

## **Alert** | Financial Services Litigation



January 2022

### **The UK Payment Systems Regulator’s First Five-Year Strategy Plan**

The world of payment systems – cash machines, money transfers, contactless payments, being paid – is the most commonly used financial service in the UK, and everyone depends upon it to some extent.

The Payment Systems Regulator (the PSR), whilst formally part of the Financial Conduct Authority (FCA), is the independent regulator for this important sector. The PSR’s objectives are to promote effective competition and innovation in the market for payment services and to ensure payment systems are operated and developed in the interests of the people and the businesses that use them.

The PSR has a number of powers, including the ability to give written directions to regulated payment system participants, to require a system operator to establish rules, to carry out investigations, to impose sanctions for compliance failures, to respond to applications and complaints, and to give guidance. Further, the PSR has competition enforcement powers; for example, it took recent action in respect of cartels operating in the pre-paid card market. Despite the significance of the work of the PSR as a relatively new regulator, its activities tend to be under-reported. There are of course significant overlaps with the work of other regulators, not least the FCA and the Prudential Regulation Authority (PRA), which also regulate the businesses operating in this sector.

#### **The Strategy**

The PSR has published its first formal five-year strategy (the Strategy). The Strategy centres on four priorities: 1) access to and choice of payment options, 2) user protection, 3) promotion of competition,

and 4) interbank system infrastructure. The Strategy will be of particular interest to businesses operating in, or considering entering, the payments sector.

The Strategy is focussed on the outcomes that the PSR wants to see. The PSR’s annual reports concentrate on immediate challenges, such as customers being defrauded, regulating the UK’s cash machine network, and continuing to use its enforcement powers regarding anti-competitive practices. Therefore, the Strategy has enabled the PSR to articulate the longer-term issues facing the sector, which it has reflected in the following outcomes.

<b>OUTCOMES</b>	
<p><b>Payment systems meet people’s needs</b> Everyone can make and receive payments in ways that suit them.</p>	<p><b>Users are protected</b> People and businesses are protected when they make payments.</p>
<p><b>Effective competition in payments</b> Effective competition in payments leading to better services for everyone.</p>	<p><b>Efficient payment systems</b> Payment systems are efficient and commercially sustainable.</p>

To achieve the above outcomes, the PSR has set four strategic priorities.

<b>STRATEGIC PRIORITIES</b>			
<p>Ensure users have <b>continued access</b> to the payment services they rely on and support a choice of payment options.</p>	<p>Ensure users are <b>sufficiently protected</b> when using the UK’s payment systems.</p>	<p><b>Promote competition</b> between UK payment systems and the markets supported by them; protecting users where that competition is not sufficient.</p>	<p>Act to ensure <b>interbank systems</b> provide infrastructure, rules and incentives that <b>foster innovation and competition</b> in payments.</p>

Critical to the success of the Strategy is the coordination between the PSR and other regulatory and governmental bodies relevant to the sector, including as noted the FCA and PRA. As the world of payment services develops, these authorities must maintain clear communication and boundaries, not least to avoid duplication of effort. The PSR will need to maintain sufficient bandwidth and authority to act effectively with impact and deal with this sector that is growing in complexity and technological opportunities with the continuous need for user protection.

**Conclusion**

The clear articulation of objectives in the PSR’s Strategy is to be welcomed, in terms of both bringing much-needed attention to the regulator and also clarifying its vision for regulation of the sector. However, the industry will be watching closely to judge whether the PSR can deliver on its promises with definitive measures that achieve tangible results and benefits for consumers of payment services, without running the risk of over-regulation. As the PSR recognises, the payment sector is developing and progressing at a rapid pace. With a changing technology landscape and evolving priorities for the PSR, it will be interesting to see what new regulations, rules and guidance the PSR introduces over the next five years to realise its stated outcomes.

In 2024 the PSR will carry out a midterm review of progress to provide an opportunity for sector feedback and to demonstrate its flexibility and agility in the event of unexpected challenges. As to the PSR’s short-term plan for the next financial year, its Annual Plan will be released in March 2022.

[Click here to read the full PSR Strategy.](#)

## Authors

This GT Alert was prepared by:

- [Eleanor Pike](#) | +44 (0) 203.349.8707 | [Eleanor.Pike@gtlaw.com](mailto:Eleanor.Pike@gtlaw.com)
- [Matt Hancock](#) | +44 (0) 203.349.8700 | [Matthew.Hancock@gtlaw.com](mailto:Matthew.Hancock@gtlaw.com)

Albany. Amsterdam. Atlanta. Austin. Boston. Chicago. Dallas. Delaware. Denver. Fort Lauderdale. Germany.<sup>~</sup> Houston. Las Vegas. London.\* Los Angeles. Mexico City.<sup>+</sup> Miami. Milan.<sup>»</sup> Minneapolis. New Jersey. New York. Northern Virginia. Orange County. Orlando. Philadelphia. Phoenix. Sacramento. Salt Lake City. San Francisco. Seoul.<sup>∞</sup> Shanghai. Silicon Valley. Tallahassee. Tampa. Tel Aviv.<sup>^</sup> Tokyo.<sup>∞</sup> Warsaw.<sup>~</sup> Washington, D.C.. West Palm Beach. Westchester County.

*This Greenberg Traurig Alert is issued for informational purposes only and is not intended to be construed or used as general legal advice nor as a solicitation of any type. Please contact the author(s) or your Greenberg Traurig contact if you have questions regarding the currency of this information. The hiring of a lawyer is an important decision. Before you decide, ask for written information about the lawyer's legal qualifications and experience. Greenberg Traurig is a service mark and trade name of Greenberg Traurig, LLP and Greenberg Traurig, P.A. ~Greenberg Traurig's Berlin office is operated by Greenberg Traurig Germany, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. \*Operates as a separate UK registered legal entity. +Greenberg Traurig's Mexico City office is operated by Greenberg Traurig, S.C., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. »Greenberg Traurig's Milan office is operated by Greenberg Traurig Santa Maria, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ∞Operates as Greenberg Traurig LLP Foreign Legal Consultant Office. ^Greenberg Traurig's Tel Aviv office is a branch of Greenberg Traurig, P.A., Florida, USA. ∞Greenberg Traurig's Tokyo Office is operated by GT Tokyo Horitsu Jimusho and Greenberg Traurig Gaikokuhojimubengoshi Jimusho, affiliates of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ~Greenberg Traurig's Warsaw office is operated by GREENBERG TRAUIG Nowakowska-Zimoch Wysokiński sp.k., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. Certain partners in GREENBERG TRAUIG Nowakowska-Zimoch Wysokiński sp.k. are also shareholders in Greenberg Traurig, P.A. Images in this advertisement do not depict Greenberg Traurig attorneys, clients, staff or facilities. No aspect of this advertisement has been approved by the Supreme Court of New Jersey. ©2022 Greenberg Traurig, LLP. All rights reserved.*