

Annual plan and budget 2024/25



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Foreword

Aidene Walsh (Chair)

Payments are crucial for everyone in society. They are important for the UK, supporting domestic and international trade and providing major opportunities for the UK's world-leading fintech sector. They support and enable our communities, lives and livelihoods across all aspects of the economy. Innovation continues to progress rapidly, with many people and businesses adopting digital options as part of their payment journeys. New payment methods, including those underpinned by distributed ledger technology, are developing, discussions continue about a digital pound, and the role of Big Tech firms in payments is progressively more significant.

Alongside these domestic changes, there are significant global developments. As alternative payment systems emerge across the world, with increasing levels of interoperability between them, these developments provide important opportunities, as well as challenges. How do we ensure competition is effective in this changing landscape? How do all end users access the services they need and be adequately protected? How will broader global developments affect innovation in the UK, and how will we – the Payment Systems Regulator (PSR) – respond?

This year, the PSR approaches the midpoint of the five-year Strategy we set in 2022. While much of what we set out has already been well progressed, this year is an important one for the PSR on consolidating our delivery.

We will conduct a mid-strategy review this financial year and consider what changes, if any, we need to make to ensure that payment systems in the UK deliver strong outcomes now and in the future: supporting payment users, providers and all stakeholders, enabling economic growth, and achieving appropriate regulatory, innovation and competition outcomes.

The board and I are confident that the PSR is well placed to deliver positively in this changing environment. We have a clear view of our direction of travel and have built a strong team, with all members of the executive now in place and new non-executive directors on the board. We have expanded our key resources and capabilities, positioning us to deliver our work as quickly as possible. We recognise that we need to invest further in our stakeholder relationships, listening and engaging effectively and increasing our reach across the payments sector, and with consumers and merchants. This includes our relationships with other regulators and government – with the National Payments Vision, planned for publication later this year, being an important focus.

By engaging widely, delivering on our commitments, and ensuring our understanding of emerging issues in the sector, we will help ensure that the UK's payments ecosystem is well positioned for the future.



Foreword

Chris Hemsley (Managing Director)

Last year, people in the UK made around 46 billion payments worth over £109 trillion.

In the time it has taken you to read that short sentence, more than 10,000 payments will have been made for all sorts of reasons – for business, lifestyle, pensions or benefits. Payments, and the payment systems that enable money to move from A to B, are a central part of the economy and our daily lives.

As with all essential systems and services, it's important that they work well. This is at the heart of our five-year Strategy.

After two years of working to that Strategy, we are now changing the focus of our work somewhat. If last year was about putting in place the building blocks for an ambitious and transformative future, this year is about making good on those ambitions. We will do so across the four priorities we have committed to: protection, competition, unlocking account-to-account payments, and access and choice.

On the first of those, a key focus will be on preventing the harm caused by authorised push payment (APP) fraud.

This year we will take a major step forward in making sure that all payment firms have an incentive to act against APP fraud – preventing more of these scams – and that people and certain small businesses and charities are protected.

Our approach is ambitious, and we acknowledge it is requiring a lot of commitment across industry to get ready for this change. These incentives are already increasing the focus on fraud prevention, as controls are improved and new technology is deployed to tackle the problem. We will continue to support this transition.

We will also be continuing – and broadening – our approach to transparency, with further publications on payment fraud data. This will help customers to see how well – or not – payment firms are doing on tackling fraud and looking after their customers. We also want to see greater transparency on fraud origination, and will support initiatives to ensure that all parties – including technology platforms – play their full part in preventing APP fraud.

Our focus on improving competition in payments will continue. In particular, we will drive changes that unlock greater use of open banking for payments.

While we are seeing encouraging growth in the use of account-to-account payments, this is an area that has even greater potential – not just as one that offers users more choice and control of how to pay, but one that can provide greater choice and competition in retail payments.

Foreword – Chris Hemsley *continued*

That is why we will continue to take a leading role in the Joint Regulatory Oversight Committee to support the transition to a commercially sustainable ecosystem for open banking.

Our work in other areas to address competition concerns will also continue. This includes ongoing monitoring of the improvements we put in place to support greater competition in the provision of card-acquiring services to businesses, and the work to progress our two market reviews on card fees.

