connecting the future

Future Requirements of the UK's Payments Infrastructure:

A Submission for HMT from Tony Craddock, Director General of The Payments Association (TPA) and Vision Engagement Group member

Introduction

Working with UK Finance and Innovate Finance we have adapted the four questions provided by HM Treasury as follows:

1. What are the detailed retail payment **user outcomes** we need to meet?
2. What are the priority **focal points** for short and medium to progress the outcomes?
3. Which **initiatives, technologies and innovations** are key to driving forward these focal points?
4. What do we need to unlock progress – on **governance, regulation and infrastructure**?

TPA's policies are shaped by our members. Our longer-term policies are articulated in the Payments Manifesto 2025. To generate policy positions outside this democratic process we involve members in answering specific questions. The paper below contains a summary of their responses to these four questions. It also contains a proposed new operating model for the UK's payments infrastructure in a concluding section.

1. What are the retail payment user outcomes we need to meet?

Who are the users of retail payments (wholesale is being considered separately)?

- Consumers
- Retailers
- Businesses and charities
- Government entities
- Payment Service Providers (PSPs)

What are the customer journeys that are enabled by the UK's retail payments systems?

- Person to person (P2P)
- Person to business (P2B)
- Person to government (P2G)
- Business to person (B2P)
- Business to business (B2B)
- Business to government (B2G)
- Government to person (G2P)
- Government to business (G2B)

These journeys support different use cases (e.g. issuing grants).The highest volume of transactions is Person to Business (e.g. Consumer to Retailer) but the other customer journeys are typically higher in value.

How will customer journeys change in future?

Broadly, we anticipate the same customer journeys needing to happen in future and that, as a guiding principle, the customer should be at the heart of payment innovation. But, while the core journeys will remain similar, their nature will change in future as a result of the following influences:

a. **Enabled by developments in technology**

Developments in technology, from Artificial Intelligence (AI) and Distributed Ledger Technology to Robotics and Biotechnology will result in the following influences over payments:

- <u>Speed, automation and integration</u>

The speed of these journeys will change and they will become more automated. For example, making payments across borders will become faster and many manual processes that enable payments to be made will become automated and streamlined. Evolving customer needs and innovation could also drive additional use cases resulting in more complex customer journeys. For example, P2B2B, where the consumer pays Amazon and money is automatically transferred to the marketplace seller; or B2P2B, where a business pays a person's salary and the bank automatically makes a direct debit payment/A2ART to the business based on certain rules and consents.

In summary, customer journeys in retail payments are set to become faster, more seamless, and deeply integrated into everyday life.

- Conversational commerce

Adoption of 'Conversational Commerce' will become commonplace, where payments made through chatbots, online gaming and gambling experiences, utility and entertainment service usage, virtual products and social media experiences will require new customer interactions and new customer journeys.

We will also see the widespread adoption of voice and gesture recognition technology for secure and convenient payments and contactless interactions being possible in both physical and digital environments.

- Hyper-Personalisation

The use of AI and predictive analytics will create hyper-personalised payment experiences tailored to individual needs. Contextual offers and payment suggestions powered by behavioural analytics will become commonplace.

Payments will become predictive, with automated experiences, optimising spending, savings, and loyalty rewards.

- Embedded finance and 'Banking as a Service'

We will see financial services becoming integrated directly into non-financial platforms (e.g., retail apps offering credit options) and the growth of Banking as a Service (BaaS) enabling brands to offer financial products

- Synchronisation

Synchronisation via RTGS2 means new PSPs will enter the ecosystem and tailor their role to specific industries (for example an operator for house purchases).

- Subscription economy

An increased shift towards subscription-based models across diverse industries will make recurring payment models that are integrated into personalised pricing and flexible billing cycles more popular.

- Decentralized Finance (DeFi) integration

DeFi solutions will be integrated into mainstream payment systems for decentralised lending, staking, and yield farming, and the demand for Web3 and Blockchain-based payments including NFTs and tokenised assets will grow.

