



# Treasury Committee

## Oral evidence: Work of the Payment Systems Regulator, HC 686

Wednesday 12 March 2025

Ordered by the House of Commons to be published on 12 March 2025.

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Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Rachel Blake; Chris Coghlan; Bobby Dean; John Glen; John Grady; Dame Siobhain McDonagh; Lola McEvoy; Dr Jeevun Sandher; Yuan Yang.

Questions 1 – 126

### Witnesses

I: Aidene Walsh, Chair, Payment Systems Regulator; David Geale, Interim Managing Director, Payment Systems Regulator.

### Examination of witnesses

Witnesses: David Geale and Aidene Walsh.

**Chair:** Welcome to the Treasury Select Committee on Wednesday 12 March 2025. Today we are looking at the work of the Payment Systems Regulator. I am pleased to welcome David Geale, who is the interim managing director at the Payment Systems Regulator, but also wears a twin hat, because he is the executive director of payments and digital at the Financial Conduct Authority, which is something we may want to touch on in a moment. Aidene Walsh is the chair of the Payment Systems Regulator.

Interestingly, just last night, ahead of this session, and in today's newspapers you will see, there was the news that the Payment Systems Regulator is going to be folded into the Financial Conduct Authority when legislation allows, so we want to touch on that. Before we do so, we have some declarations of interest.

**John Grady:** A family member of mine works for Virgin Money.

Q1 **Chair:** And I have a family member who works for Allied Irish Banks. I think that that is everything. We wanted to move on to this news about the merger. In some ways, Mr Geale, this may not be entirely a surprise, given that you are the acting head of the PSR. Chris Hemsley left at the



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end of last year. Did you know this was coming when you took on the role?

**David Geale:** No. Aidene can talk to the board succession planning; I was a member of the board as an FCA-appointed representative at that time. When Chris Hemsley left, I was asked to take on the role as managing director, which was a sideways secondment. Post that—I think it was around November time—the joint role was created of executive director of payments and digital finance in the FCA, which would also be managing director of the PSR. I have been doing both roles on an interim basis since that time, but I was not aware that the PSR would be merged with the FCA at that point.

Q2 **Chair:** You did not think that maybe combining the roles was a hint that it was moving in that direction?

**David Geale:** No, not at all. We have been striving to work more closely, of course. Indeed, we have taken a number of steps, which I would be very happy to go through, to try to work ever more closely together. As a board and an executive, we always look to be operating in the most efficient and effective way.

We became aware of the Government doing an audit of regulators. That was a matter of public record. We expected to be included within that and had conversations with the Treasury along the lines of, if it was thinking about something with the PSR, what that could look like. It was more recently than that that we became aware that this was a real possibility.

Q3 **Chair:** Aidene Walsh, as chair obviously you are in the loop on this to know that this was happening. When did you know that the merger was a realistic prospect?

**Aidene Walsh:** It is exactly as David outlined. We gave our response to the growth letter and then we were in conversations around the audit of the regulators. That is when it became a discussion point about whether the PSR powers could be distributed to parts of the payments ecosystem.

Q4 **Chair:** As chair of the board, did the board offer this up as an opportunity, or was it pushed on you from somewhere else?

**Aidene Walsh:** The board did not offer it up as an opportunity, but I would highlight—and this is part of our response in terms of our growth letter—that we have been looking at various ways to become more efficient. It is fair to say that, although we have done a lot that we are absolutely proud of, the future of payments Garner report and the national payments vision both alerted us to the fact that there was a view that there was a lot of regulatory congestion in payments. It was incumbent on us as a board to look at ourselves and figure out how we could deal with some of that regulatory congestion.

Q5 **Chair:** There has been pressure on you from some sectors, but you have won some achievements for our constituents, not least on the push



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payment fraud. Do you think that that played against you in these discussions?

**Aidene Walsh:** I cannot comment on the decision that was taken. As I have said, I am incredibly proud of what the Payment Systems Regulator has done, particularly over the last couple of years, under David's leadership and Chris's leadership before that. There is a time where you look at what is pragmatic. The Payment Systems Regulator was set up 10 years ago and it is fair to say that payments have moved on tremendously in the last 10 years. It is incumbent on all of us to look at what makes sense now for what we are dealing with at this point in time, when you start to look at some of the developments coming down the chain.

Q6 **Chair:** Given that the board did not offer this up, did the board have confidence that it could move quickly enough to keep up with those changes that you are talking about? There is a lot of churn and change, and a need to keep up with the modern world. Was the board confident it could do that before this was mooted as a merger?

**Aidene Walsh:** Yes. I want to be really clear that we have a particular responsibility around regulation of payment systems. We were absolutely clear that we could keep up with delivering what is in our mid-strategy review and looking at the innovation of the future within our remit.

Q7 **Chair:** How are you going to make sure that that is delivered? Do you think that you did not do enough of a job to convince the powers that be—I suppose in this case there were lots of powers that decided this—that you could keep up and be innovative to deal with future challenges?

**Aidene Walsh:** Maybe, David, you can step in on this as well. As you have seen in a number of other countries around the world, Australia being the latest example, industry was calling for a national payments vision. That is looking at some aspects of innovation. I will address the absolute point, but—

Q8 **Chair:** We will go into the specifics of innovation a little later. Do you think that you were able to deliver?

**Aidene Walsh:** Yes, I do, in terms of payment systems, but—and there is a "but"—we have to be absolutely cognisant of the fact that, when you are looking at innovation and payment systems, there is also the limb of the FCA in terms of that innovation. There is also the work that the Bank does. It has to be co-ordinated.

Q9 **Chair:** We will come back into the detail of innovative approaches. I want to go back to Mr Hemsley leaving. You were chair of the board when he left. Did he leave of his own volition?

**Aidene Walsh:** Yes, he did.

Q10 **Chair:** At that stage were there any discussions about the future of the Payment Systems Regulator?



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**Aidene Walsh:** No, there were not.

Q11 **Chair:** No criticism of Mr Geale taking on the role, but you had a chief executive who was separate from the FCA and now you have a managing director who is part of the FCA and works for them in this dual role. Was that something that the board was happy about? That is not a criticism of an individual.

**Aidene Walsh:** Yes.

Q12 **Chair:** Why were you happy about it? What made it work from the board's point of view?

**Aidene Walsh:** Let me take the APP scam work as an example. We are looking at the payment systems but, when you look at the participants in the payment systems, they are supervised by the FCA. We saw the coming together as a really sensible move. It is that joined-up approach where you have the right arm and the left arm. Them being more co-ordinated together made sense to our board.

Q13 **Chair:** Was that not then an inevitable move, once you had someone jointly working, that you were no longer a separate, different organisation? Only the boards were separate at that point.

**Aidene Walsh:** We are a different organisation. We have our own powers and strategic ambitions. It is super-important that we work very closely with the FCA payments team in order to deliver a coherent approach for UK payments.

Q14 **Chair:** You had no problem as a board about having this joint role?

**Aidene Walsh:** No.

Q15 **Chair:** Did you not think at that point that there might be a move towards amalgamation, takeover or merger, whatever you would like to call it?

**Aidene Walsh:** Whatever it is called. Let me take a step back. As a board, we were constantly challenging ourselves as to how things could be done better. There was no discussion at that point in time about any wrap-up into the FCA. As I understand from the letter from HMT, there will be a consultation later this year. There was no conversation about that.

We were very confident in the role and, in the conversations that I had had with the FCA board in respect of that role, that each organisation could play to its strengths but also co-ordinate effectively when it needed to. It would remove some of the duplication in the decisioning, as was the case with the JROC in open banking. The actual workstreams for both organisations are laid out in the powers of the organisations. There was an absolute intent that that role would provide leadership to both organisations.

**Dame Harriett Baldwin:** I have so many questions. I will start with



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Aidene and try to get a sense of the timeline on all this, because I am a little bit confused. The Joe Garner review into the payment systems started under the previous Government, then underwent a process and was published by the current Government back in November, and it mentions the role of the Payment Systems Regulator in November. You are part of that national payments vision in November.

Then you were invited in with all the other regulators, as I understand it—it was between Christmas and new year, I think—to talk about your ideas for growth. You have, as you said, replied with a letter—which is in the public domain, I assume—what your suggestions were for growth. They did not include, “We should be merged in with the FCA”, did they? No.

Then we get into January or February. At some point, you must have got a call from someone, saying, “We have taken the decision that we are going to ask the Payment Systems Regulator to become part of the FCA”. There was an announcement—I must say that it was new to me, Chair—about an audit of all the regulators. I am not sure that that is something I have seen publicly announced.

**Chair:** “Audit” is perhaps not the word we have seen.

Q16 **Dame Harriett Baldwin:** It is not one we have seen. Then your chief executive leaves. Could you tell me what date your chief executive leaves?

**Aidene Walsh:** The Joe Garner report was November 2023, so Chris left in November of last year. He resigned.

Q17 **Dame Harriett Baldwin:** Last year was 2024.

**Aidene Walsh:** Yes. Joe Garner was 2023. Chris resigned in May of 2024 and actually left the organisation after his six months in November 2024.

Q18 **Dame Harriett Baldwin:** We can park those as things that are in the past.

**Aidene Walsh:** The national payments vision document came out in November 2024. I think that we published our response to the growth letter around mid-January. The decision was taken, as far as I am aware, yesterday.

