

Consultation paper

Revocation of Specific Direction 4 (and SD4a)

Revoking the requirement for
a competitive procurement

June 2025

We welcome your views on this proposal to revoke SD4 (and SD4a). If you would like to provide comments, please send these to us by **5pm on 17 July 2025**.

You can email your comments to **psrsupervisionteam@psr.org.uk** or write to us at:

PSR Supervision Team
Payment Systems Regulator
12 Endeavour Square
London E20 1JN

We will consider your comments when preparing our response to this consultation.

We will make all non-confidential responses to this consultation available for public inspection.

We will not regard a standard confidentiality statement in an email message as a request for non-disclosure. If you want to claim commercial confidentiality over specific items in your response, you must identify those specific items which you claim to be commercially confidential. We may nonetheless be required to disclose all responses which include information marked as confidential in order to meet legal obligations, in particular if we are asked to disclose a confidential response under the Freedom of Information Act 2000. We will endeavour to consult you if we receive such a request. Any decision we make not to disclose a response can be reviewed by the Information Commissioner and the Information Rights Tribunal.

You can download this consultation paper from our website:

www.psr.org.uk/publications/consultations/cp25-2-revocation-of-sd-4-consultation/

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Contents

1	Executive summary	4
2	Costs and benefits considerations	6
3	Our consultation	7
4	Draft specific direction	8

1 Executive summary

The PSR is consulting on its proposal to revoke Specific Direction 4 (SD4)¹ and SD4a (which amended SD4)². We welcome your views on this by **5pm 17 July 2025**.

What is SD4?

- 1.1** SD4 requires the operator of the LINK payment system to undertake a competitive procurement for the infrastructure needed to run LINK every ten years. SD4 was introduced following our Infrastructure Market Review in 2016³ with the intention of reducing competition issues we found in establishing competition for the market, and the potential negative effects in terms of price, quality and innovation for end users.

Why are we consulting?

- 1.2** Given changes to market conditions, we consider a competitive tender obligation, as required by SD4, may not now be an effective way to address the competition issues we found. We are mindful however of the risks associated with the removal of a requirement to competitively procure and the strengthened position that creates for a supplier of a critical payment central infrastructure.
- 1.3** Given the current market, we think that this is best addressed through active regulatory oversight of LINK and Vocalink to ensure that risks associated with a monopoly position are mitigated.
- 1.4** It is important that we continue to create incentives that drive good outcomes for competition and innovation and for the benefit of end users. We will continue to engage closely with the Bank of England on the supervision of LINK and with the FCA to ensure that our approach aligns as we consolidate with the FCA.
- 1.5** We have spoken to a range of stakeholders about our assessment:
- Some of LINK's participants told us that they do not think a mandatory procurement exercise is now likely to provide a benefit proportionate to cost.
 - We also understand that forecasted declines in transaction volumes weaken the case for a sustainable business model of Central Infrastructure Services (CIS) and there is a risk that the scheme would become unsustainable for the members to fund.

1 [Specific Direction 4 \(June 2017, varied March 2019\)](#)

2 [PS19/2 Specific Direction 4a \(Procurement: LINK\)](#) (March 2019)

3 [MR15/2.3 Market review into the ownership and competitiveness of infrastructure provision – Final Report \(July 2016\)](#) and [MR15/2.5 Market review into the ownership and competitiveness of infrastructure provision: remedies decision \(June 2017\)](#).

- 1.6** A sentiment that was shared across all interested parties so far was that LINK plays a role in coordination of access to cash, financial stability and resilience, and that effective and efficient operations of the infrastructure remains vital to growth.
- 1.7** In the light of changes to market conditions outlined above from when SD4 was introduced, we are considering revoking the SD4 requirement. We think that SD4 is now less likely to be a proportionate and effective requirement, but we want to ensure that all interested parties have an opportunity to comment before we take a final decision. We are particularly interested in views on how the supervision of LINK and Vocalink could mitigate against the potential knock-on effects and the risks that the removal of SD4 could create on competition, innovation and end-user outcomes.

