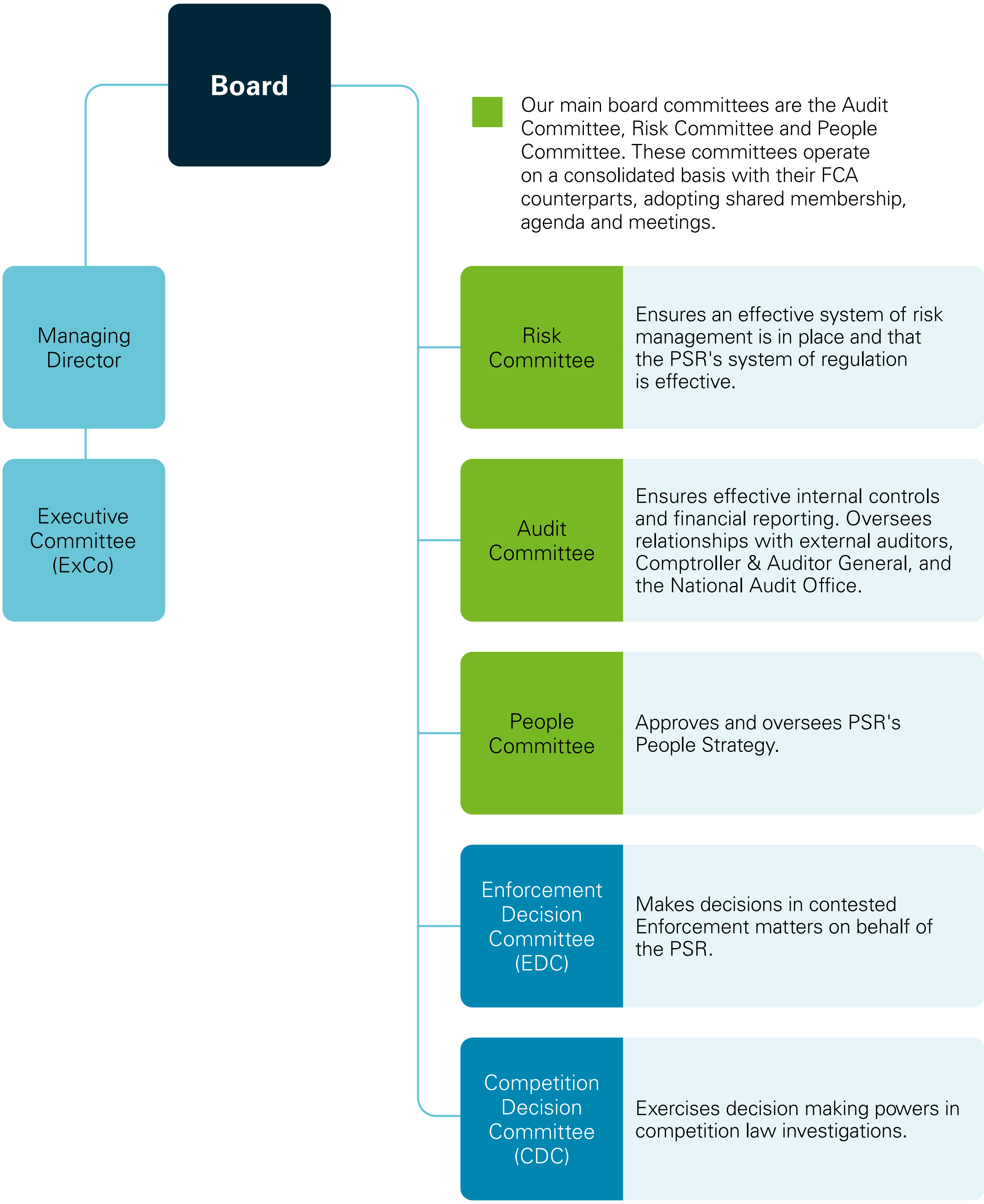
The board is supported by a number of board committees. These are shown in Figure 2 and their terms of reference can be found in our Corporate Governance of the PSR Ltd document. There are summaries of board committee membership and activities in *Committee structure of the PSR* on page 41.

There is a clear division of responsibilities between the board and executive management. The Chair leads the board and helps it work effectively. The Managing Director is responsible for implementing the board-approved strategy, and for leading and managing the PSR within delegated authorities. This remains unchanged during the consolidation process.

The Managing Director is supported by our executive committees, shown in Figure 2. The principal committee is the Executive Committee, chaired by the Managing Director, which takes decisions on the most significant operational issues.

There is more information about our corporate governance on the PSR website and in our Corporate governance of the PSR Limited document.

Figure 2: The PSR's governance framework



Members of our board

FSBRA requires that our board includes:

- a Chair and Managing Director, appointed by the FCA with the approval of HM Treasury
- other members, who are all non-executive directors, appointed by the FCA

The directors who served during the year are shown in Table 4.

Table 4: Board members during the reporting year

Name		Original appointment date	Expiry of current term/date membership ceased
Aidene Walsh[1]	Non-executive – Chair	01/06/20	25/01/26
Ashley Alder[2]	Non-executive – Chair	26/01/26	19/02/28
David Geale[3]	Executive Director – Managing Director	10/06/24	30/04/30
Andrew Buckley	Non-executive Director	23/09/24	22/09/27
Edward Knapp[4]	Non-executive Director – Deputy Chair	18/09/23	25/09/25
Sheldon Mills[5]	Non-executive Director	13/06/24	31/07/26
Jessica Rusu[6]	Non-executive Director	11/11/24	10/11/27
Lara Stoimenova	Non-executive Director	07/03/24	06/03/27
Tommaso Valletti[7]	Non-executive Director	01/04/20	04/11/25
Joanna Whittington	Non-executive Director – Deputy Chair	01/09/23	31/08/26

1 Aidene Walsh's term as Chair of the PSR and non-executive director of the FCA ended in January 2026.

2 Ashley Alder is Chair of the FCA and was appointed Chair of the PSR in January 2026. Ashley will serve as Chair of the PSR until his term as Chair of the FCA ends or consolidation of the PSR into the FCA is completed, whichever comes first.

3 David Geale is an employee of the FCA and was appointed Managing Director of the PSR in June 2024. David was subsequently appointed interim Executive Director, Payments and Digital Finance of the FCA (alongside Managing Director of the PSR) in December 2024, and confirmed in role on a permanent basis in May 2025. David will serve as Managing Director of the PSR until his current term ends or consolidation of the PSR into the FCA is completed, whichever comes first. Prior to his appointment as Managing Director, David served as a non-executive director of the PSR from February 2020.

4 Edward Knapp resigned as a non-executive director and Deputy Chair in September 2025.

5 Sheldon Mills is an employee of the FCA. Sheldon will leave the FCA and end his term as a non-executive director following the conclusion of the Mills Review.

6 Jessica Rusu is an employee of the FCA.

7 Tommaso Valletti was appointed as a non-executive director for a second three-year term in May 2022. This came to an end in November 2025.

