HM Treasury

National Payments Vision

November 2024

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October 2024

This publication is available at: www.gov.uk/official-documents.

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ISBN 978-1-917151-61-0 PU 3468

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Ministerial Foreword

The government's central mission is to grow the economy – to restore stability and improve living standards across the country.

Every strong economy relies on effective payments. Payment systems and providers allow money to flow through the economy, enabling the exchange of value on which economic activity relies.

Almost 50 billion payments were made in the UK last year by consumers and businesses. That's around 1500 transactions every second. But while most of us will keep a close eye on what we're spending, we rarely need to give a second thought to how that payment is made. And that's the way it should be. Payments – whether by cash, cheque, card or bank transfer – should just work.

But there is a lot that goes on behind the scenes to deliver a seamless and trusted experience to consumers. The underlying infrastructure must be kept secure and resilient, with consumers protected if something goes wrong. It is vital that payment providers are incentivised to innovate to provide efficient and effective products and services.

Recent years have seen huge changes in the way we pay, with the UK often leading the way globally. Mobile banking, contactless payments and digital wallets, for example, have dramatically increased convenience. And significant further technological developments are now on the horizon that offer huge potential for further innovation. These new technologies are likely to transform the way we pay for goods and services. I am determined to ensure that the UK is in a strong position to seize these opportunities – doing so will benefit users of these payment systems as well innovative firms across the financial services sector.

The National Payments Vision therefore sets out the government's ambitions for this vital sector, to achieve a trusted, world-leading payments ecosystem delivered on next generation technology, where consumers and businesses have a choice of payment methods to meet their needs.

Alongside an articulation of this Vision, the government is taking a number of decisive steps to achieve that ambition. This includes a package of actions to cut through the current regulatory congestion facing the sector, and steering the approach to vital upgrades that are needed to the UK's underlying payments infrastructure. To achieve this Vision, it is imperative that the government, regulators and the sector work collaboratively. The government is therefore establishing the

Payments Vision Delivery Committee – a senior cross-authority group, chaired by HM Treasury, and with a clear voice for stakeholders – responsible for delivering a clear forward plan for the sector, in line with the Vision.

A world-leading payments ecosystem is a critical underpinning to this government's central growth mission and its ambition to deliver world-leading rates of GDP growth. This publication sets out our goals for UK payments, and charts a path for achieving these.

Tulip Siddiq MP
Economic Secretary to the Treasury

Executive Summary

The National Payments Vision outlines the government's ambitions for bolstering the UK's payments sector to deliver economic growth. It charts a clear path for government, regulators and the sector towards **a trusted, world-leading payments ecosystem delivered on next generation technology, where consumers and businesses have a choice of payment methods to meet their needs.**

The Vision takes action to strengthen the foundations of today's ecosystem and steer future activity to drive innovation, facilitate competition and ensure security. In doing so, the Vision addresses findings from the independent Future of Payments Review 2023, led by Joe Garner, and extensive stakeholder feedback.

UK context

The UK has long been a global leader in payments, with a strong banking, cards and digital wallets environment and a well-established regulatory framework.

The payments landscape has evolved significantly in recent years – and payments are increasingly digital. Looking ahead, developments in next-generation technologies like distributed ledger technologies and Artificial Intelligence as well as enhanced data sharing have potential to fundamentally alter the ecosystem. The UK must act quickly to seize the opportunities of the future, or risk falling behind international peers.

The Garner Review challenged government to set a strategic vision for UK payments. The government's response is clear – a world-leading ecosystem must ensure **trusted** payments, delivered on **next-generation technology**, with **more choice** for consumers and businesses.

Strengthening the foundations of today

The **regulatory framework must be clear, predictable and proportionate.** The Prime Minister has been clear that regulation should support growth and unlock investment – this requires our regulators to coordinate better to manage their collective impact on the sector. To support this, the government has outlined its priorities for UK payments through a joint remit letter to the FCA and PSR and welcomes the regulators' commitment to revise their existing memorandum of understanding on cooperation in relation to payments regulation.

Resilient infrastructure that supports innovation is a pre-requisite to a healthy ecosystem and is essential for trust, but upgrading the UK's retail payments infrastructure has been slow and challenging. The government has considered carefully the role of the New Payments Architecture programme and concluded that a more agile and flexible approach to delivering the UK's infrastructure needs is required to ensure the UK is primed to seize the opportunities of next generation technologies. The Vision sets out that the newly established Payments Vision Delivery Committee will, through work led by the Bank of England and PSR, clarify the upgrades required to the existing Faster Payments System, assess longer-term requirements and the appropriate funding and governance arrangements needed to deliver this – including proposals to reform Pay.UK.

Building for tomorrow – driving innovation, facilitating competition and ensuring security

The National Payments Vision also outlines three key pillars designed to guide future activity – **innovation**, **competition** and **security**. In line with these pillars, government has provided direction on priority initiatives in the retail payments arena, in particular Open Banking and tackling fraud.

It is crucial that seamless account-to-account payments – enabling consumers to pay for goods and services in shops and online directly from their bank account – are developed. This will provide greater choice to consumers and merchants in how they make and receive payments. Open Banking has a vital role to play in delivering this. The Vision therefore clarifies regulatory responsibilities for Open Banking, transitioning away from current arrangements to the FCA acting as the UK's regulator in the future, ensuring effective engagement with other authorities as needed. This will support the pace of progress on core activities to agree a sustainable commercial model and consumer protections.

Reflecting the need to consider a range of innovations in this dynamic landscape, the Vision sets out the government's commitment to explore a potential retail Central Bank Digital Currency, the digital pound. No decision has been taken on whether to launch a digital pound. The government commits that any decision to proceed would be accompanied by the introduction of primary legislation, which would guarantee users' privacy and control of their money. Regardless of the final decision, the work will support private innovation and deepen the expertise of UK public authorities.

The Vision outlines the continued need to maintain high standards of consumer protection and ensure people and businesses can make payments efficiently and safely. To further build the effectiveness of payments fraud regulation, the FCA will lead work to manage existing overlaps between itself and the PSR, and the PSR has committed to an independent post implementation review of the authorised push payment fraud reimbursement rules, after 12 months. The government also recognises the role that the technology and telecommunications sectors play in tackling authorised push payment fraud.

Next steps – Implementing the National Payments Vision

Delivering this Vision requires collaboration across the entire ecosystem – government, regulators, financial services providers, merchants and consumer representatives. The government is therefore establishing the **Payments Vision Delivery Committee** to drive next steps, supported by an engagement group comprised of varied representatives from across the sector. This partnership between the public and private sector will be key to achieving a world-leading payments sector that boosts economic growth.

Chapter 1
Introduction

1.1 Growth is the government's central mission, and its ambition is to restore economic stability, increase investment, and reform the economy to drive up prosperity and living standards across the UK.

1.2 The financial services sector has a central role in delivering this mission, reflecting its key position as both an enabler and driver of growth. The sector plays a crucial part in unlocking growth in the real economy. By supporting consumers and businesses across the country, it underpins the stable economic environment necessary for sustainable growth and plays a vital role in allocating capital to the productive investment necessary to unlock growth across the economy.

