

Interim Report – Market review into the supply of indirect access to payment systems

No.16/2

We've published the **interim report** for our market review into the supply of indirect access to payment systems. The report reveals that work to open up access to payment systems is generating increasingly positive results. Although there are still some concerns about the supply of indirect access, the industry is making changes that we expect will address these issues.

This review is part of our wider programme of work to promote choice in access services, so that banks, building societies and other payment service providers (PSPs) have a real choice between direct and indirect access.

We have specific concerns about **choice, service quality** and the **ability of indirect PSPs to switch providers**. In particular, industry responses to financial crime regulation are limiting the provision of indirect access for some indirect payment service providers (IPSPs).

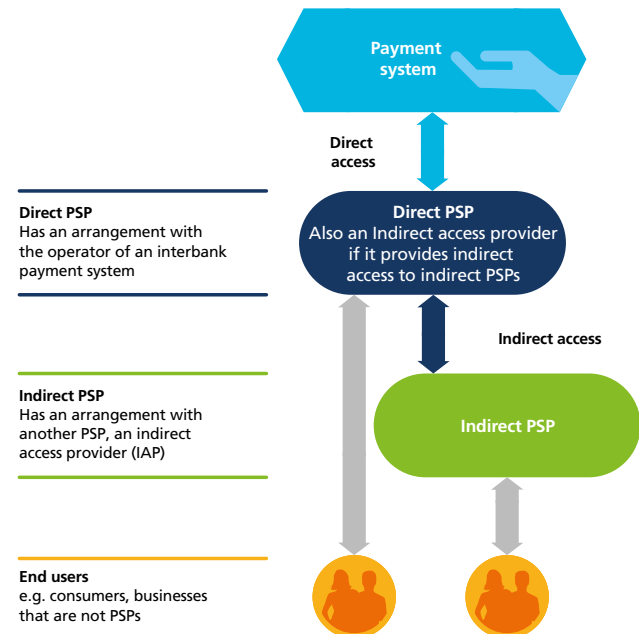
Background

Payment systems are a vital part of the UK's financial system. They make payments possible, whether you're paying for lunch using a contactless card, paying a bill by direct debit, paying the deposit for your new house or making large payments between businesses. In 2014 these payment systems processed more than 21 billion transactions worth around £75 trillion.

Why is access to payment systems important?

Having access to payment systems is vital for banks, building societies and PSPs to move money between accounts and is a key enabler of competition and innovation in the payments and banking sector. PSPs can either have direct or indirect access to a payment system.

Figure 1: How different payment service providers (PSPs) access payment systems



Factsheet

Scope of our review

This review covers indirect access to the main interbank payment systems in the UK: Bacs, CHAPS, Cheque & Credit and Faster Payments Service (FPS).

Our work on access to payment systems

We have already taken a number of steps to promote better choice in access services and improve service quality.

- We're opening up access to interbank payment systems so that larger PSPs such as challenger banks have a real choice between direct and indirect access.
- We have also made entry easier by increasing the amount of information available to PSPs and are supporting the industry Code of Conduct to improve indirect access.

Alongside our programme of work, the Payments Strategy Forum is also considering how payment systems can be developed to simplify access for PSPs. A number of other initiatives are underway or anticipated; some led by us and some by the market or other regulators. For example:

- Four new indirect access providers (IAPs) plan to start supplying indirect access to a range of IPSPs this year
- Some existing IAPs are expanding or improving their indirect access offerings
- New ways of accessing payment systems, in particular the FPS, are emerging
- Several reviews of financial crime regulation are taking place

Our proposed approach

We've carefully considered what actions we might take to address these concerns. Our interim view is that recent, current and likely developments should address our concerns. We're proposing that we support these developments and monitor their impact, rather than take further regulatory action now which could hinder progress.

We will take further regulatory action if our concerns are not sufficiently addressed over the next 12 months.

Next steps

We welcome comments on our interim report by **5pm on 5 May 2016**. You can send your comments to iamr@psr.org.uk.

We are aiming to publish our final report in the summer.

More about the PSR

The Payment Systems Regulator is the economic regulator for the UK's main payment systems. Our purpose is to make sure the UK's payment systems work well for the people and organisations that use them. We want payment systems that are accessible, easy to use, reliable and secure, and provide value for money.

You can find out
more about us at

www.psr.org.uk