**Chair:** The decision was taken yesterday, the day we got the letter and the day before you came here.

Q19 **Dame Harriett Baldwin:** When did you get the call?

**Aidene Walsh:** We got the call yesterday, I think it was.

**David Geale:** If it helps, we got the growth letter, along with everyone else, on Christmas Eve. We responded to that by letter. We were not called in. We did not go in to have a discussion. We responded to the



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letter, as Aidene said. I have heard it described as a regulatory audit. It was Government looking at the number of regulators.

**Q20 Dame Harriett Baldwin:** When was that announced that you heard it, Mr Geale?

**David Geale:** Do not quote me, but I believe it was before Christmas. We can check that date. I believe that it was a matter of public knowledge that Government were looking at the number of regulators and the role of different regulators. We of course expected to be considered within that because it is literally across all regulators, not just financial services regulators.

I do not recall the exact date that conversations started with the Treasury, but we were aware that, as part of that, the Treasury was tasked to look at the role of financial services regulators, including the PSR. It asked us what was possible within the bounds of the legislation and, as we have identified in discussions with the Treasury, the PSR is required to exist under the existing regulation. The legislation has to change in order for somebody else to be given the powers to supervise and regulate payment systems operators. As made clear in the letter yesterday, that is intended to continue.

We do not know exactly when the decision was taken. We were aware that the Chancellor was in favour of the proposals. We were aware that it was then being discussed with No. 10. I do not know at what point that decision was made. We were told, I think yesterday, that the decision would be coming out yesterday, hence we stepped forward from there, but we had prepared for that eventuality.

**Dame Harriett Baldwin:** To confirm, in the national payments vision published last November, 2024, you were named as being part of that vision; then, within a few months, you are gone?

**Q21 Chair:** The fact you only found out yesterday is news to us. We would have assumed you would have had longer. Did you see the letter? Did you get a chance to look at the draft letter?

**David Geale:** Maybe I have been a little bit unclear. We were clear that it was being discussed. We had not been informed of an official decision. We were aware that there was going to be something related to the Payment Systems Regulator in the PM's speech and, indeed, in the Chancellor's statement later this month. Officially, we were told yesterday that this would be announced yesterday. We liaised with Treasury through the day. We saw the proposed statement. We also saw a draft of the letter that has come to this Committee. I was fortunately able to brief our staff just after close last night.

**Chair:** That was going to be one of my next questions.

**Q22 Dame Harriett Baldwin:** To clarify, you said, "We were aware". Could you say the moment when you first became aware?



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**David Geale:** Became aware of what?

**Chair:** That this was going to happen.

**Dame Harriett Baldwin:** That there was a potential for this happening and that No. 10 and the Chancellor were looking at the number of financial services regulators. When did you become aware of that? It does not have to be the hour of the day.

**Chair:** Yes, which week or month?

Q23 **Dame Harriett Baldwin:** How recent was it?

**David Geale:** Apologies, I cannot recall exactly when we became aware.

Q24 **Dame Harriett Baldwin:** Was it after January?

**David Geale:** I will happily come back to you on when we found out about that. It was a matter of public record that the Government were looking at regulators. We were not explicitly told individually. We were aware of that happening. I cannot recall exactly when we were told that the Treasury was looking specifically at financial services regulators.

**Aidene Walsh:** We will come back with the exact date, but I think it was around about late January or early February that we had some early discussions, which then evolved a little bit. Beyond that, exactly what David has said is what has happened.

Q25 **Chair:** That is incredible. You found out about this when we did and when the world did. Do you think that was the right approach, Ms Walsh? You have an organisation to manage here.

**Aidene Walsh:** We have known that there has been the potential of this happening.

**Chair:** You are both being very polite, I have to say, about what has happened.

**Aidene Walsh:** I am being polite.

Q26 **Chair:** We are in Committee here. We hold Government to account for things. We hold you to account for things. Do you think that this was a professional way of handling the situation?

**Aidene Walsh:** It has been very clear for the last number of months that there is a lot of conversation around deregulation. Our key concern in all of this is our staff. In terms of what moves forward, the work will stay, and that is what has come out in the letter that you have received. The "what" is still there. It is how it is executed that is really important. We have been—and I think David has done an amazing job in terms of leadership—taking the staff along that pathway of, "This is a potential", but, as we said, last night we had to say to them, "This is definitely happening".





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**David Geale:** We have been preparing for this. We were aware it was a high likelihood. We had not been formally told that it would be happening or when, but we were prepared for it. We had our comms plans ready, we had our staff briefings ready and we were ready to press “go” at any point, if and when it happened. It would be unfair to say that we were not given the chance to prepare, because we were, and we were ready to do that.

Q27 **Chair:** Can you be clear, going back to what Dame Harriett said, about when you started preparing your staff for this eventuality? It is a big job. I appreciate completely that your staff would need to be worried and need to know about this. When did you start preparing?

**David Geale:** Clearly, I could not pre-announce the decision. There was a lot of speculation in the media. As that has come, we have been talking to our staff in regular cascades about the fact that what I call an audit of regulators was going on and that we would be considered as part of that. I could not give people any certainty, because the certainty was not there for us. In terms of being formally told, we were formally told yesterday that it would be happening and I agreed that I would brief my staff at 5.30 pm last night.

Q28 **Chair:** If there was an article in the *Financial Times* or somewhere about this, you had to then talk to your staff about it.

**David Geale:** We had a leak strategy.

Q29 **Chair:** Okay. If something that might have been happening, which you did not know about but were thinking might happen, was in the newspapers, you then had to brief your staff. Am I being dense here?

**David Geale:** That happened. I would say that that happened. There was speculation over the last few weeks, including an article on Sky News, that suggested that this might happen. At that stage, it was not decided.

**Chair:** Mr Geale and Ms Walsh, you were put in a difficult position, if I may say so.

Q30 **John Grady:** Ms Walsh, you mentioned the Government’s deregulation agenda. Your organisation carries out work that saves people in Glasgow East, and all our constituencies, money and protects them. Is there any proposed substantive reduction in the work that you will do once you are in the FCA? Is there going to be any deregulation that could make life harder for consumers?

**Aidene Walsh:** I can talk about what we know at this point in time. The letter that you have received from Treasury gives assurance that the work that we are focused on, which is the work that has been agreed in our latest mid-strategy review, will continue. We see that as being very important work on cards, APP reimbursement and the renewal of the faster payment system, and that will continue.

Q31 **John Grady:** The mid-strategy review, of course, will come to an end.





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After that, will the work become less consumer-focused, or will it have the same regulatory focus on consumer protection?

**Aidene Walsh:** At this point in time, I would fully expect that the focus on consumer protection would continue and that our powers to support that will be transferred to the FCA in a go-forward situation.

Q32 **Chair:** Can you tell us how many staff you have?

**Aidene Walsh:** Today we have 185 staff.

Q33 **Chair:** How many of those will move over to the FCA?

**Aidene Walsh:** Maybe I will hand that over to you, David.

**David Geale:** As things stand, because it requires legislative change to move the powers of the PSR over to the FCA, I would expect everybody to move at some point. The caveat is that, in the letter and the statement, the Treasury says that it is considering whether everything moves to the FCA or whether things move elsewhere. There are some of our activities, for example, that could be considered as moving to the Bank of England. At the moment, I am anticipating that the PSR will continue as an organisation for a period until we get legislation, so I would estimate late next year.

Q34 **Chair:** All I am driving at is that—we will come to the board in a moment; I am not talking about the board—the bulk of your staff, so 185 people, will still be needed to deliver the work that you are doing, wherever it is located.

**David Geale:** Yes. Some may be redeployed within the FCA.

Q35 **Chair:** There are going to be no redundancies and no loss of headcount?

**David Geale:** We are not planning any redundancies.

Q36 **Chair:** What is your budget now?

**David Geale:** The budget for this year was £28 million.

Q37 **Chair:** That will get split across to wherever it is going. Are you expecting any savings in that budget as you consolidate with whichever bodies people get moved to?

**David Geale:** If you will forgive me for the fact that it is at an early stage of planning, I would anticipate that, for the majority of next year, we will need to still carry on a lot of activities within the PSR. There is a possibility that we could transfer some functions to the FCA. I do not know what those will be yet or when they will move.

Q38 **Chair:** Do you have separate payrolls at the moment? You are in the same building. Do you have separate payrolls and things such as that?

**David Geale:** We are all FCA staff. All PSR staff are on FCA contracts.

Q39 **Chair:** There are no savings there on payroll, for instance. Is it the same



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computer system? You will have some slightly different systems.

**David Geale:** We have the same IT system and the same building. We have some duplication of functions, for example, because we have to operate as an independent body.

Q40 **Chair:** There is some duplication of functions, but you are pretty sure—I maybe do not want to hold you to it too tightly, given it was announced yesterday, but at the moment you are expecting that the same number of people will be doing the job, wherever they are based.

**David Geale:** I do not want to speculate that it will entirely be the same people doing the same job. As was identified, some of our work will roll off and we will need to consider the most appropriate way to do it.

Q41 **Chair:** There may be some redundancies?

**David Geale:** We are not planning on redundancies. The FCA is a big organisation. We would always look to redeploy them first.

Q42 **Chair:** That then brings me, Aidene, to the board. Presumably, there would not be two boards, so the board will go once the PSR is rolled up, taken over, merged or whatever you want to call it?