The majority of our board members are non-executive directors, providing independent challenge and oversight, drawing on a wide range of experience. The board also aims for a diverse mix of backgrounds and skills. This remains an important focus for the remainder of the PSR's remit, and the board is well placed to oversee the consolidation into the FCA.

During the year, Aidene Walsh's term as Chair of the PSR ended. To maintain continuity while the PSR is being consolidated into the FCA, Ashley Alder (Chair of the FCA) assumed the role, with HM Treasury's approval. This helps ensure consistent oversight and joined-up leadership across both organisations during the consolidation.

Tommaso Valletti stood down when his final term ended, and Edward Knapp resigned to take up other opportunities. Joanna Whittington was appointed Deputy Chair following Edward's departure.

David Geale was appointed interim Managing Director in June 2024. We then ran an open recruitment process for the FCA Executive Director for Payments and Digital Finance and PSR Managing Director permanent role. David's appointment to this role was announced in July 2025.

Board meetings and activities of the board

The board has a formal schedule of decisions that it must take (rather than be delegated). The board met six times, plus one additional meeting, to carry out its role. Meetings include sessions of the non-executive directors without executive members present.

A small number of decisions were also dealt with in writing, outside of meetings. These decisions were noted at the subsequent meeting and in the accompanying minutes. Board members also took part in briefing sessions during the year to help them consider key issues.

Table 5 shows meeting attendance during the year. The figures reflect the meetings each board member could attend, recognising that some members joined or left part way through the year. The Chair and Company Secretary work together to plan board agendas. This helps ensure the board focuses on the right priorities (including the consolidation) and considers key decisions at the right time.

Board papers are usually shared a week before board meetings. Internal processes ensure papers have been reviewed within the organisation and, where appropriate, informed by engagement with external stakeholders.

The board receives regular reports from the Chair, Managing Director, the FCA and the PSR Panel, enabling it to focus on key strategic, policy and operational matters. During discussions, non-executive directors provide independent challenge to ensure decisions are well tested and aligned with our strategy.

During the year, the board focused on the following main areas:

- the consolidation of the PSR into the FCA
- internal and external risk and strategy setting (there is more information on the principal risks and uncertainties we face on page 20)
- developing and approving our Annual Plan and Budget 2026/27

Table 5: Attendance at board meetings for 2025/26

Name	Scheduled board meetings	Additional board meetings
Aidene Walsh	5/5	1/1
Ashley Alder	1/1	0/0
David Geale	6/6	1/1
Andrew Buckley	5/6	1/1
Edward Knapp	2/3	1/1
Sheldon Mills	3/6	0/1[8]
Jessica Rusu	3/6	1/1
Lara Stoimenova	6/6	0/1
Tommaso Valletti	2/3	1/1
Joanna Whittington	6/6	1/1

- progressing interbank infrastructure renewal, including publishing a consultation paper on the revocation of Specific Direction 4
- developing our approach to scheme and processing fees, including publishing consultation papers in April 2025, setting out four possible remedies, and December 2025, setting out two draft directions
- monitoring progress on cross-border interchange fees litigation
- progressing our approach to the National Payments Vision and supporting discussions with the government about the future of payments regulation
- approving the Annual Report and Accounts
- reviewing the Managing Director's performance objectives and succession planning

You can read about the board's discussions and decisions in the board minutes published on our website.

Company Secretary and independent advice

Directors can seek the advice and services of the Company Secretary on matters relating to ethics, conflicts of interests, company law, corporate governance and board procedure. The Company Secretary also facilitates access to external professional advice for board members, if required.

8 Sheldon Mills has been unable to attend a number of meetings due to a leave of absence and phased return.

Succession

The board oversees succession planning, in line with the recommended term set out in the Code.

While we do not expect to recruit new non-executive directors, board membership remains a key focus to ensure the board maintains enough capacity and the right skills and experience for the remainder of the PSR's remit.

Board induction and training

New board members receive an induction programme covering the PSR's governance arrangements, the board's role and responsibilities, and the organisation's activities. This is supported by meetings and briefings across the PSR. Ongoing development is provided through briefings on relevant topics, access to relevant professional bodies and regular discussions with the Chair to discuss and give feedback on individual performance.

Board effectiveness

The board generally reviews its effectiveness annually, and undertakes regular internal evaluations to consider its composition, operation and focus. These have informed ongoing refinements to board practices and ways of working, including how the board supports effective oversight during the consolidation.

This approach has been supported in the past by externally facilitated reviews. Within the flexibility offered by the Code, the next scheduled review was paused, and the consolidation of the PSR into the FCA created another change that prompted us to keep it on hold. We will consider the need for a future review to ensure any such activity is proportionate, fit for purpose and represents value for money.

There is a summary of the board's externally facilitated review from 2021 on our website.

In the meantime, the board's charter guides it on what it does and how it does it, for the remainder of its remit.

Conflict of interests

All board members are required to declare relevant interests in accordance with the Conflict of interests policy for PSR non-executive directors. Any potential conflicts arising during the year were appropriately identified and managed, and a register of interests is maintained by the Ethics Officer.

Opinion on the operation of the organisation's controls

Internal audit provides independent assurance on the effectiveness of our processes, projects and controls to the executive and the board, via the Audit Committee.

The management of internal controls and maturity in risk management continued to improve during the year. This trend remains essential to maintain given developments in the internal and external environments.

In the context of a fast-changing environment and based on the assessments completed by the three lines of defence, the board concluded that our system of internal control was broadly adequate in managing the principal risks facing the organisation. While the control environment has improved during the year, the board noted that management continues to further strengthen it, focusing on the following areas:

- During consolidation we have strengthened controls, including ensuring that appropriate information-sharing agreements and gateways are in place between the FCA and PSR.
- As we outsource a range of operational services to the FCA, we are introducing a new way of capturing leadership responsibilities through a Management Responsibilities Map.
- Analysis of our control environment identified those controls that are most material to the PSR and the relevant material controls that are owned and managed by the FCA.
- We have improved our approach to risk and controls self-assessments, led by the first line of defence, highlighting more clearly where we need to strengthen our controls or mitigating actions.
- We have embedded a new risk management framework that has improved consistency and discipline. We have also launched a new risk and audit system, improving the quality, visibility and accessibility of risk and audit information.
- We have improved our regulatory controls by introducing a compliance monitoring toolkit, improving our enforcement case management guidance, and further developing our supervisory processes.
- We will benefit from the FCA's exploitation of new artificial intelligence (AI) tools and strengthening associated controls. The FCA is embedding AI inside governed workflows, applying clear assurance points and keeping human accountability, auditability and data governance firmly in place. We will invest in AI capabilities for colleagues to help us to keep pace with technological changes, both internally and externally.

Committee structure of the PSR

The board has established committees to focus on specific areas of oversight and assurance. The board agrees what each committee is responsible for in its terms of reference. Committees can make certain decisions on the board's behalf, but the board remains ultimately accountable.

All board committees are made up of non-executive directors. Committee Chairs report back to the board regularly, and the board approves each committee's terms of reference and membership.

Our main board committees are the Audit Committee, Risk Committee and People Committee (see Figure 2 on page 36). These committees operate on a consolidated basis with their FCA counterparts, adopting shared membership, agenda and meetings.

