



# Treasury Committee

## Oral evidence: The work of the Payment Systems Regulator, HC 144

Wednesday 25 May 2022

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Members present: Mel Stride (Chair); Harriett Baldwin; Anthony Browne; Dame Angela Eagle; Kevin Hollinrake; Siobhain McDonagh; Alison Thewliss.

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### Witnesses

I: Chris Hemsley, Managing Director, Payment Systems Regulator; Charles Randell CBE, Outgoing Chair, Payment Systems Regulator.

### Examination of Witnesses

Witnesses: Chris Hemsley and Charles Randell.

Q1 **Chair:** Good afternoon and welcome to the Treasury Select Committee and our hearing this afternoon on the work of the Payment Systems Regulator. We are very pleased to be joined by two very senior members of the PSR, who I will now ask to introduce themselves very briefly to the Committee.

**Charles Randell:** I am Charles Randell. Until recently, I was the chair of the Payment Systems Regulator. I am still a board member of the regulator.

**Chris Hemsley:** I am Chris Hemsley. I am the managing director of the Payment Systems Regulator.

Q2 **Chair:** Welcome to you both. Thank you for coming. Charles, can I start with you? First, thank you for all your service at the PSR, but also the FCA, where you are also standing down. You are retiring a little bit early, or a little bit earlier than the five-year term. Could you talk the Committee through what the thinking is there? Why is now the time to go, rather than waiting until the natural end?

**Charles Randell:** We covered this, I think, in my previous hearing with this Committee and I set out my reasons fairly fully in the letter I wrote to the Chancellor. The little more than four years that I have been in post



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has been quite an intensive period. We have had a number of unusual events to negotiate, including Brexit and the coronavirus, and now we have a war in Europe. On top of that, it has been a period in which the boards of both organisations have changed substantially, as well as the executive leadership. At the FCA, there have also been three major independent reviews into the past work of the FSA and the FCA, which have been very challenging.

All these events coming together has made it an extremely heavy workload over this period. There have been times during the last four years when I have been working very much full-time, and by full-time I mean seven days a week, not five. That is a relationship with a non-executive chair that, ultimately, becomes unsustainable. It is really important to find the right time to reintroduce the non-executive into the role.

We now have the opportunity, with leadership that is bedded in at the FCA, a strategy and business plan that is very clear, and a team that has been there for a full year at the executive level and the chief executive for 18 months. That is a good time to move on. The organisation is well on the way to making all the changes that it needs to make, but they will not be done for another three or so years, and it is a good time to hand over to the next chair to oversee the completion of the change process.

**Q3 Chair:** It appears at least, from the way that the two roles here are being advertised, or the processes around them, that we may be heading towards having a different individual as chair of the FCA, as distinct from chair of the PSR. Is that your understanding of what is happening? Have you had any discussions on that particular matter?

**Charles Randell:** That is certainly my advice to the Treasury, that the role should be separated. It is also the view of the boards of both the PSR and the FCA. The reason for that is that the FCA has an enormous mandate. It is a mandate that is growing rapidly and it is already huge. It has very high expectations placed upon it. The role of the chair is pretty much all-encompassing within the part-time that a non-executive chair should be spending.

I have always been worried that the amount of time and attention I can devote to the PSR is in danger of suffering from the very urgent demands of the FCA role. I feel that the organisation will benefit from having a much more focused chair of its own to lead the PSR board. The key thing in all that, of course, is not to lose the connectivity between the two organisations.

The critical question is whether the Chair of the PSR should also be a member of the FCA board. It is my view and the advice of the PSR and FCA boards to the Treasury that there should be that relationship. The next permanent chair of the PSR should sit on the FCA board and provide that connectivity between the two organisations.



Q4 **Chair:** This is the advice that you have given to the Treasury, backed up by both boards. Has the Treasury expressed a view on that?

**Charles Randell:** The Treasury is very sympathetic to that argument. I have had really constructive discussions with the Treasury about it. Ultimately, the decision around the individual appointment is one that requires Treasury approval, so I do not want to say that that is definitely what is going to happen. The direction of travel and the conversations I have had with the Treasury have been entirely positive.

Q5 **Chair:** That all sounds fairly sensible to me. We do not yet know who your successor will be at the PSR, but what general advice would you have for that person, having held the role for a number of years now? What would you be saying to them?

**Charles Randell:** The big change that we have seen in the last four years at the PSR has been a change from an initial period of establishing the organisation to a point where the organisation was up and running. The phrase I often heard was, "We are a competition and access regulator. That is what we do. We regulate competition and access". That is true up to a point, but there is always an issue with competition regulators. Lord Tyrie found this very much at the Competition and Markets Authority.

The tools that you reach for can be quite slow, and require large amounts of data gathering, market studies and very legalistic procedures and interventions. The world is moving far too quickly for that to be the only tool that you reach for. The world is moving far too quickly for you to react to incoming complaints. You need to find out what is happening out there.

We have been trying to take the organisation, with Chris's support, in the direction of one that is really well connected, gathers really good intelligence about what is going on and thinks about the different ways that it can intervene and affect events rapidly. My advice to the next chair would be, "Let us keep going in that direction. Let us demand speed and agility in the interventions that we see from the PSR".

The other bit of advice I would offer is that it is always easy for different departments to drift apart or have a silo focus. That is not just to do with institutional arrangements, the legalistic arrangements, but it is actually a cultural thing. Again, with Chris's support, we have been working very hard to solidify our teamworking with the FCA. I brought the director of retail banking, David Geale, on to the PSR board in order to ensure that that workstream is also, at a working level, integrated at the board.

The constant demand of both boards now is this: "Show me that you are doing this as a joint project with the other regulator and that you are using your resources efficiently and your tools in the most agile manner possible". It is fair to say we have not yet reached perfection on that, but



we are a long way along the road. My advice to the next chair would be to keep going and make sure that we do not slip back.

- Q6 **Kevin Hollinrake:** I would like to deal with card payment fees. I know that we have had correspondence with you on this from the Committee. I know that one of your key objectives—you referred to it earlier, Charles—is about promoting competition. There is a US Senator, Dick Durbin, who is very critical of Visa and Mastercard. He calls it a duopoly, “a sweetheart deal for the dominant networks, for the biggest banks and for certain cardholders who have ritzy rewards”. Is that fair?

**Chris Hemsley:** Card payments are really important, and we need to make sure that this market works well for both people and businesses. As we have set out, there are questions to be answered there. There are concerns that this market is not working sufficiently well. That is why we have launched the work that we announced late last year into looking at card fees and certainly interchange fees.

To reflect on the importance of that, we moved very quickly to issue our first set of information requests from the parties. We have had significant documentation back from them. While I am very conscious of the fact that these are really important issues, and quite complicated issues as well, I would also like to say that, in my opinion, we are moving very quickly and clearly. I would also observe that we are doing that where, if you look around the world, other competition authorities and regulators are not yet grappling with these issues. Yes, they are complicated and we will take some time to work through these issues, but we are moving at speed to understand them and take action.

- Q7 **Kevin Hollinrake:** You are still at the information gathering stage, in terms of that piece of work. When will it be published? When will the actual report be published and your position on that be published?

**Chris Hemsley:** By the nature of these sorts of investigations, they are using our formal powers. We have a suite of powers that we can use. As you would expect, the sorts of issues that we are dealing with and the parties that we are dealing with mean that we need to move quite carefully through the evidence gathering. I cannot tell you how long this will take.

I can tell you that next month we will be publishing our next document as part of this process. That will set out more information around, more precisely, what we are looking at and provide more information about our next steps. It is the nature of these investigations that, to some degree, it is difficult to say how long they will take. I can give the Committee assurance that we have stood up the team as quickly as we can. We are acting quickly in response to the evidence and we will be continuing to prioritise this to make sure we follow through.

- Q8 **Kevin Hollinrake:** Did you say next year or this year?

**Chris Hemsley:** We are publishing our next document next month.



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- Q9 **Kevin Hollinrake:** That is not the outcome for this—  
**Chris Hemsley:** No. These investigations take some time.
- Q10 **Kevin Hollinrake:** Do you think that it will be this year or next year?  
**Chris Hemsley:** Looking at one of the investigations we have recently closed, it took some years. There is a process of going through that evidence and reaching the findings, following the necessary legal steps.
- Q11 **Kevin Hollinrake:** It might be years.  
**Chris Hemsley:** It could well be, yes.
- Q12 **Kevin Hollinrake:** In your letter, you mentioned that you might take shorter-term measures, short-term measures, interim measures, I guess. Is there any sign of that happening? Will that include a cap on fees? The cap on fees between the UK and purchasers was lifted when we left the EU, for example. Are you thinking of reinstating that cap, for example?  
**Chris Hemsley:** Taking that sort of step in itself, as you would expect, would likely be contested and so would need to be as a result of careful analysis of whether there are issues. That in itself would take some time. The sort of action that I referred to in that letter, even those earlier interventions, would still require evidence and would still take some time to put in place.
- Q13 **Kevin Hollinrake:** When the cap was removed, it went from 0.2% and 0.3%, I think, to 1.15% and 1.5%, did it not? These are the interchange fees for UK customers and EEA merchants. Why was it complicated to put that back in? There must have been some evidence base before that cap was applied in the first place, so why would it be a problem for Visa and Mastercard if that cap was reinstated, for example, even on a short-term basis?  
**Chris Hemsley:** You are absolutely right. As we left the European Union, in effect, the undertakings that the European Commission, Visa and Mastercard entered into changed. Under those undertakings, Visa and Mastercard were able to change those fees and increase them, as you have said.
- We have started to investigate that. We have asked for an explanation of why that has happened. At the moment, we do not have a good explanation of why costs have changed or other factors. That is the very reason why we are investigating that now. You asked why Visa and Mastercard had chosen to do that. I think that that is a commercial decision for them. They did not have to increase those fees. As a result of those increases, we are, at the stage we are at now, investigating it.
- Q14 **Kevin Hollinrake:** That is good, I guess. Is it not simpler just to whack the cap back on until you have investigated it? If it is going to take you years to get to this stage, that is years of higher fees, which will impact particularly on SMEs. It seems surprising that you are not willing to



reinstate that cap until at least your report has concluded.

