

# **Payment Systems Regulator Panel Annual Report 2024-25**

## **Chair's foreword**

I was appointed Chair of the Panel in August 2024 and to date have chaired three formal panel sessions and participated in two workshops.

Over that period, the Panel has provided significant input to the PSR executive team on a number of matters falling within the existing scope of the PSR's responsibility.

Some early discussion took place around the National Payments Vision (NPV). The Panel looks forward to more detailed involvement in the NPV going forward and believes it can add significant value in this area given the expertise of the Panel members. The Panel welcomed the NPV focus on the potential role of new technologies.

From a policy perspective, the Panel has contributed to discussion of the rules on APP scams and reimbursements effective from October 2024 and will continue to provide input as more data becomes available regarding the effect of the rules in practice. Successful implementation of this initiative is important for maintaining the PSR's reputation. It has also discussed the variable recurring payments (VRP) initiative, particularly the consumer benefits and protection, pricing and competition aspects. Card scheme issues such as cross-border interchange fees and the card acquiring market review have also been discussed in some detail as well as the PSR's compliance monitoring framework.

The panel also contributed views on the delivery of the New Payments Architecture (NPA) which we note is no longer progressing.

It has, of course, been a year of many changes with the Government's announcement to absorb the work of the PSR into the FCA and the release of the NPV. Both will clearly impact the work of the Panel from now on.

I look forward to my continued involvement with the Panel over the coming year during the transition. It is an exciting time to be in the payments industry.

**Robert Caplehorn**

Chair, Payment Systems Regulator Panel

## **Introduction**

The PSR Panel is established by statute as an independent body to the PSR. Its role is to contribute towards the effective development of the PSR's strategy, policy and other activities, across all the areas where the regulator operates. The Panel's core objective is to add value to the PSR's work by providing input and advice that draws in-depth on the perspectives, experience and concerns of users and providers across the payments landscape. It also provides a confidential forum for the regulator to test out ideas and propositions that are still in the development stage.

The Panel has a diverse membership drawn from across a wide range of payment user and payment provider interests. Members represent different constituencies of service users, including consumer representatives, large and small corporate customers and the Government (as a user of payment services); and on the provider side, members include senior experts from payment account providers, suppliers to payments, and Open Banking/digital payments.

The Panel has four main meetings a year, which are complemented by a number of ad hoc workshops on specific topics. The main meetings tend to focus on issues with a strategic cross-sectoral impact, and each meeting is followed by a report from the Chair providing advice and feedback directly to the PSR Board. The Panel's workshops tend to be more informal - providing an opportunity for Panel members to work closely with PSR staff in exploring evidence and ideas in more detail than a formal Panel meeting would allow.

The Panel has continued an open line of communication with the PSR Board, Chief Executive, Executive Committee and staff – not just through exchanges of papers and formal written reports but also through regular contact. To facilitate these links, the Panel has continued to welcome senior PSR staff to Panel meetings to observe exchanges directly and engage in detailed discussions where appropriate. The PSR Interim Head of Policy is the Panel's Sponsor Director and works with the Panel to consider where it can add most value to the PSR's work.

## **Strategic issues**

This year, the Panel contributed substantively to the PSR's evolving strategic direction, including input into its **mid-year strategy** and the **FY25/26 business planning cycle**. A major theme was the importance of aligning long-term infrastructure investments with clear governance structures and incentives to drive innovation, competition, and fraud prevention.

The Panel also provided early input on the **National Payments Vision** (NPV). We welcome the Vision's aim to set a long-term, holistic direction for UK payments, but stressed the need for a bolder, more inclusive approach that moves beyond legacy debates and embraces frontier technologies. We also emphasised the importance of greater cross-regulatory collaboration, particularly with the Bank of England, FCA, and CMA, to address systemic issues like fraud, competition, and digital access. We also discussed the benefits of a more coordinated strategy on Digital Identity, which Panel members saw as critical to unlocking efficiencies and reducing fraud, but which currently lacks a coherent UK framework. The Panel looks forward to providing further and more detailed input on the NPV making full use of our individual expertise.

The Panel supported the PSR by providing its views of the **key risks** to the PSR to achieving its statutory objectives and/or delivering against its strategy. These included the implementation of the APP scams reimbursement scheme, addressing growing challenges around the sectors ability to share data and implement fraud prevention methods, and managing capacity pressures on the PSR to manage multiple concurrent issues.