**Aidene Walsh:** Yes, when that happens, but there is an interim period, which could be up to 18 months.

Q43 **Chair:** Legislation takes a while.

**Aidene Walsh:** Yes, which requires for there to be an independent Payment Systems Regulator board. When that wraps up, you do not need a separate board.

Q44 **Chair:** What does it cost to run the board at the moment?

**Aidene Walsh:** I was going to say that I do not think it costs very much.

Q45 **Chair:** Out of £28 million, I would imagine it is a tiny fraction of that. What is the ballpark? Is it single thousands or a bit more than that?

**Aidene Walsh:** I would say, ballpark, maybe £150,000.

Q46 **Chair:** Okay, so the savings for doing this are not great. Will this embrace or merger, or whatever you want to call it, by the FCA increase the likelihood of growth in the payment sector?

**Aidene Walsh:** I am going to answer that in a slightly different way. It is fair to say that, when you look at the future of payments report, the national payments vision and the feedback, there is a lot of feedback that there is regulatory congestion. From our perspective, we see it as a pragmatic next step to decongest some of that regulatory congestion that we have today. If that starts to release growth in the payment sector, that is a positive thing. There is a lot of feedback at this point in time around duplication and how things could be streamlined. For example, the Bank and the Payment Systems Regulator both have a role to play



with Pay.UK. If some of that can be streamlined, that unlocks growth within financial services.

Q47 **John Glen:** Can I probe a bit more on that? The truth is that, 10 years ago when this was set up, it was a new, fast-moving sector. I can get the rationale for why it was set up, but there is a real trade-off between those who provide the payments infrastructure and do the transactions and the consumer interest. Is it not possible that, if the PSR is absorbed into the FCA, transparency over where accountability lies for those different perspectives will be lost?

**Aidene Walsh:** I will start and then hand over to David. In setting up the ED payments and digital assets/MD of Payment Systems Regulator role, that is a payments-focused directorate within the FCA. That is a really powerful role. As I look at it from where I am sitting at this point in time, I think that it will absolutely have the right attention that it needs to look after consumers and all aspects of the payment systems and the players within that.

Q48 **John Glen:** The FCA is a massive organisation. I think it employs well over 5,000 people. Functions are added routinely by Governments, including mine previously and perhaps this one. I wonder how you see the utility of that narrative, "Merge us all together and remove overlaps". There are also questions of being pushed into a great blob in which you cannot really see where the interests of this particular sector are properly regulated. That has to be a risk, surely.

**David Geale:** The key thing for me is that payment systems need to be regulated. The FCA does not currently have the powers to regulate the payment systems. That power sits with the PSR and the Bank, with the PSR focusing on competition, innovation and the interests of users and the Bank focusing on resilience, as you know. The key thing for me in the legislation that comes is to transfer that responsibility to make sure that that oversight of payment systems operators, as a distinct set of actors, remains. That is vitally important.

Q49 **John Glen:** In figure 1—I am not sure what document it was—you very helpfully show the complicated overlaps between the FCA, the PSR and the Bank of England/PRA. I totally respect that this is complicated, but some of these payments providers are also regulated in different ways within different parts of the FCA. Is that not the case?

**David Geale:** It is. Perhaps I could take an example from that diagram, which is actually fraud. The FCA, under the national payments vision, has been designated as the lead authority on fraud.

**Chair:** For anyone who may be following, this is from the website that you are looking at.

**David Geale:** I am assuming that you are looking at the Venn diagram. Sorry, I made a big assumption there.



**Chair:** It is on the website of the PSR.

**David Geale:** It sets out the roles of the FCA, the Bank of England and the PSR, and the overlap. One of the things, I believe, in the FCA/PSR box is fraud. When we look at that and the work we have done on authorised push payment fraud, we can set the directions and require firms to take certain actions. We have put the reimbursement requirements in place. When you get into the standards of fraud prevention in individual firms, that is a role for the FCA. Being able to join that up in a single directorate and say, "We want to tackle fraud, to do this and to use the fraud specialists elsewhere within the FCA to support that work" is hugely more powerful as a result of putting the two together. We have to work these things through, but there are some real opportunities like that to drive that forward.

I could similarly say that, on open banking, we have both been working on open banking. The FCA has been designated the lead regulator on open banking, so it is running the programme, with the PSR running a project within that programme on variable recurring payments stage 1. We have been able to bring that together into a single steering group already, working on a matrix basis.

Under the current arrangements, technically, I, as the chair of that group, have to make the same decision twice. I potentially have to take it through the PSR board and the FCA board if there is something that requires rules. Streamlining that into one place is an efficiency and enables us to work more effectively. We are going to work it through.

Q50 **John Glen:** You are confident that this is going to be an enhanced regulatory environment for the payment sector and will be positive for the economy and the payment sector?

**David Geale:** I have to believe that.

**John Glen:** You do not have to.

**David Geale:** I do. I will tell you exactly what I think.

**Chair:** You only found out yesterday.

**David Geale:** The national payments vision coming out is a major step forward and keeps the focus on payments. The creation of a role that is specific to payments within the FCA is giving that very specific prominence within the FCA's overall strategy. That is why I believe it will really keep that focus.

Q51 **Lola McEvoy:** Mr Geale, I wanted to pick up on something. When you were doing your risk analysis of this happening, you said that you thought, as an organisation, that there was a high likelihood that this decision would be taken. Can you elaborate a little bit more on why you thought that?



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**David Geale:** We are an organisation of 185 people within the building of 5,500 people. We share the same IT systems. We are all on FCA staff contracts. All PSR staff are FCA staff, effectively. Therefore, it felt like a reasonably easy target, if I am blunt.

**Chair:** We love candid witnesses.

**Lola McEvoy:** Plain speaking, please.

**David Geale:** Also, I have been in and around banking and payments supervision policy for the last six years—I have been at the FCA a lot longer than that, but specifically, I was banking and payments director for a period and then banking director. The stakeholders have consistently said to me, in that role, before I joined the PSR, that they felt there was duplication. If they were saying that to me, I could pretty much guarantee that they would be lobbying quite hard for it and, therefore, it would be on the agenda.

Having said that, I believe that this is the right thing to do. It is difficult for people, and I am hugely proud of the way that our people have reacted to that. Having been told last night, they have been very positive. They have accepted it and focused on the future already. I should put that on record: I think our people have been excellent.

Q52 **Lola McEvoy:** On that point, you came in in June 2024. In your previous role, people were lobbying for this decision to be taken, but you did not recommend it when the Government asked, “What is your view on your organisation?”

**David Geale:** No. The regulatory structure is a matter for Government. The key important thing for me is that the work gets done. You can do it within the PSR and the PSR has that focus specifically on payment systems operators and payment systems. The change that occurred in November of creating a joint role brought us closer together. I also firmly believe that we could have made that work in terms of driving the—I hate the word—synergies of working together. We could have made that work, but this is a choice and the structure is a matter for Government, not for us.

Q53 **Lola McEvoy:** Ms Walsh, you have been in since February 2023, so forgive me, because this is a bit before your time, but when it was set up, what was the purpose of the organisation? Why was it not just put into the Financial Conduct Authority in the first place?

**Aidene Walsh:** We have very few people who were around when it was set up. As I understand it, when it was set up it was as a result of the Cruickshank report and it was because there was not a single focus on payment systems in the UK. Clearly, they are absolutely critical for critical national payments infrastructure. I understood that that was because the FCA at that point in time did not have the focus on payment systems.



As David said, things have shifted dramatically over the last number of years. He was head of banking and payments. I will not drift into innovation, but, when you start looking at the future of payments, the FCA is leading on a number of those things, such as cryptoassets and stablecoins. When you start looking at how changes have happened over the last number of years and what the FCA is focusing on, there is an absolute awareness that payments is critical to economic growth in the UK. There is now a completely different situation that we are facing into.

**Q54** **Lola McEvoy:** On that, what do you think are the big successes of the organisation over the last 10 years? What are the things that have shaped the national landscape? Will you continue to have successes if this happens?

**Aidene Walsh:** Shall we do a double act on that?

**David Geale:** I would call out a number of things. Within payment systems, the PSR took action and issued about £30 million-worth of fines on cartel activity. The FCA has a competition function, so it would have been a prioritisation decision on whether to look there or at other issues, but the PSR was specifically set up to look at such things as a competition economic regulator. It did so.

Confirmation of payee is a huge step forward. This is that, when you try to make a payment to somebody, it comes up and does a name check. That is a huge step forward in reducing fraud. It is now rolled out to 99% of firms. That is a major step forward for the PSR.

In the last 12 months alone, we have published the final rules on APP scams. We have implemented that and seen that really take hold and start to make a difference. I will happily talk about the figures later, if helpful. We have issued the final report on cross-border interchange fees and a package of remedies. We have issued the report on scheme and processing fees now and will be very shortly coming out with a package of remedies there.

We are really making a difference to businesses and users of payment systems, including consumers, in that space. I believe that joining it up with the FCA enables us to be stronger, in terms of also looking at firms right across the ecosystem of payments, doing that in one place and thinking about where we can act most effectively and quickly, building in conduct and economic regulation together.