**Chris Hemsley:** I am frustrated about this as well, the pace that you need to go.

Q15 **Kevin Hollinrake:** You have the power to change it. You have the power to implement a cap.

**Chris Hemsley:** We have those powers, but we have to follow certain processes in order to do it. There is not a very quick fix to this issue and there is a good reason for that. The powers that we have are quite significant. A regulator intervening on prices is a significant thing and we need the evidence base. We need to hear what the parties have to say and give them their opportunity. It is a frustrating process at one level, but it is important that we follow the rules and do this carefully and thoroughly.

Q16 **Kevin Hollinrake:** Can I give you some evidence? Visa and Mastercard have some of the highest profit margins in the S&P 500. Amazon is quoted as saying that the very high fees Visa charges for credit card transactions and scheme fees have doubled from 2014 to 2018. Is that not evidence that you are not regulating this market properly?

**Chris Hemsley:** Some evidence you are citing is our work. One thing we have been doing is the work to understand what has been happening for scheme fees. We published that work in November and have moved, within weeks, to announce our investigation. We are moving at pace, but the investigation process that we follow needs to be thorough. If we cut corners and do not do our job properly, no one will thank us if we do not manage to come out of the other side with a robust decision, whatever that decision might be.

Q17 **Kevin Hollinrake:** A former employee of PSR wrote to us in evidence and said that you were taking almost no role in regulating card scheme fees and that you were suffering from regulatory capture.

**Chris Hemsley:** I do not agree. We have, at the moment, a good track record of investigating a whole range of issues. Indeed, earlier this year we issued financial penalties, including against Mastercard, in excess of £30 million in relation to a cartel investigation. We have an investigation on card fees, on interchange fees, and our recent annual plan confirmed that we are also taking steps to address some of these competition issues at more of the structural level.

That will take some time, but, at that structural level, we want to make account-to-account payments, using, essentially, payments direct from your bank account, a much more credible alternative to Visa and Mastercard. I want to make sure that this market is competitive and keeps these firms honest, innovating and competing. We have a good record of working quite hard to make sure that this market works.

Q18 **Kevin Hollinrake:** The British Retail Consortium does not agree with



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you. It says that you have been bamboozled. This is talking about card scheme fees: “Billing structures have further become a powerful tool to bamboozle” the regulators effectively. It also said that it raised a formal complaint with you in 2017 about these issues, about card fees, which is five years ago. It never had any formal response. What do you say to that?

**Chris Hemsley:** Picking up on that second point, I think we responded to that complaint. We have checked our records. We responded and we met with the British Retail Consortium.

Q19 **Kevin Hollinrake:** You responded in writing.

**Chris Hemsley:** Yes, we did.

Q20 **Kevin Hollinrake:** Would you be able to share a copy of that response?

**Chris Hemsley:** We need to check the confidentiality, but I am sure that we could share that with you. Your point around the fee structure is a good one. The fee structures are complicated. This is one of the issues from our recent work on investigating how to improve the market for the provision of card services to businesses. One thing that we have highlighted is the complexity of fees. We set out proposals earlier this year to simplify and support businesses to shop around and get better deals. The complexity of these fees is an issue that we recognise and that we are acting on.

Q21 **Kevin Hollinrake:** Charles, would you like to comment? You talked about some ways in which the PSR could improve—a slightly different structure and the chair being more focused on this particular role. Do you feel that the PSR has not regulated this area effectively, or could have been more effective, in terms of payment fees?

**Charles Randell:** I found the comments from the former employee slightly strange, given the point that Chris made. These are global schemes and global fee structures in many cases. We are not aware of any regulator anywhere in the world that is taking the action that we are taking in relation to investigating scheme fees. We are not aware of any regulator of any non-EU country that is outside the charge cap on interchange. I am not aware of anyone who is investigating that either.

It is a slightly strange accusation that the one regulator that is doing something about this is apparently the one that has been captured, so I do not recognise any of that, actually. It is right that we are taking the action that we are taking, but it is also right that we are very careful to gather the evidence in a robust way. We are dealing with enormous, well-resourced multinational organisations and it is really important that we gather the evidence, produce robust conclusions and follow due process. That, to everyone’s frustration, takes time.

Q22 **Kevin Hollinrake:** Did the US not, in 2010, cap debit fees, as well? There was the Dodd-Frank Wall Street Reform and Consumer Protection



Act.

**Charles Randall:** We have a cap on interchange fees in this country and there was a cap on cross-border fees within the European Union, but there is not a cap that applies as a result of our having left the European Union. That is the position that we are in. The Government could, of course, take legislative action to reimpose the cap if they wished to do so. In the meantime, the only alternative way of proceeding is through a competition investigation, effectively, which requires all the procedural safeguards that Chris has already outlined.

Q23 **Kevin Hollinrake:** Would that competition investigation be done by you or by the CMA?

**Charles Randall:** It is the one that we have happening now.

**Chris Hemsley:** We have a range of powers. We have the Competition Act powers. We also sectoral powers that we could use. Our update next month will set out more information about our use of powers.

Q24 **Kevin Hollinrake:** Would you support a CMA investigation into this supposed duopoly? It sounds like something where there is very modest competition in this area.

**Chris Hemsley:** We are investigating it now. We are doing the work. As you would expect, we also work closely with the CMA. We share information, expertise and indeed staff at times. We are investigating this work.

Q25 **Kevin Hollinrake:** You can understand the frustration of the BRC and others that this is taking a long time and things do not seem to be changing. In fact, it seems like it is going the other way, in terms of the cap now being scrapped, for the reasons we have discussed. I understand the complexity and the resources that those organisations will have, but you can understand the frustrations of many of the customers of this, especially SMEs.

**Chris Hemsley:** Yes, absolutely. There is always that frustration. You always want to make things better more quickly. The thing I would point to as well is that, while we are doing this work, there are other earlier pieces of work that are now about to be implemented. We are trying to improve this market in other ways and taking steps to improve how businesses can shop around and get a better deal for their card services. That is not the same as the issue we have just been talking about, but it shows that we take action. We are trying to improve this market as quickly as we can.

Q26 **Kevin Hollinrake:** Okay. In terms of the wider work, I think you have just published your first formal strategy. I think that it was in January of this year. It took quite a long time to publish a strategy. Why now? Why the change in approach?



**Chris Hemsley:** One way to explain that is that the PSR was set up with quite a clear list of tasks. Coming out of the Cruickshank review, the Treasury reviews, it was not quite as simple as this, but there was a list of tasks that needed to be worked through. Looking at where the PSR is now, where the payments markets are now, a lot has changed. We have seen a halving of the use of cash, the growth of digital payments and now emerging technologies in the crypto space. That felt like the right time to take that step back and work out what the big issues are. What is going well in payments? What is not going quite so well and what should we be doing about it? It slightly reflects the age of the organisation, but also that payments is a fast-moving place. It is right that an organisation of our scale, dealing with the markets that are hugely important to everyone's day-to-day lives, is really clear about what we are doing and sets out clearly our priorities.

Q27 **Kevin Hollinrake:** What is your biggest priority or your top couple of things? What is the thing that is keeping you awake at night?

**Chris Hemsley:** It is reflected in the strategy. Some things in there are a continuation of things that we have been working on for some time now. Fraud is at the top of that list. Payment fraud is a significant issue, and we may well talk about it in more depth later. We need to get on top of that. We need to make sure our systems are as secure as they can be and that people are protected. That is reaffirmed in our strategy.

We still need to make sure that people have a good choice of how to pay, so our work on cash access is continuing. In that strategy, we also signal a real shift and increased focus on unlocking the potential for account-to-account payments, open banking payments, to inject more competition at that structural level, as I was talking about earlier, and improve the prospects for competition over the longer term. If I was going to pick out one thing that is new in that strategy, it is that real focus on making sure that payment markets, particularly in retail payments, remain competitive as we go forward.

Q28 **Kevin Hollinrake:** You admit that card payment fees are not particularly competitive right now.

**Chris Hemsley:** As you have rightly said, the two large schemes account for a very large proportion, high 90%, of the retail card transactions. Clearly, there are questions there about whether that market is working effectively. I am using slightly different words, but I am agreeing that there are issues we need to look at.

Q29 **Kevin Hollinrake:** In your foreword to the report, you admit that the strategy is very ambitious. How are you going to deliver on it all?

**Chris Hemsley:** It is ambitious. We have just been talking about some of the challenges that we will be facing and they are not insignificant ones. The first thing I would say is that we have started. We are starting the delivery. Even before we actually published that final strategy, we had



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started the card fees work and launched more of this work on making account to account work.

I am really pleased that our role in making sure that open banking transitions to be a business-as-usual part of the payment ecosystem also has now been confirmed. I am chairing the group, alongside the FCA, to make sure that that happens. We are already doing it. We are already launching the work to make sure that we are delivering against that strategy.

**Q30 Kevin Hollinrake:** Going back to the interchange fees and the cap, when will you make a decision on whether to cap or not, in the shorter-term measures, or have you decided not to do that already?

**Chris Hemsley:** We have not taken that decision. We need to follow the process there.

**Q31 Kevin Hollinrake:** How long will that take? Because they are shorter-term measures, I hope it will be this year, will it?

**Chris Hemsley:** Next month is when we set out an update. I am happy to write to the Committee at the same time to set out our plans at that stage, including covering those prospects, if that is acceptable.

**Q32 Kevin Hollinrake:** We will know next month whether you are going to cap or not.

**Chris Hemsley:** There will at least be more information on our plans for investigating these issues.

**Q33 Chair:** Roughly, Chris, at the moment, in terms of when you are going to conclude that investigation and take a decision, what ballpark timing are you thinking of at this stage?

