

# Market review into the supply of indirect access to payment systems

No.15/2

## What is a payment system?

Payment systems are a vital part of the UK's financial system. They enable funds to be transferred between people and businesses; allowing you to pay bills via direct debit, receive your salary or pension and transfer money between friends and family using your smartphone. Last year the UK's payment systems processed some 21 billion transactions worth around £75 trillion. The main payment systems in the UK include Bacs, CHAPS, Cheque and Credit, Faster Payments, the LINK ATM network, Northern Ireland Cheque Clearing, MasterCard and Visa.

## Access to payment systems

Allowing customers, including consumers, businesses and charities, to receive and make payments requires payment service providers (PSPs), like banks or credit unions, to have access to the payment systems. Access to these systems also supports competition between

banks and other PSPs who in turn develop innovative new services to meet customers' payment needs.

Banks, credit unions and other PSPs can either have **direct access** to a payment system or **indirect access** through a sponsor service provided by a bank (PSP) who already has direct access. The four banks which provide indirect access to other banks, credit unions and PSPs are Barclays, HSBC, Lloyds and RBS.

## What are the issues?

Some banks and PSPs have raised concerns about their ability to get indirect access. Concerns include:

- the limited choice of indirect access providers (sponsor banks)
- a lack of information about the indirect access services that sponsor banks offer

## Direct access



## Indirect access



# Factsheet

This may impact banks and other PSPs' ability to compete and/or develop innovative new payment services for their customers

These concerns have prompted our market review into the supply of indirect access to payment systems.

## What will our review cover?

This review will look at whether current indirect access arrangements deliver a good outcome for the banks, credit unions and other PSPs that use them.

We aim to answer a number of key questions:

- What are the competition implications of the current indirect access market structure?
- What factors may limit how many sponsor banks offer indirect access to payment systems?
- What might a competitive indirect access offering look like?

Our review will involve analysing existing information, gathering new information and extensive engagement with stakeholders to make sure that we take robust, evidence based decisions.

## Which payment systems will the review cover?

The scope of our review will cover the main interbank payment systems:

- **Bacs**, which processes Direct Debits and Direct Credits, e.g. payment of bills, salaries and benefits;
- **CHAPS**, which processes high-value wholesale (e.g. payments between financial institutions) and retail (e.g. house purchases) payments in real-time;
- **Cheque and Credit**, which processes cheques and other paper instruments in England, Scotland and Wales;
- **Faster Payments Service (FPS)**, which processes near-real time payments, e.g. online bank transfers and standing orders; and
- **LINK**, which processes cash withdrawals from ATMs

## What will the outcomes be?

We want to promote competition and make it as easy as possible for organisations that use payment systems to deliver innovative payment services to consumers.

The aim of our market review is to make sure banks and other PSPs get a good deal in the market for indirect access to payment systems. If we find that the market is not working well, we will propose ways to improve it.

## How long will it take?

We are launching the market review today with the publication of our draft terms of reference. Over the next four weeks, we will take comments on the scope of the review and finalise the terms of reference towards the end of **May**. At that stage we will publish a more detailed timetable.

We currently expect it will take about **12 months** to complete the review and report on our findings. If we decide there is a need to take further action to improve the market, we may allow a further **six months** for the consideration of any proposed remedies.

## How do I get involved?

You can find further information on our website: [www.psr.org.uk](http://www.psr.org.uk). Please direct any queries you may have about this market review to [iamr@psr.org.uk](mailto:iامر@psr.org.uk), or in writing to:

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