Cards play an essential role in retail payments, for both customers and merchants. It is important that these markets are working well. In December 2023, we provisionally found this is not the case on cross-border interchange fees. We are aiming to publish our final report for that review, and the interim report for our other market review, on scheme and processing fees, during the first half of this year. For both reviews we may consult on remedies to tackle any issues we conclude upon in our final reports.

Towards the end of 2023 the government announced its intention to set out a National Payments Vision, following the Future of Payments Review. The PSR will continue to support this important effort. As part of this, we will also be working with the government and the Bank of England as consideration is given to the role of the New Payments Architecture and how best to upgrade our payment systems.

We are continuing to monitor developments in payments, engaging broadly to ensure that we are well placed to understand their impacts, and that payment systems serve the needs of people and businesses into the future. We are reviewing our Strategy this coming year to ensure our priorities remain the right ones to achieve the outcomes we want to see for the next three years.

Looking ahead, it is a significant year, and not just for the delivery of strategic priorities and the benefits that will bring. For the PSR as an organisation this is a year of consolidation. Reflecting this, our budget will stay largely flat, with a slight increase of 3.7% to accommodate staff costs, most of which reflects our recent growth.

I look forward to meeting and speaking with many of you this year about the important work we are doing.



Who we are and what we do



The PSR executive team (L-R)

Dan Moore (Head of Strategy, Intelligence and Engagement), Kate Fitzgerald (Head of Policy), Chris Hemsley (Managing Director), Oliver Hanmer (Head of Supervision and Compliance Monitoring), Natalie Golding (Chief Operating Officer and Head of People and Operations) and Alex Olive (Head of Legal)

The PSR is the economic regulator of payment systems in the UK.

The PSR is the economic regulator of payment systems in the UK, overseeing the main systems that people and businesses make payments through.

Our role is vital in ensuring payment systems work well for people and businesses, whether they are consumers, sole traders, or large corporations. We use our expertise, experience and regulatory toolkit to stimulate innovation and effective competition in payment systems and the markets they support – both now and in the future. We are also encouraging improvements in the protections for people and certain small businesses and charities using payment systems. We have already laid solid foundations for many of these; this year our focus is on ensuring they are implemented effectively, so that people and businesses using payment systems get the intended benefits.

As an organisation we have broadened our approach, with a greater focus on emerging issues and innovations in both domestic and global payment systems, so that we can capitalise on the opportunities and address the challenges they present for the payments ecosystem in the UK. Similarly, we have increased our focus on assurance and compliance, so we can be confident our regulatory policies and remedies are implemented effectively and achieve the right outcomes. We work towards these outcomes in partnership with the other regulators that have responsibilities relating to the UK payments ecosystem, including the Financial Conduct Authority (FCA) and the Bank of England.



Find out more about our statutory duties, the regulatory principles we follow, and our regulatory and enforcement powers

Who we are and what we do continued

Our vision is for payment systems that are accessible, reliable, secure and value for money.

Our five-year Strategy – which will help us deliver our vision – is firmly rooted in our statutory objectives, which underpin everything we do.

Statutory objectives

- To ensure that payment systems are operated and developed in a way that considers and promotes the interests of all the businesses and consumers that use them.
- To promote the effective competition in the markets for payment systems and services between operators, payment service providers and infrastructure providers.
- To promote the development of and innovation in payment systems, in particular the infrastructure used to operate those systems.

The PSR Strategy identifies four strategic outcomes we want to achieve

Outcomes

Everyone has access to payment services that meet their needs.

Users are adequately protected when using payment systems and services so they can use them with confidence.

Payment systems enable effective competition in the provision of payment services.

Payment systems are efficient and commercially sustainable.

Our four priorities inform the work we do

Priorities

Ensure users have continued access to the payment services they rely on, and support an effective choice of alternative payment options.

Ensure users are sufficiently protected when using the UK's payment systems.

Promote competition between and within payment systems; protecting users where that competition is not sufficient.

Act to ensure the interbank systems provide the infrastructure, rules and incentives that foster innovation and competition in payments.

A strategic approach

This is the third year of delivery against our five-year Strategy. We have already made significant progress, and our ongoing strategic projects form the core of our work programme this year. Our focus now is on ensuring our policies and requirements are implemented, and are effective in protecting people and businesses, unlocking competition, and encouraging innovation.