**Chris Hemsley:** It is really difficult to put a firm time horizon on that.

**Q34 Chair:** How long could it run if it runs quite a long time? What is the worst case?

**Chris Hemsley:** Market investigations typically can take 18 months to two years. Competition Act cases can take up to four years to fully conclude. When the European Commission and the Office of Fair Trading in the UK were looking at card fees, they were at it for even longer than that. We need to move at pace, but I do not want to give the Committee the impression that this is quick. It will take some time.

**Q35 Chair:** If these investigations take this amount of time, and of course they have to be thorough for the reasons that you have already suggested, are there lessons there as to the approach that is taken? Do we or do Government need to think about it and make it more efficient and quicker, without losing its efficacy?

**Chris Hemsley:** There is pretty much an ongoing debate about the balance between pace and due process in the Competition Act. One



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lesson I would highlight, though, is to make sure, if you can, that these markets are as competitive as they can be at that structural level. If you can find ways of reducing barriers to entry, supporting entry into these markets, that is better than having to investigate after the event, when you have concerns. Inevitably, those investigations, because of the due process, take some time.

**Charles Randell:** Not just in relation to the card schemes but across a variety of emerging digital giants, we have seen that, when the market does not contain that competition element and people exploit network effects to gain incredibly strong market positions, their relationship with the competition authority becomes very attritional over a very long period of time.

We see that in the way the European Commission is engaging with some of the digital giants. We see it actually in the way the European Commission has had to engage with Mastercard and Visa over many years. You need to find the right balance between a long war of attrition and one in which you think about ways of injecting competition into the market, so that the market helps to keep people honest. It is not just an issue about card payments. It is present in the digital economy in all sorts of different places.

Q36 **Chair:** Chris, do you have enough resource to conduct this investigation, or is there any shortfall there?

**Chris Hemsley:** We have a budget. The board has offered its support. As you would expect, we are recruiting into those teams to make sure we have the resources available to move this forward at pace. It is an issue that we flagged in our annual plan that one of the challenges we have at the moment is that we are recruiting from some very tight markets. We have a budget, we are recruiting and we are getting on with it.

Q37 **Alison Thewliss:** I have some questions around the cash machine network in the UK and the PSR's role. There is an infamous picture on Twitter of a cash machine in central Glasgow, where some helpful person has written on the cash machine to say where the nearest free-to-use ones are, because people do not want to have to pay to access their own money. You recently updated your specific direction in relation to LINK in order for it to maintain the broad geographic spread of free-to-use cash machines. Could you tell me a bit more about what it was about the previous direction that was not working well? What are you hoping to achieve with this update?

**Chris Hemsley:** You are absolutely right that our objective is around free-to-use ATMs. The way that we regulate LINK is to protect the geographic spread of free-to-use ATMs. That update reflected the fact that LINK has been doing a good job. We have been bringing together the data around cash access, so through free-to-use ATMs, Post Office and other ways of accessing cash, and it shows that there is good coverage.



That update reflects the fact that LINK has been doing a good job in protecting the ATM network, but also that, looking ahead, we are going to be moving to a situation where it is not just about free-to-use ATMs any more. Increasingly things like cash from tills, so cashback without purchase, will play an important role. Also, there is the emergence of shared banking hubs. As I am sure you are aware, there was a pilot in Glasgow—indeed, Cambuslang.

**Alison Thewliss:** Cambuslang is not in Glasgow.

**Chris Hemsley:** No, I was there. Yes, sorry. I was in Cambuslang in, I think, January, so yes. One reason why we have updated that direction is to make sure it is sufficiently flexible to take account of the fact that we are moving from focusing on free-to-use ATMs to now a range of different ways of accessing cash. Hopefully it is more proportionate and flexible. We are still making sure that LINK continues to do its job on free-to-use ATMs.

Q38 **Alison Thewliss:** Do you not create a bit of an unfair advantage by devoting such a large proportion of your time to LINK and not the wider ATM scheme market as a whole?

**Chris Hemsley:** The LINK network is by far and away the most important way that people access cash for free. It is by far and away the largest network and the only cash machine network that is designated for regulation by the PSR. We are conscious of the fact that LINK does not operate in a vacuum. There are other providers of networks, Visa being one of them, that can provide ATM services. When we are regulating LINK, we have to make sure we understand the full context of the market that it is operating in. It is right to focus on LINK, because that is what makes a difference to people across the country. That is how they access cash.

Q39 **Alison Thewliss:** The Committee has recently received evidence from industry that suggests that the ATM operators cannot sustain free-to-use ATMs due to LINK's reduction of the ATM interchange fee. Could you tell me a bit more about how you regulate that? Particularly NoteMachine has been quite vocal and feels it has been competitively disadvantaged as a result of that.

**Chris Hemsley:** We are trying to achieve this broad geographic spread. It matters to people that they can find a free-to-use cash machine close to their home or where they need to access cash. That is what we have tasked LINK to do. Our regulatory approach for LINK is to task it with solving that problem.

It then has a range of policies that it puts in place, the levers that it has, to make that actually happen in high streets across the country. One of the levers is that interchange fee, which is the average fee that is paid to providers of ATMs. It also has other tools in its armoury. It has policies that reward ATMs in important but low-volume places where footfall is



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not as high, but the ATM is really important. It also has tools to install ATMs in areas of particular vulnerability. It is also able to directly procure ATMs in locations where there is a need.

The interchange fee is an important debate and it is always one where you are going to have banks on one side, saying it is too high, providers on the other, saying it is too low, and LINK taking a difficult decision to weigh that up. For us, the important thing is to focus on what is happening on the ground. Are there ATMs where they are needed? If that is true, that strongly suggests that LINK is making the right sorts of trade-offs using that toolkit that I have been talking about.

**Q40 Siobhain McDonagh:** My experience as a constituency MP is that that is not happening. The poorest and most excluded areas are precisely the ones that do not have free-to-use ATMs. I will give as an example Pollards Hill in my constituency, where there is no free ATM so people are taking really small amounts of money and being charged every time. Even when the Co-op store came to the parade, which was great, it is not allowed to have a free ATM, as part of its lease agreement, because a shop up the road has a paid-for one. Years of campaigning has not changed any of that for the people in Pollards Hill.

**Chris Hemsley:** I completely recognise this challenge, because we focus on free access to cash for the very reason you talk about. People on tight budgets want to be able to access small amounts of cash when they need it, because that is the reality of how they can best budget. I absolutely recognise that. LINK has in place a process whereby communities can request ATMs.

**Siobhain McDonagh:** Yes. I have done that.

**Chris Hemsley:** LINK should be analysing and considering that case and deciding whether there should be an ATM in that location. There are more ways of accessing cash as well. There is the ATM route, the Post Office route and the other route is the growth in providing cashback at tills. That is the other way in which communities can reach out and ask for cash services to be delivered in their local area. That is another alternative. I do not know the answer.

**Q41 Siobhain McDonagh:** Has the arrangement with the Post Office ended? All the post offices in my area are beginning to have their free ATMs removed.

**Chris Hemsley:** A banking framework agreement has been put in place, which means that, at pretty much every bank, you can go in and withdraw cash, using your bank card. That agreement has, I believe, been renewed recently. Yes, it has been renewed recently. That service should still be available. That would not necessarily be in a freestanding terminal, so an ATM. You may have to go to the counter to request that money, but you should still have that ability to access cash through the Post Office.



Q42 **Siobhain McDonagh:** Not from the ATM at the front of the store.

**Chris Hemsley:** That is correct.

**Siobhain McDonagh:** The ATMs have been taken out.

Q43 **Alison Thewliss:** There is an issue around that 24-hour need for people to access or to deposit cash. I wonder what analysis you do of where those free-to-access machines are available, as opposed to the ones that you have to pay for. Like colleagues, I feel that more of the ones that you have to pay for are in the poorer communities, so people are having to be charged for money that they have very little of to begin with. Is your role as a regulator not to make sure that there is a fairness within that system for people?

**Chris Hemsley:** I agree, absolutely. We focus on the provision of free access to cash. I was talking earlier about the fact that we have the analysis across the country of what that cash access looks like, but it is the free access. We do not treat a pay-to-use ATM as an acceptable source of access to cash. We focus on just those free ones.

In particularly vulnerable communities that need access to cash, that is one reason why we push LINK and LINK puts in place a whole raft of additional ATMs. It looked at measures of social deprivation, where we need free access to cash and places that do not have it today. It worked with a charity, Toynbee Hall, to put that in place. That led to a series of additional free-to-use ATMs.

I am not going to claim that every high street that needs a free-to-use ATM has one, but there are processes in place. LINK has the job to make sure that there are ATMs where they are needed. If that process is not working, that is the sort of thing that we review and take action against.

Q44 **Alison Thewliss:** Recent data from LINK's monthly report show that ATMs continue to decline steadily, so it is not that they are opening up. They are actually going away. Would you expect that more free-to-use ATMs are going to close if you do not do something about the interchange fees and make sure that there is that equality for people?

**Chris Hemsley:** You are absolutely right. Over recent years, there has been a reduction in the number of free-to-use ATMs, and in the number of pay-to-use ATMs as well. The important thing there is to make sure that the ATMs are in the locations where they are needed.

In the last few years, we have seen a process where there has been a thinning out of ATMs in places where, frankly, there is quite good provision. If you walk down Victoria Street today, there are lots of ATMs. Some supermarkets have had a bank of two or three ATMs and they have reduced it to one.

That is why we are increasingly focusing on where the ATMs are and whether there is the cash access that people need, rather than focusing



on the sheer number. The number can distort the fact that there may be too many in city centre locations, busy shopping areas, and too few where they are needed, which might be a local high street. We are really focused on making sure that they are in the right places, rather than the absolute number.

