

# Infrastructure market review – interim report

No.16/1

## Interim report – market review into the ownership and competitiveness of infrastructure provision

We've published the [interim report](#) of our market review into the ownership and competitiveness of the infrastructure that supports the UK's three main payment systems; Bacs, Faster Payments and LINK.

We've found there is no effective competition for the provision of UK payments infrastructure for the Bacs, FPS and LINK interbank payment systems.

We've published this interim report to seek feedback on our provisional assessment and proposed remedies.

### 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. In 2014 these payment systems processed more than 21 billion transactions worth around £75 trillion.

### Payment systems infrastructure

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

### Our market review

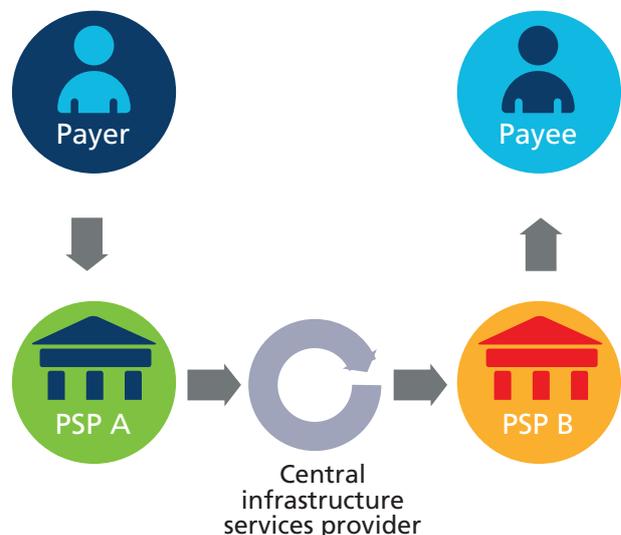
The UK's Bacs, Faster Payments (FPS) and LINK interbank payment systems are currently owned by a relatively small number of banks, who also own the main central infrastructure provider these systems rely on, VocaLink.

Whilst this ownership arrangement has resulted in payment systems that are relatively robust and resilient, it may be:

- limiting competition and in turn, limiting innovation and/or

- allowing the banks who control the infrastructure provider to influence developments in a way that may be in their own interests rather than in the interests of all payment service providers (PSPs) and customers

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



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## Scope of our review

Our market review explores how the common ownership arrangements of the Bacs, FPS and LINK payment systems and the central infrastructure provider VocaLink, affects decision making, innovation and competition dynamics within the market.

## Our provisional findings

The evidence we've gathered shows:

- There is no effective competition for the provision of UK payments infrastructure for the three main interbank payment systems (Bacs, FPS and LINK).
- The common ownership and control between the operators and infrastructure provider have an impact on competition and the speed of innovation in the industry.
- The UK payment systems' unique messaging standards are acting as a barrier to entry for new infrastructure providers into the UK market.

## Our proposed remedies

Based on the evidence, we're considering the following potential remedies to address these issues:

- **Competitive and transparent procurement processes for the provision of infrastructure services**, which are clearly defined, transparent and independently audited. This will increase competition by encouraging shopping around and consideration of other infrastructure providers.
- **Divestment by payment service providers of their interest in VocaLink**. This is to address any inertia arising from common ownership and to address any potential concerns about the openness of a tender process and the lack of incentive to consider alternative infrastructure providers.

- **A common international messaging standard adopted for Faster Payments, Bacs and LINK.**
- **Measures that ensure the separation of common ownership of the functions of LINK from VocaLink.** We acknowledge these actions are planned, but it's important that this separation is completed for the same reasons as the divestment remedy is proposed.

## Next steps

We welcome comments on our interim report by **5pm on 21 April 2016**. You can send your comments to [infrastructurereview@psr.org.uk](mailto:infrastructurereview@psr.org.uk).

We are aiming to publish our final report in the summer.

## 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](http://www.psr.org.uk)

For further information  
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