1.3 Payments are a fundamental component of a thriving financial sector. The ability to make and receive payments is essential to our daily lives, and underpins commerce, trade and indeed all economic activity – with 48.1 billion transactions in the UK last year[1] alone. In addition to acting as an enabler for the wider economy, the payments sector is in itself an important source of growth – at the heart of a dynamic and innovative financial services sector, and the source of many high-skilled jobs.

1.4 The UK's payments landscape is broad and diverse. It encompasses retail payments made by individuals and businesses (typically high in volume and low in value), as well as wholesale payments between financial institutions and with the Bank of England (typically high in value but much lower in volume).

1.5 This landscape has evolved significantly in recent years, in part due to legislative and regulatory initiatives designed to support competition, but also in light of wider technological innovation and evolving user preferences. Cash remains important and the government is committed to protecting access, with the Financial Conduct Authority's new regime being vital in ensuring that all members of society can pay for essential goods and services in a way that suits their needs.

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[1] See UK Finance's Payments Market Report 2024 (p. 5): https://www.ukfinance.org.uk/system/files/2024-07/Summary%20UK%20Payment%20Markets%202024.pdf

1.6 However, it is clear that payments – and money – are becoming increasingly digital. Contactless payments have increased from 3% of all transactions in 2015 to 38% in 2023, when there were 18.3 billion transactions in total. This is in part due to the rapid adoption of digital wallets, with 'Big Tech' entering the payments arena. People and businesses in the UK are also increasingly making use of Open Banking to make payments by bank transfer, with 11 million current users of Open Banking services in the UK.

1.7 This change shows no signs of slowing down. The UK, alongside other advanced economies, is at a technological inflection point – there are multiple significant technological advances which could fundamentally alter the way that payments are made, processed and received.

1.8 We see this potential in pioneering developments being explored by governments, regulatory authorities and financial sectors both here and around the world, aiming to understand and reap the benefits of 'next generation' technologies. These include distributed ledger technologies (DLT), such as blockchain and the associated 'tokenisation' of assets, and initiatives relating to central bank digital currencies, stablecoins and the Regulated Liability Network[2]. The innovation, efficiency and economic benefit such developments could bring is potentially transformational.

1.9 The use of Artificial Intelligence also continues to rise across the sector, with over 91% of firms in the UK using it to enhance back-office functions and protect customers' accounts from fraud[3]. Additionally, the government shares the excitement of the sector about the opportunities to innovate and increase efficiencies by unleashing the power of data – in particular through the secure sharing of customer data under 'smart data' schemes, which government is supporting through measures in the Data (Use and Access) Bill.

1.10 Taken together, these next-generation technologies and innovations have the potential to change the payments landscape significantly. It is likely that payments become increasingly automated and embedded within our daily activities without the need for physical transactions. While this presents opportunities, it also throws up a range of new policy considerations for the sector.

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[2] The Regulated Liability Network (RLN) is an industry-led initiative positioned as a financial market infrastructure (FMI), operating a shared ledger with central bank money, commercial bank money and electronic money on the same network.

[3] From UK Finance/Oliver Wyman's *The Impact of AI in Financial Services* (p. 2): https://www.ukfinance.org.uk/system/files/2023-11/The%20impact%20of%20AI%20in%20financial%20services.pdf

1.11 Looking across the world, there is also ample evidence of innovation in retail payments being delivered right now, using the best of today's technology. Examples include the successful development of interbank payment methods, such as by Brazil's PIX service or Sweden's Swish app. These innovations can offer greater choice and competition in the way that payments are made to the benefit of consumers and businesses.

1.12 As policymakers, it is incumbent on the government and regulatory authorities to work collaboratively with the financial sector to ensure that the UK is ready and able to seize the benefits – and manage the risks – of technological advances, and ensure consumers and businesses are served well. Work is already underway in this area, for example reflected in the Bank of England's recent Discussion Paper on Innovation in Money and Payments[4].

1.13 The government is committed to the future success of the UK's payments sector given its importance to the functioning and growth of the UK economy. The UK has long been a global leader in payments. We were one of the first countries to establish a system for near instant digital payments with the launch of Faster Payments System in 2008, and the UK pioneered Open Banking in 2016.

1.14 However, a finding of last year's Garner Review on the Future of Payments was that the UK is at risk of falling behind international peers, in part due to a lack of overall strategic direction. Providing this direction is particularly important now, given the technological advances on the horizon and as other financial centres also look to seize the opportunities of the future. There are therefore important choices to make about where to focus investment.

Garner Review on Future of Payments

1.15 The independent Future of Payments Review 2023, led by Joe Garner, provided recommendations on the steps needed to successfully deliver world-leading retail payments in the UK.

1.16 The Garner Review highlighted many positives for the UK payments sector to build on, including our strong banking, cards and digital wallets environment and well-established regulatory framework. It also provided ten recommendations designed to improve the consumer experience, unlock Open Banking and enhance

[4] See here: https://www.bankofengland.co.uk/paper/2024/dp/the-boes-approach-to-innovation-in-money-and-payments

alignment between the different authorities that oversee this sector.

1.17 The Review found that, while the UK has historically been a world leader, recent years have seen an absence of clear and coordinated leadership, creating a congested landscape as industry and regulators seek to keep pace with the evolving technological environment through well-intentioned, but sometimes isolated and conflicting initiatives. Therefore, its primary recommendation was for government to set strategic direction for UK payments, guiding regulatory and industry activity to reduce congestion in the current landscape and free-up capacity for innovation.

1.18 The government welcomes the insights and recommendations provided by the Garner Review in its assessment of the current landscape. This document sets out actions the government is taking in line with the Review's findings.

A clearer ambition for UK payments

1.19 While our historical strengths have endured, maintaining and enhancing the UK's success in financial services, including payments, requires active steps to seize the growth opportunities of the future. Through this Vision, the government is providing the strategic direction that the Garner Review called for and is taking forward a package of actions to unlock innovation and growth, and deliver the next generation of UK payments.

1.20 The National Payments Vision is intended to provide clarity and long-term direction to this critical sector, supporting the prioritisation of today's activity and enabling focus on the innovation and investment required to support the UK's economic growth and position as a world leader in payments.

1.21 The payments sector is facing an inflection point, domestically and internationally. The pace of technological advancement is rapid, and it is too early to determine exactly what the future landscape will look like. However, emerging initiatives have the potential to fundamentally alter the current ecosystem.

1.22 The government has therefore taken a principles-based approach to this Vision. The first section outlines this overarching Vision and the framework for delivering it. This applies to the entirety of the payments landscape – setting strategic expectations and priorities that the future landscape must deliver, regardless of which method of payment is being used and irrespective of whether the payment is domestic or cross-border, retail or wholesale.

1.23 The second section sets out actions the government is taking in the short term, in order to strengthen the foundations needed to deliver this Vision. The third section outlines early actions to deliver on the three pillars of the government's vision: to drive innovation, facilitate competition and ensure security. Finally, section four outlines the next steps to deliver a Payments Forward Plan and implement this Vision. This includes a mechanism to support close collaboration between the government, regulators and broad stakeholder landscape, to ensure these ambitions for the future payments ecosystem can be delivered.