**Q55** **Lola McEvoy:** Are you confident that this move will be better for consumers?

**David Geale:** I am. As I say, we could have made it work, working as the two together, but there is a lot of noise in the payment system at the moment. If we can remove that, with a 5,500-person organisation behind us, we can pull up some trees.





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**Aidene Walsh:** I would also add one last thing: we enabled access to the payment systems, which is a huge achievement for the organisation.

Q56 **Chair:** I would like to pick up on some of the points that Mr Glen touched on. In what you have said, what you have written to Government and what Government are wanting to achieve, in one of the many documents there is a comment about how businesses are fed up of dealing with lots of organisations and this is to streamline it. As Mr Glen says, different people in the FCA and different teams do different things. As a business, you are still having to go through different teams on things. Can you set out in simple terms how you think it will streamline regulation by moving your functions into the FCA? Will businesses notice a difference and how will that be delivered?

**David Geale:** There is a micro answer to that and a macro answer. The micro answer is that, currently, the chief executive of a bank will see me as MD of the PSR, or they will see the director of retail banking, and then potentially the exec director of consumers and competition. That is one meeting where we can actually double up. We can do one thing at the same time and talk about the landscape as a whole.

Q57 **Chair:** It is one meeting less for a business.

**David Geale:** I just said that I would go micro.

**Chair:** I am not being trivial, but that is a point, yes.

**David Geale:** Joining the organisation, that flows through into the conversations that teams have. The teams within a bank or a payment provider will have to talk to two different regulators, potentially about the same thing. Open banking is a classic example at the moment. They have been talking to two different regulators. I believe that that is more streamlined. The decision making will be quicker, because, again, we do not have to go through two different boards, for example.

We have an opportunity to really focus and target within the ecosystem. If we look at, again, fraud, we have to go through certain hoops to share information at the moment. Where we, as PSR, identify challenges in particular firms complying with APP regulations, there are things that we can do. The FCA may be better placed to act to enable that to happen. We have to ensure we can share the data properly. We have to work through what has been collected for us. That will be a lot simpler and more straightforward. Those are examples, but improving the governance, being able to make quicker decisions, reducing the number of people that firms have to talk to on any particular issue and being able to focus our attention is key.

**Chair:** We hope to get into some more of the detail.

Q58 **Dame Harriett Baldwin:** If you believe all those things today, Mr Geale, why were they not in your letter to the Prime Minister after the summit on how regulators could help growth?





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**David Geale:** Changing the regulatory landscape and moving regulators is a significant step. This is something that would take a considerable period. I believe that we were responding to the question we were asked, which is what we could do to deliver growth. We put forward a series of initiatives that we, as the PSR, believed could deliver growth. We said that we would continue to look at efficiencies in terms of the most effective way to work.

Q59 **Dame Harriett Baldwin:** The headline today from the Government—and I am reading it verbatim—is, “Regulator axed as red tape is slashed to boost growth”. You could have put this in your letter, couldn’t you, if you think it is such a good thing now?

**David Geale:** I said that I believe that we could make it work either way. Having the strength of the FCA behind us is important. I believe that we could have done that through the creation of the joint role. At the time, we were asked the question as the PSR: what can you do? We said that we would explore further opportunities to work more closely together. We had not done a specific piece of work looking at whether it was sensible to join the organisations up.

Q60 **Dame Harriett Baldwin:** You were not having one set of private conversations about, “We think we should do this”, while you made a public letter about, “These are the things we think the regulator could do to help”.

**David Geale:** No.

Q61 **Chair:** Before Dame Harriett moves on to what I might call the regular work of what you are doing, I noticed that the No. 10 press release that is out today talking about this lists the timeline of how they are going to make regulators work for the country. The last point is the Chancellor hauling in regulators in January to have these proposals scrutinised. The way you are talking today sounds very collaborative. Did you feel that you were hauled in? What tone of discussions were you having?

**David Geale:** I believe that that comment is more general about regulators in total. There were regulators who were called in to—

**Chair:** “Hauled in”, actually. You are always being so polite, Mr Geale.

**David Geale:** They went into No. 10 or No. 11 to have those discussions. We were not called in.

Q62 **Chair:** Were you called in or hauled in?

**David Geale:** We were not called or hauled in, so we have not discussed our growth letter with the Chancellor.

Q63 **Chair:** You have not had a meeting with the Chancellor.

**David Geale:** We have not had a meeting with the Chancellor on our growth letter.



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Q64 **Chair:** Have you had a meeting with the Economic Secretary or with any Treasury Minister?

**David Geale:** Not Ministers, no.

Q65 **Chair:** What about officials?

**David Geale:** Yes.

Q66 **Chair:** What about special advisers?

**David Geale:** No.

Q67 **Chair:** What level did you get to? Was it Permanent Secretary or director general level?

**David Geale:** It was director general.

Q68 **Lola McEvoy:** Can I come in on that point? Forgive me, because this is not my area. With other regulators and this overhaul, is it not the done thing to put a proposal forward to say, "We would merge with another regulator or move in a Department"? Is that not something that you would advocate for, or anyone would advocate for in your position?

**David Geale:** As I said, we had not carried out a specific piece of work looking at whether one thing we could or should do would be to merge within the FCA. It is not a quick thing to do, as identified by the fact that legislation needs to change. We were asked to comment on what our proposals for growth were as the PSR. We did that under the current and existing structure and committed to looking at further opportunities to work effectively with the FCA. That was what we were working towards. That is what we committed to do. The consideration of whether the PSR should be merged with the FCA came later than that letter.

**Aidene Walsh:** In terms of the letter, it might be quite nuanced, but there was a paragraph in there saying that the board will continue to look at opportunities to streamline the overall approach and regulation. That was in that letter. That plays into the fact that we were open to having a conversation. As David said earlier, if it would remove some of the noise around the regulatory congestion for the good of UK payments, we were open to looking at that.

Q69 **Dame Harriett Baldwin:** I would like to slightly shift the line of questioning to what you have achieved in terms of rolling out automatic push payment fraud reimbursement. Members of this Committee get lobbied as well, by the people who were concerned about the roll-out. In our published reports to you in the past, we have raised concerns about potentially some conflicts of interest, with some elements of your organisation not wanting this to move forward and some delays in terms of rolling out automatic push payment fraud reimbursement.

Our voice very much has to be on behalf of our constituents, so that we are representing those people who have benefited from the fact that they are being scammed less. I wondered whether you could summarise for



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the Committee whether you have some early indication of how that roll-out is working for our constituents and whether you have any data you can share with us, Ms Walsh.

**Aidene Walsh:** I am going to hand over to David for the detail. One thing I will say to set a context was that there was an awful lot of expectation or noise that the sky would fall in. We were really firm about holding to the 7 October deadline. The information that we have seen coming through is really reassuring in terms of the positive impact on that for UK consumers. I will hand over to David, who has early sight.

**David Geale:** I would caveat that these are early days and the figures are not directly comparable, because of course we now have mandatory reimbursement and we did not before. That said, in 2023 there were over 250,000 push payment fraud scams, totalling around £340 million, of which around 65% were reimbursed. That was through the industry contingent reimbursement mechanism.

In the first four months of our policy being in place, there have been 44,000 claims. That is 21% of the 2023 total, so it has actually gone down in terms of the number of claims. As I say, the periods are not directly comparable, but that is what we see. In a third of the period, we are seeing about a fifth of the claims. We have seen that totalling about £49 million. We have seen the firms use the customer standard of caution, which is where they have said the customer was grossly negligent, in under 1% of cases. We have seen around 21% of those customers being identified as vulnerable and therefore automatically repaid. We have seen 96% of in-scope claims being reimbursed. The indications at the moment are very good and we are very pleased with the way it has been implemented.

Q70 **Dame Harriett Baldwin:** Can I say thank you? You had a lot of people trying to slow you down and have this not rolled out, and yet this has had a really beneficial impact on our constituents who were being scammed and a really beneficial impact in terms of their economic wellbeing. The UK is very much at the cutting edge in terms of payments. In terms of your existence as an organisation, we can safely say that our constituents have seen improvements, so thank you very much.

**David Geale:** Thank you.

**Chair:** It is not often you come to Committees such as this and get such praise, especially from a hard-bitten former Chair and former Treasury Minister.

Q71 **Rachel Blake:** Staying on the theme of the APP fraud, I wanted to get into the detail of the decision to move from the £415,000 to £85,000. Why was that decision made?

**David Geale:** At the time of looking at the £415,000, we got a lot of pushback. We had a lot of concerns expressed about the impact on investment in UK businesses. We committed, which was back in



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December 2023, that we would look again at the figures before we went ahead. We collected some more data, which was better and cleaner data than we had previously.

We identified that, at a level of £85,000 as a limit, we would capture 99% of claims by volume and 90% by value. Customers who had claims over the £85,000 could still have access to the Financial Ombudsman Service, so they could still complain to their bank or payment provider. If they were not satisfied, they could still go to the ombudsman and seek compensation up to the ombudsman limit, which would be £430,000, with the ability to recommend more.

We therefore considered and took a very balanced decision, which Aidene could also refer to in terms of the board, that we felt it was more appropriate to start at £85,000. We committed to an independent review one year after implementation. I should say that, in that year of 2023, we saw 411 cases out of 250,000 that were over £85,000, so 411 were over £85,000 against a total of 250,000. That is why we felt confident to go ahead with the lower figure and to reflect on the feedback we had had around impacts on growth and investment.

