

# Annual plan and budget 2025/26



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# Foreword

## Aidene Walsh



We look forward to building on recent work to bring the FCA and PSR closer together

We are very proud of what we have achieved at the Payment Systems Regulator (PSR) since its inception: promoting competition, innovation, and the interests of the people and businesses that use payment systems.

During the last year, we implemented the world's first reimbursement requirement and expanded Confirmation of Payee (CoP). The former is already yielding some positive results in addressing fraud in faster payments. Through our card market reviews, we directly addressed concerns around limited choice and competition and made progress on open banking payments. Working with the Financial Conduct Authority (FCA), we explored key opportunities and issues surrounding big tech and digital wallets.

As we recognised in our strategy update, which we published in January 2025, the payments landscape is highly dynamic, and a lot has changed in recent years. Along with rapid technological advances, we are operating in an increasingly interconnected and complex environment. With that, the government's announcement to incorporate the PSR into the FCA is a pragmatic next step in simplifying and clarifying payments regulation to support industry certainty, investment, make further progress in advancing UK payment systems, and enabling economic growth.


Having already combined the role of the PSR's Managing Director with that of a new Executive Director of Payments and Digital Finance within the FCA and seen the FCA take the lead on fraud and open banking in its most recent remit letter, the PSR's focus is two-fold for this coming year. We will continue to focus on the work outlined in our mid-strategy review in line with our remit and powers, particularly on unlocking innovation in payments. While full transfer of responsibilities requires legislation, we have where sensible already commenced the process of further alignment and consolidation with the FCA as we await the outcome of the consultation being run by the Treasury in the coming months.

**Aidene Walsh**  
Chair

# Foreword

## David Geale

## Continuing to deliver impact and supporting growth through collaboration

A portrait of David Geale, a middle-aged man with glasses, wearing a dark blue suit, a light blue shirt, and a dark tie. He is smiling and standing against an orange background.

With over £100 trillion flowing through the UK payments infrastructure in 2023 alone, payments are essential for the functioning of the economy and for economic growth.

Payments are also at the forefront of innovation and technological change in financial services across the world – with rapid developments in account-to-account payments, other alternative payment methods, digital wallets, and artificial intelligence. However, alongside these opportunities there are also risks and challenges to ensuring competition thrives and consumers are protected, particularly from fraud.

As we look to the future – with payment systems regulation soon to be consolidated mainly into the remit of the FCA – we must continue to lay the groundwork for real and lasting improvements in UK payments. We will focus on delivery – driving forward an impactful programme and meeting our commitments, with a strong focus on engagement.

Further to the creation of the joint Executive Director role, we will put even greater emphasis on close working with the FCA as we prepare for the transfer of responsibility for the regulation of payment systems. In the meantime we have a hugely important job to do and, as the Treasury has made clear, we retain our full suite of powers pending changes in legislation and we will use them to deliver against our work programme and commitments.

This includes: completing phase one of the rollout of variable recurring payments, completing an evaluation of our APP reimbursement requirements, implementing the remedies following our card reviews, and working with industry to unlock innovation and growth. We will work with the Bank of England (the Bank) to drive infrastructure upgrades, as per the direction set by the government in the National Payments Vision (NPV).

Our budget for 2025/26 is £28 million, the same as our budget for 2024/25, which represents a real terms reduction. Alongside the funding of our work programme we will need to start work on the transition of the PSR staff and activities to the FCA.

Over the year, we will continue to drive for innovative, safe, competitive and good value payment systems that deliver for people, businesses, and our economy. We look forward to working with you this year as we deliver our work programme while supporting a smooth transition.

A handwritten signature in black ink, appearing to read 'David Geale'.

**David Geale**  
Managing Director



# Our work as an economic regulator

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

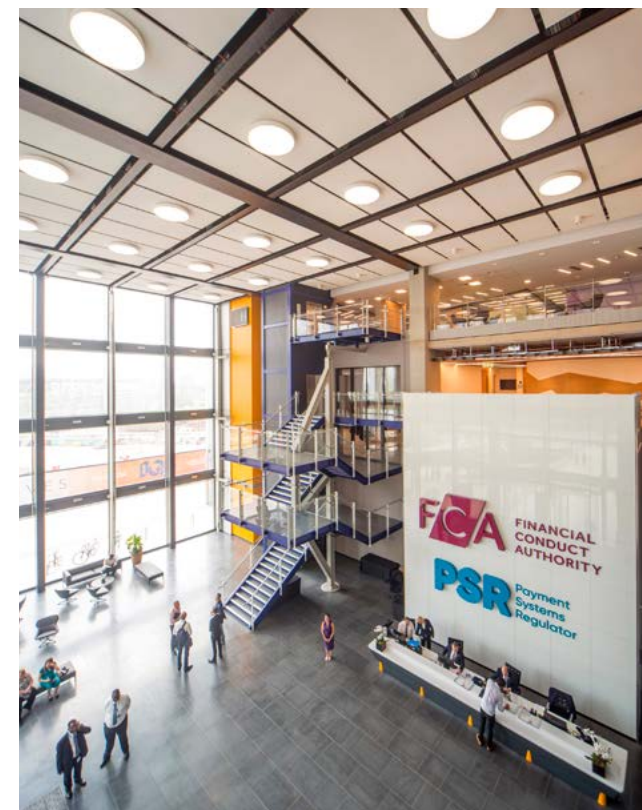
The PSR is the economic regulator of payment systems in the UK. As announced by the Prime Minister in March 2025, regulatory responsibilities for payment systems will mainly transfer to the FCA. We will work with the FCA, government and Bank of England to ensure this transition is smooth and that payment systems remain competitive, innovative and safe. The government has clearly set out that the PSR retains its remit and full suite of powers pending consultation.

