



connecting the future

A Streamlined Approach to Payment Systems  
Regulation - Consultation

HM Treasury  
September 2025

Response from  
The Payments Association  
October 2025

## Introduction

The Payments Association welcomes the opportunity to contribute to HMT Consultation “A *streamlined approach to payment systems regulation*”.

The community’s response contained in this paper reflects views expressed by our members and industry experts recommended by them who have been interviewed and who are referenced below. As The Payment Association’s membership includes a wide range of companies from across the payments value chain, and diverse viewpoints across all job roles, this response cannot and does not claim to fully represent the views of all members.

We are grateful to the contributors to this response, which has been drafted by Riccardo Tordera-Ricchi, our Director of Policy & Government Relations. We would also like to express our thanks to HMT for their continuing openness in these discussions. We hope it advances our collective efforts to ensure that the UK’s payments industry continues to be progressive, world-leading, and secure, and effective at serving the needs of everyone who pays and gets paid.

Ben Agnew  
CEO  
**The Payments Association**

## Our members views:

Our members welcomed the government's announcement earlier in the year conveying their intention to abolish the PSR<sup>1</sup>. The industry was further encouraged with HM Treasury's policy paper outlining their vision for growth, which included an ambition to reduce regulatory burden by 25% by the end of this parliament<sup>2</sup>. Following these announcements, the industry expectation may have been for a more thorough and forensic review of payments systems regulation in the UK. Our members are broadly supportive of HM Treasury's proposal to transfer PSR functions into the FCA, "lift and shift", provided there is future opportunity to further streamline the regulation of payment systems.

We strongly support the National Payments Vision and urge that focus is maintained as the Retail Payments Infrastructure Board (RPIB) and New Delivery Company (DeliveryCo) are stood up. These latest developments highlight the enhanced role of the Bank of England in driving the strategy for retail payments infrastructure. The government may wish to use this opportunity to reinforce the strategic role of the Bank of England. Alongside this, we would encourage updates to the Memorandum of Understanding between PSR, FCA, BoE and PRA, reinforcing the Bank's veto rights over the FCA's decisions and actions, to reflect their elevated role. Support is conditional on clear delineation of roles between the FCA and the Bank of England, credible regulatory burden reduction, protection of statutory fair access, and a coherent competition remit.

Our members stress the need for flexible, proportionate supervisory tools without duplicative rules or directions. Concerns remain about who will have clear responsibility for competition oversight in the payments market, with participants keen for greater clarity on this point. In addition, stakeholders continue to highlight ambiguity around the respective roles and responsibilities of the FCA and the Bank of England, calling for these to be clearly defined and communicated. We call for strengthened oversight and clearer accountability, including a post-implementation review after 12 months.

There is a clear need for different approach to regulation in payments systems. We hope this is an opportunity for new ways of working, predicated on outcomes and a less interventionist approach.

More specifically:

**1. Do you agree with the government's proposal to seek to integrate the PSR's functions within the FCA's current legislative framework as set out above and to the extent practicable? If not, please explain why.**

Yes, in principle. There is broad support for a pragmatic transfer of PSR functions into the FCA, provided this does not divert focus from delivery of the National Payments Vision. Integration should deliver tangible, measurable benefits, particularly in reducing duplicative regulatory burdens and be underpinned by clear, well-managed transition arrangements.

Additionally, we would note that we strongly agree with the Government's view that it is not appropriate to apply FSMA-style conduct and prudential regulation based on an

---

<sup>1</sup> <https://www.gov.uk/government/news/regulator-axed-as-red-tape-is-slashed-to-boost-growth>

<sup>2</sup> <https://www.gov.uk/government/publications/a-new-approach-to-ensure-regulators-and-regulation-support-growth/new-approach-to-ensure-regulators-and-regulation-support-growth.html#:~:text=We%20will%20reduce%20bureaucracy%20for,the%20administrative%20costs%20of%20regulation.>

authorisations process to payment systems or participants in a payment system who are not in scope of this type of regulation today.

**2. Do you agree with the government’s proposal to retain a designation regime in the new regulatory framework? If not, please explain why.**

Yes. We favour keeping a designation regime: our members would prefer to retain the existing targeted regulatory tools for identifying systemically important payments systems within the new regulatory framework, rather than materially amending them or losing them to new powers.

**3. Do you agree the FCA should have objectives and “have regard” requirements in relation to payment systems that are equivalent in scope and substance to the PSR’s in FSBRA as set out in the above? If not, please explain why.**

Yes, provided this is done carefully and practically. We support integrating the PSR’s objectives into the FCA legislative framework “to the extent practicable”, but we call for protections to ensure the new framework does not dilute payment-system priorities and that it is co-designed with industry to avoid rework, or duplication or uncertainty in terms of how the objectives will be applied in practice.

**4. Do you agree with the government’s proposal to integrate these objectives and “have regard” requirements within the FCA’s current legislative framework as set out in the above and to the extent practicable? If not, please explain why.**

Yes, provided this is done carefully and practically. We support integrating the PSR’s objectives into the FCA legislative framework “to the extent practicable”, but we call for protections to ensure the new framework does not dilute payment-system priorities and that it is co-designed with industry to avoid rework.