To date—again, based on these four months' figures—we have seen 79 cases over £85,000. The numbers are very low. That has totalled about £9.3 million. Under 1% of claims are over the £85,000 limit, so that has continued as a trend, and £6.2 million of that has been reimbursed.

**Q72 Rachel Blake:** Can you describe the nature of the pushback to the £415,000 limit?

**David Geale:** We had a lot of feedback from firms saying that they were seeing reluctance among investors to invest in payments firms because of the potential exposure. You add up a number of £415,000 claims and get to a big number very quickly. They were suggesting to us that that was a challenge. We discussed that data with the FCA. The FCA carried out some analysis of firms' proximity to failure in the event of receiving a large number of claims.

When we put all that information together, we felt that £85,000 was the right place to start. As I said, we committed to an independent review at the end of the first year, which will include not only looking at the claims experience of customers, but what the impact on investment has been. At that period, we could review the limit if we chose to do so. We would need to consult on that if we did. The limit could go up or down.

**Q73 Rachel Blake:** Then the formal review of the limit is October 2025?

**David Geale:** That is the period it starts, and it will be an independent review.

**Aidene Walsh:** The challenge was mainly from the fintech and e-money institution community around that limit. Maybe I will touch very briefly, if that would be of help, on the board decisioning. Our statutory objectives



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are to support innovation and competition, and then to look after the interests of the end users. As David talked about it, I think that it was at the end of 2023 that we committed to review evidence, if evidence came through during that period ahead of holding to the 7 October date, so we were looking at it periodically.

When we took the decision, we balanced everything. He talked about how we looked at how many cases it would impact versus the potential impact on sustainability of fintechs. We took all that into consideration as a board. We had committed, when we came to the TSC in January of last year, that we would hold to 7 October. We were really clear that that was super-important for consumers in the UK.

Q74 **Rachel Blake:** So this less than 1% figure is above the £85,000 threshold?

**Aidene Walsh:** It is 79 cases.

Q75 **Rachel Blake:** Have you had any pushback from fintech and the sector about those?

**David Geale:** They continued to lobby for a smaller limit. That noise abated a bit when we went live. The fintech trade associations were either arguing for no limit, in terms of "Don't do this at all", or £30,000 was their preference. That was their preferred starting point. We felt that £85,000 was the right place to start.

Q76 **Rachel Blake:** We talked a bit about engagement with industry in terms of any meetings with the Treasury about the amount. I think that the Minister at the time expressed that he was not that keen on the £415,000.

**David Geale:** Treasury introduced the legislation that required and enabled us to make these changes. Of course we had discussions along the way, but it was our decision.

Q77 **Chair:** Did you have further discussions with the Economic Secretary of this Government?

**Aidene Walsh:** Yes, we did.

**David Geale:** Tulip Siddiq, yes.

Q78 **Chair:** Did she have strong views?

**David Geale:** She reflected back what she was hearing from the industry but, as I say, it was our decision to go ahead.

**Chair:** You are very diplomatic, Mr Geale.

Q79 **John Glen:** Can I explore this a bit more? One of the issues that came up when we had Baroness Manzoor in is that her view was that fraud is fraud. Fraud is still fraud if it is £415,000 or £85,000. You said that the recent evidence shows that £9.3 million is above £85,000, so it is less



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than 1% of total fraud. If you break down per fintech the amount they are paying, it is probably a pretty small amount.

I have two questions. First, was their perception of the actual risk to them realistic about what was actually in play? Was there a behaviour shift consequential on some of the things you were doing? My understanding is that their systems are improving all the time to become more sophisticated.

Secondly, if you still have a redress mechanism to go to the FOS above £85,000, you still create a degree of uncertainty from the point of view of industry and the consumer. Is that not in itself a classic example of the sort of unhelpful fudge that exists? We want to cover all our bases, but you want to send the right signal to fintechs. We end up with a system where you have sort of done that, but you still have the potential that the fintechs are going to have to pay £415,000 anyway.

**David Geale:** To start with, is it perception or reality in terms of the investment? That is incredibly difficult to judge. We were hearing it very consistently that there was nervousness about investment.

Q80 **John Glen:** They always say that, don't they?

**David Geale:** They do always say that. We also worked with the FCA to look at what the impact on these firms would be. We collected data on firms that are receiving fraud. The other thing I should mention is that fraudsters' banks are having to pay 50%. That is the other key thing in the policy. It is not just the victim's bank; it is the fraudster's bank. We worked with the FCA to look at what the impact on the sector would be and whether we would be exposing a very large number of firms to risk, and, if so, to think about the risk of failure of firms, and potentially disorderly failure.

On balance, we felt that the right thing to do was to start with a limit of £85,000. The key thing there is that that is pretty much guaranteed. It is mandatory reimbursement. It is not optional, unless the customer has been grossly negligent, by which I mean they have perhaps ignored very specific, very repeated warnings. As we have seen, less than 1% of cases are meeting that test at the moment. The level of reimbursement will be expected to go up.

You are absolutely right that firms' systems are improving all the time. That is partly because we changed the incentives, which is what we wanted to do. It is one thing to reimburse, but we want to stop it. We have seen firms investing. We have anecdotally heard about a number of fraud prevention firms increasing their business quite significantly and selling those services. That is the right thing to happen. To me, that is driving the right behaviour.

In terms of the ombudsman service, any customer can complain about anything. The FOS applies different tests from the mandatory reimbursement. It will look at the circumstance of the case. It will





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consider what is fair and reasonable. It may make a partial award or a full award. There is a whole series of things that can go into that. We wanted to bring in a mandatory limit that meant the vast majority of consumers were being protected, and that is what we have done.

**Q81 John Glen:** I have one follow-up question. In terms of the technical changes that have improved the performance of the industry, is there not a trade-off between delay in payment and safeguarding? One way they do that is to extend the time for a transaction to take place. Do you have any view on what has happened in that regard? That is obviously a negative for consumers in terms of the overall outcome and speed of payments. What would you say about that trade-off with speed?

**David Geale:** The FCA introduced guidance around the same time that broadly reminded firms that, if you really believe a payment is fraudulent and you have warned the customer, who still wants to go ahead, you can pause the payment to give reasonable time to investigate, so four days. They investigate and, if the payment is not found to be fraudulent, fine, they have to let it go ahead. There is a trade-off there potentially with friction.

I do not have specific figures for you at this stage. We are looking at what we can get hold of in that respect. I have heard anecdotally that, in a fairly significant number of cases, if a firm has that much reason to believe it is fraudulent, quite often customers choose not to make the payment. If we look at the fraud enablers data that we have put out, you will see, for example, in purchase scams Facebook Marketplace is one of the key areas. One question firms often ask will be, "Have you seen the goods?" If they think that the customer has not and they choose to pause the payment, that is a positive step that is worth taking, even if it is more friction.

**Q82 John Glen:** The final question, which your answer has provoked, Mr Geale, is around your jurisdictional authority over payments regulators and platforms. For the benefit of those watching the Committee, can you explain to us how you interact with the platforms? They are obviously, as you say, quite a key marketplace. Where does your authority lie? Do you feel you have enough authority over those environments?

**David Geale:** We do not have any authority over those environments. By collecting the data on where fraud originates, which is something we can do, we sought to shine a spotlight on that. Meta platforms, for example, feature very prominently. I think about 54% of the scams that happen come from Meta platforms. There are telecoms, email, romance scams and these sorts of things. We wanted to shine that spotlight. We have shared that with others. We have worked with the FCA, which also does not have specific powers in that area. We have shared it with the fraud taskforce. Indeed, we have published it so the public can see it.

**Q83 John Glen:** This is a recurrent thing that it is good for us to talk about here. You can do so much through payments providers and regulate





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them, and we have heard about the success you have had, but there is nobody who can really deal with those platforms, or is dealing with those platforms at the moment, that constitute a majority of the fraudulent activity. That is correct, isn't it?

**David Geale:** I agree. There is more that can be done in that space to change the incentives on the platforms and put fraud prevention measures in place.

**Chair:** That neatly segues us into Ms Yuan Yang MP.

Q84 **Yuan Yang:** Yes, exactly. I would love to ask Mr Geale what more you think can be done for those platforms. Which regulators do you think that belongs to, given the large number of regulators in the advertising and social media enforcement space?

**David Geale:** The FCA has already taken some steps in terms of working with the likes of Google on placement of ads and so on, which is important, but it is perhaps more persuasion rather than direct regulation. We have fed this information into the fraud taskforce led by Lord Hanson. That is the place to take this forward.

In terms of what can be done, people talk about things such as whether there should be a levy. I am not sure that that makes too much difference. It has to be about practical steps on what can be done to prevent these fraudulent invitations, if you like, happening in the first place. I am not sure which is the best regulator to do that. We have bodies such as the Digital Markets Unit coming up that may have an interest in these sorts of areas. The fraud taskforce is the right place to discuss and direct that.

Q85 **Yuan Yang:** Currently, which regulators do you work with most on the root causes of social media APP fraud?

**David Geale:** We collected our own data from the firms that we regulate. We share that with the FCA. We have shared it with the likes of Ofcom and others as well. As I said, we have fed it into the fraud taskforce.