As we reach the halfway point of our Strategy this year, we will work with stakeholders to review our progress, and revise or refine our priorities as necessary to secure the right outcomes for UK payment systems. Our enhanced intelligence gathering and increased focus on emerging risks and opportunities positions us well to inform and shape the payments landscape. We are sharing our views with the government as it develops its National Payments Vision.

Partnering with others is at the heart of achieving our shared goals. We work collaboratively with the industry, other regulatory bodies, and user representatives. We work closely with the FCA and the Bank of England to deliver our joint initiatives, and with the Competition and Markets Authority (CMA). This includes the Digital Markets Unit – reflecting the important role that digital payments play in the UK and the increasing role of Big Tech firms.



Better outcomes through competition

Promoting competition is a cornerstone of our Strategy and one of our statutory objectives. Unlocking greater competition in payments is an important priority for us, both within and between payment systems.

People and businesses deserve a wide choice of ways to make and receive payments. Increased competition between payment systems can lead to better outcomes for all, including on prices for goods and services, greater levels of innovation, and higher-quality products and services.

As co-chair of the Joint Regulatory Oversight Committee, we are charting a course for account-to-account payments to become an alternative to card payments in shops and online. In the longer term, our work will help establish account-to-account payments as a feature of everyday life, as they are in other countries.

At present, debit and credit cards are the most popular ways for people in the UK to make retail payments, and Mastercard and Visa account for 99% of those payments. Our market reviews of card fees are looking at whether certain parts of this market are working well. In December 2023, we published our interim report on cross-border interchange fees, where we provisionally found that it was not for those fees. We expect to publish our final conclusions for both market reviews this year and will consider what action may be necessary to achieve appropriate outcomes. Our work plan is published on our website and a link is included in the **Further information** section on page 19.

Protecting people now and in the future



Our ground-breaking reimbursement rules for APP scams take effect this year. They incentivise payment service providers (PSPs) to deal with fraud before it harms their customers, and to do more to look after victims. And our publication of fraud statistics has increased transparency, showing how protection varies among PSPs, and provides a focus for change and improvement.

From October 2024, our directions will see Confirmation of Payee (CoP) requirements expand to a broader group of firms to cover 99% of all Faster Payments transactions. This will help prevent more fraud and misdirected payments, enabling people to pay with more confidence.

These innovations will only be fully effective if the PSPs and Pay.UK implement them effectively. We will step in and act if firms fail to respond adequately to our efforts to reduce fraud and to increase protection for victims of fraud.



New ways to pay

Driving innovation in payments is another important priority for the PSR. We are actively exploring new developments in payments in the UK and globally to understand the implications for UK payment systems and our objectives. This includes innovations and new infrastructure to support developments in payment methods – for example, payments using distributed ledger technology (such as the Sterling Finality Payment System), account-to-account payments, digital wallets, and the potential digital pound.

Beyond this, the rapidly evolving nature of payments innovation poses new questions for us. How do we make sure everyone can benefit from digital payments? What impact will new technology and players have? Our intelligence gathering is helping us identify and answer these questions.

Staying connected

To regulate payments effectively, we need to ensure we recognise the current issues and opportunities that people and businesses face – inside and outside the industry. Listening and responding to a wide variety of views is just as important as sharing our own. To achieve this, we are expanding our engagement programme, including with international regulators, enabling us to share best practices and learn from challenges. We will have greater engagement with businesses and consumer representatives, and we will work with other regulators to support a joined-up, effective approach to this.

From leading conversations with industry on key issues like fraud, open banking and innovation opportunities, to understanding people's evolving day-to-day needs, we are strengthening our efforts to engage with interested parties across the payments landscape. Their insights enable us to address the right issues in the right way, leading to the best outcomes for UK payments.

Our work programme for 2024/25



Our commitments this year

We will deliver against our four strategic priorities



Protection



Competition



Unlocking
account-
to-account
payments



Access
and choice



Protection

We are working to ensure that the industry is ready to implement our reimbursement requirements for authorised push payment (APP) fraud. These rules will protect many more victims, including by sharpening the incentives to prevent fraud. They sit alongside our work on making the fraud data for payment service providers (PSPs) visible, helping people make informed choices based on their provider's performance. We are also overseeing the expanded Confirmation of Payee (CoP) coverage, which will further reduce fraud and misdirected payments. We will monitor and enforce compliance with all our requirements.