The Panel also provided expert views on the emerging risks in the Open Banking and VRP space, particularly regarding consumer protection and cyber resilience. On competition and innovation, Members considered key risks of delays to critical infrastructure upgrades stifling market dynamism and entrenching dominant players. The Panel also flagged the role of big tech firms and any expansion into UK payments, underscoring the need for regulatory vigilance in a rapidly evolving ecosystem.

## **Policy Issues**

The Panel discussed a number of key policy issues throughout the year, including some which might be partly beyond the PSR's statutory remit but which could have a significant impact on the industry it regulates.

### **APP Scams and Reimbursement**

The implementation of the new APP scams reimbursement requirement was a key area of focus. Members recognised the critical need to protect consumers and restore trust in digital payments. At our July 2024 meeting, a discussion was held around the readiness of the industry for reimbursement model to begin in October 2024 and potential protections for vulnerable consumers. The Panel suggested a public communications campaign to manage expectations, especially around scenarios that fall outside the reimbursement scope. Members stressed the importance of coordinated efforts between the PSR, Pay.UK, FOS and FCA to ensure consistent application and resolution of disputes.

We received a progress update from the PSR in January 2025 once the reimbursement model had been live for a few months and that early experience of the implementation had been positive. Members again encouraged the PSR to collaborate closely with FOS and the FCA to ensure consistency and fairness in complaints handling. The Panel discussed the mandatory compliance reporting and evaluation approach which encompasses large and small PSPs. The Panel emphasized the need for robust metrics to assess outcomes, including fraud reduction and changes in scam typologies.

The Panel remains engaged in supporting the PSR through the transition from implementation to monitoring, evaluation and potential adjustment of the framework.

### **Variable Recurring Payments (VRPs)**

VRPs remained a high-priority topic, with discussions covering commercial viability, consumer protection, and the long-term competitive landscape. Panel members were broadly supportive of the strategy to expand VRPs into new use cases including utilities, subscriptions and e-commerce. Members also highlighted a number of potential challenges. Firstly, VRPs could continue to cause slow progress unless the regulators provided greater clarity on the regulatory direction and commercial viability. The

Panel raised questions over pricing models, and whether a sustainable and fair pricing structure could be established that benefits consumers, merchants and PSPs alike and the importance of providing adequate dispute resolution mechanisms.

Some Members raised questions about VRPs being designed around existing faster payments infrastructure, suggesting other commercial alternatives might offer better delivery, albeit at a potential cost to competition.

The Panel encouraged the PSR to remain firm on consumer protections while using its convening and influencing powers to move the market forward, as well as reserving the right to mandate if progress stalls.

### **Cross-Border Interchange Fees**

The Panel welcomed the PSR's work on outbound interchange fees, broadly agreeing with the interim findings that recent fee increases lacked adequate justification. Members discussed the commercial motivations of card schemes interchange fees and urged the PSR to consider broader costs, such as fraud prevention and chargebacks, when finalising any price cap proposals. The panel encouraged the PSR to consider how best to engage merchants, especially smaller ones, to gather evidence and understand the real-world commercial impacts of any final price cap changes.

### **Card-Acquiring Market Review**

The PSR's post-implementation review of Specific Directions 14 and 15, which aim to help merchants switch acquiring services, received cautious support from the Panel. While the use of digital tools was seen as positive, issues around accuracy and usability of summary and quotation boxes and the experience of smaller merchants in long-term contracts were highlighted from the review findings. The Panel supported ongoing monitoring and encouraged further outreach to merchants to gather evidence on practical challenges to assess effectiveness and improve outcomes. Panel members offered to support evidence gathering efforts to evaluate the tools' real-world impact.

