

Alert | Financial Services Litigation



January 2022

The UK Payment Systems Regulator's First Five-Year Strategy Plan

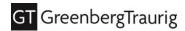
The world of payment systems – cash machines, money transfers, contactless payments, being paid – is the most commonly used financial service in the UK, and everyone depends upon it to some extent.

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.

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

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

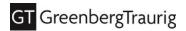
STRATEGIC PRIORITIES			
Ensure users have	Ensure users are	Promote	Act to ensure
continued access to	sufficiently	competition between	interbank systems
the payment services	protected when	UK payment systems	provide infrastructure,
they rely on and	using the UK's	and the markets	rules and incentives
support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

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.

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