In the meantime, we will continue to deliver in line with our statutory objectives in promoting competition and innovation, as well as the interests of current and future users of payment systems. Our rules, decisions and guidance apply to the participants of those systems. We have a focused role and a clear remit – and we deliver change within that.

We are proportionate in our regulation, using data and intelligence to take decisions, carefully considering the costs and benefits of what we do, and evaluating the impact of our interventions.

We focus our regulation where there is evidence of risk to our statutory objectives. We are flexible in how we use the resources available to us, finding efficiencies and avoiding duplication with other regulators where we can – actively seeking out opportunities for joint working. We will enhance this in the coming months, taking further steps to work even more closely with the FCA in advance of legislation to create the new joined-up, streamlined payments regime.

In 2022, we published a five-year Strategy, with our outcomes and priorities. The [strategy update](#), that we published earlier this year, articulated our three core commitments for the remainder of the strategy term. These commitments align with our outcomes and priorities, while reflecting ongoing developments in payments, and delivering those priorities remains our focus.



# Our commitments

## We will:



Complete the important work we have started to protect users and promote competition and innovation.



With the Bank of England, drive forward work to upgrade Faster Payments, and reform of Pay.UK, as well as assess other long-term retail infrastructure needs.



Sharpen our focus on competition and innovation in payment systems, supporting economic growth and enabling the ecosystem of the future.

Our commitments reflect our support for the government's growth mission, including the emphasis on regulators boosting business confidence and improving the investment climate. **We are working with the government** and have a key role in this, recognising that payments underpin all economic activity and support the wider economy, such as by creating opportunities for the UK's vibrant fintech sector.

We convene stakeholders to explore such areas, encouraging awareness and industry action. We seek to influence debate where it has a direct impact on the effectiveness of UK payment systems.

Our collaboration with the government, FCA, Bank of England and other authorities, with each playing to their respective strengths, is crucial to delivering the outcomes we want to see. We will further enhance this over the coming year as the regulatory environment is determined.

# Working with others

## The importance of public-private partnership

Payments is a complex landscape, with participants including consumers, business users large and small, payment system operators, and a wide variety of financial services providers. Each of our stakeholder groups is important to us. To deliver the outputs we want to see, it's essential that we are clear about what we are doing and why, and we listen to their feedback. Sometimes stakeholders disagree with our approach, but they should feel they have been heard and understand why we have taken a certain position.

Doing this well means we can make balanced decisions that have a positive impact and reflect the reality of those using payment systems and those operating them.

We collaborate with regulators and other authorities to coordinate work, share knowledge and best practice, and deliver our objectives in a joined-up way. This will become even more important as the new regulatory environment is developed and the PSR is consolidated primarily into the FCA. By working together effectively and efficiently, we can better realise the opportunities for UK payments.

For example:

- We have agreed that Open Banking Limited will take the lead in establishing an independent central operator to coordinate how variable recurring payments (VRPs) are made.
- We worked with the FCA to jointly assess the impact of digital wallets and concluded that the CMA, using its powers under the Digital Markets Competition and Consumers Act 2024, was best placed to take this work forward, with us providing our support and expertise.
- The role of Managing Director of the PSR is now combined with the FCA Executive Director of Payments and Digital Finance. This strengthens the two organisations' joint ability to drive positive change in the future of payments. It recognises that many firms the FCA regulates are also part of the payments ecosystem and will be key to smoothing the transition to being part of the FCA.

We are accountable to Treasury and Parliament, and regularly share our insights and evidence with parliamentary committees and All-Party Parliamentary Groups. We engage with MPs and peers with particular focus on APP scams and our market reviews into scheme fees, or any other areas of specific interest to parliamentarians.

We are always keen to understand the impact of our policies and approach. We formally meet the PSR Panel around six times a year, to get valuable insight, feedback, and challenge to our work. The Panel is an independent group of expert advisors with a diverse range of interests – with representation from consumers, users of payment systems, the fintech community, and independent payment experts. We also invite members to provide their views through other avenues, such as attending focused workshops or briefings on certain areas of work.