**Q45 Alison Thewliss:** Do you think that you need to have a stronger regime on that at the moment? If the numbers are still declining and the pay-to-use ones are still there, people cannot access their cash. Other people within this market, like NoteMachine, are saying, "This is not working". This is not a system that is working for our constituents, is it?

**Chris Hemsley:** The simple answer to that is yes. We need a change. I have been talking about the fact that PSR has been supporting the need for legislative change in this area. The LINK system is focused on cash withdrawals, not deposits. It is also a membership organisation, so the banks do not have to be members of LINK.

That is why it is really welcome that the Government have announced, and it was confirmed in the Queen's Speech, legislation to protect cash access. That provides a really good opportunity to put the important social value of cash access on to the statute book and to broaden that focus away from just ATMs to cash deposits and cash withdrawals, and have that more holistic approach that is really important going forward.

*Sitting suspended for a Division in the House.*

*On resuming—*

**Q46 Siobhain McDonagh:** To follow on from Alison's questions and our discussion about access to free cash machines, in your new strategy you note that the Payment Systems Regulator will continue to protect access to cash for those who rely on it. It is wonderful rhetoric. I fear that it is not the reality, certainly in my constituency in Mitcham and Morden.

In Mitcham, despite packed public meetings and a week-long stall outside the bank, Barclays has closed its branch, becoming the fourth bank to close in the town centre in recent years. In Morden, only in the last few months, the ATM at the Post Office has been removed. The ATM at the former NatWest bank has been removed. The ATM right next to the Tube station has also just been removed, so there is nowhere to get access to cash before getting on the end of the Northern line.

Given that nearly half of all the bank branches in the country have closed since 2015 and now ATMs are being removed from post offices as well, how are you going to fulfil your competition objective?

**Chris Hemsley:** In terms of the ATMs, as bank branches are closing, as you rightly say, that often means that ATMs close. If that creates an area that needs a free-to-use ATM, LINK should be considering that. That could include taking direct procurement of an ATM for a local community. It has in place processes to make sure that that happens.



The wider point you are making around the impact of bank branch closures is the reason why the legislation that has been recently announced is really important. That will allow the process to go beyond free-to-use ATMs and allow us to think more holistically about access to both cash withdrawal and cash deposit services. It is proposed to give the FCA greater powers to require banks to put in place suitable alternative measures. What does that look like? That could include a shared banking hub, a trial of which was the Cambuslang site.

**Q47 Siobhain McDonagh:** The Barclays is now based a couple of days a week in Mitcham library, but there is no cash. There is even a problem with the bank using its laptops. It wants customers to come in with laptops, but they are generally older and less likely to use, or have, such thing as a laptop.

**Chris Hemsley:** At the moment, we are moving towards that legislation being put in place and then moving towards the roll-out of proper banking hubs. They are different to Barclays coming into a community. Did you say that it was a library? They will be providing banking services for Barclays customers. The potential of the shared banking hubs is that we end up with one location for a community where you can get access to pretty much every main bank's services. It is genuinely that shared service.

Also, it would provide the ability to deposit and withdraw cash on a daily basis. As we are moving forward, the legislation and the new powers for the FCA will open up greater potential for things like these shared banking hubs to be rolled out and backed by legislation.

**Q48 Siobhain McDonagh:** LINK is already supposed to be ensuring that services happen in this location and it is not, and this legislation, with a good wind and the best will in the world, is years away.

**Chris Hemsley:** LINK's job is to identify gaps where a free-to-use ATM could and should be installed. If it is not doing that for your community, I am very happy to make sure that LINK gets in touch with you to make sure that it has considered Morden in particular.

**Q49 Siobhain McDonagh:** When banks close, they say, "Do not worry, because just across the road you have a Post Office and you can do 80% or 90% of the things you could do in our branch in the Post Office". Then the ATMs in the Post Office go. Quite apart from the whole denuding of our high streets and the appalling mess they leave behind, again people are more and more isolated and less and less able to take part.

**Chris Hemsley:** This is what I mean. At the moment, we have the ability to make sure LINK does its job properly. The issues you talk about for high streets are definitely recognised. This is where the future legislation provides a way of putting in that important social service, bank branch cash access, and reflecting that in the legislation. The shared banking hubs and appropriate good-quality Post Office services are the growing toolkit that we will need to make sure that high streets have the cash



access services that they need, on both the withdrawal and the deposit sides.

**Q50 Siobhain McDonagh:** We know that poorer people pay their bills differently from how the people in this room pay their bills. They pay their gas and electricity on a prepayment meter. They are going to get really hit with the increase in costs, because they cannot escape having to pay their bills on time. They use pay-as-you-go mobiles, rather than a contract.

We know that debt agencies advise all their clients to deal in cash. We know that, statistically, if you are on a limited budget, you are more likely to be successful if you deal in cash, rather than tapping in a shop. You will be reluctant to do direct debit because you cannot be sure that that money is going to be there on that date when it gets taken out. People who are having a really hard time are having their situation exacerbated. CAB, Christians Against Poverty and all the myriad advice agencies are saying, "Deal in cash", but people are finding it harder to do that.

**Chris Hemsley:** What you have just said is what I hear when I talk to people. It is also a consistent message that comes back from structured research in this area. Around 10% of the population has a real strong preference to use cash, for the very reasons you set out—that it helps people budget. Given inflation and the squeeze on cost of living, it is all the more important. In the immediate term, we can make sure that that cash access is protected. That is why we have used our powers to direct LINK and it is why LINK has that set of policies, including making sure that vulnerable areas have free-to-use ATMs. I absolutely agree that cash continues to be a really important way that people control their budgets.

There is one final point that I would add. You mention direct debit. We need to make sure that digital payments work better as well. About two weeks ago, we published a report that started to look at what more we could do to make digital payments work better for people. That includes giving people more control over their money, potentially providing them with more information, so they feel more comfortable signing up for digital payments. As you have rightly said, one of the ways of reducing your bills is often to use digital payments. We need to make sure that digital payments work for as many people as possible.

**Q51 Siobhain McDonagh:** Quite apart from cash, not all payment systems are equal, are they? I cannot tell you the number of people I meet who will not have direct debits because they fear what will happen and the charges that the bank will issue them should the money go out before they have it in.

When the Government recently announced the £150 back on your council tax to help with heating and hot water, I discovered that, in my council, 30,000 people pay their council tax manually each month. They pay by cheque, by PayPal or, where they can, in cash. I do not think that very



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many councils do that any more. That is what they do in order to have the control.

I had a 91 year-old man come to see me about a planning issue. He asked, "Siobhain, how do I get my £150 back?" He said, "I pay my council tax religiously every month by cheque". He is 91. He does not have a laptop or an email address. He does not use those sorts of services. He has to apply online through the council website, and upload a copy of his bank statement to get his £150 back. This is 30,000 people. Not all of those people will be quite in his position, but not all payment systems work, do they?

**Chris Hemsley:** No. Given the challenge you have talked about there, it clearly is important that councils find a way of making those payments.

Q52 **Siobhain McDonagh:** Do you have any engagement with councils? Do you talk to them about their payment methods?

**Chris Hemsley:** Our remit does not extend to that. That would be an issue for the relevant Government Department, I think. In terms of the issues you have been talking about, there is quite a lot of potential to make digital payments more flexible and give people the control that they need. That will not work for everyone. Let us be realistic. For your 90 plus year-old, learning a new payment technology is probably not very high up the list of things that he is likely to do. There is more that we can do to make sure that we move away from the only option being something like direct debit.

There are technologies that we are close to being able to deploy, particularly using the open banking payments technology, that give people more control. They will be requested for a payment. They can then communicate with the person who wants to take a payment from them and they have much more control about when that money comes out of their bank account. That is a real, tangible improvement in payments that will help some people. It will not help everyone, but it will help some people to navigate the future of digital payments more easily.

Q53 **Siobhain McDonagh:** What mechanisms do you have for stakeholder engagement, community groups, debt agencies? Do you talk to those people?

**Chris Hemsley:** Yes. Getting out and talking to actual people who are experiencing payments day-to-day is really important. There is no substitute for talking to people about their day-to-day lives. We do it in a number of ways. We tend to engage with a number of the charities and consumer groups. I talked about Toynbee Hall, for example, which is an organisation we talk to a lot.

We use the representative organisations, but we also have a programme of getting out and meeting people. It has been a bit harder in the recent couple of years. Recently, as I spoke about, we had a visit to Cambuslang, talked to a range of people there, including an old man



walking down the high street who was telling me how difficult it is to pay his card bill. You do not get that sort of intelligence from reading research reports. It comes to life when you talk to people when they are walking down their high street.

We do that, and before the pandemic we had a well-established programme of spending time with communities around the country to make sure that we understood those issues. That included Citizens Advice on one of my recent trips to the Peak District.

**Siobhain McDonagh:** You have a standing offer to come to Mitcham and Morden any time you like.

Q54 **Harriett Baldwin:** I do not want to in any way undermine my colleagues talking about the importance of cash, because that is a very important issue, but I also want to talk about card payments, because they have become so much more important. I am thinking of it from the perspective of small businesses and those that are setting up in business and need to be able now to take these contactless payments much more than people used to expect. People used to expect to buy those things in cash.

I was very interested in finding out about the findings of your card acquiring market review. I wondered why it took so long to complete, because obviously there have been quite a lot of changes and innovations during the time of the review. Can you set out what your main findings are that you are taking forward at this moment and explain why it took such a long time to do?

**Chris Hemsley:** I will start with the findings. We looked at, essentially, how businesses can take card payments, digital payments. One way of describing what we found was that the sort and size of business mattered. The deal that they were likely to get depended on their size. In simple terms, for the largest merchants in the country, they get a pretty good deal. They have the sophistication and clout to get a good deal for their card acquiring services, those card services.

At the other end of the market, sole traders, microbusinesses, people who want to take card payments for their home business, craft business for example, we have seen a really good story. We have seen the entry of firms like Square and Zettle, which are offering these relatively easy to use payment terminals that you increasingly see appearing.