### **PSR's Compliance Monitoring Framework**

The PSR introduced its new compliance monitoring framework this year, which includes insights into compliance, how firms can expect the PSR to act (or react) when faced with possible non- or poor compliance, and how the PSR expects firms to act. The PSR explained that this allows for a

proportionate and risk-based approach to overseeing compliance with our directions. While some members found the framework helpful, others questioned whether the tone was too lenient and lacked clarity about its application to SMEs and non-consumer users. The Panel recommended clearer communication to industry of the framework's scope and encouraged the PSR to avoid duplication with other mechanisms

### **New Payments Architecture (NPA)**

Although the focus of work on Faster Payments infrastructure has evolved significantly recently, Members provided ongoing input on the delivery of the NPA. The Panel highlighted that delays in infrastructure reform risked undermining confidence in the sector and innovation in payments. There was a robust discussion on Pay.UK's governance model, with views differing on whether the current model sufficiently reflected funders' and users' perspectives. The Panel encouraged the PSR to continue to play an active role in facilitating the progress of infrastructure reform while maintaining flexibility and realism around delivery timelines.

In January 2025, we noted that the current NPA programme had not met its original goals and supported the shift in focus to immediate requirements while considering long-term objectives related to access, competition, and fraud prevention.

Members discussed that previous mandatory regulatory interventions in the NPA may have hindered its innovation, and there was some debate over whether regulation should actively support innovation or let the market drive it. Overall, Members agreed that a more agile approach to the NPA is needed and welcome the recent announcements as part of the National Payments Vision. We welcome another chance to input into this work as it progresses.

## Appendix 1 - Members of the PSR Panel between 1 April 2024 – 31 March 2025

<b>Robert Caplehorn (Chair)</b> <i>(from 1 August 2024)</i>	Independent Payments Expert and Non-Executive Director
<b>Natasha De Teran</b> <i>(Interim Deputy Chair until 1 August 2024)</i>	Author and consumer representative
<b>Jeff Moody</b>	Commercial Director, British Independent Retail Association
<b>Jo Oxley</b>	Director, Government Banking Service
<b>David Canavan</b>	Senior Director, UK and Ireland Commercial Development, Visa Europe
<b>Christopher Ainsley</b>	Head of Fraud Risk Management, Santander
<b>Clare Pearson</b>	Head of Technical Operations, Fidelity
<b>Stephen Wright</b>	Head of Regulation and Standards, NatWest Group
<b>Otto Benz</b>	Payments Director, Nationwide Building Society
<b>Neira Jones</b>	Independent Payments Consultant
<b>Ciaran O'Malley</b>	VP Financial Services and ecommerce/Country Manager, Trustly

<b>Anne Pieckielon</b> (until 30 September 2024)	Founding Director, The Inclusion Foundation
<b>Robin Abrams</b> (until 30 September 2024)	Chair of Banking & Finance Policy, Federation of Small Businesses
<b>Mark O’Keefe</b> (until 30 June 2024)	Founding Director, Optima Consultancy

## Appendix 2 - Payment Systems Regulator Panel Terms of Reference

1. The Payment Systems Regulator Panel ('the Panel') is established by the Payment Systems Regulator ('PSR') under the Financial Services (Banking Reform) Act 2013. The Panel represents the interests of participants in regulated payment systems and those who use, or are likely to use, services provided by regulated payment systems.

### Scope

2. The Panel makes representations to the PSR on the extent to which its general policies and practices are consistent with its general duties, and how its payment systems objectives may best be achieved, as required under the Financial Services (Banking Reform) Act 2013. See Annex 1 for the general duties.
3. In considering the PSR's work, the Panel will focus on the PSR's objectives of promoting effective competition in the interest of service-users, promoting development and innovation in the interest of service-users, and ensuring that payment systems are operated and developed in the interest of all those who use payment systems. The Panel will also have regard to the regulatory principles as attached in Annex 2.
4. The Panel's views are independent of the PSR. It does not carry out responsibilities on behalf of the PSR, but provides input and advice



on development of PSR activities.

## **The Panel's Duties**

### 5. The Panel will:

- 5.1 Meet regularly (usually between four and six times a year) and be available at other times to be consulted by the PSR on specific high-level issues.
- 5.2 Identify key issues which the Panel thinks the PSR should be considering when the PSR presents proposals to the Panel for consideration.
- 5.3 Be proactive in bringing to the attention of the PSR, new or additional issues to be considered or research to be carried out by the PSR to assist the PSR in fulfilling its objectives.
- 5.4 Strictly maintain the confidentiality of information provided to the Panel when indicated by the PSR.

### 6. In fulfilling these duties, the Panel may:

- 6.1 Request access to all information from the PSR which it reasonably requires to carry out its work. This will generally not include confidential information about specific regulated firms, individuals or markets.
- 6.2 Have access to and engage regularly with the PSR Chairman, Board, Managing Director and senior executives of the PSR.