Consumers will have greater choice, with digital wallets, stablecoins, and CBDCs streamlining domestic and cross-border payments. AI-powered personalisation will transform

b. **Enabled by industry initiatives**

Industry can enable changes to customer journeys by identifying where they are currently sub-optimal and where industry action is the most effective route to a solution. Doing this means that we need to rely on research, not assumptions, and work for our customers, not individual firms' commercial priorities.

c. **Driven by changing consumer needs**
(Consumers adopt new payments behaviours slowly and change how they pay and get paid only if there is significantly more value derived from making that change. We are not setting out to describe how consumer needs will change in detail here.)

d. **Required by regulation**
Regulations will often result in changes to customer journeys. In principle, these should only involve adding additional friction or cost when there is either a critical security benefit or considerable added value derived from doing so.

What are the needs of retail payment users and how will they change?

There are some pain points that need to be addressed:

a. **Inclusion**

We should aim to include those outside or on the perimeter of the financial system and ensure less tech-savvy consumers or those living in rural areas are able to - and know how to - use the new digital options. We should also aim to customise solutions for underserved markets including those working in the gig economy and SMEs and micro-enterprises.

b. **Crime**

We should aim to prevent fraud from one end of the transaction to the other as well as detecting and resolving fraud swiftly.

The PSR's current rules to reimburse consumers scammed when paying between accounts (APP scams) do not prevent fraud where it is initiated, at the media platforms such as those run by Meta where 80% of APP fraud initiates; this should be addressed urgently by involving these companies in paying for frauds that are reimbursed.

c. **Industry**

There are several pain points relating to the payments industry. To address these pain points we should:

- Have **balanced or asymmetric commercial models** in the industry
  - Those parts of the value chain that pay for infrastructure improvements should be able to earn a reasonable return from doing so
  - At present this is not the case
- **Offer flexibility** and adaptability for all payments users, not just retail users
- Deliver **better value for merchants and SME**s
  - Merchants perceive the receive inadequate value from their payments processors. This would be improved if that could receive greater choice of service provider and if small merchants received higher quality service and improved and more flexible pricing and settlement terms
- Anticipate and **respond fast to network failures**, outages and downtime across an integrated and interconnected network of banks, NBPSPs, wallets and international systems

- **Balance the needs of different stakeholders** so there will often have to be some sort of compromise. For example:
  - The best solutions for merchants may not be the best solution for customers
  - The best approach for Fis may not provide full protection for consumers
- **Prioritise scalable infrastructure, regulatory compliance, and interoperability** for payment firms to stay competitive
- Ensure **interoperability and fragmentation** (orchestration layers)
  - The coexistence of multiple payment systems with limited interoperability creates inefficiencies and barriers to seamless transactions, particularly in cross-border payments
- **Lower transaction costs**
  - Small businesses and merchants often face excessive processing fees, limiting their ability to adopt digital payments and impacting financial inclusion
- Ensure **24/7 availability** and robust infrastructure to prevent outages and disruptions to build consumer and business confidence
- **Improve settlement speed** and minimise settlement delays
  - While real-time payments are growing, some payment methods still suffer from slow settlement times, causing liquidity issues for businesses
- **Reduce the regulatory complexity** burden and cost of compliance
  - Especially for SMEs and fintechs, that struggle with navigating evolving complex regulatory burdens, which can slow down business innovation and limit growth
- **Improve access to alternative finance** – many underserved individuals and small businesses lack access to fair alternative solutions and investment opportunities, despite the growth of fintech
- Operate an **appropriate operating model** that is designed to promote competition and enable innovation by motivating and rewarding all parties fairly
  - See the description of our **proposed new operating model** in section 4 below – 'What do we need to unlock progress on governance, regulation and infrastructure?'
  - We are proposing a new operating model because the current operating model requires a strong payment system operator (PSO) that fulfils its responsibilities for running and improving the payments infrastructure adequately. The perception of many of our members is that Pay.UK does not achieve this – for all sorts of reasons relating to its history, structure and governance
  - In addition, the PSO in the current operating model should act as a trusted, collaborative and accountable delivery partner to its customers (the PSPs and banks who bear the costs of its delivery) and should manage its suppliers tightly and transparently, challenging them on cost and delivery timelines while working closely with them to deliver change. The perceptions of many of our members is that Pay.UK does not achieve this

d. **Consumer demand**

To adapt to changing consumer demand, we should set out to deliver consistent and integrated payment experiences across all touchpoints, including physical stores, online platforms, voice assistants and social media. We should also promote tailored payment methods, financing options and loyalty rewards based on customer behaviour and preferences driven by AI and personalization.

