Payment Systems Regulator

Revocation of Specific Direction 4 and 4a

Non-confidential stakeholder submissions to June 2025 consultation (CP25/2)

August 2025

Contents

Names of individuals and information that may indirectly identify individuals have been redacted.

Building Societies Association

Building Societies Association

Date: 17 July 2025

Author: [redacted]

Response to CP25/2: Consultation - Revocation of Specific Direction 4

About the Building Societies Association

The Building Societies Association (BSA) represents all 42 UK building societies, including both mutual-owned banks, as well as 7 of the largest credit unions. Building societies have total assets of almost £525 billion and, together with their subsidiaries, hold residential mortgages of over £395 billion, 24% of the total outstanding in the UK. They also hold £399 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for 40% of all cash ISA balances. With all their headquarters outside London, building societies employ around 52,300 full and part-time staff. In addition to digital services, they operate through approximately 1,300 branches, holding a 30% share of branches across the UK.

Executive summary

The majority of the BSA's members only offer deposit and withdrawal of savings for their own members in-branch rather than for the wider community via public ATMs. Just under a quarter of our 42 building society members offer ATM access within their branch networks.

Some directly engage with LINK for their ATM network. Other societies have no direct engagement with LINK, with their third-party ATM provider their primary point of contact.

Other societies have actively sought to provide access to cash services in their local communities but outside the LINK network, utilising Faster Payment rails facilitated via Open Banking.

Views towards LINK

Where societies offered ATMs on the LINK network, societies were positive towards LINK overall, contrasting it to the previous model that operated, where building societies operated their own regional networks.

Supporters of LINK have found the organisation to be:

- Receptive to the views of all members, regardless of size. LINK was also viewed as taking into account their views when adding or removing services.
- Innovation and continuous improvement was viewed as a strong factor in the LINK/Vocalink partnership, particularly access for cash.
- Day-to-day LINK service is strong, with no outages and robust change management process.

Removal of competitive tender element of Specific Direction 4

Overall, firms with a direct relationship with LINK recognised the benefits of removing the competitive tender element of Specific Direction 4.

Contact: [redacted]

For firms with a direct relationship with LINK, there was a clear appetite for Vocalink to continue providing a service that met scheme service level agreements, and that investment was sustained to ensure the service was resilient, reliable and secure.

They also recognised that removing the competitive tender reduced the likelihood of needing to support a migration project, and avoided the risks involved with a transition to a new infrastructure provider.

For firms with no direct relationship with LINK and no key service relying on the ATM functionality, there was no strong opinion either way around the competitive tender requirement or impact on development/pricing.

Lack of competition influencing ATM pricing or future IT development

However, *there were concerns about pricing and innovation. Specifically, there was a view that it could lead to Vocalink increasing their prices or reducing investment in the technology, putting at risk opportunities for innovation in the UK.*

The expectation was that if LINK was allowed to maintain its existing provider, that regulators would ensure that pricing and innovation remained a key objective of Vocalink.

Next steps

If you have any further questions about the above, please contact [redacted]

HSBC UK

HSBC UK BANK PLC

Revocation of SD4 (SD4a)

Removing the requirement for the LINK Scheme to obtain competitive procurement

RESPONSE TO CONSULTATION JUNE 2025

17 JULY 2025

Introduction

HSBC UK Bank plc (‘**HSBC UK**’) welcomes the opportunity to respond to the Payment Systems Regulator’s (**‘PSR’**) Consultation Paper on the revocation of SD4 (SD4a) currently requiring the LINK Scheme to obtain a competitive procurement for the infrastructure needed to run LINK every ten years.

HSBC UK recognises that it is important for the PSR to continue to create incentives that drive good outcomes for competition and innovation and for the benefit of end users through its supervision of LINK.

However, HSBC UK supports the proposed revocation on SD4 for two main reasons:

(i) Retaining SD4 risks the future sustainability of the LINK scheme and therefore the strong provision of access to cash in the UK for consumers

It is our view that retaining SD4 risks the future of the LINK scheme because it requires that any tender must attract at least two bids. This may not be feasible for the LINK infrastructure given the nature of declining cash volumes which weakens the case for a sustainable business model for any prospective bidder.

The retention of SD4 could therefore create unintended consequence for the demise of LINK scheme; either because it cannot meet its regulatory obligations under SD4, or because the resulting terms of the successful bidder become less favourable over time and risk key members leaving because of cost increases and/or the burden of change requirements to move to a new provider.

If the LINK Scheme was to demise, the ability for firms designated for the purposes of Part 8B of Financial Services and Markets Act 2000 FSMA (cash access services) to meet obligations on the broad geographical provision of access to cash would be put at risk; and consumers’ ability to have widespread access to cash would be negatively impacted. This would run counter to the Government and regulatory prioritisation of reasonable provision of cash services for personal and business current accounts across the UK. Likewise, the LINK Scheme plays a broader and pivotal role in access to cash and therefore financial inclusion, through its initiatives and role in support of Cash Access UK.