APP fraud reimbursement

- Oversee and assure Pay.UK's development of the infrastructure and frameworks needed to implement our requirements for reimbursing APP fraud victims.
- Engage with PSPs to validate they have implemented our requirements.
- Issue a direction requiring PSPs to report data to Pay.UK.
- Monitor the incidence and impact of high-value APP fraud and review the maximum reimbursement level if appropriate.
- Consult on extending the reimbursement rules for participants in the CHAPS payment system and publish our final decision and any direction needed.
- Define terms of reference for the post-implementation evaluation of our APP fraud reimbursement policy.
- Implement the monitoring regime for compliance with our APP fraud reimbursement policy.

APP fraud data

- Publish the second set of data on PSPs' performance on APP fraud.
- Gather data on the channels that fraudsters use to scam people.
- Review our guidance on reporting and publishing APP fraud performance data.
- Monitor industry progress on standards for sharing enhanced fraud data, and consider formal requirements if we are not confident that industry will introduce an appropriate solution.

Confirmation of Payee

- Work with PSPs to ensure their readiness for the expansion of CoP coverage from October 2024.
- Monitor and enforce firms' compliance with our CoP directions.

Our commitments this year continued



Competition

Our market reviews on card fees are looking at the competition that Mastercard and Visa face in card payments, as this impacts the costs merchants face. This year we will share our conclusions.

- Publish the final report on our cross-border interchange fees market review. If we conclude we need to intervene in the market, we will consult on remedies and implementation.
- Publish the interim and final reports on our card scheme and processing fees market review. If we find the market is not working well, we will consult on remedies.



Unlocking account-to-account payments

We want account-to-account payments to give people and businesses more choice about how they make and accept payments. New payment options will provide consumers with greater flexibility and control over how they manage their money. For merchants, they can provide a cost-effective alternative to other payment options like cards. To encourage adoption, they need to be widely available, secure and reliable so that consumers can trust and understand them. Sustainable pricing models are also needed so that firms continue to invest and innovate.

As co-chair of the Joint Regulatory Oversight Committee, we continue to:

- Clarify the future regulation of open banking, to ensure it operates in the interests of all service users.
- Decide on changes needed, including any necessary directions and rule changes, to enable the phased expansion of variable recurring payments to begin.
- Engage with stakeholders to understand what support consumers and businesses need to regularly adopt account-to-account payments for retail purchases, and liaise with the key organisations to encourage this.
- Continue our focus on ensuring that the next generation of payments infrastructure for account-to-account payments provides improvements in fraud detection and access, as well as better supporting enhanced competition.



Our commitments this year continued



Access and choice

We play a key role, along with our regulatory partners, in ensuring that people and businesses have access to payment services and options that meet their needs. In our role as regulator of the LINK network, we ensure that people can access cash for free when they want it and – working alongside the FCA, the government and industry – that the UK's cash infrastructure is reliable, resilient and sustainable. We have been exploring the barriers people face when using digital payments so that we understand the challenges and can help more people access a wider range of payment methods.

- Review the effectiveness of Specific Direction 12 (SD12) in maintaining access to free-to-use cash machines through the LINK network.
- Publish our research on the barriers consumers face in using digital payments.
- Set out how we intend to support the take-up of digital payment methods, including exploring how businesses can offer a wider set of variable payment options.
- Work with PSPs and consumer groups to ensure our ongoing work on tackling APP fraud and account-to-account payments reduces barriers to digital payment use by increasing trust and control for users.

Strengthening our organisation

Much of our work requires changes to take place across the payments ecosystem. These need to be properly implemented and effective in delivering the positive outcomes intended. Reflecting this, we are expanding our role in supervision and compliance monitoring as we strengthen the effectiveness of our regulatory toolkit and develop and implement new regulatory frameworks, and will strengthen our strategic engagement with the key payment system operators.