The committees met regularly during the year. They also reviewed their own effectiveness as part of routine business. Where appropriate, committees met privately with relevant senior officers and external stakeholders. Committees also held private sessions without other attendees present. A small number of decisions were made in writing, outside of meetings, and then recorded in the minutes of the next meeting.

Table 6 shows meeting attendance during the year. The figures reflect the meetings each board member could attend, recognising that some members joined or left part way through the year.

More information about our board committees can be found on our website and in our Corporate governance of the PSR Limited document.

Table 6: Meeting attendance for board committees during the reporting year

Member	Audit Committee	Risk Committee	People Committee
Ashley Alder			1/1
Edward Knapp		1/1	
Bernadette Conroy ◆	8/8	2/3	6/6
Jessica Rusu		0/1	
Aidene Walsh		3/3	5/5
Joanna Whittington		1/1	
Sophie Hutcherson[1] ◆	▲ 8/8	3/3	
Anita Kimber ◆		1/2	3/3
Stéphane Malrait ◆ (Risk member from October 2025)		2/2	
Alice Maynard ◆		1/1	3/3
Bryan Zhang[2] ◆	6/8	▲ 3/3	3/3
Lara Stoimenova	5/8	2/3	
Liam Coleman ◆	4/4		
Julia Black ◆	3/3		
John Ball[3] ◆			▲ 5/5
Richard Lloyd ◆			3/3

▲ Current chair of the committee

◆ Non-executive Director of the FCA

1 Sophie Hutcherson was appointed Chair of the Audit Committee in July 2025, succeeding Liam Coleman.

2 Bryan Zhang was appointed Chair of the Risk Committee in February 2026, succeeding Bernadette Conroy.

3 John Ball was appointed Chair of the People Committee in November 2025, succeeding Alice Maynard.

Risk Committee

The Risk Committee supports the board by overseeing the main risks that could affect our ability to meet our statutory objectives, considering our risk appetite and whether the controls and actions in place are appropriate and effective.

During the year, the PSR and the FCA brought our Risk Committees together as part of the wider work to consolidate the PSR into the FCA, adopting the same model successfully operated by our Audit and People Committees. This helps streamline governance and strengthen oversight of risks across both organisations.

The Committee focused on:

- reviewing and agreeing its terms of reference (what it is responsible for)
- reviewing the PSR's risk management framework and giving direction on improvements
- reviewing periodic reports from the Chief Risk Officer
- reviewing the twice-yearly statement of assurance on risks and controls

The Committee met four times during the year (once before its consolidation into the FCA Risk Committee, and three times afterwards).

The Managing Director and Chief Risk Officer attended regularly.

Audit Committee

The Audit Committee supports the board by overseeing financial reporting and the effectiveness of internal controls. It reviews assurance and audit findings, and ensures issues are followed up.

The Committee met eight times during the year, timed to align with risk reporting and the external audit cycle. It also held an additional meeting as part of the year-end process.

During the year, the Committee focused on:

- agreeing the annual internal audit plan and reviewing internal audit reports
- reviewing financial controls and monitoring key financial risks
- reviewing the National Audit Office's (NAO's) audit plan and audit reports
- reviewing the financial statements, including significant accounting judgements
- reviewing whistleblowing arrangements
- considering the outcomes of annual risk and control self-assessments and wider internal control assessments
- reviewing the PSR's finance and procurement policies

The Committee also oversees the relationship with the external auditor, the NAO. Information on fees paid to the auditor is disclosed in Note 6 of the financial statements (page 73).

When needed, meetings were attended by the Managing Director, the Chief Risk Officer and FCA Director of Risk and Compliance Oversight, the Chief Internal Auditor, the Director of Finance and representatives from the NAO.

The Committee also held private sessions during the year with individuals including the Chief Operating Officer and Chief Risk Officer, the Chief Internal Auditor, and representatives from the NAO.

People Committee

The People Committee supports the board by overseeing and reviewing our employment framework and how we listen to and engage with our people.

During the year, the Committee focused on:

- meeting with members of the Staff Consultative Committee
- reviewing the Managing Director's objectives and performance
- reviewing employee survey findings and agreeing follow-up actions
- approving the annual budget for pay and performance awards
- reviewing workforce representation and pay gap reporting
- receiving regular updates on key people matters
- approving the Conflict of Interests policy and reviewing the redundancy policy

The Committee met six times during the year. When needed, meetings were attended by the Managing Director and the FCA's Chief People Officer.

There is an overview of the remuneration framework for the year in the remuneration report (page 46). We do not have a separate Nomination Committee; these responsibilities are carried out by the board.

The PSR Panel

The PSR Panel is independent of the PSR. It contributes towards the effective development of our strategy and policy, and offers advice and early input on our work.

The Panel comprises members drawn from payment service providers, service users, payment scheme operators and participants, and smaller business and consumer representatives.

In 2025/26, PSR staff discussed various matters with the Panel, including:

- views on the narrative and messaging for our forward work programme
- our approach to strategic horizon-scanning and the Panel's role in helping us identify emerging risks and priorities
- competition and innovation in payment systems, with a focus on digital payments, stablecoins and wider market developments
- proposed remedies arising from our market work on scheme and processing fees
- the consolidation of the PSR into the FCA, including open banking governance

- a post-implementation review of our card-acquiring market remedies and feedback on their effectiveness

There is more information on the Panel, including a list of members, on our website.

Appointments to the panel during the year have been made in accordance with our Statement of Policy on PSR Panel Appointment Process. During the reporting period, we appointed three new Panel members through an open and competitive recruitment process, and reappointed a number of existing members for further terms, in line with the policy.

Competition Decisions Committee

The Competition Decisions Committee (CDC) acts as the decision maker in any particular investigation arising where we propose to impose a sanction under the Competition Act 1998. In individual cases, a CDC panel comprising three CDC members will be appointed to decide on behalf of the PSR whether there has been a competition law infringement, whether to impose a penalty, and whether to give directions.

Enforcement Decisions Committee

The Enforcement Decisions Committee (EDC) makes regulatory enforcement decisions for the PSR under FSBRA or other legislation (for example, the Interchange Fee Regulation) when a settlement cannot be reached. The EDC is separate from staff at the PSR who investigate whether there has been a compliance failure.

In individual cases, an EDC panel comprising three EDC members will be appointed to decide on behalf of the PSR whether there has been a compliance failure and whether to impose a financial penalty and/or publish details of the compliance failure.

By order of the board on 24 June 2026.

Sarah Day
Company Secretary
3 July 2026

Remuneration report

Directors' remuneration (audited)

Tables 7 and 8 set out the remuneration paid or payable to any person who served as a director during the financial years ending 31 March 2026 and 31 March 2025.

The remuneration figures shown are for the period they served as directors.

We follow the same remuneration principles as the Financial Conduct Authority (FCA). The FCA's annual report provides further information.

HM Treasury is responsible for determining the remuneration of non-executive directors, in accordance with the Financial Services and Markets Act 2023 (FSMA).