Q86 **Yuan Yang:** In terms of the costs of APP fraud, we have just had the conversation about the limit on maximum reimbursements. That is borne by banks and other financial firms. Do you believe that, in the future, social media firms should bear some of that cost for fraud originating on their platforms?

**David Geale:** I would describe the measures we put in currently as potentially blunt but necessary. We have put in a 50/50 sharing between the fraudster's bank and the victim's bank. Over time, I would like to think that, as we get more sophisticated in the data we collect, we could shift more of that to the fraudster's bank, because we want people to stop banking fraudsters, as an example, or banking providers. That is one thing.



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I would love to see a world where we could get to a point of saying, "A fraud originated here. Therefore, if you are responsible for enabling that, you should have to pay something towards it". It is very complex to be able to do that in terms of actually saying, "Where did this start? Has it gone through a number of steps?" We are a way away from doing it. Would I like us to be able to get there one day? Yes, I would.

**Q87 Yuan Yang:** So for example Facebook would eventually pay for frauds originating on Facebook?

**David Geale:** I do not know how that would be enacted, but, in principle, it feels right to me that, if somebody is enabling the origination of a fraud, they should have to contribute something towards it. As I say, I do not know how you achieve that.

**Q88 Yuan Yang:** Ms Walsh, I noticed that you smiled in response to that.

**Aidene Walsh:** It is interesting, because I think Singapore is looking at sharing the liability among all the players. Definitely that is something that we will be keeping an eye on.

**Q89 Yuan Yang:** In terms of the kinds of people who report online fraud, I noticed that there was a remark in your report about younger people reporting it more. I was wondering whether you had more demographic data about the victims of fraud that you are planning to publish.

**David Geale:** We are looking at consumer research as part of our independent review, so I do not have any at the moment specific to this. The customer experience in terms of who is being scammed and so on is something we are looking at as part of that, so we will do later, yes.

**Q90 Yuan Yang:** That would be great. Finally, I noticed that you published again the league table on reimbursement rates from banks. There was quite a big range from around 9% to 88% within banks. What was the reception like to that league table from the industry?

**David Geale:** If you look at the first report we published and the second report, some of the names have changed. That is important because people have invested more in fraud prevention. It is one of those lists people do not want to be on. We share that with the FCA as the conduct regulator, which will then follow that up with individual firms where there are specific concerns about whether the controls are strong enough. It is a tool partly to give sunlight on the issue, because nobody wants to be on that list, and partly so that we can work with the FCA to say, "Here are some hotspots you might want to go and look at".

**Aidene Walsh:** I sat in on some really constructive conversations with organisations that then were showcasing what they were doing in order to address fraud in the system. That is a super-positive outcome of publishing the names in the first place.

**Q91 Yuan Yang:** You also have that role in incentivising the industry to improve itself. You mentioned in your response to Ms Blake the challenge



from the fintech community around the reimbursement cap. I am sure that in many places you will be challenging the industry to improve its practices, sometimes criticising and sometimes improving. You have quite a dynamic relationship with the firms that you are regulating. Do you think moving into the FCA, or being consolidated into the FCA, will improve your ability to push back with those firms when you need to?

**David Geale:** We need to look at what the legislation enables, because the FCA has quite different powers from the PSR. The PSR does not have the senior managers regime, as an example. The FCA does. I do not know what that regulation of payment systems operators will look like yet. We will need to see how the legislation settles down. It is perfectly possible that it will enable something more. It will certainly enable us to have different and deeper conversations. Having said that, we have, over the last year, built out our supervision compliance monitoring team. We are doing far more than we were previously, working with firms to pick up on any particular issues that we see. That is something that we have built out ourselves and is working well.

**Yuan Yang:** As an MP who has had constituents come to me with their experiences of APP fraud that have completely changed their lives for the worse, thank you for your work. I hope that the consolidation into the FCA means that that work will continue at full pace as well.

Q92 **John Grady:** You have two investigations on the go at the minute on cross-border interchange fees, and scheme and processing fees. For my constituents in Glasgow East, it boils down to this: they are paying more for goods and services than they should because Mastercard and Visa have been increasing fees well above inflation.

**David Geale:** We believe that that is the case in terms of merchants paying fees that are higher. Through both reports, we have found—and we have published the final reports on both—that, on cross-border interchange, Mastercard and Visa increased their fees by £150 million to £200 million since Brexit, when the limits that were applied within the EU fell away, so they increased their fees. In scheme and processing, we have seen fees go up by around 25% over the last few years without, in our view, an increase in the services that they are providing that we could link to that.

Q93 **John Grady:** This is a simple yes or no question, because I am a simple person: are customers in Glasgow East, and everyone's constituents here, in your view, or the PSR's view, effectively being overcharged?

**David Geale:** We have concluded that they are being overcharged in terms of merchants, and that may pass through to individual consumers.

Q94 **John Grady:** You are proposing remedies to regulate those. When will the remedies come into force, do you think, for both sets of investigations? You are looking at remedies for both, aren't you?



**David Geale:** The two are different. On cross-border interchange, we have consulted on an interim remedy and said we will carry out work on an enduring cap. An enduring cap requires quite a lot of complex work, including a merchant indifference test. That takes time, potentially 12 months or longer. We therefore issued a consultation on introducing an interim cap to cover through that period.

It is a matter of public record now that we are subject to legal challenge by Visa, Mastercard and Revolut in terms of our powers to implement a price cap. It would be inappropriate for me to go into too much detail on that. Suffice to say that we will be robustly defending our position, but that process needs to run its course.

Q95 **John Grady:** When it comes to the imposition of remedies, leaving aside the judicial review, do you think that there is a reasonable argument that the PSR, or the PSR and the FCA, should have more, rather than fewer, powers to impose remedies to protect consumers against a duopoly of Visa and Mastercard?

**David Geale:** If I take legal challenge out of the equation for a second and talk in the generality, I believe we have the powers that are necessary to do what we need to do. As the PSR, we are an economic regulator. Sorry, I should also answer your first question on scheme processing. We believe that we have the powers to price regulate where it is necessary to do so. We would only seek to do so where we consider it necessary. We have the powers to direct firms to provide more information and to provide things in a different way. We believe our powers are sufficient to do that.

Q96 **John Grady:** On the investigation side, do you have enough powers to conduct investigations?

**David Geale:** We certainly have powers to conduct investigations. The interventions we are seeking to make are complex, technical and difficult, so it takes time to do that. We have the powers to compel firms to provide information, but sometimes those powers could be stronger in terms of getting the information out and being able to move a bit more quickly.

Q97 **John Grady:** As we are looking at fresh legislation, will you be carrying out a review to see whether you should ask for an increase in powers, for example sanctions on people who do not co-operate with investigations?

**David Geale:** Absolutely the thing we should do is to look at the most appropriate suite of powers to use going forward.

Q98 **John Grady:** You will be looking at enhancements to those powers?

**David Geale:** If necessary, yes.

Q99 **Chair:** On that point, you are a legal entity in a court case at this point. There is going to be legislation. Is there a risk to any court action because of any changes and how are you going to guard against that?



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**David Geale:** I would not see a risk to any court action because the PSR is the entity that has consulted on the use of these powers. The PSR would still be in existence as that entity making those interventions for the foreseeable future.

Q100 **Chair:** Is that even after a merger, or takeover, or whatever? That is the point. It could get to a tricky point, timewise.

**David Geale:** There is something in terms of looking at legislation and ensuring that there is an appropriate carryover of powers for the FCA to be able to continue the work that the PSR has done. I don't know how that would interact with a court case.

**Chair:** It is a tricky issue for the legislators. You now need to look at us on that. We will bear that in mind.

Q101 **John Grady:** To pick up on a couple more points, your investigation on cross-border interchange started in June 2022. We are pretty close to June 2025, so it has taken quite a long time. Consumers might ask, "We are paying more than we should. Why is this taking so long?". With that in mind, do you carry out benchmarking or other lessons learned exercises to assess whether you can speed up your investigations?

**David Geale:** We will absolutely do that as we go through to look back at the work we have done and see whether we could have done it in a different way. I completely agree that that is a sensible exercise for us to carry out. With cross-border interchange, we published our interim findings, and we were due to publish our final report in May or June of last year. Around that time, there was a general election where we were asked, as were other public bodies, not to publish anything. We then had the national payments vision coming and we wanted to look at that. During the summer period, we received quite a lot of additional information and representations from both EU trade bodies and MEPs.

The key thing for me is that, while I appreciate the frustration in terms of the speed, in many ways it is quicker to do it, do it once and get it right than it is to go out with something and then find we have to challenge it again, hence we published it as quickly as I felt possible.

Q102 **John Grady:** This is the final question from me, because I do not want to try the Chair's patience. There are trade bodies—we have seen it with fraud as well—with the banks and fintechs are having a right good go at it. Doubtless Mastercard, Visa and everyone else have several KCs and magic circle firms advising them. The odds are stacked against the consumers, including my constituents in Glasgow East, getting a result here. Is there a true equality of harms here?

**David Geale:** That is why regulators exist—to try to work through that. That is also why it is really important that we do our work properly, we do our work well and we can be confident in our findings. I am confident in our findings on both reports.



**Q103 John Glen:** Can I get back into this cross-border interchange fees issue and the costs? Some of the providers, as you would imagine, have come and spoken to us. They have said that it was at 0.2% and they are thinking about a cap at maybe 0.5%, but their costs are much greater than that in terms of the maintenance of the KYC regime, the fraud monitoring, the strong customer authentication and the Apple Pay fees.