HSBC therefore considers the LINK network fundamental to the provision of access to cash in the UK; both to our own customers and more broadly, and we consider stability in the market for the broad provision of access to cash to be a crucial consideration for the PSR.

HSBC UK also notes the cost and resource for the LINK Scheme to run a competitive tender, which would require significant management, business and legal support. Revoking SD4 would likely reduce the burden on LINK and its participants, supporting the sustainability of the network for customer benefit.

(ii) Other mechanisms can be used to incentivise good outcomes for competition and innovation

HSBC UK recognises the importance of the PSR's oversight of LINK and its infrastructure provider to ensure value for money and good service outcomes.

While there are potential competition concerns from revoking the competitive procurement requirement noted in the consultation paper, we consider there to be other mechanisms and/or incentives in place to ensure good outcomes continue in the market on price, quality, service and innovation in the LINK infrastructure beyond a competitive re-procurement.

Today, we consider that there is evidence of such incentives working. For example:

- The LINK Scheme continues to innovate, for example, LINK deposits being created to support Access to Cash requirements for depositing cash and consideration of contactless withdrawals. This shows member demand, consumer needs and maintaining usage of the network creating incentives for innovation. And

- LINK is subject to competition in the market for cash access, whereby firms can use other suppliers (e.g. the International Card Schemes). Likewise Post Office transactions also use the same message standards as Vocalink and are processed outside of the LINK Scheme; meaning competitive pressures continue to exist.

- The LINK Scheme closely monitors adherence to the Switch & Settlement Agreement between LINK Scheme, Vocalink and LINK members, which under pins the processing requirements for LINK transactions. This ensures all parties including the infrastructure is incentivised to maintain its quality and service against respective obligations.

The PSR could also consider other approaches to monitoring the outcomes in the market such as requiring transparency on LINK changes, regular reviews of LINK, and even imposing service and performance metrics. Such approaches could provide strong incentives for performance, innovation and good customer outcomes, without the disruption and inefficiency of a mandated re-procurement process, or the risk to the UK's provision of access to cash for consumers.

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NatWest

CP25/2: Revocation of Specific Direction 4 (and SD4a)

NatWest Response

Summary

NatWest supports the Payment Systems Regulator's (PSR's) objectives to promote innovation, competition and ensure end-user benefit from payment change.

NatWest is broadly supportive of the proposals to revoke Specific Direction 4 and 4a (SD4) – and agrees with the position that SD4 is not likely to be an effective way of reducing the risks associated with the lack of effective competition for the supply of LINK's central infrastructure.

As the PSR is consolidated with the FCA, NatWest would encourage the regulators and HM Treasury to ensure there remains effective oversight of critical payments central infrastructure, particularly given the current reliance on a single provide across multiple UK payment schemes.

Reasons for supporting the revocation

NatWest recognises that changes in the market and the fall in ATM transaction volumes mean that a direction mandating LINK to undertake a procurement exercise for their scheme infrastructure is not proportionate. As LINK plans for the future, such a requirement may be a barrier for LINK in exploring all options to secure fair value and resilience for the users of the LINK ATM scheme. As such, it is appropriate for the PSR to revoke SD4.

As the work of the National Payments Vision helps define a path for the future of payments, the revocation of SD4 – as with SD2 an SD3 - will provide the government, regulators and industry the necessary flexibility to focus on delivering good outcomes across payments. This includes ensuring LINK can, with appropriate regulatory oversight, explore options on how best deliver good outcomes in a declining market, without the constraint of a procurement process mandated by the PSR. NatWest's view is that good outcomes can be achieved without SD4 – also long as the focus remains on providing our customers with access to cash through a resilient domestic ATM scheme underpinned by infrastructure and costs provided at fair value to LINK and its scheme members.

Future Regulatory Oversight

While supportive of revocation, in line with our response to the recent consultations on SD2 and SD3, NatWest continues to have some concern that the revocation of Specific Directions 2, 3, and 4 removes protections that had been designed to, by encouraging competition, ensure fair value and pricing from suppliers of critical payments central infrastructure.

It is important that alongside these revocations, and as part of wider regulatory changes, the UK has a regulator that has a clear responsibility for the oversight of LINK, as the major ATM scheme provider, and Vocalink, as the primary supplier of the UK's payments infrastructure.

It is also vital that the relevant regulator has the remit and powers to manage the risks associated with having a monopoly supplier of critical payments central infrastructure, in a proportionate manner. This should include the regulator overseeing infrastructure changes through non-objection rights and having mechanisms to intervene or help manage pricing for critical payments central infrastructure where this is proportionate to help ensure fair outcomes for the end users of payments systems.