1.24 The actions set out in this Vision are predominantly focused on retail payments, reflecting the focus of the Garner Review. This does not detract from important activity to enhance wholesale payments, which crucially underpin the payments ecosystem. This includes the Bank of England's RTGS Renewal programme and its Future Roadmap, and the Bank of England omnibus account available to support ongoing industry innovation. The government welcomes the Bank of England's ongoing consideration of its approach to innovation in wholesale payments, as outlined in its July 2024 Discussion Paper[5].

1.25 In producing this Vision, government has engaged extensively across the broad payments landscape, building on feedback to the Garner Review, including the Review's public Call for Input. It has worked closely with the independent regulators – the Bank of England, Financial Conduct Authority and Payments Systems Regulator – who, working together, oversee this sector and lead many key initiatives.

[5] See here: https://www.bankofengland.co.uk/paper/2024/dp/the-boes-approach-to-innovation-in-money-and-payments

The government's vision

> ***A trusted, world-leading payments ecosystem delivered on next generation technology, where consumers and businesses have a choice of payment methods to meet their needs.***

To achieve this, the ecosystem must be underpinned by **strong foundations:**

- **The regulatory framework** for payments must be clear, predictable and proportionate. Regulators must coordinate well to support each other's activities and manage their collective impact on regulated entities. The regulators have a critical role in implementing the government's vision and ensuring a world-leading payments ecosystem.

- **Resilient infrastructure** is a pre-requisite to a healthy ecosystem and is essential for trust. To deliver world-leading payments, the underpinning infrastructure must be both resilient and support innovation. The resilience and functionality of today's infrastructure must be secured, while investing in the technology of the future.

Building from this, three **pillars** should guide activity across the ecosystem:

- **Innovation** must be at the heart of UK payments, delivering solutions to enhance the lives of consumers, and support the growth of UK businesses and the economy. Innovation is fundamental to unlocking the benefits of next generation technology. It should be led by the market, within clear parameters set by regulators. Payments innovation should benefit us all, including those with varied needs when making or receiving payments.

- **Competition** is key to enabling a diverse ecosystem, providing individuals and businesses with choice in how to make and receive payments, and spurring innovation across the landscape. The provision of payment-related services should be underpinned by sustainable commercial arrangements, incentivising ongoing investment in these services and the sector more widely.

- **Security** – Both the safety of our systems and protections for those making and receiving payments are critical. Payments are global in nature and an international outlook is therefore important – the government encourages efforts to boost cross-border activity and international interoperability but not at the expense of consumer protection or financial stability.

Chapter 2

Strengthening the foundations of today

2.1 The government's vision is for a trusted, world-leading payments ecosystem delivered on next generation technology, where consumers and businesses have a choice of payment methods to meet their needs. To achieve this, the UK's payments ecosystem must have strong foundations – providing the right conditions to support investment, enable innovation and stimulate growth now and into the future.

2.2 First, the regulatory framework must be clear, predictable and proportionate. The UK regulators have a critical role to play in achieving the government's vision and ensuring the system is set up for success. As part of this, regulators need to coordinate effectively, considering their collective impact on regulated entities.

2.3 Second, the underlying infrastructure through which payments are made and processed must be resilient and reliable. Above all else, payments must work – consumers and businesses need to have trust that their payments will be processed safely and smoothly whenever they need. But it is also vital that the underlying infrastructure enables innovation, and allows the UK to seize the opportunities of next generation technology.

2.4 The government is taking action to strengthen these foundations to ensure the UK can take the necessary steps to deliver world-leading payments. In line with the findings of the Garner Review, the following sections outline actions to address congestion in the regulatory landscape for payments and to steer the approach to the renewal of domestic retail payments infrastructure.

Strengthening coordination and addressing congestion in the regulatory landscape

2.5 The Prime Minister has been clear that regulation should support growth and unlock investment. The strength of the UK's regulatory environment is central to our leading role in financial services globally, and the regulatory environment is a core pillar of the Financial Services Growth and Competitiveness Strategy. Ensuring a robust, transparent and agile regulatory framework that supports growth and competitiveness while maintaining financial stability, market integrity and consumer protection is central to growth. Payments regulation must be clear, predictable and proportionate to ensure the strength of the sector and support innovation.

2.6 The Garner Review highlighted the UK's relative strength in the sophistication of its financial services regulators and noted that we benefit from a well-developed regulated environment. The Financial Conduct Authority, the Bank of England and the Payment Systems Regulator have collective regulatory oversight of the UK's payments sector, but with differing mandates – each authority has its own statutory objectives and regulates different aspects of payments activity.

2.7 However, the Review found that the payments landscape suffers significant regulatory congestion, with a large programme of initiatives – stemming from the government, the three regulators and industry – resulting in a significant burden on the sector. Each initiative has individual merit, with some intended to alleviate regulatory burden in the longer term, but the government is concerned that the collective impact is hampering the sector's capacity for innovation and growth.

2.8 The Review identified two key contributing factors to this congestion. First a lack of a central and strategic vision to enable an effective prioritisation of initiatives – which the government is now providing through this Vision. Second, that coordination between the regulators needs to be improved.

2.9 Government is not convinced that introducing a numeric target for reducing regulatory burdens, as was recommended in the Garner Review, is viable. However, we recognise the critique, and are taking decisive steps to enhance regulatory coordination and address congestion in the payments landscape.

Payments remit letter

2.10 As part of a package of measures to enhance regulatory coordination, the Garner Review recommended that government issue new remit letters to the regulators to provide a strategic steer on the government's priorities for payments and drive closer alignment of policy objectives. Remit letters provide the opportunity to make recommendations about aspects of the government's economic policy which the regulators should have regard to when furthering their statutory objectives (among other things). The government has issued letters to the FCA and Prudential Regulation Committee (PRC) of the Bank of England, setting out that the FCA and PRC should have regard to the government's policy towards the financial services sector, where the government's top priority is to promote its growth and international competitiveness.

2.11 Alongside this, the government has issued a first of its kind payments remit letter jointly to the FCA and PSR, providing recommendations relating to the government's priorities for the UK's payments sector, in line with the National Payments Vision. The payments remit letter reflects the critical role of the sector in supporting economic growth, and calls for enhanced coordination between authorities, in line with statutory requirements, to ensure its continued success. The payments remit letter is also copied to the Bank of England and Prudential Regulation Authority.

2.12 The key priorities highlighted in the payments remit letter are:

- **Enhancing coordination to address congestion in the regulatory landscape.** The government is taking several actions to support strengthened coordination between authorities to support the growth of the payments sector, and is clear that addressing congestion in the landscape is vital to ensure capacity for the innovation required to deliver world-leading payments into the future. In this regard, the payments remit letter welcomes the FCA's commitment to lead work on enhancing the management of overlaps between the FCA and PSR's exercise of their functions, particularly in relation to fraud policy.

- **Supporting the development of Open Banking.** In line with its vision to increase choice in payment methods across the ecosystem, the government calls on the FCA and PSR to consider its commitment to developing Open Banking to drive delivery of seamless account-to-account payments. In this regard, the government has asked the FCA to be the UK's regulator for Open Banking, while ensuring effective engagement with other relevant authorities, including cooperating with the PSR on matters related to designated payment systems.