We should enable payments through new devices such as wearables, connected cars, and smart home devices to complete transactions and ensure dynamic pricing in real time and provide offers based on real-time data analytics.

In future, we will need to accommodate invisible payments (e.g., Amazon Go-style or Uber checkouts) using biometric authentication, facial recognition, and voice payments. Digital receipts, carbon tracking, and ethical purchasing options, including those that provide eco-friendly choices and transparency on product sourcing and carbon footprints will become commonplace. This will require more robust authentication mechanisms (e.g., biometric authentication, tokenisation and digital identity and verification.

What trends may change these needs?

a. **Industry- and technology-driven trends**

Several trends will be driven by the industry and technology. For example, we will see the adoption of A2A payment for e-commerce and in-store POS payments beyond cVRP and current open banking use cases. Crypto currencies, where P2P transfers of crypto currencies bypass all financial systems and checks for fraud, will become commonplace. There will be a continued lack of standardised dispute resolution mechanisms across payment networks and growth in availability of Central Bank Digital Currencies (CBDCs) and stablecoins for secure and fast transactions from UK and international sources. We will see the adoption of embedded finance by embedding open banking as a one-click payment option into merchants' online and app checkout process, as well as the use of Biometric Authentication and Digital Identity. Indeed, the shift towards biometric-based payments (e.g., facial recognition, fingerprint scanning) and digital tokens will improve security and require enhanced privacy safeguards.

b. **Commercial trends**

Several trends will be driven by commercial considerations. For example, we will see more cross-border transactions and more online commerce, as well as increased acceptance of cryptocurrencies as mainstream payment options and increased use of AR/VR in e-commerce enabling virtual payments.

There will be a growth of social commerce platforms enabling in-app payments and direct-to-consumer (D2C) sales through social media influencers, and the use of cutting-edge AI-powered fraud prevention software that leverages machine learning and real-time monitoring to detect and prevent fraud that will increase customer trust and loyalty.

c. **Crime trends**

This has been well documented elsewhere, but we anticipate the increasing threat of identity theft, account takeovers, and phishing attacks, as well as new techniques deployed by fraudsters including AI.

d. **Global trends**

Some trends are more global in nature. For example, we will see a move towards higher fees, currency conversion challenges, and complex compliance requirements for international payments. The arrival of new Instant Payment Regulation in the EU and eIDAS – The EUDIW (EU Digital Identity Wallet) that will be rolling out within 2 years – will affect the UK, as will changes in the strategic direction of Big Tech companies influenced by the UK-US trade negotiations.

The changing geo-political landscape around the world, especially in the US regarding lean stablecoin regulation and the adoption of a lower regulatory burden for financial services firms and crypto businesses will also affect the UK. Changes in financial regulations, data privacy laws, and geopolitical tensions could affect cross-border payments and compliance requirements, as could the arrival of ultra-low latency payments and real-time data processing for enhanced user experiences.

2. What are the detailed retail payment user outcomes we need to meet?

UK Finance has produced a useful analysis of user outcomes against the criteria of resilience, economic crime prevention, consumer protection and data privacy.

We should add, "Simplicity" to this list of consumer outcomes. Most consumers do not care about anything other than, *"Is it simple to use so that I can pay for things easily?"* They will assume that it is secure and resilient.

We have also identified user outcomes against the three pillars mentioned in the National Payments Vision: security, competition and innovation.

OUTCOME 1: SECURITY:

'Both the safety of our systems and protections for those making and receiving payments are critical. Payments are global in nature and an international outlook is therefore important – the government encourages efforts to boost cross-border activity and international interoperability but not at the expense of consumer protection or financial stability.'