Vocalink

[redacted]

From: [redacted]
Sent: 17 July 2025 15:45
To: PSR Supervision Team
Cc: [redacted]
Subject: Vocalink's response to the PSR's SD4 consultation paper

*** BE CAREFUL * This email is from outside the FCA/PSR. Do not open links or attachments unless you recognise the sender and know the content is safe. If unsure, report this email via Report Phishing button***

Dear PSR Supervision Team,

Vocalink welcomes the opportunity to respond to this consultation on whether to revoke Specific Direction 4 (**SD4**), as amended by Specific Direction 4a. For the reasons outlined below, we agree with the Payment System Regulator's (**PSR**) proposal to revoke SD4.

The positions set out in this response are those of Vocalink Limited (**Vocalink**) only.

Response

1. Vocalink welcomes the PSR's recognition that the market conditions for the provision of central infrastructure services to LINK have significantly changed since the enactment of SD4 in June 2017. As the PSR has found, declining cash withdrawal volumes make it more difficult to operate a sustainable business model for central infrastructure services. For example, based on LINK's 2023/2024 Annual Report, LINK ATM transactions have declined from 2,608(m) in 2019 to 1,492(m) in 2023, with this volume currently forecast to decline to 824(m) by 2033.

2. Consequently, we agree with the PSR's proposal to revoke the competitive tender requirement, as required by SD4. A competitive tender is a costly and time intensive process, likely to require prolonged and substantial effort from senior management and technical teams at LINK, bidders and (to a degree) its participants, the cost and effort of which, as noted by some of LINK's participants in this consultation, would be disproportionate to the benefits it might bring. The future savings for LINK and its participants associated with the removal of a competitive tender process are likely to be significant at a time when the industry is already subject to other costs associated with recent regulatory initiatives (as well as those anticipated as a result of the implementation of the National Payments Vision (**NPV**)).

3. Furthermore, we believe that the repeal of SD4 in its entirety would reinforce the overwhelmingly positive message that the repeal of Specific Direction 3 (**SD3**) (and the consultation on the repeal of Specific Direction 2) has sent to the industry. This has drawn a line under the cancelled New Payments Architecture (**NPA**) procurement process and is enabling the industry to start afresh, free of the historical restrictions associated with the NPA, with the future approach being driven through the activities of the Payments Vision Delivery Committee's (**PVDC**), as envisaged by the NPV).

4. In light of the present conditions, we are concerned about the reference in the consultation that "*the risks associated with the removal of a requirement to competitively procure*" are "*we think … best addressed through active regulatory oversight of LINK and Vocalink to ensure that risks associated with a monopoly position are mitigated*". This is because:

- the PSR appears to be anticipating the outcome of the PVDC's work, in particular the proposed Payments Forward Plan, rather than waiting for the PVDC's work to complete;
- the consultation fails to:
    i. consider that, as a Specified Service Provider, Vocalink is already subject to the Bank of England's oversight with respect to, *inter alia*, the LINK scheme. Indeed, since the enactment of SD4 in June 2017, there have been significant regulatory developments which provide the Bank of England with a framework for active supervisory oversight of Vocalink;
    ii. consider that, as noted by the PSR in its Policy Statement on the revocation of SD3, Vocalink is subject to general competition law and is subject to oversight by both the PSR and the Competition and Markets Authority (**CMA**), including, in the event that SD4 is revoked, with respect to any future contractual negotiations with LINK, and;
    iii. undertake a cost benefit analysis with respect to "*active regulatory oversight*". Rather, the repeal of SD4 is the only proposal which is detailed in concrete terms and against which an impact assessment has been undertaken.

5. In conclusion, therefore, we agree with the PSR's proposal to revoke SD4 and consider that the Bank of England, PSR and CMA together already have appropriate powers to conduct active oversight.

If you have any questions on Vocalink's consultation paper response, please do not hesitate to contact me.

Kind regards,

[redacted]

[redacted]

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UK Finance

UK Finance Response to PSR’s Call for Views on Specific Direction 4

July | 2025

Contents

Introduction

UK Finance is the collective voice for the banking and finance industry. Representing more than 300 firms, we act to enhance competitiveness, support customers and facilitate innovation.

We welcome the opportunity to respond to the Payments System Regulator's (PSR) Call for Views on Specific Direction 4 (SD4). UK Finance supports the revocation of SD4, which requires the operator of the LINK payment system to competitively procure its infrastructure every ten years. Our members broadly agree with the rationale for revocation set out by the PSR. Members also consider that the revocation of SD4 will provide greater operational flexibility, particularly in light of the forthcoming consolidation of the PSR into the FCA.