- **Ensuring high standards of consumer protection and that people and businesses can make payments efficiently and safely.** In particular, reducing levels of fraud will support competitiveness and growth by ensuring consumers and businesses have trust in our financial services sector. The government therefore welcomes upcoming work from the regulators to examine data sharing initiatives across the financial services sector. This issue is also one where clearer delineation of responsibilities between the FCA and PSR is welcome. Regarding the new authorised push payment fraud reimbursement rules, the government welcomes the PSR's commitment to a publish an independent review of its rules after they have been in place for 12 months.

- **Driving an agile and flexible approach to delivering the UK's retail payments infrastructure needs.** This includes work to examine and refresh the requirements for the UK's retail infrastructure and the governance and funding arrangements needed to deliver this.

2.13 The payments remit letter welcomes the FCA and PSR's commitment to drive forward action to achieve the government's vision through participation in the Payments Vision Delivery Committee. Further detail on the Committee is provided in section four of this document.

Memorandum of Understanding for payments cooperation

2.13 Under statute, the Bank of England, FCA, PRA and PSR are required to coordinate the exercise of their specified functions relevant to payments and maintain a Memorandum of Understanding (MoU) outlining (among other things) how they will fulfil that duty.

2.14 These existing mechanisms to support coordination between regulators should be strengthened to ensure a more efficient and joined-up approach to engaging with the sector, particularly smaller firms. The government agrees with the Garner Review recommendation for the Bank of England, PRA, FCA and PSR to revise their existing MoU on cooperation in relation to the regulation of payment systems, and welcomes their commitment to do this by Q2 2025.

2.15 In undertaking this revision, the government expects the regulators to consider their collective impact on regulated firms and how this impact might be reduced, including through streamlining requests for information to minimise duplication. This is particularly relevant for smaller firms with less resource to manage regulatory requests, as highlighted by the Garner Review recommendation to consider the application of key regulations to the fintech sector.

2.16 In preparing their response to the payments remit letter, the government has asked the regulators to clearly outline actions taken to improve coordination and minimise overlaps, for example by clarifying regulatory responsibilities on specific issues. The regulators should regularly consider these arrangements through their annual reviews of the MoU.

Delivering world-leading payments infrastructure

2.17 The Garner Review outlined that "a world leading payments environment is vital for a world leading economy and a healthy society. The economy cannot grow without the payments infrastructure to support it". The government agrees with this assessment, recognising the critical bearing that payments have on the UK's economy, and in supporting future innovation.

2.18 Predicting the landing-zone for the future of payments, domestically or globally, is not easy. The number of developments and potential opportunities over the horizon are numerous – for example from central bank digital currencies (CBDC), the Regulated Liability Network (RLN) and stablecoins. The UK needs to be ready and have capacity for tomorrow's innovation, yet there also remains a specific and critical need to develop the UK's retail payments infrastructure beyond its current capabilities today.

2.19 The UK's Faster Payments System (FPS), developed in 2008, was one of the world's first instant payment systems, making transfers directly between individuals' bank accounts, predominantly through internet banking . Although the UK's retail payments landscape remains strongly comprised of card-based payments, the level of growth in Faster Payments is steadily rising, reaching 4.9 billion payments in 2023 and now comprising 10% of all payments made in the UK[6].

2.20 Looking across the globe to countries such as Sweden and Brazil, it is clear, however, that there is far greater potential and innovation that can now be harnessed from account-to-account payments. For customers, this could translate into the paying for goods or services in a shop or online via mobile phone numbers or QR codes. For merchants, they may potentially benefit from cost savings driven by having a wider variety of payment options. Meanwhile, the UK's pioneering fintech sector could be ideally placed to deliver the next wave of innovation in payments, making the most of better and more innovative account-to-account payments infrastructure in the UK.

2.21 Upgrading the UK's retail infrastructure is essential, but it has been slow, with the project to upgrade it – the 'new payments architecture' (NPA) – commencing in 2017. The Garner Review received many representations about the NPA. While written comments were mixed, the report described the views of contributors at interview as "forthright" and "emotive", concluding "that confidence in a timely and successful delivery of NPA appears variable at best".

2.22 Evidence taken during and since the Garner Review has not only been critical of the time and difficulty of making progress with the NPA. It has also surfaced more fundamental issues around the future of the UK's infrastructure needs and capability, than just the NPA programme itself:

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[6] See UK Finance's Payments Markets Summary (p. 5): https://www.ukfinance.org.uk/system/files/2024-07/Summary%20UK%20Payment%20Markets%202024.pdf

- This included, in particular, concerns with the governance model for the UK's retail payments infrastructure and the respective roles of the payment systems operator (Pay.UK), the regulators, and industry.
- Concern was also raised about the risk of consuming the sector's energy on a new payments architecture for retail payments while there remains uncertainty around what 'the next generation of payments' looks like and the implications for the UK's marketplace.
- Questions were also raised about how the UK's infrastructure choices would support the work of the G20 and G7 on improving efficiencies in cross-border payments, and the extent to which the UK would be minded to interlink with other Faster Payment Systems.

2.23 These reflections, combined with the significant technological developments on the horizon, have led the government to conclude that decisions around the UK's retail payments infrastructure are increasingly complex and strategic. It has become clear that the government needs to have greater involvement, at least in the short to medium term, in future decisions relating to payments infrastructure than it has had in the past. In turn, the UK's regulators and industry stakeholders will need to be highly engaged to help ensure the right choices are made.

The next steps for the UK's retail infrastructure

2.24 There is broad agreement that **timely and significant investment** is needed in the UK's retail payments infrastructure to ensure it is resilient and better enables innovation and competition. The question is how best to deliver this while ensuring the sector still has space to innovate and invest in tomorrow's innovation.

2.25 **The government considers that a more agile and flexible approach to delivering the UK's infrastructure needs is required**, and has some reservations about a full and comprehensive overhaul of today's infrastructure at the current juncture. A more pragmatic approach would develop the UK's retail payments infrastructure in a way that is better able to take account of future developments and the possibilities posed by innovation, particularly distributed ledger technology.

2.26 Consideration should also be given to the importance of interoperability between different systems, both domestically and internationally, noting the benefits offered here by upgrading to the latest messaging standards (ISO20022). Any decisions relating to interoperability will need to be made carefully, while maintaining the domestic security of our systems at all costs.

2.27 Notably, a process is already underway to advance the UK's infrastructure in a way that may offer greater agility. The Payment Systems Regulator publicly wrote to Pay.UK in a letter dated 11 April 2024, requesting proposals from Pay.UK to explore further investment in its current infrastructure arrangements to improve resilience and support greater innovation. The government considers this intervention to be prudent.

Setting direction and ensuring the right arrangements for delivery

2.28 In addition to technological upgrades to the system, **the government considers that the effective delivery of the UK's retail payments infrastructure now and through time requires a strong and effective payment systems operator,** and the current set of organisational arrangements could be improved. The government has heard frustration at Pay.UK's ability to work at pace to deliver programme change and to set direction, both from the organisation itself as well as various market participants. This tension needs to be resolved with a more effective set of arrangements put in place to enable swifter and more strategic decision-making while still reflecting the needs of all stakeholders to ensure that payment systems operate for the benefit of end users as well as the wider economy. This is likely to require more effective governance arrangements and a more sustainable funding model.