Q55 **Harriett Baldwin:** Are they the ones who do the little white ones that you see on markets?

**Chris Hemsley:** Yes. I am not going to endorse any particular one, but yes, there are at least three or four firms that are offering those. They connect through a mobile phone. They work really well for these sorts of small businesses.

We found that there was a problem between those two extremes, which is a lot of businesses and actually, by number, the majority of



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businesses. Those businesses have slightly more complex needs for taking payments, but they are not big enough to have the sort of clout of the high street national chains. The simple thing there was that, if they shopped around, if they were able to shop around, they could get a much better deal. They could save hundreds of pounds, but there were a number of barriers to them shopping around. Those are reflected in our remedies.

I will provide the Committee with an update of what those are. Essentially, they are focused on making it easier to switch supplier. We have proposals to simplify the information provided to the businesses, so key facts information, so they understand how much they are paying for their card fees. There is always a risk that, because it is a small percentage, you do not realise that that actually adds up.

We have also taken steps to make sure that, when they try to shop around, businesses can provide them with reliable information about whether they are likely to save money by standardising some of the information around fees to make sure they can take an informed decision about whether to switch.

We have also introduced a proposal that they will get a prompt. It is quite typical for these contracts to roll on. We see this in the personal home insurance market. If you have a policy that expires, it then prompts people to engage in the market, to shop around. We are introducing that sort of prompt.

The final one I would highlight is that we are also taking steps to explore whether there are ways of making sure that the actual point of sale terminals themselves, which can be quite expensive, do not provide a barrier to people switching. There is an issue that sometimes you have a contract for the services and a contract for the terminal, and you cannot take the terminal with you. We would like to see much greater interoperability, a bit like networks in mobile phone markets. I can switch my mobile phone network with my current phone. We want to use that sort of idea.

**Q56 Harriett Baldwin:** In terms of the length of time that it took, we were told in evidence that NatWest said it was likely due to you having staffing issues and an attempt to do too many things with too few resources. Do you recognise that?

**Chris Hemsley:** It was a significant piece of work. There was a lot of work involved. To bring that to life, we were collecting data about tens of thousands of merchants, and we had a huge amount of data that we needed to handle and analyse properly. When we complete these projects, we review how well we think we have done and we try to learn lessons, because we always want to improve. Looking back on the project, there are probably some areas where we could have shaved some time off it and moved a bit more quickly. Ultimately, it was a significant undertaking and one that the team and I are very proud of.



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Of course, it was completed during the pandemic. That was another aggravating factor that made it harder to do that work. I am very proud of the report that we have published. It is a robust piece of work, and the feedback that we have received is that the remedies are heading in the right direction as we move towards implementing them.

**Harriett Baldwin:** We got evidence from UK Finance that says that the four proposed remedies that are focused on comparison and technical interoperability do not reflect the perceived harms that are primarily contractual in nature.

**Chris Hemsley:** At one level, that is probably UK Finance saying that it disagrees with some of our remedies, which it is allowed to. We set out a robust piece of work and we have explained why we think that package of remedies to encourage people and allow businesses to switch will help in this market. We are continuing to push forward with that work.

It is the job of a regulator to accept that not everyone agrees with everything we do, but we have a robust piece of work. The balance of feedback we are getting on the remedies package is that it will have a positive impact.

Q57 **Harriett Baldwin:** When will businesses and consumers see that impact?

**Chris Hemsley:** The next step is that, in the summer, we will, using our formal powers, issue the remedies notices, which is the formal implementation. Over the last couple of months, we have been understanding the detail to make sure that, when we do that, we do it in a way that works. You should start to see the impact of those changes after we have issued those formal remedies. It will be towards the end of the year, into next year.

Q58 **Harriett Baldwin:** How will we see that impact?

**Chris Hemsley:** If you are trying to measure whether this is working, one of the things that I would like to see is more people switching.

Q59 **Harriett Baldwin:** Do you have a baseline?

**Chris Hemsley:** Yes. There is information in our final report that shows the evidence around how often merchants tend to change supplier. It is not that often. If these measures are working, you would like to see that switching activity step up. You would also like to see the deal that people are getting remain competitive because, ideally, the threat of switching is sometimes enough and that can reduce some of those price differences that might exist in the market today. Those are the sorts of measures that you might expect to see.

Q60 **Harriett Baldwin:** We have also heard evidence from Zephyre that the review wrongly focused on competition between payment card acquirers for Visa and Mastercard, rather than on competition between payment systems. Why did you take that approach?



**Chris Hemsley:** At an early stage of that work, we sought views on the scope of that work and what we were going to cover. It is fair to say some people thought we should do more, we should investigate more issues, and other responses were saying we needed to do less. I recognise there is a bit of a trade-off here. If you take on too many things, you end up doing everything slowly.

What we chose to do, which I think was a good decision, was to focus on making sure this market works well for businesses so they can switch and find a good deal, as I am talking about, but also do that work to understand scheme fees, which we were talking about earlier. That was a substantial piece of work. You have to take a decision on the scope, given the pace at which we wanted to move.

Q61 **Harriett Baldwin:** Are you responsible for the current account switch guarantee work, or is that another part of the system?

**Chris Hemsley:** We do have a role, which is quite specific. As part of the earlier review of the banking markets by, probably, the Competition Commission at the time, one of the remedies that came out of that was to set up the current account switching service. On an annual basis, we review whether CASS is meeting the requirements that have been set out, which principally relate to people's awareness. Hopefully you will have seen the adverts that sustain awareness of the current account switching service, and one of the things we do is to make sure that they are properly discharging their obligations. We report to the Treasury annually on our view of the performance of CASS.

**Harriett Baldwin:** I just shoehorned that in because I am coming into another section now on the payment systems innovations that are coming down the line and whether it is your view that crypto assets are likely to be one of those innovations that become more prevalent.

**Chris Hemsley:** This technology is live today, so it is actually involved in payments today. It is currently used particularly for international transactions, and I think we are going to increasingly see it in bank-to-bank transactions. Crypto is a reality for payments today. One thing that we certainly need to understand and be very active in is when these new technologies come in and are used on day-to-day payment activities by businesses and individuals.

That is why we are a member of the Cryptoassets Taskforce. I attended one of those meetings very recently. We are really keen to make sure that we have the regulatory toolkit to treat them like a payment system, because at some point one of these technologies, these new ways of paying, may well reach scale and become the next payment system. We need to make sure that it is treated as that, and that the risks are identified and managed, which means that it needs to be regulated, just like the payment systems today, including by the PSR.



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**Charles Randell:** Whenever the word “crypto” is used, lots of people summon up their own idea of what is being talked about. For some people, that will mean bitcoin.

Q62 **Harriett Baldwin:** I was talking about distributed ledger.

**Charles Randell:** For the PSR, as Chris says, we already see the use of distributed ledger technologies, largely in closed permissioned systems, as providing efficiencies in settlement across lots of different markets, including payments. Of course, if you then start talking about open systems, particularly those that work on a proof-of-work basis, you are talking about an environmental disaster for a payment service that settles extremely slowly and with enormous basis risk.

There are two very different things going on here, and I am glad it is clear that you are talking about the former.

Q63 **Harriett Baldwin:** Do you think it has any potential then to drive down costs for consumers?

**Chris Hemsley:** In principle, yes. We were talking earlier actually about the importance of competition in keeping the rivalry and delivering new products and innovation. Yes, it is a new technology. If it is deployed well and it is subject to appropriate regulation, it could be another useful way of making payments, as it is in some relatively focused payment uses today. We should, at one level, welcome that, but we also need to make sure that we do not treat it differently in some ways, in that it can come with risks. It may come with risks in terms of competition, protection for users, potentially fraud, and all these other things that we have issues with, and that we have been dealing with, with other payment systems.

**Harriett Baldwin:** Or even cash.

**Chris Hemsley:** Yes, absolutely.

Q64 **Harriett Baldwin:** You say you are on this taskforce. What conversations are you having with the Bank of England about its work on stablecoins, for example?

**Chris Hemsley:** That is another area we are involved in. I meet the Bank of England personally on a very regular basis. The central bank digital currency is a matter for the Bank of England principally. They are doing the work, working closely with the other authorities to understand our perspective. At the PSR, we are particularly mindful to make sure that, as that debate moves forward, we understand the likely impact on retail payments actually, the sorts of payments that we all make.

It is quite early days. I do not know what that will be, but it is absolutely right that we are working closely with the Bank of England as it takes that work forward.

Q65 **Harriett Baldwin:** How would you see your role, as regulator, in terms of regulating stablecoins and payments with stablecoins? Is that going to



be fully your responsibility?

**Chris Hemsley:** One thing we have been focused on, working with Government, and indeed it is included in the legislative plan, is to make sure that, as these stablecoins move forward, they are subject to appropriate regulation, including by the PSR. We think our legislation is in a good place because it is relatively flexible, but we need to make sure that it is sufficiently clear that our regulation can be applied to stablecoin and any other crypto-distributed ledger technology that essentially is a payment system. That is the really important thing.

Q66 **Harriett Baldwin:** Do you think you have the resources to do that? I have heard that, where the FCA has this pipeline of companies in this sector that want to get registered, there is quite a bottleneck in terms of getting through that portal, as it were.

**Chris Hemsley:** I will say something about the PSR aspect on that. I think the challenge is probably a bit different for us, but it is still significant. By their nature, payment systems tend to be relatively small in number, but, particularly with the sort of technologies we are talking about, they could appear quite quickly. We have a challenge to make sure that we have clarity about our legal powers; that we are understanding what is happening as these new technologies develop. Of course, we need to then stand up the resources to apply that regulation. It is probably a different challenge to the one that the FCA faces on crypto firms more generally.

Q67 **Harriett Baldwin:** Are you pretty confident that you are staffed up to deal with whatever the future might hold in this area?