Specific Direction 4 was introduced in 2017 to address competition concerns identified in the PSR's Infrastructure Market Review. However, since that time, market conditions have evolved considerably. Declining cash usage, a lack of viable alternative providers, and the high cost and complexity of re-procurement have significantly reduced the rationale for maintaining SD4. Members agree that revocation is now appropriate and necessary to support a more proportionate and outcomes-focused regulatory environment.

Summary of Our Position

- UK Finance supports the proposed revocation of SD4.
- Members agree the original rationale for the direction is no longer valid, given current market conditions.
- Revocation will provide greater flexibility, reduce unnecessary cost and complexity, and support the strategic transition of the PSR's functions to the FCA.
- Strong and transparent regulatory oversight of LINK must be maintained to mitigate monopoly risks and ensure continued value for end users.

Response to Call for Views

In June 2025, the Payment Systems Regulator (PSR) published a consultation paper which outlines the considerations influencing its proposal to revoke SD4. These justifications are based on a change in market conditions, which the PSR believes now render competitive tender less effective in addressing its original objectives. These considerations are outlined below:

- Falling transaction volumes undermine the economic viability of a repeat competitive procurement, risking the sustainability of the scheme.

- Mandatory re-procurement no longer offers benefits that are proportionate to its cost.
- Lack of credible alternatives in the infrastructure market further reduces the effectiveness of competitive procurement as a lever for improvement.

Our members agree with this rationale for revoking SD4. The PSR is right to acknowledge that mandatory procurement no longer provides benefits that outweigh the costs. Members consider that competitive procurement has been a costly, slow and bureaucratic process, which has not delivered commensurate benefit in terms of process, service quality or innovation yielded proportionate benefits in the contracting process. The administrative burden, in some cases, diverted resource and focus away from more strategic improvements.

Earlier this year, UK Finance **welcomed** the PSR's decision to revoke Specific Direction 3 in December 2024 and **supported** the PSR's proposal to revoke Specific Direction 2. Revoking the two directions is essential in creating the flexibility and certainty to deliver the National Payments Vision (NPV). Although the PSR's justifications for revoking SD4 are considerably different to the other two directions, revoking SD4 will similarly provide much necessary flexibility. This will be crucial for both a smooth consolidation of the PSR into the FCA and for clarifying the future supervision of LINK.

Financial inclusion and access to cash must be safeguarded

LINK plays a unique and vital role in protecting financial inclusion and access to cash across the UK. That role must not be put at risk by decisions related to SD4.

Support for the PSR's proposal to revoke is underpinned by a shared commitment to maintaining the accessibility of cash for communities and consumers who rely on it. We strongly support LINK's ongoing work in this space and encourage the PSR to continue prioritising oversight and engagement to ensure this mission remains protected.

Supporting good outcomes through better oversight

While members support the revocation of SD4, we recognise the importance of maintaining strong oversight of LINK and its infrastructure provider to ensure value for money and good service outcomes.

Given concern over the vulnerabilities created by revoking the competitive procurement requirement, the PSR has asked consultation respondents to share views on "active regulatory oversight of LINK and Vocalink to ensure the risks associated with a monopoly position are mitigated." In response, our members suggested a few improvements to regulatory oversight which address these concerns.

Members favour a "soft power" approach to regulation that focuses on transparency, benchmarking, and regular reviews. This can provide strong incentives for performance, innovation, and good customer outcomes—without the disruption and inefficiency of a mandated re-procurement process.

Recommendations for Ongoing Oversight

Industry recommends:

- **Regular independent reviews** of cost and service quality;
- **Publication of benchmarking data** to improve accountability;
- **Increased transparency** around contract performance and governance;
- **Use of regulatory dialogue and incentives** as a primary tool for maintaining standards.

These tools will help ensure LINK continues to deliver good outcomes for scheme members and end users – particularly in an evolving infrastructure landscape where innovation and stability must go hand in hand.

In addition, we recommend that the PSR and FCA commit to publishing periodic reviews (e.g. every three years) of LINK's market position, infrastructure performance and governance model, to ensure oversight remains effective and proportionate over time.

Conclusion

The revocation of SD4 is both necessary and proportionate. It reflects market realities and will help create a more agile, effective regulatory environment – better suited to supporting innovation and sustainable outcomes.

At the same time, it is essential that the PSR maintains appropriate understood oversight of LINK and its infrastructure provider. With the right safeguards in place, soft regulatory tools can deliver better value and more resilient outcomes for all stakeholders.

As regulatory responsibility transitions to the FCA, clarity is needed on how oversight of LINK and its infrastructure provider will be carried forward in practice.

If you have any questions relating to this response or would like to discuss anything further, please contact [redacted].

PUB REF: CP25/2 Submissions

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