2.29 Managing a payments system consists of both day-to-day operations and broader strategic investment and strategy-setting, in the interests of market innovation, competition, and to ensure adequate consumer protection. While Pay.UK has delivered from an operational perspective, it was originally established with the aim of delivering across a wide set of objectives. However, as noted by Pay.UK itself, its design – and in particular its current governance model – has in practice made it very difficult to progress a strategic agenda as originally envisaged. Under its current model, it is able to progress activities such as funding new infrastructure or enhancement projects only with the consent of its members or through the imposition of regulatory obligations.

2.30 Appropriate governance and funding models are needed to ensure the UK's infrastructure needs are delivered now and through time, and that commercial arrangements are effective and deliver value-for-money for market users.

Implementing the government's vision for payments infrastructure

2.31 In light of the above, it is clear to the government that the sector would benefit from much greater clarity, direction and strategy regarding the UK's retail payments infrastructure. **Therefore, the newly established Payments Vision Delivery Committee will task**

the Bank and the PSR to examine and refresh the requirements for the UK's retail infrastructure. This work will:

- **Provide greater clarity on the upgrades required to the UK's Faster Payments System;**
- **Assess future requirements for the UK's retail payments infrastructure, looking beyond the upgrading of Faster Payments to consider the needs and development of the UK's retail payments at large; and**
- **Determine the governance arrangements needed to deliver this, including proposals to reform Pay.UK**, drawing on international comparisons appropriately.

2.32 In leading this work, the Bank and PSR should engage stakeholders and set out an approach no later than end Q2 2025. **In particular, the government has also asked the Bank and PSR consider the broader context of regulatory congestion. As highlighted in the Garner Review, this includes requirements for duplicate investment across competing infrastructure initiatives, and impacts on sector capacity. This will be an essential guiding principle for the Payments Vision Delivery Committee.**

2.33 More widely, the government requests that the PSR and Bank of England consider the aims and objectives set out in this National Payments Vision and, in particular:

- **the need for the UK's infrastructure to serve equitably a diverse array of market actors, both in terms of functionality and access.** This reflects the government's clear commitment to Open Banking, and the need to support wider market innovation and competition;
- **the importance of innovation** to support better outcomes for all market users, and **greater competition and choice** in the making of payments;
- **ensuring the safety of the UK's payments system**, and the importance of system resilience.

2.34 The government will monitor this work through HM Treasury's chairing of the Committee. The government also encourages stakeholders to engage constructively to ensure swift action to secure the payments ecosystem of today and enable developments for the ecosystem of tomorrow.

Wider innovation in payments

2.35 In addition to addressing the issues in the existing retail payments infrastructure relating to commercial bank money, the government continues to make a forward-looking assessment of the role of public money in a dynamic and fast-moving payments landscape.

2.36 To that end, we will continue the design phase for a retail Central Bank Digital Currency – known as the Digital Pound – in partnership with the Bank of England. No decision has been taken on whether to implement a digital pound, but the UK cannot risk falling behind, hence we are continuing rapid and careful exploration of all relevant emerging technologies. More detail on this is outlined in section three of this document.

2.37 Ensuring the resilience and safety of the systems underpinning UK payments is of paramount importance. In the context of an evolving payments ecosystem, the government will continue to consider whether the Bank of England's regulatory perimeter remains adequate for addressing risks to economic and financial stability.

Chapter 3
Building for tomorrow – driving innovation, facilitating competition and ensuring security

3.1 The government has taken action to strengthen the regulatory framework and steer future infrastructure renewal – the key foundations that create the conditions for the technological innovations and opportunities of tomorrow. Looking ahead, the government considers that three key pillars – **innovation, competition and security** – should guide industry and regulatory activity towards delivery of the government's vision.

3.2 There is substantial activity underway across the landscape today which aligns with these pillars, and the government does not wish to add to the congestion currently experienced across the sector through further initiatives. Instead, the government's vision should help to steer existing activities, particularly those which are considered priorities for delivering the overall ambition of diversifying today's ecosystem, harnessing next-generation technology and maintaining trust in payments.

3.3 It is important that consumers and businesses have choice in how they transact based on their individual needs and preferences. For most people, transacting digitally brings significant benefits around speed, convenience and security. However, the government recognises that there is a proportion of the population who either cannot or do not want to use digital payments. Ensuring that everyone has access to appropriate payment methods is vital to financial resilience, wellbeing and participation in the economy, so that no one is left behind in an increasingly digital society.

3.4 The government also acknowledges that further action is required to address the barriers for those that want to transact digitally but struggle to do so. It therefore welcomes the Garner Review finding on the increased risk of financial exclusion through digital exclusion and agrees with the recommendation to continually monitor this, including through the FCA's Financial Lives Survey.

3.5 The following section addresses key existing initiatives which drive innovation and facilitate competition in payments, including progressing Open Banking. It also considers activity to ensure the security of the ecosystem into the future, especially tackling payments fraud. These reflect a number of the themes highlighted by the Garner Review, and provide a response to the Review's more detailed recommendations.

Driving innovation and facilitating competition

Delivering seamless account-to-account payments through Open Banking

3.6 Individuals and businesses should have choice in how they make and receive payments, with competition in payment methods leading to innovation in products and services – from both established players and new entrants.

3.7 The UK is a heavily card-based market with 29.1 billion payments made using credit or debit card in 2023[7]. Combined with the rising use of digital wallets and smart phones, the consumer experience – particularly for in person contactless payments – is very positive. This was recognised by the Garner Review. The card schemes also offer valuable services, such as analytical tools to help merchants identify consumer spending patterns. Cards play – and will continue to play – an important role in the UK's payments ecosystem.

3.8 But there is significant opportunity to further develop account-to-account payments in the UK – enabling consumers to pay digitally for goods and services in shops and online, without using a card. This would provide greater choice to consumers and merchants in how they make and receive payments, which in turn is likely to spur innovation and downward competitive pressure on the cost of payments. The government is already backing and reaping the benefits of these innovative payments[8] and consumers and merchants should be able to do the same.

3.9 It is the government's ambition, therefore, that seamless account-to-account payments are developed as a ubiquitous payment method. For account-to-account payments to take-off, the underlying payments infrastructure needs improved functionality. As set out in Section 2 it is therefore important that the UK's payments infrastructure is upgraded in the short term to better

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[7] See UK Finance's Payments Markets Summary (pp. 9-10): https://www.ukfinance.org.uk/system/files/2024-07/Summary%20UK%20Payment%20Markets%202024.pdf

[8] For example, HMRC receives more Open Banking payments than any other UK organisation and any other government department in the world, and has now taken over 10 million payments worth almost £33 billion through Open Banking.

support innovation and competition. The user experience is also essential.

3.10 Open Banking, with its significant untapped potential, has a vital role to play in achieving this ambition in the near-term – in particular, through unlocking account-to-account payments for e-commerce. The government expects the regulators to ensure a strong focus on competition and choice in their work to support the development of Open Banking.