New regulatory frameworks and tools

- Implement our supervisory approach and build the relationships that enable us to better manage risks to our strategic aims through enhanced oversight of payment systems and operators.
- Develop and implement our compliance monitoring framework to make sure firms meet their obligations. Where we identify non-compliance, we will take appropriate action.
- Continue to implement the measures required by the Financial Services and Markets Act 2023, concerning accountability, PSR Panel appointments, our approach to cost benefit analysis, and policy-making reforms.

Strategic engagement

- Gather feedback and views on progress against our Strategy, and consider whether our priorities remain the right ones to achieve the outcomes we want to see.
- Continue to work closely and collaboratively with the Bank of England and the FCA to support strategic coherence in respect of matters impacting the payments ecosystem.
- Deepen our engagement with key stakeholders and other regulators to remain abreast of emerging issues and opportunities in payment systems and markets, and learn from key developments and best practice domestically and internationally.
- Share with the Treasury our views and vision to inform its work on the National Payments Vision.
- Work with the Treasury, the Bank of England and Pay.UK to determine the next steps for the New Payments Architecture (NPA) in light of the government's decision to consider the role of the NPA in the National Payments Vision. We are keen to see the benefits envisaged in the NPA, such as improved data standards, delivered.

Working with others

Effective engagement, and understanding payment user experiences first-hand, is critically important to us.

Effective engagement, and understanding payment user experiences first-hand, is critically important to us. We already do this through formal consultations and events, hosting roundtables, and informal events. We attend industry events, take part in panel discussions and give speeches on a wide range of subjects regarding our work. We publicise the events we are hosting or attending during the year in our regular PSR newsletter, on our website, and on our social media channels, so that our stakeholders can join relevant sessions.

We will strengthen our strategic stakeholder engagement across the payments ecosystem, including with payment system operators, payment service providers, fintechs, trade bodies, consumer groups and other organisations across the payments industry. Wherever we can do so meaningfully and proportionately, we will engage with people and businesses directly.

These engagements provide an important opportunity for us to listen as well as share updates on our work. They also allow us to have important discussions that enhance our understanding of how our work makes a difference and addresses the important needs of those who make and receive payments day-to-day. In turn, this informs our decision-making and policy development, helping to shape the agenda on the issues at play in payments and on appropriate solutions.

We are an independent regulator, but subject to important checks and balances through our accountabilities to the Treasury and to Parliament. Each year we consult the Treasury on our work plan, and then report on our progress through our annual report.

We regularly attend accountability hearings before Parliament's Treasury Select Committee (TSC), which scrutinises our work and expenditure, and we share all our consultations with it. We give evidence to the TSC and other parliamentary committees. The scope of these has expanded recently, with new select committees in both the House of Commons and House of Lords (the Financial Services and Regulation Committee) that will now also review our consultations. In addition to committee engagement, we respond to requests for information from MPs and peers through letters and parliamentary questions, and in evidence given to all-party parliamentary groups.

We welcome these interactions as they enable us to share information about our work and decisions, and discuss future developments in payments and how they potentially affect our regulation of the sector.

To deliver our work, we collaborate and partner with regulators and other authorities to coordinate activity, share best practice, and take a joined-up approach to competition and innovation.

Who we work closely with

Bank of England



HM Treasury

Bank of England PRA

Working with others continued

Bank of England



Objectives

Ensure financial stability and promote resilience of payment systems.

Protect consumers, protect financial markets and promote competition.

Promote the interests of people and businesses using payment systems; promote competition and innovation.

Activity related to payments

Supervising payment systems, service providers and their users; delivering settlement and trustee functions, operating the RTGS and CHAPS systems, regulating the resolution of firms; issuing notes; regulating the safety and soundness of firms; aiming to ensure critical services are continued in the event of financial failure. The Prudential Regulation Authority, a subsidiary of the Bank, has a secondary competition objective.

Regulating conduct in financial services, including authorising and supervising payment service providers, and related enforcement. Regulated firms include payment institutions, such as money remitters and non-bank credit card issuers, and e-money institutions.

Promoting the interests of the people and businesses that make and receive payments, using our economic regulation and competition powers. Key elements are protecting existing competition and identifying ways to enable and create more competition and innovation across the systems we regulate.