FEATURES OF OUTCOME 1:

a) Resilience

Resilience will be required to deliver security in three areas:

- **Strategic resilience**: availability of multiple systems to avoid complete fall-over (replacement systems are available with clear failure and re-start processes to minimise disruption)
- **Operational resilience**: resilience of individual systems robust against intentional attack or accidental fault
- **Future change resilience:** an ecosystem where innovation can be plugged into infrastructure without too much cost and risk and where quantum-resistant cryptology can safeguard against future quantum computing threats

b) Economic Crime prevention

We will need a 'whole ecosystem approach' (i.e. involving all sectors) to ensure the prevention, detection and resolution of economic crime including fraud, AML and sanctions protection. This includes the use of whole-industry proactive monitoring and incident response systems, AI-driven threat intelligence for real-time fraud detection and prevention, the implementation of Zero Trust models for secure access control and data protection and the continuous verification of users and devices across payment networks.

We will also need widespread adoption of Multi-Factor Authentication (MFA) enhancements including biometric authentication, behavioural biometrics, and device recognition for enhanced security, and the use of password-less authentication using FIDO2 standards.

Implementing real-time fraud response with machine learning/AI to instantly identify and mitigate emerging threats will be a crucial aspect for security in payments, as will the use of automated compliance checks for AML, KYC, PSD2, and other regulatory requirements.

We will also see cross-border security synchronized by aligning fraud prevention protocols, creating global and cross-industry data-sharing frameworks, and promoting coordinated regulatory actions to mitigate cybercrime risks worldwide.

c) Consumer protection

We need to make sure that consumers are protected while payments are made efficiently, protecting those consumers that are vulnerable or financially excluded.

d) Data Privacy

While promoting security we will also need to protect the privacy of data. This will be done by bringing payment data sets together to allow the data to be used in a reasonable and proportionate way for fraud detection/prevention. We expect to see clearly defined expectations on the use of data, including customer consent and control and the adoption of systems that embed privacy at their core rather than as an afterthought.

Overall, when making changes to the payments' infrastructure, we need to adopt a 'control by design' approach, ensuring that customers remain protected and that new features are implemented safely and with minimal unintended consequences.

OUTCOME 2: COMPETITION

Competition: '*is key to enabling a diverse ecosystem, providing individuals and businesses with choice in how to make and receive payments, and spurring innovation across the landscape. The provision of payment-related services should be underpinned by sustainable commercial arrangements, incentivising ongoing investment in these services and the sector more widely, in a way that benefits all users including the financially excluded.'*

FEATURES OF OUTCOME 2

Overall, we believe it is important to drive competition in the *right* areas of the ecosystem, rather than *all* areas of the ecosystem. In areas such as the fundamental network infrastructure, open competition may not be conducive to delivering transformative industry outcomes, whereas more but controlled competition may do so. The features of such an approach are:

- Sustainable, investible commercial models
- Systems capable of supporting innovation
- Clarity on where competition is expected in the payment layers
- Removal of disincentives to help customers move away from legacy systems (including government bodies)
- Lower barriers to entry such as reducing regulatory burdens for smaller firms to encourage competition and the ability to move between payment providers without friction
- Activities that encourage collaboration between established banks and startups
- Fee transparency

- Expansion of Open Banking to Open Finance for enhanced data sharing across financial services
- Integration of decentralised financial services into mainstream payment systems, plus support for smart contracts, tokenisation, and decentralised lending
- Seamless interoperability for international transactions using CBDCs and stablecoins across global payment networks for frictionless cross-border commerce
- Simplification of licensing, reducing barriers for fintechs and smaller PSPs (Payments Service Providers), and encouraging interoperability between new and legacy systems to ensure fair competition
- Advocacy for transparent, cost-effective pricing models, including fair interchange fees between merchants, consumers and financial institutions and settlement fee regulations, to reduce excessive costs in cross-border payments
- Development of agile regulatory frameworks that support innovation, promote a collaborative environment for testing new payment models, and align UK competition policies with global best practices to drive competitiveness

OUTCOME 3: INNOVATION

Innovation: '*delivering solutions to enhance lives of consumers, and to support the growth of UK businesses and the economy. Innovation is fundamental to unlocking the benefits of next generation technology. It should be led by the market, within clear parameters set by regulators. Payments innovation should benefit us all, including those with varied needs when making or receiving payments.'*

FEATURES OF OUTCOME 3:

We must seek innovation for the whole breadth of consumers including offline and low-tech payment solutions that support users in remote areas with limited internet connectivity and multilingual and accessible payment interfaces to ensure digital payment solutions are inclusive for all demographics and capabilities. Doing this will involve leveraging new technology like digital ID and AI to improve outcomes and cut costs of payments, understanding the role of Big Tech in the payments ecosystem and educating consumers to know how to use new innovations and understand what behaviour is safe and where they are protected or not.