The government's ambition for Open Banking enabled payments

3.11 Through the combination of the Payment Services Regulations[9] and the 2017 Competition and Markets Authority (CMA) order on Open Banking,[10] the UK has led the way in making customer data available for use by authorised third party providers, through a standard set of Application Programming Interface (API) standards. This approach has been hugely successful in safely opening up access to payment accounts – enabling fintechs to enter the market and provide innovative products and services. However, there is significant opportunity for Open Banking to grow beyond the scope of the CMA Order, following the successful implementation of its roadmap.

3.12 For Open Banking to scale and help deliver more competition and innovation in the market, it needs to transition to a sustainable long-term regulatory framework. The government is committed to delivering this framework and intends to use incoming smart data powers in the Data (Use and Access) Bill, currently progressing through Parliament, to do so.

3.13 Ahead of that framework being delivered, the FCA and the PSR have been working via the Joint Regulatory Oversight Committee (JROC) and with industry to develop Open Banking beyond the scope of the CMA Order. The government appreciates the considerable support that the Open Banking ecosystem has provided to JROC in order to advance this. However, this work has been slow to progress, which is partly due to uncertainty around the future regulatory direction for Open Banking.

3.14 A key strand of this work is developing a 'phase 1 pilot' for Variable Recurring Payments, an innovative type of Open Banking enabled payment. This pilot is focused on a limited number of lower-risk use cases such as paying bills. Open Banking is likely to provide benefits for these use cases – for example by giving consumers greater

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[9] The Payment Services Regulations 2017 and the FCA's Regulatory Technical Standards on Strong Customer Authentication and Common and Secure Methods of Communication (made under regulation 106(A)).

[10] The Retail Banking Market Investigation Order 2017.

visibility, flexibility and control of the amounts and timings of their payments than alternatives such as Direct Debit and the government therefore supports the conclusion of this work. However, there is even greater opportunity for Open Banking payments beyond these use cases, in enabling account-to-account transactions more broadly.

3.15 While there is certainly potential for Open Banking enabled payments to become ubiquitous, including for physical point-of-sale transactions, this brings particular technological challenges (for example around developing the software and hardware required to facilitate in-person transactions). These challenges are less relevant in the case of online transactions.

3.16 Recognising the lower barriers to delivery, as well as industry appetite in this area, the government considers unlocking Open Banking enabled account-to-account payments for e-commerce to be a strategic short to medium term priority.

3.17 More broadly, and beyond its role in delivering seamless account-to-account payments, Open Banking presents significant opportunities by further enabling customers and businesses to leverage their data to access personalised, tailored services and finance.

3.18 The government's ambition is for the UK to be a world leader in Open Finance – the next generation of financial data sharing. The benefits are potentially transformative for businesses and customers, enabling choice, innovation and a greater ability to engage with financial services.

Developing a clearer set of regulatory responsibilities

3.19 For Open Banking to further flourish and successfully deliver seamless account-to-account payments, the roles of the regulators need to be clear.

3.20 Through JROC, the FCA and PSR have been working to progress Open Banking, in dialogue with HMT and the CMA. While some of this work is now nearing its final stages, progress has been slow and firms report that engaging with JROC has been challenging. The government is cognisant that both industry and the regulators have invested substantial resource in this work, much of which is laying important foundations for the long-term regulatory framework, including better mapping API performance, developing tools to combat financial crime, progressing proposals for a dispute resolution mechanism and improving information flows. The government therefore supports the swift conclusion of the JROC Open Banking Roadmap.[11]

3.21 However, as we look ahead to the future framework being delivered, the regulators' roles need to be clarified in order to effectively and efficiently oversee, and enable the growth of, Open Banking.

3.22 The government considers that Open Banking should develop as an overlay service for the accessing of account data and initiation of account-to-account payments. While Open Banking is not a designated payment system itself, Open Banking initiated account-to-account payments often rely on payment rails within designated payments systems overseen by the PSR – chiefly, the Faster Payment System. Given this close interaction, and the accelerating growth and sophistication of Open Banking services, it is important to clarify the regulators' roles under the future framework.

3.23 Going forward, the government has asked the FCA to be the UK's regulator for Open Banking, as envisaged by the Data (Use and Access) Bill. The government expects the FCA to engage as appropriate with the PSR, including in relation to the interaction of Open Banking overlay services with underlying payment rails which are designated as PSR regulated payment systems, noting the PSR's expertise as an economic regulator with innovation and competition objectives in relation to such systems.[12]

3.24 The long-term regulatory framework for Open Banking will build on existing payment account access requirements to create a regulated scheme for Open Banking. This will include making provision for a new central body to take on and expand upon the important role that has been performed by Open Banking Limited. The government intends for the FCA, with its statutory objectives to promote competition in the interests of consumers, to be the sole regulator of this body and the Open Banking smart data scheme.

3.25 Having a single authority leading the regulation of Open Banking overall will help ensure coherence between the approach to Open Banking payment initiation and data sharing. The FCA will also be well placed to consider potential interoperability between Open Banking and other smart data schemes, given the government's intention for this Open Banking framework to lay the foundations for Open Finance.

[11] See JROC's April 2023 Publication: Recommendations for the next phase of open banking in the UK (publishing.service.gov.uk)

[12] Payment Systems Regulator: designation orders - GOV.UK

3.26 When established, JROC was intended to act as a temporary arrangement to bridge the gap ahead of the permanent framework being delivered. As such, JROC will be wound down at the earliest opportunity.

Facilitating innovation and investment through a sustainable commercial model

3.27 Establishing a sustainable 'commercial model' for Open Banking is critical for its development. The government agrees with the Garner Review's assessment that Open Banking's current economics create a lack of incentives for data holders to drive, invest and support the development of Open Banking beyond the regulatory minimum established in the CMA Order.

3.28 To unleash the potential of Open Banking, sustainable commercial arrangements are needed. The provision of any additional or 'premium' services beyond the scope of the CMA Order should be subject to a commercial model whereby data holders are incentivised to innovate and invest. The government intends to support this through the incoming regulatory framework.

3.29 Under the auspices of JROC, the PSR has led work over the course of this year, seeking to develop a commercial model for the phase 1 use cases for Variable Recurring Payments. The government supports an industry-led approach to the development of this model and expects it to be delivered quickly and in a way that supports effective competition.

3.30 While these pilot use cases are important, there is clear benefit too in driving progress in unlocking Open Banking payments for e-commerce.

3.31 Although it may build on components of the pilot, the commercial model for e-commerce use cases will need to reflect different risks and requirements. Given it will take some time to develop, the government therefore asks the FCA to commence work to determine the commercial model for e-commerce uses cases swiftly, and in parallel to the delivery of the pilot.

3.32 Following the delivery of the VRP phase 1 pilot, the government expects the FCA to reflect on the lessons learned, including the progress of industry-led developments. The government expects the FCA to work closely with the PSR, drawing on its expertise as an economic regulator, as the FCA takes forward work on the overall framework for commercial Open Banking payments, including Variable Recurring Payments. The government expects the FCA and the PSR to ensure a fully effective handover of the commercial model once phase 1 is delivered. More generally, the government would like to see all industry partners play their role in supporting the effective and timely delivery of a sustainable commercial model.

