

Final report: Market review into the ownership and competitiveness of infrastructure provision

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We've published the final report of our market review into the ownership and competitiveness of the infrastructure that supports the UK's three main interbank payment systems – Bacs, Faster Payments (FPS) and LINK.

The report sets out our final findings and potential remedies, which we'll develop and evaluate over the coming months. We'll publish a separate consultation on our remedies later this year.

Our market review

In our review we considered whether there is effective competition for the provision of central infrastructure services for Bacs, FPS and LINK. We also examined the ownership and control of VocaLink (the central infrastructure provider for these systems) and the payment system operators, to understand how this affects competition.

Our final findings

We have found that:

- There is no effective competition for the provision of UK payments infrastructure for Bacs, FPS and LINK.
- The lack of competitive procurement exercises by the operators is a barrier to entry that prevents potential providers from competing.
- The UK payment systems' bespoke messaging standards are acting as a barrier to entry for new infrastructure providers into the UK market.
- Because of the joint control that the four largest VocaLink shareholder payment service providers (PSPs) exercise over both the operators and VocaLink, the current ownership and governance arrangements reduce the level of competition for the provision of central infrastructure.

Our potential remedies

Based on our findings, we're considering the following package of potential remedies:

- **Competitive procurement exercises are undertaken for the provision of infrastructure services.** This will enable other infrastructure providers to offer these services, which will create the potential for more efficient and innovative services.
- **Divestment by the four largest VocaLink shareholder PSPs of their interest in VocaLink.** This will address the operators' lack of incentive to consider alternative infrastructure providers, as the operators and the infrastructure provider are currently owned and controlled by the same PSPs.

MasterCard has recently announced its acquisition of VocaLink, subject to regulatory approval and other customary closing conditions. It will be for the relevant merger authority to consider the effects of this merger under merger control law. However, we note that the transaction would change VocaLink's ownership arrangements in a way which could address the issues we've identified as restricting competition.
- **A common international messaging standard for Bacs and FPS.** This will help facilitate a wider choice of infrastructure providers.

Factsheet

This review forms part of our wider work to help encourage competition, innovation and increased service standards across the payments industry. For example, among other initiatives, the implementation of common messaging standards has also been advocated by the [Payments Strategy Forum](#). The Forum has undertaken work to identify and deliver priorities where it is necessary for the industry to work together to promote collaborative innovation. These changes should, together, ultimately support the industry's drive to create and innovate in the best interests of the consumer.

Next steps

We welcome any comments on our final report. We will consider your comments when preparing our remedies consultation. Our remedies consultation will set out our draft remedies decision including remedy design and our assessment of the effectiveness and proportionality of the remedies.

Please email any comments to us by **5pm** on **22 September** at infrastructurereview@psr.org.uk.

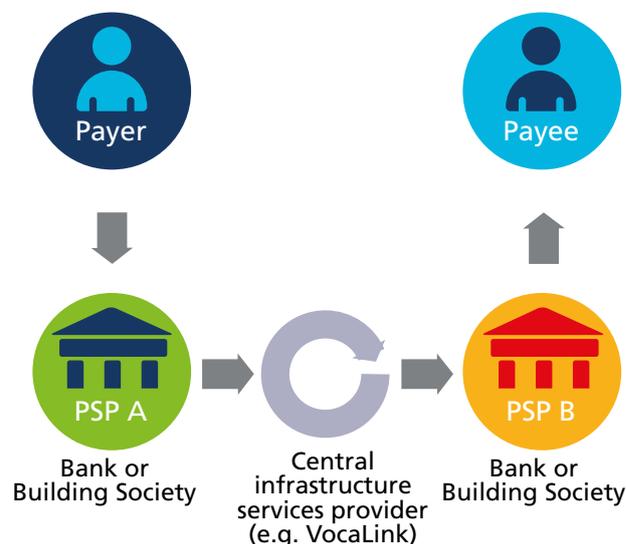
Background

Payment systems are a vital part of the UK's financial system. They make payments possible, whether you're paying for lunch using a contactless card, paying a bill by direct debit, paying the deposit for your new house or making large payments between businesses. Last year, interbank payment systems processed over **£74 trillion** worth of payments, or the equivalent of 42,000 payments per minute.

Payment systems infrastructure

The payment systems infrastructure is the hardware, software, secure telecommunications network and operating environments that support the clearing and settlement of payments. It's important that infrastructure services are reliable and efficient so that consumers and businesses can make and receive payments safely and reliably.

The diagram shows the role of payment systems infrastructure when we make or receive a payment.



More about the PSR

The Payment Systems Regulator is the economic regulator for the UK's main payment systems. Our purpose is to make sure the UK's payment systems work well for the people and organisations that use them. We want payment systems that are accessible, easy to use, reliable and secure, and provide value for money.

You can find out more about us at

www.psr.org.uk