Additionally, we would be concerned if it was decided that this should be achieved simply by incorporating ‘payment systems’ objectives into all the wider FCA objectives, as this could result in giving the FCA greater scope to intervene than the PSR’s current objectives, running contrary to HM Treasury’s objective to streamline regulation and foster greater economic growth.

We further note that we do not support recent proposals that regulators’ “have regards” obligations apply only to long term business strategy documents. To be effective, these obligations must apply to active and ongoing regulatory policy setting.

**5. Do you agree with the government’s proposal to apply the FCA’s strategic objective and competitiveness and growth secondary objective when it acts in relation to payment systems? If not, please explain why.**

Our members agree, with some caveats. Applying the FCA’s strategic and competitiveness objectives is acceptable, but we demand explicit guidance on how the FCA will balance those objectives with payment-system-specific aims (e.g., fair access and systems stability) and how SEPA equivalence and access outcomes will be protected.

**6. Do you agree the FCA should have powers when it acts in relation to payment systems that are equivalent in scope and substance to the PSR’s powers in FSBRA as set out in the above? If not, please explain why.**

Yes, with emphasis on supervision style and flexibility. We are supportive of equivalent statutory powers but urge that the FCA retains pragmatic, flexible supervisory tools (including targeted directions where useful) and avoids creating dual, overlapping obligations that would confuse firms.

Additionally, there would be a need to implement some form of guardrails, to ensure that the FCA does not use its powers beyond that envisaged by HM Treasury

**7. Do you agree with the government’s proposal to integrate these powers within the FCA’s current legislative framework as set out in the above and to the extent practicable? If not, please explain why.**

We agree in principle. Integration is acceptable if done without importing duplicative or conflicting rule sets; our members strongly urge against running PSR-style directions and parallel FCA rulebook obligations over the same subject matter. They also strongly request that the integration of powers does not result in a change of regulator culture for firms – for example, to the extent a firm is not currently subject to FCA Handbook-style regulation (at all or in relation to a particular element of the firm’s business), becoming subject to that type of regulation, as opposed to only PSR directions.

Nonetheless, some members have expressed preference for Directions, because they are considered better suited to the regulator’s competition and innovation objectives for payment systems. These members suggest what might be a different approach: to include the FCA into an amended FSBRA (rather than HMT proposal to amend FSMA to include payment systems), as the FSBRA approach reduces the risk of FCA scope creep and also reduces uncertainty.

**8. Do you agree with the government’s proposal to move to a single framework for governing access to payment systems? If not, please explain why.**

We are supportive, but this is conditional on preserving statutory fair access and alignment with the Bank of England’s Fundamental Rules and relevant PFMLs. Our members prefer a single framework only if it maintains robust statutory protections and is engineered to dovetail with BoE regimes, so access is not fragmented or diluted. Our members also need to understand how such a change will be effected whilst maintaining the UK’s current SEPA equivalence (and access).

Some of our members fear that, in terms of governing access via a single framework, this could stifle or restrict new entrants. Further, such single framework could cause delays in bringing competition in to benefit consumers.

**9. Do you agree with the government’s proposal to retain the existing definitions which are currently set out in Part 5 of FSBRA in the new framework as set out in the above? If not, please explain why.**

Conditionally agree. Most of our members accept porting Part 5 definitions for speed, but several urged targeted fixes (especially clarifying “participant”) to avoid past perimeter ambiguities and to ensure consistent reading across PSRs 2017 and E-money Regulations.

**10. Do you agree with the government’s proposed approach to the oversight and accountability provisions that would apply to the FCA when it acts in relation to payments systems as set out in the above? If not, please explain why.**

Yes, but our members call for strengthened procedural oversight, stronger Bank of England interaction where relevant, higher standards for cost-benefit analysis quality and transparency, and robust post-implementation monitoring (e.g., a review after implementation) to assess practical impacts and the use of statutory powers.

## About The Payments Association

The Payments Association is for payments institutions, big & small. We help our members navigate a complex regulatory environment and facilitate profitable business partnerships.

Our purpose is to empower the most influential community in payments, where the connections, collaboration and learning shape an industry that works for all.

We operate as an independent representative for the industry and its interests, and drive collaboration within the payments sector in order to bring about meaningful change and innovation. We work closely with industry stakeholders such as the Bank of England, the FCA, HM Treasury, the Payment Systems Regulator, Pay.UK, UK Finance and Innovate Finance.

Through our comprehensive programme of activities for members and with guidance from an independent Advisory Board of leading payments CEOs, we facilitate the connections and build the bridges that join the ecosystem together and make it stronger.

These activities include a programme of monthly digital and face-to-face events including our annual conference PAY360 and PAY360 Awards dinner, CEO round tables and training activities.

We run seven stakeholder working Project groups: Inclusion, Regulator, Financial Crime, Cross-Border, Digital Currencies, ESG and Open Banking. The volunteers within these groups represent the collective view of The Payments Association members at industry-critical moments and work together to drive innovation in these areas.

We also conduct exclusive industry research which is made available to our members through our Insights knowledge base. These include monthly whitepapers, insightful interviews and tips from the industry's most successful CEOs. We also undertake policy development and government relations activities aiming at informing and influencing important stakeholders to enable a prosperous, impactful and secure payments ecosystem.

See [www.thepaymentsassociation.org](http://www.thepaymentsassociation.org) for more information.

Contact [malik.smith@thepaymentsassociation.org](mailto:malik.smith@thepaymentsassociation.org) for assistance.