3.33 The government is also aware of concerns about the potential for significant increases in the use of APIs which are currently provided for free under the CMA Order, with questions posed in relation to the fairness of free access at significant scale. In January 2024, the FCA issued a Call for Input considering the potential competition impacts from the data asymmetry between Big Tech companies and financial services firms. The FCA responded to this Call for Input in April, with a commitment – among other next steps – to conduct further analysis and keep this under review. The government will consider whether policy changes are required to align incentives between data users and holders and support a sustainable funding model for API development – for example considering reciprocal obligations or reasonable compensation where certain APIs are accessed at significant scale.

3.34 The government recognises that the regulatory-led free access model has been and remains pivotal to democratising access to data, as well as supporting innovation and competition. The government is aware that many smaller fintechs rely on free access to APIs and associated services, to start and grow their business. As such, it is committed to protecting existing fintech business models. The government plans to engage further with the ecosystem on these issues as it develops proposals for the long-term regulatory framework for Open Banking, including a smart data scheme.

Open Banking consumer protections

3.35 It is critical that payments are safe and consumers are adequately protected. This includes appropriate recourse when something goes wrong. Not all types of payment require the same degree of protection – for example, an ability to swiftly obtain a refund, and clarity on how to go about this, is more important when buying an airplane ticket than buying a newspaper.

3.36 Currently, card payments offer greater consumer protection than payments via bank transfer. The Garner Review recommended 'addressing the consumer protection gap' for Open Banking – for example by establishing a basic level of consumer protection and clarity on liability for payments made via Open Banking.

3.37 Adequate consumer protection must be delivered for Open Banking payments, and the government intends to address this through the future framework. Ahead of that framework being delivered, the government welcomes work – led by Open Banking Limited and overseen by the FCA and PSR – to stand up a dispute resolution process.

Enabling the use of safe and trustworthy digital identity products

3.38 In its conclusion on improving person-to-person payments in the UK, the Garner Review highlighted that countries which have moved rapidly in this area, notably India and the Netherlands, have done so by building real time payment systems using national identifiers or digital identity products.

3.39 Introducing digital identifiers can help ensure that person-to-person payments remain a competitive and reliable option for consumers. Currently, the UK consumer needs to input the sort code and account number to make a payment which can be cumbersome and lead to errors in sending payments to the correct payee.

3.40 However, there are many sectors that would benefit from a digital identity initiative–and government therefore agrees with Garner's suggestion to take a cross-government approach to explore developments in this area. The Data (Use and Access) Bill, led by the Department for Science, Innovation and Technology and which is currently progressing through Parliament, includes measures to establish a statutory footing for digital verification services without creating a mandatory digital ID system.

3.41 This legislation is intended to deliver a framework of standards and governance for providers to offer trusted digital identity services to those who wish to use them. Through consultation, public dialogue and engagement with industry, government has developed a set of standards for reliable and secure digital identity services, known as the UK digital identity and attributes trust framework.

3.42 Digital verification service providers can be independently assessed against these standards and over 45 providers have already been certified[13]. Certified providers that follow government rules are already delivering hundreds of thousands of digital right-to-work, right-to-rent and Disclosure and Barring Service checks every month. This can also be utilised by payment service providers to allow safe and efficient ways of making payments without needing sort code and account numbers.

3.43 Financial services is a priority sector for adoption of digital identities and government continues to engage closely with stakeholders on opportunities in this space. The government welcomes the work of the Centre for Finance Innovation and Technology (CFIT) and its coalition partners to explore the potential of digital verification solutions to combat economic crime, and will consider any findings that emerge from CFIT's work in due course.

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[13] GOV.UK - List of certified digital identity and attribute services

Exploring a potential 'digital pound'

3.44 The government remains committed to protecting access to cash, recognising its importance in allowing millions of people (often in vulnerable groups) to pay for essential goods and services. But with the emergence of new forms of digital money and new payment and settlement technologies, the government believes it is also right for the UK, alongside many other countries, to continue to explore the concept of a retail Central Bank Digital Currency. The UK's proposed retail Central Bank Digital Currency – known as the digital pound – would be a form of digital banknote issued directly by the Bank of England. This would be a potential complement to cash and other payment mechanisms for use by households and business for their everyday payments needs in the next generation of payments technology.

3.45 To that end this government will continue the design phase for the digital pound, in partnership with the Bank of England. A digital pound could help ensure that money issued by the Bank of England remains available and useful in an ever more digital economy. It could also provide, consistent with the government's pillars for guiding future activity, a public platform for private sector innovation, promoting further choice and efficiency in payments. Together with the Bank of England, the government will ensure the design of a digital pound maintains financial stability, users' privacy, and supports financial inclusion.

3.46 No decision has been taken on whether to go ahead with implementing a digital pound. This work will be critical in providing the necessary evidence base to make such a decision in the coming years. Any decision will also depend on wider trends in money and payments. Irrespective of the final decision, by partnering with the private sector on proofs of concept and experiments, the work will support private innovation in digital currency technologies. It will also deepen the retail payments expertise of the UK public authorities, and support the UK in its ambition to further build its global leadership on payments and fintech innovation.

3.47 Recognising that the introduction of a digital pound would be a major step, the government also confirms that any decision to proceed with a digital pound would be accompanied by the introduction of primary legislation, ensuring full Parliamentary scrutiny by both Houses of Parliament, before any launch of the digital pound. Legislation would be preceded by a further public consultation and would guarantee users' privacy and control of their money.

Ensuring the security of the UK's payments ecosystem

Protecting against fraud

3.48 This government is committed to high standards of consumer protection and ensuring people and businesses can make payments efficiently and safely. In recent times, a substantial threat to this has been the rise of fraud. Fraud causes huge economic damage through losses and through the undermining of trust in key commercial enterprises including our payment's ecosystem. The cost of fraud is also significant, with independent estimates suggesting that fraud cost UK consumers £8.3 billion last year alone.

3.49 This Vision is intended to respond to the chief issues raised during the Garner Review, where fraud was the most commonly mentioned topic. Amongst the Review's findings was a recommendation that government should set a more ambitious fraud reduction target. The government is committed to working with law enforcement and industry to better protect the public and businesses from this appalling crime, and will work closely with all sectors to deliver its manifesto commitment of a new fraud strategy.

3.50 While this Vision primarily sets out the government's response to the issues raised in the Garner Review on fraud, it is important to emphasise that identifying and stopping fraud is only the first opportunity for firms to prevent the onward transfer of criminal funds, for use in wider organised crime and to cause further damage to society. Payment firms should therefore also remain focused on meeting their obligations to tackle economic crime more broadly, including money laundering, terrorist financing and sanctions evasion.

Ensuring clear and proportionate regulation

3.51 The Garner Review highlighted that a National Payments Vision could clarify the responsibilities of different authorities in tackling fraud. The government considers that fraud policy represents a clear example of regulatory overlap in the responsibilities of the Payment Systems Regulator and the FCA. As referenced in the accompanying remit letter, the government welcomes commitments from the FCA, as the responsible regulator for the conduct of payment service providers, to lead work to manage existing overlaps between the FCA and PSR's exercise of their functions on fraud.