**Chris Hemsley:** Yes. I am confident that we have staff working on it now and we have the right conversations going about making sure that the legislation is sufficiently clear. Of course, when a new payment system arrives, we would then need to stand up additional resources to deal with that payment system. The challenge is making sure we do that quickly enough.

Q68 **Harriett Baldwin:** Are you finding it straightforward getting staff with the skills to do this work?

**Chris Hemsley:** This is an area where these skills are in significant demand. We have a technical specialist within the PSR who can bring expertise to bear in this area, but it is also an area where we lean quite heavily on our fellow regulators and authorities.

Q69 **Harriett Baldwin:** Which ones—the FCA and the Bank of England?

**Chris Hemsley:** The FCA and the Bank of England in particular.

**Harriett Baldwin:** The FCA has had terrible trouble keeping its staff in this area.

**Chris Hemsley:** It is an area and a real opportunity where that close working, sharing knowledge and perspective, really does add value.



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**Harriett Baldwin:** You do not have gaps or vacancies in this area at the moment.

**Chris Hemsley:** We are advertising for a number of roles, but it is not an area where I am particularly concerned that we have a skills shortage.

Q70 **Harriett Baldwin:** Given that some of these payment systems could potentially be completely unowned, effectively, how would you actually regulate them? Is it not part of the attraction that they are not regulated?

**Chris Hemsley:** This is one of the bigger challenges with distributed ledger-type technologies, but for the deployment of those in a retail context, as a mass payment method, as we saw when Libra was developing its proposals, there is a degree of a central rulebook and an organisation managing some rules centrally to make this work. Where that exists, it is likely to be considered to be a payment system under the UK law.

Q71 **Harriett Baldwin:** Are there other countries that you feel are further ahead on this regulation?

**Chris Hemsley:** No, not in terms of the regulatory framework. It goes a bit to Charles's point. It is really important to distinguish between the wider issues around crypto assets, bitcoin, Tether and others, and making sure we are ready to regulate payment systems that use this technology. I think we are ready to regulate payment systems using this technology. Of course, we will need to adapt to whatever is presented in front of us, but we have been doing the work to make sure that the legislative framework is appropriate.

Q72 **Harriett Baldwin:** Do either of you own any crypto currencies or crypto assets?

**Chris Hemsley:** No.

Q73 **Harriett Baldwin:** Do you know if all of your staff are in the same position as you or do you require them to share that information with you?

**Chris Hemsley:** We have strict rules around disclosures of interest. If my staff had a significant holding or were working in this area, I would expect them to make me aware. I do not hold them. I do not see them as a particularly reliable investment, frankly.

**Harriett Baldwin:** I just wondered about the rest of your team.

**Chris Hemsley:** My views and Charles's views on the appropriateness of crypto assets are probably well known.

**Charles Randell:** As Chris says, our codes of conduct require staff to declare conflicts. That does not mean that no one at the PSR or FCA could own a crypto asset, but if they were doing work that was at all relevant, or if these things more commonly came into our field of view and were



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being regulated, our normal conflict processes would apply to them. I do not hold any myself.

**Q74 Dame Angela Eagle:** Before I ask you about the new payments architecture, I wanted to ask if you have heard of the poverty premium.

**Chris Hemsley:** Yes.

**Charles Randell:** Yes.

**Q75 Dame Angela Eagle:** How do you work that out, especially for vulnerable customers? Who do you engage with? We know you engage in very technical terms with the finance industry itself, and all of the structures and the banks, but how do you get hold of the consumer end, particularly vulnerable consumers?

**Chris Hemsley:** You are absolutely right. By our nature, we deal with a lot of technical issues with industry participants, but that is why it is really important to make sure we engage with consumer groups. I talked about Toynbee Hall earlier. Which? and Age UK are organisations that my team or I have met very recently. We also have a statutory PSR panel with a range of representatives, including end user representatives, which has had representatives of particular vulnerable groups. As I was saying earlier, it is also important to get out and talk to people and understand how they are living their lives and the issues they are facing.

For particular projects, we sometimes undertake deeper, more structured research as well. That typically involves focus groups, sometimes more structured questionnaires, to understand some of these issues at a more quantitative level. We did that with access to cash in 2019. Britain Thinks did some work for us. We have done it more recently to make sure we understand small and medium-sized enterprises, for example. It is a real challenge, and that is why making sure that we are outward focused, and that my teams engage with a wide range of stakeholders, is always really important.

**Q76 Dame Angela Eagle:** Clearly, the small and medium-sized enterprises that use the systems you regulate are an important part of those you have to engage with, but those who might be particularly vulnerable do not have an access, an easy access, or an easy voice, in the kinds of environments in which you operate. Are you satisfied that you are doing enough to hear their experiences and what their needs are, even though they are quite a small percentage of the market and certainly not a profitable part of it?

**Chris Hemsley:** All regulators need to make sure that they are doing enough. It is an area I have highlighted where we want to engage with people and businesses across the country to make sure we understand that. That is a priority for us. You can always do more, but it also goes a bit to our mindset as a regulator and why we are here. We are here to protect people and businesses, and that is particularly people who are vulnerable. It partly goes to how we organise ourselves, how we prioritise



our work, and how we go about that work on a day-to-day basis. We are here to improve people's day-to-day lives. That is why you have independent regulators.

**Q77 Dame Angela Eagle:** Often, innovation leaves behind those who do not have the capacity to learn new skills or buy new tech or equipment. The payment architecture, if I could call it that, has always sat very much behind systems and been part of the plumbing that nobody really knows. What is the new payments architecture that you are trying to introduce, which has been described as a once-in-a-generation change? What is it that you are trying to achieve by introducing this?

**Chris Hemsley:** You are absolutely right. It is part of the plumbing. This is the central system that sits behind when you are making a payment from your bank account to another bank account, and it will provide the platform to replace things like direct debits, salary payments, all of those things that we all rely on. It is important that we modernise these systems.

With the new payments architecture, we are trying to make sure that that system is modern, resilient and has high capacity, so it can deal with a more digital future—it can simply cope with that—and that we improve the ability of that system to attach more information to payments. One of the priorities for the renewal is to introduce much richer data to go with that payment so that it can unlock new services, but also help us in things like the fight against fraud.

What it means to people day to day is that they should not be aware of it at all, but it will help to introduce a more flexible and easier way for businesses to launch new services. Those services then will matter for people in businesses. We can launch services that give people more control over their payments—we were talking about an example of that earlier—and more convenient ways of paying directly with their bank account, which, again, brings costs down. Unlocking all of that potential sits on the back of making sure that that central system is delivered in a robust and effective way.

**Q78 Dame Angela Eagle:** The new payments architecture has been a long time in coming. The Payments Association noted that the design of it was based on a blueprint that is five years old already. Does the design of the NPA need to be adapted to account for, and reflect, some of the innovation that has gone on since and is likely to go on before your new payments architecture actually exists?

**Chris Hemsley:** This is one of the big challenges. One thing that we have prioritised in that renewal is to get that core capability right, but it will also introduce a much more flexible way of delivering further upgrades. One of the problems that we have with some of the legacy systems is that they are actually quite difficult and complicated to modernise and update. One of the learnings from that is to build in that flexibility by design.



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The priorities that we are setting for that renewal have changed somewhat. We have emphasised the need to make sure it can support retail transactions so that, behind the scenes, it is doing the really important things that mean those account-to-account payments, paying direct from your bank account without using a card scheme, can be accommodated on that system. That was not really envisaged when the Payment Strategy Forum set out its original blueprint, but it is absolutely clear that we are asking for that today. That is a shift and a change.

**Q79 Dame Angela Eagle:** This rings various alarm bells for me, as someone who spent five years as a Minister in the DSS, soon to become the DWP, while I was there. These big payment systems and the upgrades that one has to do to the technical architecture of them can become gigantic rolling disasters if you are not very careful, particularly with the way that a project like that can evolve over time and shift away from its original purpose, thereby loading on cost and increasing the likelihood that there will be a disaster.

How confident are you that you are not doing the same thing with this new payments architecture, which sounds like a gigantic technical black hole that you could shove everything in?

**Chris Hemsley:** This was a risk that we were very mindful of. About 18 months ago, we identified that the programme was too complicated and that the capability within Pay.UK, the organisation delivering it, was not sufficiently good. We have used our powers to take action on both of those fronts.

We narrowed the scope of what was being procured to that core service, the replacement of the faster payments, instant push payment service, so focusing on the thing that has the biggest potential to unlock future benefits and simplify the programme. We also used our powers to raise the capability of Pay.UK as an organisation to review its ability to deliver that programme and then take steps to improve it.

We now have a new leadership team within Pay.UK, who have recently completed enough of that work to give us the confidence that they have the capability and are now a much tighter, defined programme, so that they can move forward at tolerable levels of risk. Previously, there was too much risk in this programme, and we acted to take some of it out.

**Q80 Dame Angela Eagle:** When are you expecting it to be delivered, or at least its core, to be built on subsequently?

**Chris Hemsley:** Pay.UK has just passed through quite an important gateway. They are now proceeding with the procurement at pace. I am afraid that the delivery date for that has gone out of my mind. I could write to the Committee and confirm that timeline.

**Q81 Dame Angela Eagle:** It would be helpful if we knew when we might be able to expect the new payments architecture. It seems like quite an important milestone. Is it going to be like the Elizabeth line—very



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delayed, quadruple cost, but magnificent when it arrives?

**Chris Hemsley:** One of the reasons why we intervened was to make sure that the programme was the right size, and that the organisation had the capability to make sure it could be delivered.

**Dame Angela Eagle:** Reading between the lines, it has gone off track and you now feel you have got it back on track.

**Chris Hemsley:** That is fair. I think that Pay.UK would also recognise that it is in a much better place now than it was, and that action was needed to improve the organisation's capability and to simplify that programme.

Q82 **Dame Angela Eagle:** Are you going to be running the old system and the new system alongside one another, or are you going to switch the old system off and hope you do not have a Heathrow terminal 5 situation?