We may well see the adoption of smart contracts enabling automated business transactions and of programmable money for conditional payments and micropayments, as well as voice-activated payments integrated into smart speakers and virtual assistants. Gesture-based authentication and payments using AR/VR interfaces will become common as will carbon tracking and offset solutions integrated into payment systems and eco-friendly payment methods and digital receipts.

Overall, while we will see technology leading in some areas, we should recognise not everything can be delivered by Open Banking and 'new tech'. Some new approaches will always be 'around the corner' and may not be suitable to deliver improved customer outcomes today. Customer outcomes, and what is needed to deliver them, need to come before any technical changes to enhance operations.

3. What are the priority focal points for short and medium and term to progress the outcomes?

	Short term (6m – 2 years)	Medium term (3-5 years)
Security	- FPS and Bacs resilience - payment substitutability and interoperability - Clarity on the specific upgrades required for FPS and proposed timelines - Improvements to the current PSO performance that do not require regulatory or IT changes	- New retail infrastructure rail - A2A payments at point of sale - Education and digital literacy programmes to increase awareness among consumers and businesses of secure digital payments -
Competition	- Seamless account-to-account payments in ecommerce - Commercial VRP - A national wallet strategy - A new industry operator model - Strategy on digital currencies including digital pound and stablecoin - Access improvements - Instant Payments for SMEs – expanding access to real-time payments to improve cash flow for small businesses	- Programmable money - G20 interoperability of FPS systems
Innovation	- ISO20022 - Digital ID - Data sharing - Regulated liability network - Fraud Prevention via AI & Machine Learning – Deploying predictive models for real-time fraud detection - Enabling 24x7 RTGS	- Stablecoins, programmable money and smart contracts – exploring real-world applications in payments automation, supporting government development in CBDCs - Sustainable Payments Infrastructure – Reducing carbon footprint in digital payments processing Tokenised assets - AI agents - CBDCs and the Digital Pound - Quantum-resistant security, AI integration, and decentralised finance infrastructure

4. What do we need to unlock progress – on governance, regulation and infrastructure?

Several initiatives are ongoing and must be considered, including the current work to enhance the resilience of FPS, CHAPS and Bacs, work being done to improve payment substitutability and interoperability and ongoing work to reduce both card and A2A fraud scams.

Work on a new scheme operator for commercial VRP and other open banking payments is being led by Open Banking Limited. Development of a national wallet strategy that is independent of or aligned with the EUDIW is also under way.

The UK's equivalent of MiCA and other regulations around the world, including the US, is setting out to create a better environment for businesses creating and touching digital currencies. A digital verification and identity framework is being developed by CFIT and others and, once the Data (Use and Access) Bill is enacted, new initiatives will follow.

We would like to see a new unified industry standard for embedded finance and digital wallets and revised liability frameworks for APP fraud and scams to share accountability/liability with social media platforms. The development of new next-gen payments rails/orchestration layers beyond Faster Payments and Bacs that enable proper interoperability and access to new digital payments like RLN/Stablecoins and CBDC are also required.

The UK's equivalent to PSD3 that sets out to create new models for fintech innovation with proportionate and sensible regulation would encourage businesses to come to and stay in the UK. Finally, we would like to see more public-private collaboration on payments innovation because encouraging fintech and traditional banking partnerships to foster innovation would fuel growth of the UK economy and address our problems of financial exclusion.