## **Membership**

- 7. The PSR Board appoints Panel members, with HM Treasury's approval being required for the appointment or dismissal of the Chair. Members will normally be appointed for a two or three year term, and will usually serve a maximum of two three-year terms.
- 8. The PSR will appoint to the Panel such persons representing participants in regulated payment systems and those who use, or

are likely to use, services provided by regulated payment systems.

9. Members are appointed in an individual capacity on the basis of their experience and current role, and not as representatives of specific constituencies or organisations. They are expected to understand the general viewpoint of their sector and be able to contribute constructively in Panel discussions towards the development of the PSR's strategic thinking from that perspective. There is no express requirement on Panel members to consult with colleagues or related organisations on the issues discussed by the Panel, although they are free to do so (subject to confidentiality) if they wish to. Nor is the business of the Panel a substitute for formal public consultation processes by the Payment Systems Regulator with the sector or interests concerned. It may from time to time be appropriate for Panel members to discuss the general issues on Panel agendas on an informal basis, as a means of enhancing members' input to the Panel. Panel members will also be required to respect the requirements of confidentiality: to enable the Panel to function effectively and provide early input to PSR policy development and other decisions, Panel members will often not be able to share the details of discussions which take place with those outside the Panel and PSR. Any such confidentiality requirements will be clearly flagged by the Secretariat.

### **PSR and Financial Conduct Authority Duties**

10. Under the Financial Services (Banking Reform) Act 2013, the PSR must consider representations made to it by the Panel, and must from time to time publish in such a manner as it thinks fit, responses to the representations.
11. The PSR will provide the Panel with early access to appropriate information in order to enable the Panel to fulfil its duties and will ensure secretariat support is provided to the Panel to enable it to operate effectively.
12. The PSR Board will consider any proposals from the Panel for additional funding for specific projects (including research) which the Panel considers necessary in order for it to fulfil its duties under these terms of reference.

## **Accountability**

13. The Panel will publish an annual report on its work, which will be presented to the PSR Board.

## ***Annex 1***

### **The Financial Services (Banking Reform) Act 2013:**

#### **Section 49: Regulator's general duties in relation to payment systems.**

1. In discharging its general functions relating to payment systems the Payment Systems Regulator must, so far as is reasonably possible, act in a way which advances one or more of its payment systems objectives.
2. The payment systems objectives of the Payment Systems Regulator are—
  - (a) the competition objective,
  - (b) the innovation objective, and
  - (c) the service-user objective.
3. In discharging its general functions relating to payment systems the Payment Systems Regulator must have regard to
  - (a) the importance of maintaining the stability of, and confidence in, the UK financial system
  - (b) the importance of payment systems in relation to the performance of functions by the Bank of England in its capacity as a monetary authority, and
  - (c) the regulatory principles in section 53 [see Annex 2].
4. The general functions of the Payment Systems Regulator relating to

payment systems are—

- (a) its function of giving general directions under section 54 (considered as whole),
- (b) its functions in relation to the giving of general guidance under section 96 (considered as a whole), and
- (c) its function of determining the general policy and principles by reference to which it performs particular functions.

## ***Annex 2***

### **The Financial Services (Banking Reform) Act 2013:**

#### **Section 53: Regulatory principles**

The regulatory principles referred to in section 49(3)(c) are as follows—

- a) the need to use the resources of the PSR in the most efficient and economic way;
- b) the principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction;
- c) the desirability of sustainable growth in the economy of the United Kingdom in the medium or long term;
- d) the general principle that those who use services provided by payment systems should take responsibility for their decisions;
- e) the responsibilities of the senior management of persons subject to requirements imposed by or under this Act, including those affecting persons who use services provided by payment systems, in relation to compliance with those requirements;
- f) the desirability where appropriate of the PSR exercising its functions

in a way that recognises differences in the nature of, and objectives of, businesses carried on by different persons subject to requirements imposed by or under this Act;

- g) the desirability in appropriate cases of the PSR publishing information relating to persons on whom requirements are imposed by or under this Act, or requiring such persons to publish information, as a means of contributing to the advancement by the PSR of its payment systems objectives;
- h) the principle that the PSR should exercise its functions as transparently as possible.