In 2025/26:

- The fee for the Chair of the PSR was £75,000 per annum. This fee covers all duties, including service as a non-executive of the FCA and membership of any board committee.
- The fee for a non-executive director of the PSR as a stand-alone role remained at £15,000 per annum.
- An additional fee of £5,000 per annum was payable to any non-executive director who was also appointed to chair a committee of the board.

Non-executive directors receive a fee for their service (see Table 8) and are not eligible to be considered for salary reviews, core or flexible benefits or pension contributions. The fee paid figures shown are pro-rated for the period served as non-executive directors.

Table 7: Chair and Managing Director

	Basic salary		Other benefits		Total remuneration (excluding pension)		Pension		Total remuneration	
	25/26 £'000	24/25 £'000	25/26 £'000	24/25 £'000	25/26 £'000	24/25 £'000	25/26 £'000	24/25 £'000	25/26 £'000	24/25 £'000
Chair										
Aidene Walsh[1]	61	75	-	-	61	75	-	-	61	75
Ashley Alder[2]	-	-	-	-	-	-	-	-	-	-
Managing Director										
Chris Hemsley[3]	-	44	-	3	-	47	-	6	-	53
David Geale[4]	319	220	18	13	337	233	38	26	375	259
Total	**380**	**339**	**18**	**16**	**398**	**355**	**38**	**32**	**436**	**387**

Table 8: Non-executive directors

	Fee paid	
	25/26 £'000	24/25 £'000
Andrew Buckley[5]	15	9
Edward Knapp[6]	10	20
Sheldon Mills[7]	-	-
Faith Reynolds[8]	-	-
Simon Ricketts[9]	-	7
Jessica Rusu[10]	-	-
Lara Stoimenova[11]	15	15
Tommaso Valletti[12]	9	15
Joanna Whittington[13]	15	15
Total	**64**	**81**

Notes

Chair

1 Aidene Walsh was appointed to the PSR board on 1 June 2020. Aidene then became interim Chair of the PSR board on 1 April 2022. Aidene was subsequently confirmed as the permanent Chair from 26 January 2023. Aidene was appointed to the FCA board on 29 August 2023, in accordance with FSMA. Aidene stepped down from the PSR and FCA boards on 25 January 2026.

2 Ashley Alder joined as Chair of the FCA board on 20 February 2023. With effect from 26 January 2026, Ashley took on the role of Chair of the PSR board. Ashley does not receive a fee from the PSR for this role, but received an additional fee of £10,000 per annum from the FCA for taking on this role.

Managing Director

3 Chris Hemsley was appointed as Managing Director of the PSR on 2 September 2019. Chris was a member of the FCA Pension Plan and was entitled to receive an annual pension contribution equivalent to 12% of his salary. Chris voluntarily contributed an additional 2% of his salary into the Pension Plan, which was matched by the FCA under the standard terms of the FCA Pension Plan. Chris stepped down as Managing Director of the PSR and as a voting member of the PSR board with effect from 7 June 2024, with his employment ending on 22 November 2024. Chris received £203,000 in basic salary, benefits and pension for his remaining period of employment in the year ended 31 March 2025.

4 David Geale was appointed as interim Managing Director of the PSR with effect from 10 June 2024, and became a voting member of the FCA Executive Committee with effect from 11 November 2024. David was appointed Executive Director for Payments and Digital Finance and Managing Director of the PSR on 8 May 2025 on an annual salary of £320,000. During 2024/25 and 2025/26, David received part of his pension benefits as a non-pensionable cash payment in lieu of employer pension contributions, which he would otherwise have been eligible to receive. The FCA funds 50% of David’s remuneration.

Non-executive directors

5 Andrew Buckley was appointed to the PSR board on 23 September 2024.

6 Edward Knapp was appointed to the PSR board on 18 September 2023. Edward was appointed as Chair of the Risk Committee on 1 May 2024. Edward stepped down from the PSR board on 25 September 2025.

7 Sheldon Mills was appointed to the PSR board on 13 June 2024. Sheldon does not receive a fee from the PSR for this role.

8 Faith Reynolds was appointed to the PSR board on 12 April 2021. Faith stepped down from the board on 10 April 2024.

9 Simon Ricketts was appointed to the PSR board on 1 July 2017. Simon stood down from the board on 30 June 2024.

10 Jessica Rusu was appointed to the PSR board on 11 November 2024. Jessica does not receive a fee from the PSR for this role.

11 Lara Stoimenova was appointed to the PSR board on 7 March 2024.

12 Tommaso Valletti was appointed to the PSR board on 1 April 2020. Tommaso stepped down from the board on 04 November 2025.

13 Joanna Whittington was appointed to the PSR board on 1 September 2023.

Fair pay disclosure (audited)

Remuneration ratios

Remuneration ratios represent the difference between the highest-paid director and the full-time equivalent remuneration of the employee at the 25th percentile, 50th percentile (median), and the 75th percentile (collectively, 'the employee percentiles') of the total workforce (excluding the highest-paid director) at the reporting period end date expressed as a multiple. Remuneration ratios are based on both the total remuneration of the highest-paid director and of the employee percentiles, as well as the salary component of the total remuneration.

Remuneration ratios have been calculated using the annualised salary and benefits paid (on a full-time equivalent basis) to employees in March 2026, on the basis that it provided the most accurate means of identifying the employee percentiles of the remuneration of the total workforce for the reporting period.

Definitions are:

- **Remuneration** is total remuneration and includes salary and benefits, whether monetary or in-kind. It does not include severance payments or employer pension contributions.
- **Total workforce** includes employees, temporary staff, contractors and other short-term resource.

The remuneration of the highest-paid director and the remuneration of the organisation's total workforce for 2025/26 and 2024/25 are presented in Table 9.

Table 9: Remuneration ratios

	Total remuneration		Salary component	
	2025/26	**2024/25**	**2025/26**	**2024/25**
Highest-paid director's total remuneration	£340,313	£287,140	£320,000	£271,206
25th percentile remuneration of total workforce	£67,174	£64,282	£60,661	£59,164
25th percentile remuneration ratio	5.1:1	4.5:1	5.3:1	4.6:1
50th percentile/median remuneration of total workforce	£89,174	£84,006	£82,516	£76,622
50th percentile remuneration ratio	3.8:1	3.4:1	3.9:1	3.5:1
75th percentile remuneration of total workforce	£105,921	£109,395	£98,228	£102,003
75th percentile remuneration ratio	3.2:1	2.6:1	3.3:1	2.7:1

The total remuneration of the highest-paid director disclosure differs between:

- the director's remuneration, which is based on actual amounts paid, including pension but excluding taxable benefits paid by the PSR but fully funded by the director, and
- the remuneration ratios in Table 9, which is based on a full-year equivalent and excludes pension contributions

The Managing Director of the PSR was the highest-paid director for 2025/26. Including the highest-paid director, remuneration ranged from £28,195 to £340,313 (2024/25: £24,356 to £287,140).

In 2025/26, no employees (2024/25: zero) received remuneration in excess of the highest-paid director's. All figures are based on full-time equivalent basis.

Change in remuneration

Table 10 compares the percentage change in salary and benefits between 2025/26 and 2024/25 of the highest-paid director and of the total workforce average per FTE.