5. A new operating model for the UK's payments infrastructure

The Payments Association has been developing some thinking on a new approach to the UK's payments infrastructure. This is described in detail in a recently updated paper, Transforming the UK's Payments infrastructure 2025. The paper sets out to provoke interest in a new approach to the challenges posed by:

a) Underperformance of Account-to-Account (A2A) payments

b) Low investment in Open Banking initiatives outside 'The CMA Order'

c) Delayed procurement and launch of the New Payments Architecture (NPA)

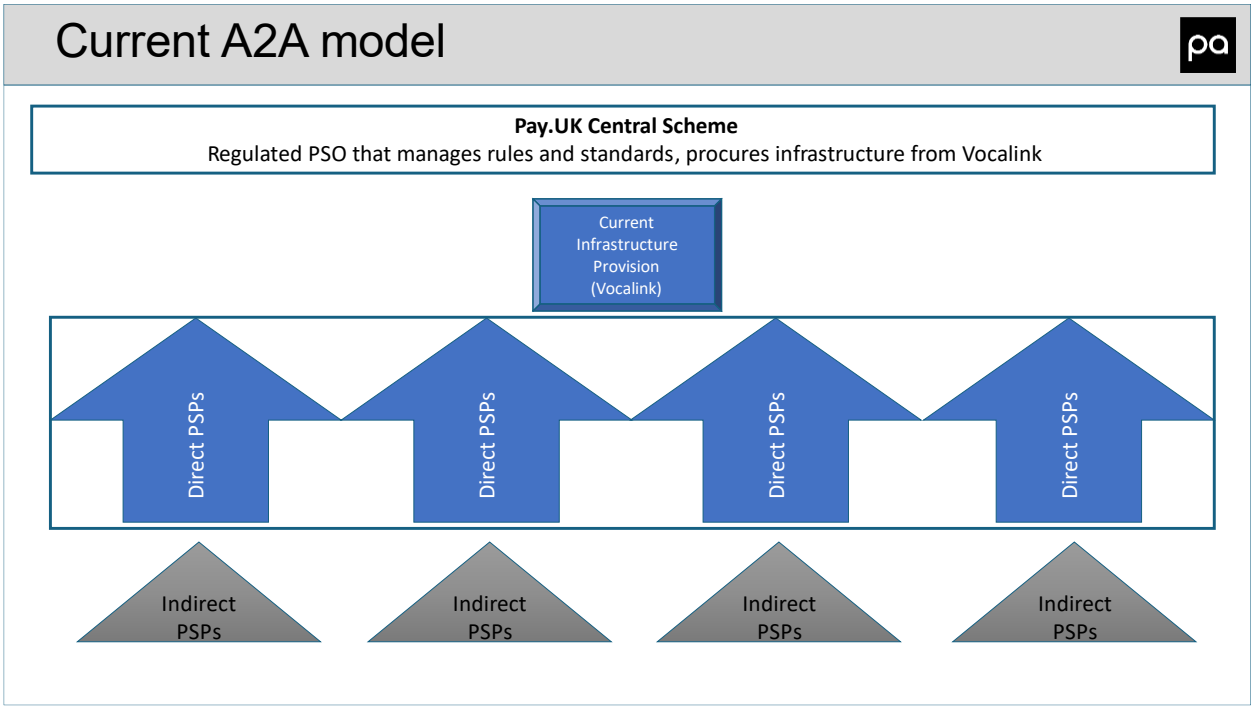
d) High regulatory burden on Payment Service Providers (PSPs) to prevent fraud

e) Resilience challenges related to dominant card scheme coverage

f) The questions posed to the Vision Engagement Group by HM Treasury in early 2025

The paper takes a fresh approach by looking at what works well with the card payments rails operated by the card schemes. A sub-group of TPA's Advisory Board asked this question: what can we learn from the infrastructure underpinning the card schemes and apply this to the infrastructure underpinning bank-to-bank payments?

The operating model for the proposed future state model with multiple real-time A2A schemes/infrastructure providers is outlined below, alongside the current model. A feature of the proposed new arrangement is that, rather than having one technology provider – Vocalink – the new operating model would incorporate competing technology providers. Another feature is that a New Scheme Standards Company, built on an adapted Pay.UK, would operate standards and rules but not procure or manage technology providers.