If we take Revolut as a random example—notwithstanding the challenges and the ongoing tension, shall we say, in law between you—what work have you done to verify the costs that accrue from interchange, the transactions going across borders? Their assertion is that, if a limit is put in at 0.5% or 0.2%, it would mean that they would be bearing significant costs, given the responsibilities that they have had placed on them around those things I mentioned over the last five years. Is that justifiable? Can you say that you have discounted that? What assessment have you made of the costs accruing for them of maintaining that system?

**David Geale:** We have done a lot of work with the schemes and others to try to understand what changed. Post Brexit, we saw those fees go from 0.2% or 0.3% to 1.15%. We asked what had changed and we took evidence in terms of what had changed to justify that increase. We did not see compelling evidence that led us to believe that there was a good case for doing that.

As I said earlier, we received quite a lot of representation over the summer in particular. We absolutely acknowledge that, to get to a specific level that we think is correct, we have to do the merchant indifference test. There is more work to be done, which we have committed to undertake to get to what we think is a sensible permanent cap.

We did, though, introduce a more open consultation on an interim position. We do not want to leave things for that period while we do that much more detailed work. We consulted on a number of levels and invited further evidence for firms to come back to us and tell us why a different level from 0.2% or 0.3% would be correct, if indeed it is. I would point out that those are still the levels that they have agreed to within the EU. In terms of what the difference is, we struggled to see that. The only thing that we could see was different was that the UK had left the EU.

**Q104 John Glen:** You do not see any meaningful reason why costs should have risen consequential of leaving the EU in terms of servicing inter-country transfers?

**David Geale:** We did not find a compelling reason to say that costs that were otherwise being paid through interchange fees had changed sufficiently to justify putting them up by that amount. We have invited evidence on that. We have issued an open consultation. We are prepared to work and understand where a level should be.





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Q105 **John Glen:** This is not criticism—I am just curious—but it has been three years. Presumably it is in their interest too to bring this to a conclusion, to remove it. Why does it take so long to get to an objective truth on what the actual costs are and therefore get to the bottom line of whether the cap can be verified?

**David Geale:** I do not mean this to sound flippant, but that is part of the problem, because it is so complex. It is complex. It is difficult. We are looking at this through a lens of the UK still being a member of the single European payments arrangement. Fraud looks lower between UK and EU than UK and rest of world, or EU and rest of world, so we are struggling to make that justification. We are talking about some pretty big numbers in terms of what happens with the schemes and others. Therefore, we get quite a lot of representation on that and it takes a lot of working through.

**John Glen:** Your candour is really appreciated this afternoon. Thank you.

Q106 **Dr Sandher:** I want to ask about card payment fees and particularly Visa and Mastercard. Card payment fees have increased by £170 million between 2017 and 2023. They might be paid by merchants, but fundamentally they are really paid by consumers, so by our constituents. What do you think is driving these fee increases?

**David Geale:** As we put out in our final report, the challenge is that these fees are not clear. It is not clear to merchants or acquirers what is mandatory, what is optional, what the justification for fees is and so on, and therefore there is a lack of competition in that marketplace. That is the finding that we have made. We have issued the final report on that, as I think you just quoted from. We will very shortly be coming forward with a package of remedies to try to address that.

Q107 **Dr Sandher:** What engagement have you had with Visa and Mastercard, since 95% of transactions are covered by them? What engagement have you had with them to get those fees down?

**David Geale:** We have extensive engagement with them, including written submissions, oral submissions, regular meetings and sharing of a number of working papers to understand the position. It is fair to say that we feel that it is necessary for us to impose regulatory remedies in order to enable merchants to engage more effectively and drive competition in that marketplace. At this stage we do not have evidence of excessive profit and therefore we are not in a position to price cap, but we think we are in a position to drive some more informational remedies and to seek to understand more about these businesses to enable us to monitor how that is working.

Q108 **Dr Sandher:** Is it fair to say that you are somewhat convinced by the engagement with Visa and Mastercard, but not entirely convinced that what they are saying has justified price increases?

**David Geale:** We are seeing a lack of competition that enables those merchants to effectively challenge those prices and drive them down.





Q109 **Dr Sandher:** On the competition bit, what conversation have you had with the Treasury and the CMA about introducing competition to this market?

**David Geale:** We have talked to Treasury in terms of being aware of the findings. This is not something that we need to ask the Treasury for anything on, so it is aware of the findings. I would not say that we have had discussions about introducing anything specific. We talk to the CMA on a regular basis, but this is something that is within our powers to deal with, so it is something that we are taking forward.

Q110 **Dr Sandher:** What does competition look like in this market? Basically, 95% of a duopoly is a lot. What would it look like?

**David Geale:** We see an element of competition between Mastercard and Visa. We do not believe that there is likely to be, as you say, a credible alternative in the near future, with the exception of things such as open banking and the development of that, which really can start to drive competition as that starts to drive into account-to-account payments and retail. We want to enable merchants to, at the very least, understand what is optional, what is mandatory and why that is the case, and to be able to engage and challenge.

Q111 **Dr Sandher:** It seems like a long way off before you will get proper competition in this market. I am not quite clear why a merchant would pay an optional fee, but let us leave that to the side for a moment. In terms of getting actual competition in this market, how far off do you see that as being?

**David Geale:** On the optional, I am not sure that they understand what is optional and what is not optional at the moment. That is part of the problem that we will be seeking to remedy. In terms of driving competition, we have to create the conditions for that to happen. I could not put a figure on exactly how it will be, but we will monitor what is happening as a result of the remedies and set ourselves up to be able to take further action if necessary.

Q112 **Dr Sandher:** What are these conditions that are not present at the moment? If you have two firms that have such a huge swathe of the market, the barriers to entry must be incredibly high. What are the conditions to allow competition to arise at some point that, at the moment, is undefined?

**David Geale:** First is clarity so that you can choose between the two, so you get more effective competition between the two at least. Secondly, open banking is a real opportunity.

Q113 **Bobby Dean:** You segued into my questioning because I was going to ask you a bit about open banking as an innovation in the market. It has been growing but it is still quite a small part, less than 5%. Could you explain to us what the potential of open banking is? Could it eat up a significant chunk of this market in the future, or is it always going to be a



sideshow to Visa and Mastercard?

**David Geale:** I absolutely believe that open banking can be a genuine boost to competition. At the moment, we see that there are around 11 million users of open banking. The use cases are limited. We are working on the variable recurring payments phase 1, which is really starting to enable payments between accounts in a different name. When you can do that, you start to give people a real alternative.

There are some precursors to that being effective in the marketplace, one being that there is a commercial model so that firms can recover their costs. Equally it needs to be a genuine competitor to Visa and Mastercard in terms of cost for merchants and so on as well. One is actually having that up and running, and ready for payments between accounts in different names.

The other thing is that we need to reflect what the drivers of open banking are in terms of getting it to catch hold. Building those use cases to build familiarity is important. One thing we are looking at in phase 1 is breeding familiarity in perhaps low-risk use cases to get people used to it: payments to regulated utilities, for example, regulated financial services companies and so on. We are building those use cases so people get familiar and start to use it.

In other countries we see different options. In some areas we see Governments make benefits payments through open banking, for example. That starts to boost the use cases so people get used to it.

**Aidene Walsh:** Some really important context in the UK is that the familiarity and confidence with card payments is incredibly high versus other countries around the world. While bringing open banking provides competition, it will also be incumbent on consumers to feel comfortable with it and want to switch out from a debit card or a credit card to move to an open banking payment. We have had a lot of roundtables with retailers and what have you. From their perspective, it has to be a very frictionless experience, in line with that of a card payment.

Q114 **Bobby Dean:** That leads on to my next question, which is about the mass consumer potential of this. It becomes familiar when you give examples of paying a utility company or perhaps a small business paying a wholesaler on a regular basis, but how will they be able to compete with card use? Would we need other applications? Do things such as Apple Pay and Google Pay come into it? Can you explain the interaction between that innovation and mobile open banking?

**David Geale:** Many people use open banking without realising they are necessarily doing it at the moment. If you pay through your credit card, for example, you are using some of the rails. There are certain things that need to be delivered, working with Pay.UK, such as certainty of fate, so that you can have instant answers if you want to use an open banking



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payment through your phone, for example. These are things that do not take that long to deliver, but they need to be delivered.

We need to make sure we have the commercial model, as I say, and we are working with an expert group to deliver that. You can have the shiniest car on the driveway but, if you do not have a driver and you have nobody to use it, that is not much use. We need something that is fair to all participants such that it can take hold, to be frank. Certainty of fate is important. The commercial model is hugely important. We have taken steps around the multilateral agreement operators to make sure that that is in place. Then it is about getting familiarity and use to drive it forward.

**Q115 Bobby Dean:** Can I draw you on a ceiling to this, then? It is about 5% of the market now. We talked about Mastercard and Visa having the rest. Could it be 40%, 50% or 60%, or is it 10%, 15% or 20%? Can I draw you into having a guess on how disruptive this could be?