Table 10: Change in remuneration

% Change in remuneration	Salary and benefits 2025/26 vs 2024/25	Salary and benefits 2024/25 vs 2023/24
Highest-paid director	18.5%	19.2%
Total workforce average per full-time equivalent	2.8%	0.6%

The change in the Managing Director between 2025/26 and 2024/25 accounts for the high percentage change in remuneration of the highest-paid director (19.2%).

The change in the remuneration of the total workforce average between 2025/26 and 2024/25 is largely due to the outcome of the 2025 pay review.

Senior pay disclosure (audited)

In addition to the Managing Director, reported under *Directors' remuneration,* Table 11 sets out the remuneration paid or payable to any person that served as a voting member of the Executive Committee during the year ending 31 March 2026.

Voting members of the Executive Committee are members of the FCA Pension Plan and are entitled to receive an annual employer pension contribution of 8% to 12% of their salary, depending on their age. In addition, contributions are matched up to 3%, depending on age.

Table 11: Senior pay disclosure

	Basic salary		Other benefits		Total remuneration (excluding pension)		Pension		Total remuneration*	
	25/26 £'000	24/25 £'000	25/26 £'000	24/25 £'000	25/26 £'000	24/25 £'000	25/26 £'000	24/25 £'000	25/26 £'000	24/25 £'000
Kate Fitzgerald[1]	19	199	2	22	21	221	2	28	23	249
Natalie Golding[2]	123	151	8	10	131	161	16	20	147	181
Oliver Hanmer[3]	110	151	7	10	117	161	16	23	133	184
Deborah Jones[4]	175	16	10	1	185	17	26	2	211	19
David Lymburn[5]	25	-	1	-	26	-	3	-	29	-
Dan Moore[6]	79	148	4	9	83	157	13	21	96	178
Alex Olive[7]	180	173	11	11	191	184	27	26	218	210
Claire Simpson[8]	152	-	9	-	161	-	19	-	180	-
Andrew Wigston[9]	55	-	4	-	59	-	9	-	67	-
Total	**918**	**838**	**56**	**63**	**974**	**901**	**131**	**120**	**1104**	**1021**

* Totals subject to rounding differences.

Notes

1 Kate Fitzgerald was appointed as a voting member of the PSR Executive Committee and Head of Policy from 1 September 2022. Kate received an annual pension contribution equivalent to 12% of her salary and also voluntarily contributed an additional 2% of her salary into the Pension Plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan. Kate stepped down as a voting member of the PSR Executive Committee on 30 April 2025.

2 Natalie Golding was appointed as a voting member of the PSR Executive Committee, Chief Operating Officer and Chief Risk Officer from 3 July 2023. Natalie received an annual pension contribution equivalent to 12% of her salary and also voluntarily contributed an additional 1% of her salary into the Pension Plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan. Natalie stepped down as a voting member of the PSR Executive Committee on 13 January 2026. Natalie received a further £41,000 as basic salary, benefits and pension for her remaining period of employment in the year ended 31 March 2026.

3 Oliver Hanmer was appointed as a voting member of the PSR Executive Committee and Head of Supervision and Compliance Monitoring from 26 June 2023. Oliver received an annual pension contribution equivalent to 12% of his salary and also voluntarily contributed an additional 3% of his salary into the Pension Plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan. Oliver stepped down as a voting member of the PSR Executive Committee on 7 December 2025.

4 Deborah Jones was appointed as interim Deputy Managing Director of the PSR from 3 March 2025. Deborah is also Deputy Chair of the PSR Executive Committee. Deborah received an annual pension contribution equivalent to 12% of her salary. Deborah also voluntarily contributed an additional percentage of her salary into the Pension Plan. The FCA matched 2% of this under the standard terms of the FCA Pension Plan. Deborah stepped down as a voting member of the PSR Executive Committee on 13 February 2026.

5 David Lymburn was appointed as interim Deputy Managing Director of the PSR and a voting member of the PSR Executive Committee from 23 February 2026 on an annual salary of £240,000. David received an annual pension contribution equivalent to 12% of his salary.

6 Dan Moore was appointed as a voting member of the PSR Executive Committee and Head of Strategy and Intelligence from 15 January 2024. Dan received an annual pension contribution equivalent to 12% of his salary. Dan also voluntarily contributed an additional percentage of his salary into the Pension Plan. The FCA matched 1% of this under the standard terms of the FCA Pension Plan. Dan stepped down as a voting member of the PSR Executive Committee on 30 September 2025.

7 Alex Olive was appointed as a voting member of the PSR Executive Committee and as General Counsel from 12 June 2023. Alex received an annual pension contribution equivalent to 12% of her salary. From July 2023, Alex also voluntarily contributed an additional percentage of her salary into the Pension Plan. The FCA matched 2% of this under the standard terms of the FCA Pension Plan.

8 Claire Simpson was appointed as interim Head of Policy and a voting member of the PSR Executive Committee from 7 April 2025 on an annual salary of £155,537. Claire received an annual pension contribution equivalent to 12% of her salary. Claire also voluntarily contributed an additional percentage of her salary into the Pension Plan. The FCA matched 1% of this under the standard terms of the FCA Pension Plan.

9 Andrew Wigston was appointed as interim Head of Supervision and Compliance Monitoring and a voting member of the PSR Executive Committee from 6 October 2025 on an annual salary of £168,531. Andrew received an annual pension contribution equivalent to 12% of his salary. From November 2025, Andrew also voluntarily contributed an additional percentage of his salary into the Pension Plan. The FCA matched 3% of this, under the standard terms of the FCA Pension Plan.

Financial statements

For the year ended 31 March 2026
Company number: 8970864

The certificate and report of the Comptroller and Auditor General to the members of the Payment Systems Regulator Limited and the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of The Payment Systems Regulator Limited (PSR) for the year ended 31 March 2026 under the Financial Services (Banking Reform) Act 2013. The financial statements comprise the PSR's:

- Statement of Financial Position as at 31 March 2026;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of the PSR's affairs as at 31 March 2026 and of the total comprehensive profit for the year then ended;
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)'*. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2024.

I am independent of the PSR in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities	
Authorising legislation	Financial Services (Banking Reform) Act 2013 and the Companies Act 2006

Material uncertainty related to going concern

In auditing the financial statements, I have concluded that the PSR's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

I draw attention to Note 2 in the financial statements and the Directors' Report, which sets out that the UK Government has announced the intention to abolish the Payment Systems Regulator. The Financial Services and Markets Bill was introduced into Parliament on 19 May 2026 and contains provisions to abolish the PSR and transfer functions to the Financial Conduct Authority (FCA), preserving their substance and scope. The Bill is expected to receive Royal Assent in 2027, subject to parliamentary procedure taking its course. There is then expected to be a transition period to enact relevant provisions of the Act. As such, at the time of signing the financial statements, the timeline for the PSR's abolition remains uncertain. Consequently, the Directors consider that the PSR will remain a going concern for the next financial year and conclude that using the going concern basis is appropriate in preparing its financial statements.