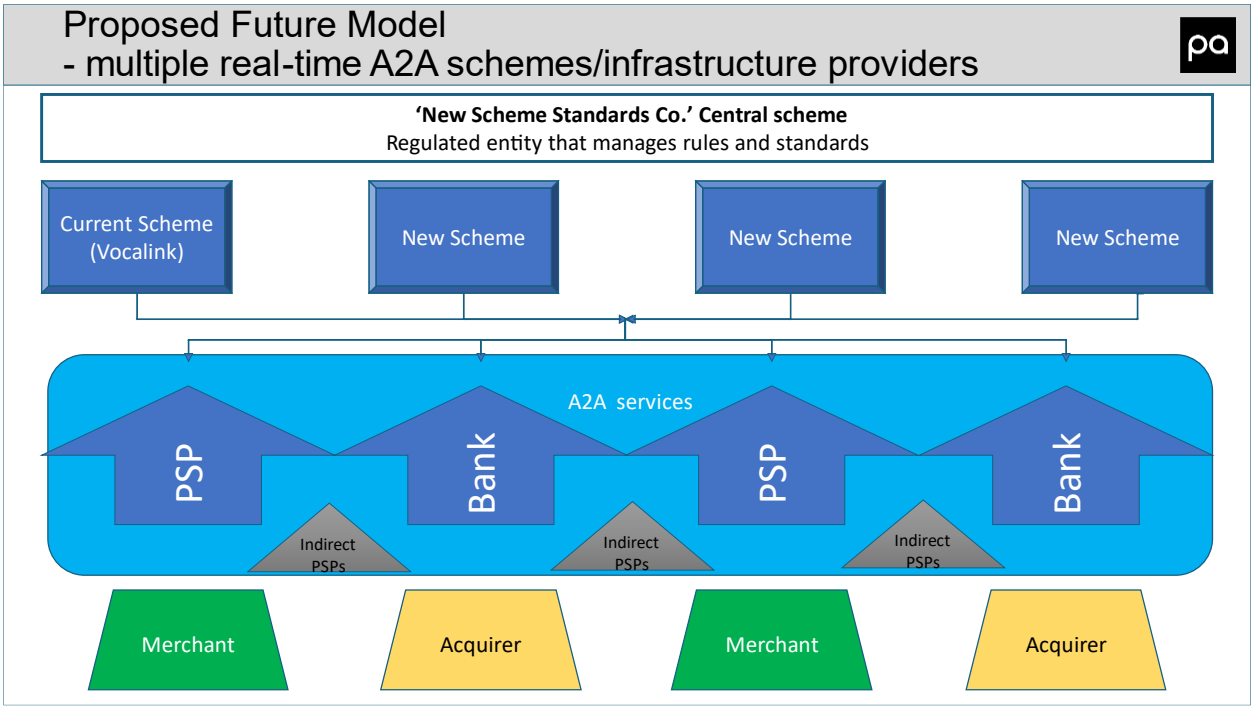
There are several components here:

PSO - Pay.UK – sets rules and standards, manages member performance, procures and oversees daily operation of central infrastructure, regulated by PSR.

Current technology provider – Contracted to Pay.UK to supply services to standards set by them over an agreed term. Subject to regulatory oversight.

Connection layer - Direct PSPs – banks, EMIs, PIs, aggregators that connect with the central infrastructure and work to operating rules around message standards, availability, resilience and processing.

Indirect PSP – taking a once removed 'agency' payment processing service from Direct PSPs and alternatively Third Party Payment Initiation Service Providers (TPPISP) accessing A2A services through the Open Banking rails – following standards from Open Banking.



There are several components here:

New Scheme Standards Company – Very much along the lines of EMV CO. which provides the consensual rules and standards management for the card schemes, this NSSC would be a standards and rules body, setting and assuring technical standards. It could extend to operating and resilience standards in line with regulator and central bank expectations (CPMI IOSCO) and could provide standards management across evolving schemes – not procuring/operating the system. The current Pay.UK PSO would be reformed to become a focused organisation, playing to its strengths in managing rules and standards covering messaging, resilience and standards.

A new layer of commercial infrastructure providers – to provide a technical infrastructure and operating rules to facilitate A2A transactions in the UK.