3.52 Innovation is key to ensuring firms can tackle the evolving threats posed by fraudsters. The government therefore believes it is important that regulation can support firms to adopt new solutions that protect consumers from this appalling crime. The Garner Review recognised this and found that the implementation of Strong Customer Authentication (SCA) requirements[5] had succeeded in reducing fraud rates but has resulted in burdensome frictions which impact the customer's experience, including a lack of flexibility around contactless limits. The Review recommended that the government should seek to remove the prescriptive requirements in the relevant technical standards and instead place them in regulatory rules and/or guidance.

3.53 The government agrees with this recommendation and is committed to commencing the revocation of the payments authentication regulations relating to SCA in the Payment Services Regulations 2017. This will enable the FCA to incorporate aspects of the technical standards into its rules, allowing for more agile and outcomes-based rulemaking, in turn providing industry more flexibility to effectively prevent fraud while improving the customer payments experience.

Focusing on upstream prevention, including intelligence sharing

3.54 The UK has put in place strong consumer protections for fraud, including through reimbursement of authorised push payment fraud as mandated by the Payment Systems Regulator. While this regime provides a critical safety net for consumers, it introduces new risks for firms to manage. In line with the recommendation made in the Garner review, the Payment Systems Regulator has confirmed it will commission an independent post implementation review of its policy after 12 months of the policy being in force.

3.55 However, the government agrees with the Garner review that more focus must be placed on fraud prevention. Reducing levels of fraud will support competitiveness and growth by ensuring consumers and businesses have trust in our financial services sector.

3.56 In this vein, the government has already acted quickly to give payment service providers powers to delay the processing of select payments broadly when there are reasonable grounds to suspect authorised push payment fraud, and more time is needed to engage the customer or a relevant third party, such as law enforcement. While the government is clear that this tool must be used proportionately and not as a means to systematically disrupt legitimate payments or de-risk entire sectors, it will support firms in their efforts to combat the most complex cases of authorised push payment fraud and "break the spell" of fraudsters. We have also seen the financial services sector engage in valuable public-private partnerships to combat fraud and wider economic crime upstream. For example, the Joint Money Laundering Intelligence Taskforce facilitates the sharing of information between law enforcement agencies and the private sector to detect and prevent economic crime threats, including fraud.

3.57 While these are positive steps, it is clear that more can be done to prevent fraud upstream, including through sharing intelligence, both within and across sectors. Within the financial services sector specifically, there are a number of promising solutions which allow firms to share data for the purposes of tackling fraud, either before a transaction is initiated or real-time during the processing of a payment. With its renewed focus on upstream fraud prevention, the government would like to see the adoption of intelligence sharing initiatives prioritised moving forward.

3.58 In the payments remit letter published today, the government therefore welcomes the forthcoming work by the financial services regulators to work in partnership with the financial services sector to better understand the different intelligence sharing solutions available and the barriers to their wider adoption.

Adopting a cross sectoral approach to tackling fraud

3.59 Authorised push payment fraud ends with the sending or receiving of a payment, but that is not where it starts. Evidence collected consistently shows that fraudsters are exploiting online platforms and telecommunications networks to access and coerce victims. The government is clear that all actors across the chain, including from these sectors, must play their full part in stopping fraud upstream.

3.60 The government welcomes the voluntary steps that have been taken to date by these sectors, and notes that important statutory changes will soon also be implemented. Notably, the Online Safety Act 2023 imposes obligations on large technology platforms to prevent fraudulent content on their services or face substantial fines if they fail to do so. There is also ongoing work from Ofcom with operators to prevent the misuse of telephone numbers by criminals, stem the tide of scam messages and address mobile spoofing.

3.61 However, despite progress, overall fraud rates remain too high and the scale of fraud originating on online platforms and telecommunication networks continues to pose a significant risk to the wider growth, prosperity, and security of the UK. It is clear that more needs to be done now to stop these platforms being exploited by fraudsters. The government is therefore determined that the technology and telecommunications sectors must take further steps to tackle fraud.

3.62 The government has therefore today written to the technology and telecommunications sectors to call for demonstrable action to reduce the scale of incidents and losses from fraud taking place on their platforms and networks. The government will request updates on progress and action taken at the next Joint Fraud Taskforce in March 2025. The government will continue to monitor the issue.

Chapter 4
Implementing the National Payments Vision

4.1 The National Payments Vision aims to spur innovation and investment, and secure the UK's position as a world leader in payments. Achieving this Vision will require collaboration across the ecosystem, including between public authorities, financial services providers and end-users. The shared commitment to deliver growth of this sector is clear, with strong engagement from key stakeholders across the banking and fintech sectors, consumer representatives, merchants and regulators over the course of this work.

4.2 Beyond a vision, the Garner Review called for strategic prioritisation decisions across existing regulatory initiatives to help alleviate the regulatory burden. The UK's model of financial regulation, established by the Financial Services and Markets Act 2000, delegates significant responsibility to expert, operationally-independent regulators, working within an overall policy framework set by government and Parliament. Therefore, decisions relating to initiatives led by the regulators must be taken by them, but within the context of government's priorities as set out in the National Payments Vision and having regard to the recommendations in the Payments remit letter.

The Payments Vision Delivery Committee

4.3 The government is establishing the Payments Vision Delivery Committee, comprised of senior representatives of the Bank of England, FCA and PSR, with responsibility for ensuring coordination between the regulators. It will provide a mechanism to facilitate prioritisation decisions on initiatives. HM Treasury will chair the Committee to support this work and help ensure decisions are aligned with the government's vision.

4.4 The Committee will run for an initial period of 9-12 months, after which its future role will be assessed. Its key outputs will be to:

- Outline proposals on the UK's retail payments infrastructure needs and the governance and funding arrangements required to deliver this, led by the Bank of England and PSR.
- Publish a sequenced plan of future initiatives (the Payments Forward Plan), outlining decisions to streamline activity and

provide clarity on regulatory requirements in the future landscape.

4.5 The Committee will be supported by a cross-authority secretariat.

Working in partnership with the sector to deliver the Vision

4.6 Direction from government and a clear regulatory approach is vital in providing the guardrails to guide the ecosystem, but growth must be delivered through collaboration with industry partners – spurring innovation and grasping the opportunities of next generation technology.

4.7 The Garner Review called on government to consider '*a more supportive and collaborative relationship between regulators and industry*' to improve future outcomes. Enhanced collaboration between government, regulators and industry is critical to delivering the government's growth mission and renewed partnership with the private sector is required to deliver the government's ambitions for UK payments.

4.8 The stakeholder landscape for payments is broad, with varied and often conflicting views. In taking decisions on the UK's future retail payments infrastructure needs and sequencing of regulatory initiatives, there must be clear channels for the Payments Vision Delivery Committee to consider representations across the ecosystem.

4.9 Therefore, the Payments Vision Delivery Committee will be supported by the Vision Engagement Group. The group will comprise public and private membership – senior officials of the regulators and HM Treasury will be standing members, and rotating members will include representatives across the sector, ensuring a collaborative approach to progressing work for the Committee's decision.

4.10 Private sector participation in the Vision Engagement Group will be subject to an open application process. This participation will reflect the breadth of the UK's payments stakeholder landscape – including financial services providers, fintechs, merchants and consumer representatives.

4.11 Further detail on the Payments Vision Delivery Committee can be found in the accompanying Terms of Reference.

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This document can be downloaded from www.gov.uk

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