These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the PSR's ability to continue as a going concern beyond the next financial year. My opinion is not modified in respect of this matter.

My evaluation of the directors' assessment of the PSR's ability to continue to adopt the going concern basis of accounting included considering the PSR's funding arrangements and performing an assessment of whether any conditions exist which may cast significant doubt on the PSR's ability to continue to operate. I confirmed that the PSR continues to hold a statutory power to raise levies to meet its funding requirements, until such time that an Act of Parliament is enacted.

In relation to the PSR's reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section above, I have determined that there are no other key audit matters to communicate in my report.

I have not identified any key audit matters throughout the course of my audit.

There have been no changes to key audit matters from the prior year.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the mandatory risk of management override of controls, an area where my work has not identified any matters to report.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the PSR's financial statements as a whole as follows:

Materiality	£1,048,000
Basis for determining materiality	4% of forecast gross expenditure, based on period 9 figures of £26,200,000 (2024-25: 2% of forecasted gross expenditure of £28,000,000)
Rationale for the benchmark applied	Expenditure is the key area of interest for Parliament (and, indeed, more broadly for the firms regulated by the PSR) because the budgeted amount for the financial year determines the Annual Funding Requirement for the PSR, which forms the basis of the fees invoiced to regulated firms. This represents the size of the regulatory cost that the PSR imposed upon the financial services sector. The account is primarily composed of payroll and other operating costs. Forecasted gross expenditure based on period 9 figures was used as the materiality basis in 2025/26. The difference between materiality calculated using this and actual figures was below our triviality threshold and was therefore not considered to impact our materiality assessment. I increased the materiality percentage to 4% for 2025-26 reflecting my assessment of the sensitivity of the users of the PSR accounts, with the main user of the accounts being the parent company (Financial Conduct Authority). This also reflects my assessment of the sensitivity of levy payers to misstatements in the levies, considering the size of the levies in the context of levy payers' operations.

Performance materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2025-26 audit (2024-25: 75%).

Other materiality considerations

I initially set materiality at £1,120,000 but reduced this to £1,048,000 as the audit progressed as expenditure was lower than forecast.

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error reporting threshold

I agreed with the Audit Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £20,960, as well as differences below this threshold that, in my view, warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

We have used the same materiality figures for regularity, as there were no such circumstances that gave rise to use a different figure for regularity.

There were no unadjusted audit differences reported to the Audit Committee.

Audit scope

The scope of my audit was determined by obtaining an understanding of the PSR and its environment, including the entity wide controls, and assessing the risks of material misstatement.

Other information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In my opinion, based on the work undertaken in the course of the audit:

- the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- Information about the PSR's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which I report by exception

In the light of the knowledge and understanding of the PSR and it's environment obtained in the course of the audit, I have not identified material misstatements:

- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA rules.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- if the Governance Statement does not properly disclose a departure from the requirements of the UK Corporate Governance Code or the Listing Rules identified through the audit procedures.

Corporate governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the PSR's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 30;
- Directors' statement that the annual report and accounts are fair, balanced and understandable set out on page 29;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 30;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 43; and
- The section describing the work of the audit committee set out on page 43.

The directors have not provided an assessment of the entity's prospects, the period this assessment covers and why the period is appropriate as required by provision 31 of the UK Corporate Governance Code. The directors have set out the reasons for omitting these disclosures on page 34.

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the PSR from whom the auditor determines it necessary to obtain audit evidence;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006, Financial Services (Banking Reform) Act 2013 and with directions made by HM Treasury;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Remuneration Report, in accordance with the Companies Act 2006, Financial Services (Banking Reform) Act 2013 and with directions made by HM Treasury; and
- assessing the PSR's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Financial Services (Banking Reform) Act 2013.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud.

The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the PSR's accounting policies;
- inquired of management, the PSR's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the PSR's policies and procedures on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the PSR's controls relating to the PSR's compliance with the Companies Act 2006 and the Financial Services (Banking Reform) Act 2013;
- inquired of management, the PSR's head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations; and
    - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the PSR for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals and complex transactions. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the PSR's framework of authority and other legal and regulatory frameworks in which the PSR operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the PSR. The key laws and regulations I considered in this context included Companies Act 2006, the Financial Services (Banking Reform) Act 2013, the UK Corporate Governance Code and relevant employment law and taxation legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures, I:

- reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquired of management and the Audit Committee concerning actual and potential litigation and claims;

- reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- reviewed legislation for any changes which could impact the PSR to determine whether these had been appropriately reflected in the Annual Report and financial statements where required;
- reviewed the accounting policies related to the PSR; and
- used analytical procedures to identify any unusual or unexpected relationships.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Gareth Davies
Comptroller and Auditor General
7 July 2026

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of comprehensive income for the year ended 31 March 2026

	Notes	Total 2026 £'000	Total 2025 £'000 (Restated*)
Income			
Fee income	4	27,000	25,251
Other income	4	774	923
Total income		**27,774**	**26,174**
Operating costs			
Staff costs	5	(19,848)	(20,839)
Administrative costs	6	(6,089)	(7,220)
Total operating costs		**(25,937)**	**(28,059)**
Total comprehensive profit/(loss) for the year		**1,837**	**(1,885)**

The notes on pages 67 to 76 form part of the financial statements.

* Comparative information for staff costs and administrative costs has been restated to reflect the reclassification of Financial Conduct Authority staff recharges from administrative costs to staff costs. Refer to Notes 5 and 6.

Statement of changes in equity for the year ended 31 March 2026

	£'000
At 1 April 2024	**6,889**
Total comprehensive loss for the year	(1,885)
At 1 April 2025	**5,004**
Total comprehensive profit for the year	1,837
At 31 March 2026	**6,841**

The notes on pages 67 to 76 form part of the financial statements.

Statement of financial position for the year ended 31 March 2026

Payment Systems Regulator
Company number: 8970864

	Notes	Total 2026 £'000	Total 2025 £'000
Current assets			
Cash and cash equivalents	7	19,285	14,790
Trade and other receivables	7	188	917
Intragroup receivable	7	3,155	1,158
Total assets		**22,628**	**16,865**
Current liabilities			
Trade and other payables	8	(14,076)	(9,910)
Intragroup payables	8	(1,711)	(1,951)
Total liabilities		**(15,787)**	**(11,861)**
Total assets less total liabilities		**6,841**	**5,004**
Accumulated surplus		**6,841**	**5,004**

The notes on pages 67 to 76 form part of the financial statements.

The financial statements were approved by the Board on 24 June 2026, and were signed on its behalf on 3 July 2026 by:

Ashley Alder
Chair

David Geale
Managing Director

The company is exempt from the requirement of Part 16 of the Companies Act 2006 as stipulated in Schedule 4, paragraph 8(5) of the Financial Services (Banking Reform) Act 2013.

Statement of cash flows for the year ended 31 March 2026

	Notes	Total 2026 £'000	Total 2025 £'000
Net cash generated/(used) by operating activities	3	**3,847**	**(573)**
Investing activities			
Interest received on bank deposits		648	722
Net cash generated in investing activities		**648**	**722**
Net increase in cash and cash equivalents		**4,495**	**149**
Cash and cash equivalents at the start of the year		14,790	14,641
Cash and cash equivalents at the end of the year		**19,285**	**14,790**

The notes on pages 67 to 76 form part of the financial statements.