This would be the next layer of the ecosystem providing the crucial A2A infrastructure, compliant to the rules set by the NSSC and providing services directly to connecting parties (Banks, ASPSPs, aggregators etc.). These users would procure services directly from the provider or providers. In an early transition state, we would expect there to be one provider: the current A2A infrastructure provider. Over time, this layer could be open to competitive infrastructure providers that might offer services along the same A2A message lines or evolve to provide new forms of transaction options, such as the orchestration layer envisaged as part of the RLN programme. This open and competitive position would form a platform for innovation providing commercial value options and a new layer of resilience through interoperability and substitutability.

These commercial infrastructure providers would apply the economic model by which the ecosystem is funded (e.g. a form of interchange, scheme fees) and manage an on-going investment process in capability. They would engage directly with PSPs on commercial delivery and have the potential to work with or directly provide new forms of digital payment on blockchain such as Stablecoins, Central Bank Digital Currencies and Regulated Liability Networks. They also would have the potential for cross scheme/provider orchestration to provide improved resilience options and customer choice in term of forms of money or transactions.

We would see this layer providing services to direct connectors providing payment services and to acquirers and merchants on a commercial basis. The admission and realisation of the need for a sustainable commercial model at this layer could then provide opportunity for parity in comparison to the card model.

PSPs, Banks and Indirect PSPs offering accounts – could connect directly with the schemes as they do today or indirectly through primary participants, holding settlement accounts at the central bank and managing risk as per current rules. They could provide A2A products directly into the market and have direct commercial relationship with infrastructure providers

Merchants and Acquirers – A2A services could be provided directly to merchants (or customers) or there may be acquirers who might want to package and provide managed services in this space to users of the ecosystem.

There are both pros and cons of such a new approach. We summarise these below:

Pros

1. Multiple points of failure covered by parallel service resilience
2. Operational delivery and execution not dependent on delivery by a singular recognised PSO (currently Pay.UK)
3. Creation of an ecosystem with the potential for motivated merchants, engaged customers, satisfied regulators, all adaptable to technological advances; benefits consumers, merchants & providers
4. Creation of a competitive scheme layer enabling a more balanced, efficient and flexible ecosystem
5. Potentially an easier route for A2A payments to go in wallets, which creates more customer choices and options
6. ‘Commercial Cost plus’ so commercial benefits can be reinvested in future developments (i.e. Fraud prevention, payments orchestration)
7. Fraud protection underpinned by a revenue model
8. Standards and rules (alike to EMV Co) to agree chargebacks, dispute resolution etc.; can enable NSSC to focus on standards and rules

9. Competition can drive innovation so users will benefit from new, higher value products and services
10. Could provide a counter point to free in-credit banking (through provision of premium account services as the default)
11. Sustainable alternative to card payments
12. Potential to export this multi-provider capability for UK plc

Cons

1. May be more expensive, shared across all users of the network (merchants, banks, others) – (it may only be more expensive until we achieved significant volumes (to be modelled)?)
2. Is there enough money in it (potentially - tbc) so risk nobody will want to compete with FPS (if FPS remained as the baseline contingency service)
3. Potential for breaking both cards and non-cards market, which might adversely affect users/customers – only the case if this was not a commercially viable offering
4. Potential for increased card transaction costs as a reaction to loss of market share (although this is already a risk with Open Banking evolution)
5. Are they enough suppliers capable of delivering and investing in multiple provider solutions?
6. Multiplicity of CNI could give a degree of uncertainty
7. Settlement process (and Banks/Building Societies liquidity/cash flow) could be undermined if disaggregated
8. Confused brand with multiple providers providing uncertainty in the market and reduced consumer confidence
9. Risk that we can't create something that is widely accepted by merchants and does not offer the customer experience (instant, frictionless) as they get today in cards limiting usage and further increasing costs.
10. Several year transition period requiring investment

Future work

It is important to note that this proposal does not represent the views of all of TPA's members. Nor has the proposed operating model been extensively tested with all stakeholders or received a thorough economic assessment to determine whether this new approach is viable.

But we have discussed this approach with some well informed stakeholders. They welcome the opportunity to consider a new way of approaching the A2A payments operating model. We believe it is now worth exploring the new model further to determine its suitability for achieving our National Payments Vision, the viability of transitioning through an interim state that might be required, the feasiblity of making the transition when there are many competing priorities for our payments industry, and the desirablity of showing leadership in this way with its associated risks.