**Chris Hemsley:** In the way that that transition works, it is possible to move volume from one system to the other, but one of the key criteria in that procurement process is to manage that transition risk. That is absolutely something that Pay.Uk will be focusing on.

Q83 **Dame Angela Eagle:** If the payment systems went down, the whole system would freeze and nothing would work. That would be catastrophic, would it not?

**Chris Hemsley:** Completely. In that context, it is really useful and a valuable part of the regulatory framework in payment systems that the Bank of England has a really important role in respect of resilience of the payment systems. Pay.UK needs to convince the PSR that it is doing the right thing, but it also needs to meet the standard set by the Bank of England in terms of resilience of the payment systems.

Q84 **Dame Angela Eagle:** So there are a lot of regulators keeping an eye on what is going on with this. Are too many regulators going to complicate it and make it hard to manage? Is one particular regulator leading on it, and is that you?

**Chris Hemsley:** It is the two regulators. There is quite a helpful split in responsibility there, where the PSR's focus is more on protecting users, promoting competition and supporting innovation, and the Bank of England has this important role in ensuring that these systems are resilient and secure. That separation has value actually, because it means that the Bank of England needs to be convinced that any changes do not threaten the very thing you talked about, which is that these payment systems need to continue to operate reliably 24/7.

Q85 **Dame Angela Eagle:** Finally, the consequences of any part of this process not working are quite high. Yet new capacity, with modernised plumbing, if I can put it that way, opens up the potential for a lot more fraud. For example, having individuals pay directly out of their bank accounts with no intermediary would require a different form of



regulation to protect them from fraud.

How is that policy change planned to go along with the different capacity that the new payments system is going to present to customers, users and the banks that sit in the middle of all of it?

**Chris Hemsley:** You are absolutely right. There is the renewal of this technical capability, but we also need to make sure that the payment system rules manage risk and protect people much more than they have in the past. We are looking at Pay.UK to develop that rulebook and manage those rules in a much more proactive way, to set minimum standards of behaviour and to protect against things like fraud. That is not going to wait for the new payments architecture. It is a really welcome move that the Government have announced that they are bringing forward legislation that will remove a piece of law that prevents the PSR from acting in this space. On the assumption that Parliament agrees and gives us these powers, we are working now to make sure that the rules in the system can change to make it much harder for criminals to commit fraud using these systems.

**Dame Angela Eagle:** I look forward to the letter with the date of when the new payments architecture is going to be available and any other details you wish to include. Thank you.

Q86 **Anthony Browne:** I am going to follow up on questions about fraud and scams. Fraud generally is now the most common form of crime in the UK, as you no doubt know. The latest figures I saw were £355 million in the first half of last year, which was up 71% on the previous year. We are heading for about £1 billion a year or so.

I have two areas to question you on: one, what you are doing to help stop fraud in the first place, and secondly, compensation once it has happened. On stopping fraud in the first place, which is obviously the first thing one needs to try to do, you have the confirmation of payee that has come in. How is that working and has it been effective in reducing fraud?

**Chris Hemsley:** One of the really important things that we have taken forward in the prevention space is confirmation of payee, to close that vulnerability in the rules by making sure that the name and account number are checked. It currently covers just over 90% of payments and, about a year ago, we reviewed the evidence on the impact. It showed that, where confirmation of payee was in place, fraud was levelling off or growing at a much slower rate, and where it was not in place that was not the case. It showed that confirmation of payee is preventing tens of millions of pounds' worth of fraud. It is working.

It is not a silver bullet. It makes it harder for criminals to commit certain frauds, and makes it much harder for certain types of fraud that involve impersonation. If you are pretending to be HMRC, a conveyancer or something, confirmation of payee makes that harder. In terms of the next steps for that, yesterday we published our plans for completing that rollout. We plan to use our powers to make sure that we go from that 90% figure up to 99% by next June, and then a further 12-month period



to close out the remainder of the firms. That will mean another 50 firms within a year and, we think, about another 350 firms in the subsequent year. It will make this a normal, standard part of the payment journey.

**Q87 Anthony Browne:** Why is it not a silver bullet? How do fraudsters get around it?

**Chris Hemsley:** It is not that they are particularly circumventing the protection that is in place. It is that these are sophisticated criminals who find different ways of committing crime using the payment system. For example, there are romance scams, where people are tricked to transfer money as part of that.

**Anthony Browne:** Even though they have confirmed the payee, they are still happy to—

**Chris Hemsley:** Absolutely. Broadly speaking, there is a set of impersonation scams where confirmation of payee is really helpful, but if you are transferring to someone who is pretending to be someone they are not, but not impersonating someone, that is harder.

**Q88 Anthony Browne:** What else are you doing to prevent fraud happening in the first place? I am particularly interested in the discussion—I do not know where we are with it—of allowing faster payments to be delayed for new payees so that, where you are paying someone for the first time, if you delay it by an hour, it gives you a chance to have second thoughts.

**Chris Hemsley:** I will highlight two particular things. One is that we have tasked the industry, and we chair a group to make sure this is happening, to improve the flow of intelligence between sending payment firms and receiving firms. There is an opportunity there for us to get better at sharing intelligence so that the sending bank and receiving bank can intervene much more quickly. That work is under way, and we hope that that will start to go live in summertime, towards the end of this year.

On slowing down payments, the distinction I draw there is a bit between the payment system itself, which we want to be fast, secure and reliable, and what payment firms do before those payments are actually initiated on the system. There is more we can do there to, as you say, intervene and roll out better protection so that banks are more able to intervene before those payments are made.

**Q89 Anthony Browne:** In what way? They do popups at the moment saying, “Are you sure this is not a scam?” etc. Do you mean that sort of thing?

**Chris Hemsley:** There is that, but also, as you have rightly highlighted, we need to learn some of the lessons that we see in the card space, where it is much more accepted by customers that, if you try to make a card payment, Visa or Mastercard, sometimes you get a phone call to say, “Was that really you?” or they actually reject the payment. We need to learn some of those lessons in the context of our banking system and increasingly distinguish between different types of payment.



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If I want to buy a coffee using my bank card, I need that to go through quickly, but it is also quite low risk. The problem is that, at the moment, the experience of making that sort of payments, of making a payment to a friend or of transferring a five-figure sum for a house deposit are all pretty similar. We increasingly need payment firms to treat those payments differently and slow down. We are only talking about minutes or a small period.

**Anthony Browne:** Large sums to new payees would be where there is high risk.

**Chris Hemsley:** Exactly, those are where there are real risks. At the moment, we have got ourselves in a situation where people almost expect that to happen, but it is not in everyone's interest to treat every payment the same. That growing differentiation between the higher risk and the lower risk is where we can take another step forward.

Q90 **Anthony Browne:** Is the industry doing enough to tackle fraud? You have these working groups. This is presumably with them, but do you think they are taking it seriously or should they take it more seriously?

**Chris Hemsley:** There is always more that we can all do, and there is a whole raft of people who can do more. We have a group of banks and building societies that have done the right thing and signed up to the CRM code, but there is a group of banks and building societies that have not. That is one group that I would like to do more. There is more that can be done outside the payment ecosystem as well, particularly in the context of social media firms.

**Anthony Browne:** I am going to come on to that.

**Chris Hemsley:** Again, this is an area that can be used to recruit victims, and you are no doubt aware that the Online Safety Bill could be a really significant step forward.

Q91 **Anthony Browne:** The contingent reimbursement model, which you mentioned, is the voluntary scheme for banks to pay compensation to victims. That is better than what it was before, but not perfect. I think not everyone signed up to it and they basically chose when to reimburse people or not, so there are very different rates between different banks. That is now being legislated, the Government have said, to make it mandatory for most payment companies to be part of it. Then there will be, as I understand it, standard guidance so that everyone will be compensating on the same basis.

I think this is going to come to us now in the new Economic Crime Bill. What do you see as the main challenges there, or is it quite straightforward to legislate for it and make it work properly?

**Chris Hemsley:** The legislative change that we have been asking for, and working with the Government on, is relatively straightforward. In some senses, it is essentially removing an unintended consequence of a



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different piece of legislation that originally came from a European directive. That change is relatively straightforward. We are working now to make sure that we are ready to use those powers, should Parliament give them to us.

There is then a lot of detail that we need to work through. We do want to make sure that this becomes just a standard, mandatory part. There are minimum standards for payment firms in respect of looking after customers, so it is to introduce that. The tricky bit is then what those minimum standards are and making sure that we adapt, learn from experience and get those standards right.

At the moment, there are some areas that I would like to improve. Under the code, the sending institutions—your bank account that you are sending from—meet this cost, whereas I think some of that cost, under some circumstances, should probably be paid for by the institution that is receiving the money.

**Q92 Anthony Browne:** The fraudsters would be with the recipient bank, would they not?

**Chris Hemsley:** Exactly, so that is one area where we need to make a change, but precisely how to do that is going to be complicated. The legislation is not the complicated ask. It is the work that my team need to do to work through that detail.

**Q93 Anthony Browne:** You mentioned online firms. We have looked at this before and, as you mentioned, some aspects of it are in the Online Safety Bill. I have been calling for online companies that profit from advertising fraud, Google and Facebook primarily, who we had here in front of the Committee, to compensate victims of fraud if they were responsible for advertising the fraud to the victims in the first place.

I realise that is outside your remit, as you do not regulate online platforms, but do you think it is desirable to have a joined-up compensation scheme like that?

**Chris Hemsley:** The short answer is yes. It is right to take those steps forward to make sure that there is some liability and responsibility on these social media platforms, because this is where many of the victims are recruited. It is right that Parliament is looking at making sure that they have responsibility, because they have a role to play. As for precisely what that role is, I would slightly defer to Government and Parliament.