Notes to the financial statements

1 General information

The Payment Systems Regulator (PSR) was incorporated in England and Wales under the Companies Act 2006 on 1 April 2014 as a private company, limited by shares (a single share with a £1 nominal value, wholly owned by the FCA). The nature of the PSR's operations is set out in the financial overview.

The registered office is 12 Endeavour Square, London, E20 1JN.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the PSR operates.

2 Core accounting policies

Basis of preparation

The financial statements have been prepared on a going-concern basis, under the historical cost convention in accordance with UK adopted International Financial Reporting Standards (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies applied in preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

As noted in the Directors' Report, due to the UK government's announcement to abolish the PSR subject to the passing of legislation, the directors have concluded that in the context of the Companies Act 2006, a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern beyond the next financial year.

At the time of signing these financial statements, the timeline for the abolition of the PSR is uncertain. The Financial Services and Markets Bill was introduced into Parliament on 19 May 2026 and contains provisions to abolish the PSR and transfer functions to the FCA, preserving their substance and scope. There is expected to be a transition period once the Bill has received Royal Assent and passed into law as an Act of Parliament, which is expected in 2027.

The directors consider that the PSR will remain a going concern for the next financial year and conclude that using the going-concern basis is appropriate in preparing its financial statements.

The PSR was created under statute (the Financial Services (Banking Reform) Act 2013 (FSBRA)) to discharge certain duties through statutory powers. As expressed in the government's statement and draft Bill, these statutory powers will continue and be transferred to the FCA. Therefore, the PSR will exist and be suitably funded until this point.

Changes in accounting policy

The company has adopted the following amendments to IFRS and International Accounting Standards (IAS) that came into effect in the financial year. The amendments have been issued and endorsed by the UK Endorsement Board and do not have a significant impact on the company's financial statements.

- Amendments to IAS 21, Lack of Exchangeability, issued in August 2023, effective from 1 January 2025.

The following new standards and amendments to existing standards have been issued, but are not effective for the current reporting period and are not expected to have a significant impact on the company's financial statements in future reporting periods:

- New standard IFRS 18, *Presentation and Disclosure in Financial Statements*, which will replace IAS 1, 'Presentation of Financial statements', issued in April 2024 and effective from accounting periods starting on or after 1 January 2027.
- New standard IFRS 19, *Subsidiaries without Public Accountability: Disclosures*, issued in May 2024 and effective from accounting periods starting on or after 1 January 2027.
- Amendments to IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments, issued in May 2024 and effective from accounting periods starting on or after 1 January 2026.
- *Annual Improvements to IFRS Accounting Standards*, effective for annual periods beginning on or after 1 January 2026. These include amendments to: IFRS 9, *Financial Instruments*, IFRS 7; *Financial Instruments: Disclosures*; IFRS 10, *Consolidated Financial Statements*; and IAS 7, *Statement of Cash Flows*.
- Amendments to IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures*, relating to power purchase agreements *(Contracts Referencing Nature-dependent Electricity)*, issued in December 2024 and effective for annual periods beginning on or after 1 January 2026.

Significant judgements and estimates

The preparation of financial statements requires management to make estimates and judgements. Actual results could differ from estimates.

The directors have identified no significant judgements or accounting estimates relevant to the PSR that materially affect the financial statements or the application of the accounting policies.

Income

The core principle of IFRS 15, *Revenue from Contracts with Customers*, is that 'an entity recognises revenue to depict the transfer of promised goods or services to customers, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services'.

The standard requires an entity to identify the contract(s) with a customer and the performance obligation related to the contract. It further requires the transaction price to be determined and allocated to the performance obligations in the contract. Revenue can only be recognised under the standard when the entity satisfies a performance obligation.

The implication of adopting IFRS 15 directly has been assessed, but – given the nature of the PSR's activities and that IFRS 15 relates to commercial organisations – it was not considered appropriate. Accordingly, management has applied IAS 8(10) to use its judgement in developing and applying an accounting policy that provides information that is relevant and reliable.

In doing so, management has broadened the definition of a contract to include legislation and regulation. In this circumstance, a 'contract' is the underlying statutory framework set out in FSBRA. This framework enables the PSR to raise fees to recover the cost of carrying out its statutory functions. The performance obligation under the 'contract' is the granting of the ability to operate and remain authorised during the course of the year.

The PSR's revenue streams are categorised as either 'fee income' or 'other income'.

Fee income includes the annual periodic fees which are levied and measured at fair value when recognised in accordance with applicable legislation. The Financial Services and Markets Act 2000 enables the FCA to raise fees, and FSBRA enables the FCA to raise fees on behalf of the PSR to recover the costs of carrying out its statutory functions. Fees are recognised at the later of:

- the fee year to which they relate (invoices on account), or
- the invoice date

Other income satisfies the core principles and conditions set out to recognise revenue. Resulting contract assets and liabilities are included in *Current assets* within *Intragroup receivables* and as *Fees received in advance* in *Current liabilities*.

Retirement benefit costs

Money Purchase Section (defined contribution)

The PSR is a member of the Money Purchase Section of the FCA Pension Plan, a defined contribution plan where the company pays contributions at defined rates to a separate entity.

Payments to the Money Purchase Section of the Plan are recognised as an expense in the statement of comprehensive income, as they fall due.

Prepaid contributions are recognised as an asset to the extent that a cost refund or a reduction in future payments is available.

Taxation

As a UK incorporated company, the PSR is subject to the provisions of the UK's Taxes Acts, the same corporation tax rules as any other UK incorporated company.

On the basis of the relevant tax legislation and established case law, the result of the PSR's regulatory activities (on which it does not seek to make a profit) is not subject to corporation tax because regulatory activity does not constitute a 'trade' for corporation tax purposes.

As the FCA wholly owns the PSR, the FCA and the PSR are part of the same group for corporation tax and VAT purposes. The FCA invests heavily in its own fixed assets, mainly IT software, and accounts for these as intangible fixed assets. It therefore has significant levels of amortisation charges. The FCA has applied the intangible fixed asset tax rules to these assets and, as a result, tax relief is available for the amortisation. As the PSR is part of the same group for corporation tax purposes, it is able to utilise these amortisation losses through group relief to offset any corporation tax due on investment income, resulting in nil corporation tax being payable by the PSR at this time.

3 Notes to the cash flow statement

	Notes	Total 2026 £'000	Total 2025 £'000
Profit/(loss) for the year from operations		1,837	(1,885)
Adjustments for:			
Interest received on bank deposits	4	(648)	(722)
Operating cash flows before movements in working capital		**1,189**	**(2,607)**
(Increase)/Decrease in receivables	7	(1,268)	2,782
Increase/(Decrease) in payables	8	3,926	(748)
Net cash generated by/(used in) operations		**3,847**	**(573)**

4 Income

FSBRA enables the FCA to raise fees on behalf of the PSR to recover the costs of carrying out its statutory functions. Fee income represents the annual periodic fees receivable for the financial year, is recognised in the year it is levied, and is measured at fair value.