**David Geale:** I would hesitate to do that. We should recognise that, for all we have said about cards, cards work well and people trust cards. Therefore, they have a significant foothold. There are some other things that we need to sort—to be very clear on what the consumer protection around open banking is, for example. If you make a payment through open banking, what is the level of protection? Are people clear about their level of protection? Is it the same as cards? Does it differ from cards? Therefore, what is the most appropriate way for people to pay? There are some things we need to work through. There is very significant potential. If we have 11 million people using it at the moment, there is significant potential to drive it forward, if we can crack all those things.

**Q116 Bobby Dean:** Given that some of this stuff might be a way off, are we comfortable with Visa and Mastercard dominating the market with the sort of duopoly they have? You mentioned that there is competition between them and you would like to encourage more of that. Is it better to just have these two dominant operators competing with each other, or would you much prefer to work towards a world where there is much greater competition?

**David Geale:** I would always advocate for more competition. Competition drives innovation. We do see Visa and Mastercard innovate, but it would drive different types of innovation in the market. It can drive pressure on cost and deliver a better overall outcome for consumers. We have to reflect the current reality that we are in, which is that there is a dominant model in cards at present. That has built up over time and it takes time to change that, but open banking is a major opportunity to do so.

**Aidene Walsh:** Our aim is to give consumers and businesses choice. That is one of the reasons why we exist. For us, that is success. How consumers adopt is up to them. It is up to retailers and what have you to further that cause.



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Q117 **Chair:** Just as a remark in passing, with speculation about more banks merging, the functions of the PSR are even more important. I want to mop up on a couple of quick points. Ms Yang raised some issues about the relative performance of banks on PSR. I wondered whether you could give an example of anything you can see to explain why you have such a wide variation. I am trying to find the figure, but I think it was that Allied Irish Banks reimbursed only 9% of people on push payment fraud. Sorry, I am trying to find my figure here, but other banks have gone much higher than that. Obviously, it is on a smaller payment base for a bank such as that, which operates only in Northern Ireland, but what are you doing about the differences in payment? Are you clamping down on them?

**David Geale:** That is why we have introduced the mandatory requirement. While, as I say, we saw 65% of claims being reimbursed, the experience of customers depended on who they banked with and that cannot be right. That is why we introduced the requirement. That should be fixed.

Q118 **Chair:** When does that kick in? There is always a bit of a lag, so when will consumers see that difference? Whoever they are banking with, they should see this change.

**David Geale:** We will be producing further figures this year. That is going to be done in two stages because of the approach last year; mandatory reimbursement came in partway through, so to show a full-year set of data will not be helpful. We will publish that later this year. We are also consulting in the summer on what should be the most useful data going forward in terms of our fraud origination approach.

Q119 **Chair:** The reporting is great, but do you have a handle on why some are performing better than others? Is it just that they have better investment in systems?

**Aidene Walsh:** Consumers should have had a consistent experience from 7 October last year, so how we report that is a different matter.

Q120 **Chair:** Will the payments vision delivery committee go over to the FCA when you merge?

**David Geale:** As it stands, Nikhil Rathi, who is the CEO of the FCA, sits on that committee, as do I for the PSR. We have not had a conversation about what happens to the seats on that committee.

Q121 **Chair:** Are you expecting that work to continue?

**David Geale:** That work will continue. That is Treasury, Bank of England, FCA and PSR. I do not see any reason why we would be stepping off that while the PSR exists.

**Chair:** We would love to go into that more, but in the time I have I am going to throw it to John Grady MP.



Q122 **John Grady:** You mentioned consumer protection. There are these new ways of paying for things. If I was buying goods, I would always use a credit card because I would then have an additional route to claim. Ms Walsh and Mr Geale, I suspect you are not dissimilar on that front, being well informed. If we push people to pay using newfangled methods, the risk is that they will lose protection because the law, the Consumer Credit Act 1974, has not kept up.

Are you aware of anyone looking at that whole piece? It would seem rather important to me to protect the constituents of Glasgow East and elsewhere, so that they are not pushed off down new payment routes and then deprived of their rights.

**David Geale:** Through open banking, we absolutely need to work out what the consumer protection model looks like. We need to make sure that is appropriate in order for it to take hold. I completely agree.

I am not aware of anybody taking a step back at the present moment in time and saying, for example, "We have a series of different regimes. Should they be harmonised?" As I said, the FCA is the lead regulator on fraud now. That would potentially fall within the FCA's remit.

Q123 **Chair:** It is very early days, because you found out about the changes only yesterday, but do you envisage that this new legislation might include something on consumer protection? Governments often try to wrap things up together.

**David Geale:** The PSR has a consumer protection or interest of users objective. I would hope that that is reflected in the legislation in terms of applying that sort of protection to payment systems operators in the future because it is important.

Q124 **John Glen:** Just to be a bit clearer on that, you would hope it is. What dialogue is going on with the Treasury about ensuring that it is?

**David Geale:** It has not started yet, to be fair. I would fully intend—

Q125 **John Glen:** When I was Economic Secretary, three or four years ago, I remember talking to my officials at the time about reforms to the Consumer Credit Act. There must be a cell of work that is going on there.

**Chair:** There is always a cell of work going on somewhere in the Treasury on that.

**John Glen:** I am anxious that you are locked into it.

**David Geale:** The PSR's role in fraud is quite narrow and defined in relation to APP. The FCA is the lead fraud regulator. I appreciate that I work for the FCA as well, but fraud is not specifically within my remit. I am happy to come back to you in terms of what work is going on.

**Chair:** It is not so much fraud as consumer protection.

Q126 **John Grady:** What about consumer protection? You have taken words



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out of my mouth, Dame Meg: it is really about consumer protection. I was quite surprised that your report in March looking at scheme and processing fees talked about competitive constraints, but I could not see any reference to consumer rights. Maybe they are not a competitive constraint, but they would seem to be something relevant to the topic under discussion.

**David Geale:** The work we did was specific to fees. The objectives that we have for the PSR include looking after the interests of users of payment systems, which I would equate to consumer protection. In any transfer of powers, I would expect that to be included. We have not had that discussion on the transfer of powers, but I can assure you that it will be part of our representations.

**Chair:** We will be watching that very closely.

**David Geale:** I am sure.

**Dame Harriett Baldwin:** Again looking at the Government press release that announced your abolition this morning, it said, "Regulation will be cut back," economic growth will be boosted by your abolition, and more money will be put into "working people's pockets."

I have to say—I may just be speaking for myself—I am worried about what we might see as a result of this. From what I hear, you are getting merged back into the FCA. You will not necessarily get the scrutiny that this Committee, which represents constituents and consumers, has been able to give to your work. We did give you quite a lot of encouragement to get automatic push payment reimbursement in place, and that has genuinely put money back into people's pockets.

When we scrutinise the FCA, the chair and the chief executive come. The chief executive has a binder about this thick. I worry that we may not have the time to scrutinise this incredibly important area of economic policy unless we can get out of you today a commitment that you will still be willing to come in front of this Committee to talk specifically about the payment systems you regulate.

Otherwise, I am very worried that there will be backsliding in terms of the protections for our constituents. The lobbying has already started. It has already successfully got you abolished, effectively, looking at that Government press release. Our constituents may be less protected in the payment system. I am just putting that on record as a personal observation.

**Chair:** Dame Harriett, there was also a concern of mine. As the FCA seems to grow, we need to make sure we are looking at this. You may be in front of us as a function of the FCA if not as the PSR. This is something we will consider as a Committee. It is absolutely important that this Committee covers the whole ground of the work that you do.

Can I thank our witnesses very much indeed for your candour, especially





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given that you only knew the news yesterday? You were able to candidly explain to us what you understand about what has happened and give us some hint about what might be happening in the future. I appreciate that you could not tell us everything; you do not know everything yet, because it has not all been worked through.

On a positive note, in 2023, before the automatic push payment scheme was introduced, only 65% of the value of scams was reimbursed. Under the new mandatory regime you have introduced, 96% of the value of APP fraud is being reimbursed. That is a success that you should be proud of and is good for our constituents. There are more areas to probe there, as that goes forward, and we will keep an eye on these things.

Today has been interesting because we have learned that the PSR board was not aware of the consolidation of the PSR into the FCA and it was not proposed by the board. As chair, Ms Walsh, you were aware that there was a feeling that there was regulatory congestion, but you did not know what was going to happen. We appreciate the candour on that. You were made aware of the decision to merge with the FCA by a phone call yesterday. It is helpful to have that on the record. You also put on the record that there was no meeting with Ministers or the Chancellor of the Exchequer prior to this decision being made.

As we have considered what has happened today, what is ironic is that the Payment Systems Regulator, as you said, Ms Walsh, was set up to drive growth and now is being abolished to drive growth. We will perhaps reflect upon that, and maybe Government can reflect upon that too.

The FCA currently, crucially, does not have the powers to do what the PSR has been doing to regulate payment systems. Those powers have to be transferred in legislation. We have all been round the block enough to know that legislation does not always go as smoothly as expected. It is important that we all keep an eye on that legislation to make sure we do not lose the important role and functions of the Payment Systems Regulator. As you said, Mr Geale, the PSR was a bit of an easy target for Government. We will bear that in mind in our work.

We are seeing the FCA on 25 March. No doubt it will need to be prepared to answer questions on how it is going to absorb the work you have been doing. Thank you both very much indeed. Because of the time it will take to legislate, you may well be in front of us again in these roles, so I will not say farewell at this point. I thank you for your candour. Thank you very much.