**Q94 Anthony Browne:** There are two parts to this. The bit that is in the Online Safety Bill at the moment is that they will have a duty to tackle fraud in the same way that banks have a duty to tackle fraud at the moment, and there are the AML regulations. If they mess it up in a big way, they may get taken to court by Ofcom, whatever, and fined lots of money. There is no requirement to compensate victims, though, which is obviously a separate duty.



If you look at the comparison to the CRM, there is no equivalent of that for online, but could you in principle include online firms in a new CRM system, a new compensation scheme, in some way?

**Chris Hemsley:** It is possible. One thing that is worth exploring, as we go forward, is that, if it can be demonstrated clearly that the fault lies with a social media firm, it is then a bit difficult to look the payment firms in the eye and say, "You are responsible for refunding".

It is important that people get that refund, but it is a legitimate question as to whether they can recover those costs from those who have ultimately caused the problem.

**Charles Randell:** I do not think we really have the power to impose the costs on quite a lot of the people who helped to create the conditions that enabled these frauds to be committed. That includes a number of the online platforms. It includes some of the telecoms companies, which have not yet collectively moved to prevent number spoofing adequately.

There are a lot of people. Actually, it includes a lot of businesses that allow leaks of personal data, which enable fraudsters to draw up target lists to go after. My worry about this is that there is a perfect solution, which is that you would try to impose the costs on everybody. That is the right solution for the economy as well, because the incentives end up in the right place, but we have a fraud crisis at the moment and we need action now.

It is quite important to move on a system that we can implement quickly, and it may be necessary for there to be a continuing debate about the long-term destination. I would hate to see progress held up because the breadth of the legislative project becomes unmanageable.

Q95 **Anthony Browne:** We would all agree that you do not want to let the perfect be the enemy of the good. There is a whole-system approach you could take, and you would end up with lots of different bits of legislation, but the online platforms are clearly a very major part of promoting fraud. You do not need to worry about the firms not controlling their data and everything else. If you tackle them, that would presumably be helpful.

We have the Economic Crime Bill and the Online Safety Bill coming up. Can you see a logistically practical system, which I know people in the industry are talking about, to include online companies in a reformulated compensation scheme, CRM model, if you had a clause in the Economic Crime Bill or the Online Safety Bill?

**Chris Hemsley:** It could be quite difficult to implement in practice if the legislation is not very clear on what the obligations are. That is probably the challenge. At the moment, I am particularly focused on the job of making sure we protect the victims of fraud, so it is not an area where we have been spending a lot of our time working up detailed proposals, because we have been focusing on this job, on the assumption we get



these powers, of taking steps to make sure that the rules in the system protect people. That is what I need to focus on first.

Q96 **Anthony Browne:** I have a couple of other questions. One is about mobile payments. This is something we do not really do very much in the UK. The Paym scheme was launched a long time ago, but it has been a massive disappointment. I am not even sure if it is still operating. Sweden has the Swish scheme, which is universal and incredibly well loved. Do you know why mobile payments have not taken off in the UK, and is there anything that can be done? Is it desirable to make them take off, or do we have so many alternatives now that we do not need to worry about them?

**Chris Hemsley:** There are some gaps that we need to plug. A convenient way of making peer-to-peer small value—

**Anthony Browne:** Being able to text people 20 quid to pay a bar bill.

**Chris Hemsley:** We have not quite fixed that. Paym is still operating. I have used it and do use it, but it does highlight a more general issue. When some of the technical solutions, historically, were launched, Paym being one of them, we did not then follow through to make sure that all the barriers to adoption were removed. That points to a need, going forward, for the payment system operator, in this case Pay.UK, to be much more active in making sure that, when we roll out a service, it has the best chance of meeting that broad adoption. One of the real problems with Paym was that many people had to opt into it. If half the network has to opt in, and some have it turned on by default, you cannot make a convenient payment to everyone, and so it struggles.

The lesson I take away from that particular example is that we need to use those central rules in a much more smart and active way to make sure that we do not design a really good technology and then not do all that is necessary for it to make a difference.

Q97 **Anthony Browne:** Will it still be possible to make Paym a success?

**Chris Hemsley:** Paym is at risk of being overtaken by other technologies. There are some really important lessons from that.

Q98 **Kevin Hollinrake:** What percentage of the market is covered by CRM now? It is obviously a voluntary adoption.

**Chris Hemsley:** I think we currently have 18 members. It is essentially most of the large high street names.

Q99 **Kevin Hollinrake:** Is it 90% or something?

**Chris Hemsley:** It is something like that.

Q100 **Kevin Hollinrake:** Look at the figures, in terms of the reimbursement numbers. It was introduced in May 2019, was it not? In 2019, 25% of fraudulent cases were refunded, and in 2020 43%. Clearly it has been a big success, you would say, but UK Finance seemed to criticise you in



terms of what you are wanting from legislation. They are saying you are taking the wrong approach. You are focusing on the approach to change legislation so that you have the power to mandate Pay.UK to alter its own scheme rules, whereas UK Finance said the bleeding obvious, really. Why do you not just legislate to make CRM a statutory requirement?

**Chris Hemsley:** One of the things that we know about fraud and the criminals who perpetrate it is that they adapt and change. We therefore we need a combination of legislation and regulatory rules and then we need the rules in the actual system itself to be sufficiently flexible to adapt. I do have a potential difference of opinion with UK Finance. I think putting all those rules into legislation by its nature makes it harder to vary them. An approach that allows the PSR, as an independent regulator, to use its powers is the right one.

Q101 **Kevin Hollinrake:** Why are they mutually exclusive? Why could you not give yourselves some extra powers and make the CRM statutory?

**Chris Hemsley:** It is not clear to me what UK Finance wants to put on the face of the Bill.

**Kevin Hollinrake:** I can read it to you, if you want. It says, "To achieve a better outcome, the Economic Crime Bill should focus on putting the authorised push payment contingent reimbursement model on a statutory footing, setting out in primary legislation issues around liability and creating a framework to bring all retail banks and payment service providers under the code. The code itself should be placed in secondary legislation to ensure it can keep pace with the evolving nature of fraud and scams". It seems pretty simple really.

**Chris Hemsley:** That proposal would involve putting quite detailed rules in secondary legislation. The trade-off that you have, which is clearly for Parliament to consider, is whether that is more appropriate than leaving them in industry rules, which can be changed more quickly.

**Charles Randell:** I can understand why UK Finance would prefer to have a dialogue with the Government of the day rather than an independent regulator. That is quite natural.

Q102 **Kevin Hollinrake:** Would you support that, Charles?

**Charles Randell:** No. There is a benefit to having an independent regulator. It is really rather difficult for the Government to deal with a long stream of bankers queuing outside their door, asking for things to be changed in their favour, or not changed. An independent regulator's job is to do exactly that. I can understand why UK Finance would like a model that takes the power away from an independent regulator, but I do not think it is the right thing and in the public interest.

Q103 **Anthony Browne:** We had some complaints in written evidence from industry about the PSR in terms of the clarity of what was within your remit and what overlap there was with other regulators, the FCA in



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particular. In fact, one example was about whether putting the grit in the faster payments for fraud was an economic regulator thing or a conduct thing. Do you think the industry actually understands the PSR's remit well enough? Is there more that you can do to communicate exactly what it is that you are doing as an economic regulator and what the FCA is doing—Charles, you are both—as the conduct regulator?

**Chris Hemsley:** In short, yes. There is more that we can do and we do need to be clear. At one level, I think the remits are relatively clear. We regulate payment systems in the markets that they support. The FCA, in the payments ecosystem, regulates individual payment firms, so Revolut or individual banks, for example. The Bank of England has responsibility for resilience. Fundamentally, those roles are quite clear, but, when we are trying to solve a problem, sometimes those problems do not respect those boundaries.

It is really important that we do two things. One is that, if someone raises an issue with us, we never say, "You need to talk to them". We own that problem and we then join up with our fellow authorities. The other one is that we collaborate and we co-operate. We did that with cash, working really effectively with the FCA. I am doing it now, joint chairing the committee that is taking forward open banking, alongside the FCA.

We need to get better at it. Our remits are complementary and pretty clear, and part of the solution is to make sure we are collaborating and communicating with each other as effectively as we can.

Q104 **Chair:** I have one quick follow-up question. Charles, I think you mentioned number spoofing and that telephone companies are perhaps not stamping that out. It is obviously a very powerful tool for fraudsters to use. Are there technical problems in fixing that? Why has it not been dealt with?

**Charles Randell:** From my understanding, it is a substantial technical challenge for the infrastructure and it is an Ofcom-led issue. It is an illustration of the fact that, to solve fraud—I say "solve fraud", but of course we will never solve fraud any more than we will solve sin—but to deal with the current epidemic of this type of crime, a whole-of-system solution is needed. That means engaging all the regulators who have the power over all the different actors in this space.

**Chair:** Thank you. That is helpful. Well, that brings us to the end. Thank you very much indeed for appearing before the Committee today. You have reminded us of the really important work that the PSR does carry out, a lot of very important issues that matter to real people, particularly many vulnerable people, in terms of the work that you are doing. I will write to you with some follow-up questions in a variety of areas, but, just to let you know, we will be particularly interested in the credit card fee investigation area.

The question mark around resourcing has risen in that context and others



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during this session, so we will probably be asking a bit more about resourcing more generally and where things are more difficult for you, and trying to explore that a little bit. On credit card fee investigation, we certainly look forward to future announcements and progress, which the Committee would very much like to see. Could I thank you both, particularly you, Charles? I think the last time you appeared before us, I said, "This is your last time", and I was wrong because you are here today.

**Charles Randell:** I told you you were wrong at the time.

**Chair:** You did, very eloquently—some Frank Sinatra reference, I think. I think this probably is going to be the last time. On behalf of the Committee, can I thank you for all the work that you have done, with both the PSR and the FCA? Neither of those is an easy job and certainly the FCA was quite a tough role for you to occupy for a number of years. We thank you very much indeed for that, and we wish you well in whatever you decide to do with all this time you now have in the future.

**Charles Randell:** Thank you again.