	Total 2026 £'000	Total 2025 £'000
Fee income	27,000	25,251
Interest on bank deposit	648	722
Other income	126	201
Total income	**27,774**	**26,174**

5 Staff information

Staff costs (including executive directors) comprise:

	Total 2026 £'000	Total 2025 £'000 (*Restated)
Gross salaries and taxable benefits	13,361	15,710
Employer's National Insurance costs	1,749	1,797
Employer's defined contribution pension costs	1,567	1,828
Permanent staff costs	**16,677**	**19,335**
Temporary	67	-
Secondees	173	57
Contractors	506	894
Short-term resource costs	**746**	**951**
Staff costs: FCA recharges	**2,425**	**553**
Total staff costs	**19,848**	**20,839**

* Included within 2025 staff costs are FCA recharges of £553,000, which were previously presented within administrative costs. Comparative information has been reclassified to conform with the current year presentation, resulting in total staff costs increasing from £20,286,000 to the restated £20,839,000.

Staff numbers

The average headcount (including executive directors and fixed-term contractors) during the year is presented below. The numbers do not include any individuals relating to the FCA recharges noted above.

	Total 2026	Total 2025
Permanent staff	141	176
Parental, long-term sick and other leave	4	5
Short-term resource	4	5
Total	**149**	**186**

As at 31 March, the headcount (including executive directors and fixed-term contractors) was:

	Total 2026	Total 2025
Permanent staff	111	182
Short-term resource	2	6
Total	**113**	**188**

Exit packages

Redundancy and other departure costs incurred in accordance with the redundancy policy are set out below.

A compulsory redundancy is any departure resulting from a restructure or other change leading to a role ceasing to exist. Other departures are those mutually agreed with the individual concerned.

Long-term ill-health settlements are credited back to the PSR by our insurers. Ex-gratia payments of £177,000 (2025: £nil) are classified as Special Payments (Note 6) and are excluded from the table below.

There are three exit packages to report for the financial year (2025: none).

Exit package cost band £'000	Number of compulsory redundancies		Number of other departures agreed		Number of long-term ill health or tribunal settlements		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
0 – 10	-	-	-	-	-	-	-	-
>10 – 25	1	-	-	-	1	-	2	-
>25 – 50	1	-	-	-	-	-	1	-
>50 – 100	-	-	-	-	-	-		-
>100 – 150	-	-	-	-	-	-		-
>150 – 200	-	-	-	-	-	-		-
Total number	**2**	**-**	**-**	**-**	**1**	**-**	**3**	**-**
Gross costs (£'000)	**71**	**-**	**-**	**-**	**23**	**-**	**94**	**-**

6 Administrative costs

	Total 2026 £'000	Total 2025 £'000 (Restated*)
IT running costs	1,573	1,703
Professional fees	2,420	2,733
Accommodation and office services	1,548	1,650
Recruitment, training and wellbeing	272	699
Travel and hospitality	26	40
Other costs	250	395
Total	**6,089**	**7,220**

* 2025 administrative costs previously included FCA recharges of £553,000, which are now presented within staff costs. Comparative information has been reclassified to conform with the current year presentation, resulting in total administrative costs decreasing from £7,773,000 to the restated £7,220,000.

Losses and special payments

There are no losses and special payments to report for 2025/26, by value and by type where they exceed £300,000 for the year to 31 March 2026 only (no comparative figures required).

Auditors

The Comptroller and Auditor General was appointed as auditor on 1 April 2014 under FSBRA. The auditor's total remuneration for audit services is set out below:

	Total 2026 £'000	Total 2025 £'000
Fees payable to the National Audit Office for the audit of the financial statements	40	40

7 Current assets

	Note	Total 2026 £'000	Total 2025 £'000
Cash at bank		785	1,290
Cash deposits		18,500	13,500
Cash and cash equivalents		**19,285**	**14,790**
Prepayments and accrued income		146	210
Trade debtors		42	707
Intragroup receivable – FCA	9	3,155	1,158
Total current assets		**22,628**	**16,865**

Cash and cash equivalents comprise cash and short-term fixed-rate bank deposits with a maturity date of 12 months or less. The carrying amount of these assets approximates to their fair value.

Intragroup receivable consists of fees and penalties collected by the FCA on behalf of the PSR but not remitted to the PSR at 31 March.

8 Current liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	Note	Total 2026 £'000	Total 2025 £'000
Fees received in advance		9,704	9,178
Trade creditors and accruals		586	707
Penalties payable		3,786	25
Trade and other payables		**14,076**	**9,910**
Intragroup payable – FCA	9	1,711	1,951
Total current liabilities		**15,787**	**11,861**

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade payables is 10.6 days (2025: 8.7).

Intragroup payable consists of amounts due from the PSR to the FCA under the provision-of-services agreement between the two companies, which sets out the services that are supplied and the respective costs at 31 March. These costs are based on the charges the FCA incurs, without margins.

Penalties issued and not yet collected as at 31 March are included in both current assets and current liabilities and are subject to an assessment of recoverability. Once total penalties collected during the year exceed this amount, a liability to HM Treasury arises.

Financial penalties resulting from enforcement action pursuant to FSBRA are paid to HM Treasury after deducting enforcement costs. Penalties issued and collected under the Competition Act 1998 are paid in full to HM Treasury.

The PSR issued £3.8 million of penalties in the year, under FSBRA or the Competition Act 1998 (2025: none).

	Total 2026 £'000	Total 2025 £'000
Penalties payable at 1 April	25	20
Penalties issued and collected under FSBRA during the year	3,779	-
Penalties paid to HM Treasury during the year	(18)	-
Penalties recovered from/(rebated to) fee payers	-	5
Penalties payable at 31 March	**3,786**	**25**
Penalties payable at 31 March comprise those that are:		
– Retained to be rebated to fee payers	757	7
– Payable to HM Treasury	3,029	18
	3,786	**25**

9 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is set out on page 52.

There were no other transactions with key management personnel in the year.

Transactions with the FCA

The FCA provides certain services to the PSR, which are set out in the provision of service agreement. These are summarised as:

	Total 2026 £'000	Total 2025 £'000
Accommodation and office services	1,544	1,650
Staff costs	2,425	565
IT costs	1,501	1,639
Other costs	47	79
Total	**5,517**	**3,933**

As at 31 March 2026, the intragroup receivable from FCA was £3.2 million, as disclosed in Note 7 (2025: £1.2 million, as disclosed in Note 7).

As at 31 March 2026, the intragroup payable to FCA was £1.7 million as disclosed in Note 8 (2025: £2.0 million, as disclosed in Note 8).

10 Events after the reporting period

The Financial Services and Markets Bill which proposes the abolition of the PSR and the merging of these powers into the FCA was published in May 2026. It received its first reading in the House of Lords on 19 May 2026 and second reading on 8 June 2026. It is expected to receive Royal Assent in 2027, subject to parliamentary procedure taking its course.

There were no other material events after the reporting period. The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

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