

Via email to: [mobilesms@cma.gov.uk](mailto:mobilesms@cma.gov.uk)

19 February 2025

## The CMA's Invitation to Comment on its Strategic Market Status Investigations

The FCA and the PSR welcome the Competition and Markets Authority (CMA)'s Invitation to Comment on its investigations in relation to Apple and Google's mobile ecosystems under section 9 of the Digital Markets Competition and Consumers (DMCC) Act 2024. The FCA and the PSR have engaged with the CMA on relevant potential competition issues highlighted by responses to the [joint PSR/FCA Call for Information \(Cfi\) on big tech and digital wallets](#) published in July 2024.

Our Cfi, which closed in September 2024, sought to improve our understanding of the opportunities and risks that digital wallets' increasing popularity creates. We have published a [Feedback Statement](#) summarising the key potential issues raised by respondents and our proposed next steps. The Feedback Statement and this letter form the FCA and PSR's joint response to the CMA's Invitation to Comment.

Respondents' feedback indicates that digital wallets represent a significant opportunity for consumers. The majority of stakeholders highlighted that wallet users benefit from a more seamless and efficient consumer journey, including enhanced authentication security measures and greater financial accessibility for underserved or excluded groups. The proportion of card transactions using a digital wallet increased significantly from 8% in 2019 to 29% in 2023, with a higher proportion at in-store terminals. In addition, the proportion of consumers relying on pass-through digital wallets for most of their card transactions is growing as well. In 2023, approximately 20% of card users used a digital wallet for over 50% of their card transactions, while around 10% used one for over 75% of their transactions.

Research has also highlighted the key role that digital wallets are likely to play in future innovation and growth in the UK payments sector, as well as wider financial services.

At the same time, multiple stakeholders also raised potential competition, consumer protection and operational resilience concerns. Concerns have also been raised about innovation in the supply of digital wallets and the effectiveness of the current regulatory framework surrounding digital wallets. These concerns included competition between digital wallets and competition between payment systems within digital wallets.

The competition issues raised by stakeholders have strong linkages with the CMA's mobile ecosystems work. While we have not drawn specific conclusions at this stage, we are clear that the competition issues and opportunities raised do require further consideration and investigation. We have carefully considered using the FCA and/or PSR's powers to investigate these concerns. However, we believe the CMA, through its powers under the DMCC Act, is best positioned to investigate and if appropriate, impose conduct requirements.

## **Specific issues raised in the invitation to comment**

Based on the evidence we have obtained we have the following comments on the questions raised in the invitation to comment:

- We agree on the scope of the proposed investigations. We welcome the reference to digital wallets in the scope of the possible interventions aimed at addressing Apple and Google potentially leveraging their market power into adjacent activities. We particularly note the significance of considering digital wallets in the light of the competition concerns and opportunities we have heard from stakeholders during our Call for Evidence.
- We agree on the proposed avenues of the investigation, including the proposed consumer research. Beyond that, we note, in particular, the need for appropriate technical and technological expertise given the complexity of the technical issues raised.
- With respect to the potential interventions, we note the approaches taken by the European Commission in relation to the opening up of Near Field Technology. We would draw particular attention to stakeholders highlighting the need for potential interventions to focus on ensuring open access on reasonable terms. These may be relevant for the CMA in considering any intervention.

## **Future working**

We remain committed to working collaboratively with the CMA on digital wallets and other areas of mutual interest in its investigation. We will continue to actively engage with the CMA by sharing expertise and, where appropriate, relevant information, as it progresses through its SMS designation process and develops any appropriate conduct requirements in parallel with its nine-month designation investigation.