2 Costs and benefits considerations

- 2.1** Our Cost Benefits Analysis (CBA) framework⁴ sets out that our practice is to carry out specific cost benefit analyses for regulatory interventions, even where there is no statutory requirement to do so (such as for the consultation on a specific direction), as a matter of best practice. However, our framework also says that we would only carry out a specific CBA where it “*would not involve a disproportionate use of resources*”.⁵ In this case we consider it disproportionate to produce a specific CBA but we have made a proportionate assessment based on current information. This is set out below. We welcome your views on it.
- 2.2** When SD4 was introduced, our aim was that competitive pressure from a competitive tender would help ensure services would be provided efficiently, and at a low price. At the time, the benefit associated with this increased competition was seen as likely to outweigh any administrative cost burden on LINK.
- 2.3** Based on current information, however, given the lack of alternative providers and declining use of cash, we no longer consider that assessment of costs and benefits to be valid. We don’t consider there to be significant benefits associated with maintaining the requirement for a competitive tender, while revoking SD4 would likely reduce the burden on LINK and its participants. Given this expected balance of costs and benefits, we also consider that the development of a more detailed cost benefit analysis would indeed be disproportionate.

4 [PS25/1 Statement of policy on our cost benefit analysis framework \(January 2025\)](#)

5 Paragraph 4.5. [PS25/1 Statement of policy on our cost benefit analysis framework \(January 2025\)](#)

3 Our consultation

What do we want to know?

- 3.1** We invite views in this consultation about this proposal to revoke SD4 (and SD4a), including views on oversight of LINK and Vocalink; on cost and benefit considerations, and the proposed draft legal instrument below, that would be required for any revocation, by **5pm on 17 July 2025**.
- 3.2** You can submit your response by email to psrsupervisionteam@psr.org.uk or write to us at the following address:

Payment Systems Regulator
PSR Supervision Team
12 Endeavour Square
London E20 1JN

Will my response be published?

- 3.3** We will make all non-confidential responses available for public inspection. If your submission includes confidential information, please also provide a non-confidential version suitable for publication.

Next steps

- 3.4** Once the consultation closes, we will include the responses we receive, as part of our final decision-making process regarding SD4 (and SD4a).

4 Draft specific direction

Specific Direction revoking

Specific Directions 4 and 4a

DATE

Specific Direction revoking Specific Directions 4 and 4a: (competitive procurement of central infrastructure (LINK))

1 Recitals

Whereas:

- 1.1 The Payment Systems Regulator (PSR) gave Specific Direction 4 in June 2017. In March 2019 it varied Specific Direction 4 by giving Specific Direction 4a.
- 1.2 Specific Direction 4 imposed requirements on the operator of the LINK ATM Scheme (LINK), in particular that contracts for central infrastructure services had to be competitively procured. SD4a varied those requirements.
- 1.3 In light of changed circumstances relating to the feasibility and benefits of carrying out the above competitive procurement, the PSR has decided to revoke Specific Directions 4 and 4a.

2 Powers exercised

- 2.1 The PSR makes this specific direction in accordance with section 54(3)(c) (Directions) of the Financial Services (Banking Reform) Act 2013 (the Act).
- 2.2 The PSR has had regard in particular to the following provisions of the Act:
 - a. sections 49 to 53 (General duties of Regulator)
 - b. section 62 (Duty to consider exercise of powers under Competition Act 1998)

Direction

NOW the PSR gives the following specific direction to the operator of LINK:

3 Revocation of SD4 and SD4a

- 3.1 Specific Direction 4 (Procurement: LINK) and Specific Direction 4a (varying Specific Direction 4) are revoked on XXXX 2025.

4 Application

- 4.1 This specific direction applies to the operator of LINK.

5 Citation

- 5.1 This specific direction may be cited as Specific Direction revoking Specific Directions 4 and 4a (competitive procurement of central infrastructure (LINK)).

Made on DATE

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