The PSR Panel

We get valuable input from the members of the PSR Panel, a group of expert advisors who represent a diverse range of payment user and provider interests. Their insight, feedback and challenge support us to understand the impact of our policies and approach, to develop appropriate solutions, and to identify emerging developments in the payments landscape. This is an important part of ensuring our activities produce good outcomes.

Our people and performance

Our expanded organisation, with new teams and people, ensures we have the right operating model to deliver our Strategy. Given the recent growth in our workforce and work programme, attracting and retaining a diverse and high-performing workforce is critical to our future success. We expect the next year to be a period of consolidation for our organisation and are focused on ways to improve our effectiveness and efficiency as a larger organisation, updating our internal ways of working and our processes and systems to support and embed the recent growth.

To ensure we maintain the capabilities needed to deliver our work, we are also investing more in developing and improving the skills, knowledge and experience of our people. This includes training and secondments; clear, structured career paths; and talent management to grow leadership, management capability and other key skills.

We are delivering targeted programmes for our new senior leadership team and all our people managers, and targeting improvements to the effectiveness of our programme management, stakeholder engagement, and risk management across the organisation. It is important all our people can thrive and work towards meaningful outcomes that really make a difference to the people and businesses using payments every day, and promote effective competition and innovation in payment systems and infrastructure.



Our budget for 2024/25

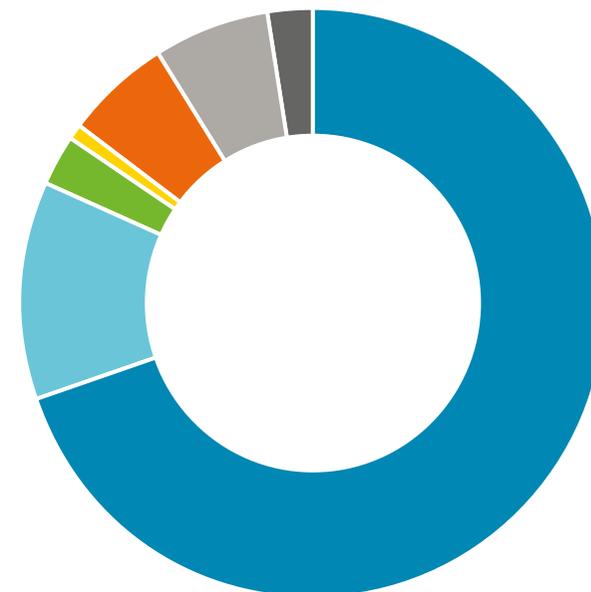
Our budget for 2024/25 is £28.0 million. This is a modest increase on our 2023/24 budget, reflecting our higher operating costs from 1 April 2024 to 31 March 2025, due to our expanded workforce.



Budget costs	£m
Staff costs	19.7
Professional fees	3.4
Training, events, recruitment	0.8
Other non-staff costs (subscriptions, memberships, expenses)	0.1
FCA recharges: accommodation	1.6
FCA recharges: information services (including cyber resilience and infrastructure investments)	1.8
FCA recharges: other	0.6
Total	28.0

We use FCA services where it is effective and efficient to do so, reimbursing the FCA on an annual basis. Taking factors such as inflation, energy costs and travel into account, we expect this and our other operational costs to total around £4.9 million.

We propose recovering £25.0 million of our budget from fee payers through our annual funding requirement, with the remaining £3.0 million funded from our accumulated surplus.



Our value for money approach maximises our delivery against our statutory objectives while minimising costs. We have a strong record of delivering significant benefits to people and businesses that far outweigh our costs to industry. Continuing the evolution of our organisation to further improve our effectiveness, efficiency and economy is important to achieving that.

Further information



You can find out more about our key activities from our 2024/25 work plan here:

[PSR work plan 2024/25](#)

And on our website:

[Authorised push payment fraud and Confirmation of Payee](#)

[Account-to-account payments and open banking](#)

[Our market review of cross-border interchange fees](#)

[Our market review of card scheme and processing fees](#)

[Access to cash and the LINK network](#)

Other useful information:

[The PSR Strategy](#)

[Who we regulate](#)

You can get in touch with our teams by email at contactus@psr.org.uk

We also have some [frequently asked questions](#) available which may help answer your enquiry.



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