# Our work programme for 2025/26

An ambitious and impactful programme

We have an ambitious and impactful programme of delivery for this year, supporting positive change. This continues alongside the transition of the PSR's regulatory functions primarily to the FCA.

**Building and embedding a proportionate whole-system regulatory approach that supports growth.** We will:

- work with the FCA and Bank to deliver the NPV, identifying opportunities for regulatory simplification and coherence
- work with the FCA and Bank to revise our Memorandum of Understanding and develop the Payments Forward Plan
- actively support the government as it develops the future approach for payment systems, including providing input into the proposed consultation on legislation, scheduled to take place over the summer.

## Innovation

Payment innovators play an important role in delivering improved outcomes for consumers and businesses, and supporting economic growth. We will enhance our focus on innovation, working with the FCA, developing our ability to find and address blockages, provide informal steers and clarity on regulation of proposed new business models, and engage with innovators. This will operate alongside our horizon-scanning function, which considers developments such as the role of artificial intelligence in payments. We will engage with the payments innovation community to assess our impact, and our work will also include:

- dovetailing with the FCA on how we can support innovators to engage with the payments regulatory landscape
- gathering insights on where payment systems infrastructure, rules and operation may be blocking innovation or competition in payments, and how we can address them where it is in our remit
- enhancing our engagement with those developing potential new payment systems (for example the Regulated Liability Network, the digital pound) to clarify our expectations and inform our work.

# Our work programme for 2025/26 continued

## Taking action on card fees

Card payments often work well and play an important role in our economy. However, merchants have raised concerns about the current model, especially costs and economic constraints on investment opportunities and growth, particularly for small retailers.

- Evidence from our market reviews shows that cross-border interchange fees have increased more than five-fold, by £150–200 million a year, since the UK left the EU. We have recently consulted stakeholders on our plans in terms of remedies and, following the consideration of the consultation responses, will decide on our next steps to address the harms identified in our review. Given ongoing litigation over our powers to impose a price cap, we are pausing any further consultation or decision regarding a potential interim price cap until at least the end of Q3 2025 when we will provide a further update.
- Domestic scheme and processing fees have increased by over £170 million a year in real terms since 2018. On 6 March 2025, we [published our findings](#) that card schemes have ineffective competitive constraints and we are consulting on proposed actions to remedy this.

## Enable payments infrastructure for the future

- Working with the Bank and the Payments Vision Delivery Committee to clarify the short-term upgrades required to the UK's Faster Payments infrastructure and assess the longer-term requirements for retail payments infrastructure.
- Also with the Bank, we will assess the governance and funding arrangements for the UK's retail payments infrastructure.

## Realise the opportunities of open banking

- Working with the FCA and with industry, we will complete phase one of the roll-out of non-sweeping variable recurring payments (VRPs) for lower-risk use cases (local government, utilities, regulated financial services), supporting delivery of an industry-led commercial model.

In addition, **we will continue to embed our world-leading requirements for reimbursement of victims of authorised push payment fraud**, helping to build trust among consumers and incentivising firms to prevent fraud.

In particular, we will:

- publish the third set of data on PSPs' performance on APP fraud
- work with the FCA on developing the approach to tackle fraud through improved data-sharing
- work with industry to further our APP fraud directions, carefully monitoring the impact of our measures. This includes consulting on implementing a reimbursement claims management system and commissioning an independent review of our new rules.

# Our budget for 2025/26

Our budget for 2025/26 is £28 million. Overall, this is the same as our budget for 2024/25, despite the increase in staff costs for the 2025/26 financial year. The government has been clear that payment systems must continue to be regulated effectively and we will continue to deliver our programme of work as it transitions to other parts of the financial services regulatory family.

We have achieved notable efficiencies across our workforce distribution and remuneration, enabling us to fully absorb the impact of 2025/26 inflationary and National Insurance contribution increases. This represents an efficiency saving of more than 6% and demonstrates our focus on delivering strong outcomes with less in real terms.

## Budget costs

Staff costs	£21.5m
FCA recharges: accommodation	£1.7m
FCA recharges: other	£2.2m
Professional fees	£1.9m
Other non-staff costs inc. training and events	£0.7m
TOTAL	£28.0m

## Our budget for 2025/26 is £28 million

We rely on the FCA to deliver efficient and economic services, for which we reimburse it annually. We expect those costs to total around £3.9 million this year.

The remaining £2.6 million is split between professional fees that cover core contracted costs, research, consultancy and expert support. The other non-staff costs are operational costs and expenses, including training, recruitment and events.

Over the year, we will identify and progress the opportunities for closer collaboration with the FCA and other regulators. We are mindful of the need to deliver the PSR’s work programme and to fund any additional transition costs. We expect to absorb any additional in-year costs of transition within this budget.

We propose recovering £27 million of our budget from fee-payers through our annual funding requirement, with the remaining £1.0 million of operating costs funded from the end-of-year accumulated surplus.

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