

Treasury Committee

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

Wednesday 4 February 2026

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Members present: Dame Meg Hillier (Chair); Chris Coghlan; Bobby Dean; Jim Dickson; John Glen; John Grady; Dame Siobhain McDonagh; Catherine West.

Questions 127 - 193

Witness

I: David Geale, Managing Director, Payment Systems Regulator.



Examination of witness

Witness: David Geale.

Q127 **Chair:** Welcome to the Treasury Committee on Wednesday 4 February 2026. We are pleased to welcome David Geale, who is the chief executive of the Payment Systems Regulator. The last time Mr Geale was in front of us, he had a call the night before saying that his body was going to be abolished and absorbed into the Financial Conduct Authority. This is your return event.

First, Mr Geale, you were waiting then for an Act of Parliament to abolish you. Do you have any understanding of when that might take place or when that legislation might be under way?

David Geale: Thank you. In answer to that, the Treasury has consulted. We have responded to that consultation. We have not seen the outcome of that consultation yet. I do not know the exact timings of the Bill. I do not know the exact timings of when that will be enacted effectively to abolish the Payment Systems Regulator and roll it into the FCA. I am anticipating, based on the fact that we do not have a response yet, that it is not going to be any earlier than probably end of Q1 next year.

Q128 **Chair:** It could be in the King's Speech, but you have not had any indication.

David Geale: I have not had any indication.

Q129 **Chair:** I would not expect that you would have done at this point. We talked at the time about what the actual practical implications would be. Can you just tell me what your staffing levels are compared with when we last saw you?

David Geale: Around the time that I saw you last, our staffing levels were about 183 people. It is a bit mixed now. The reason I say that is because we have already transferred some colleagues into the Financial Conduct Authority, but they are still providing services to the PSR. In that context, we are paying for around 173 people. As I say, some of them have already moved into the FCA.

Around 50 colleagues have moved so far. They are from support functions, such as finance, HR and other operational functions. We have also moved our economists into the FCA economics team. We are planning to effect what I would call the final set of moves, such that we will reflect the structure that will operate within the FCA, by the end of March or early April.

Q130 **Chair:** For the people on the ground, your staff have might have moved a desk.

David Geale: They have moved a desk. It is a bit more complex than that. We have had some changes in our senior leadership team, as you



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would expect. We have sought to change some of our working practices to bring them in line with the Financial Conduct Authority early.

In many ways, what we have done is open up to new working practices. If I take our economists as an example, we have sought to retain the expertise on payment systems, but they are working alongside colleagues who do wider work. In some cases they are drawing on them and in some cases they are aiding them, but we very tightly make sure that what the PSR is paying for is what the PSR is getting.

Q131 Chair: Basically, at the moment, your budget is pretty much the same as what it was when you were last in front of us.

David Geale: Our budget for this year was around £28 million. We will come in under that. It is a bit early to say how much under, but reasonably under that. I would expect probably a double-digit percentage under that figure.

Our budget for next year will be lower than this year. Our fees to the industry will be, again, significantly lower. I cannot quite say at the moment how much lower—it has not been approved as a budget—but, again, it will be double digits lower.

Q132 Chair: We discussed last time that the staff will pretty much stay where they are and the payroll will stay as it is. Are there going to be any savings as a result of the changes, now you are a bit further down that route?

David Geale: Yes. As I say, our annual funding requirement to the industry will be double digits, percentage-wise, lower than it was last year. As we consolidate further into the FCA, I would anticipate that there will be some efficiencies. We have already realised some of that. When some senior colleagues have left, for example, we have not necessarily replaced them. We have not needed to. A good example of this would be that our head of strategy chose to follow other options. We did not replace his position within the Payment Systems Regulator, but what we are doing is leaning on senior colleagues within the FCA who can act as officers of the PSR. For example, we have a portion of the time of the head of comms, the head of risk and the chief economist.

Q133 John Glen: Thank you, Mr Geale. The PSR was set up following the banking Act in 2013. Since 2015, when it was established, headcount has increased by 198% and expenditure by 116%. It is important at the start of this session that we understand what you think that has led to. What is the principal role that the PSR has played in terms of facilitating market-led innovation in the payments sector? Would you like to comment on that and justify that expenditure increase?

David Geale: We are very proud of what the PSR has achieved. I appreciate the percentages you talk about. We are still a small organisation, as a regulator. The Financial Conduct Authority has a much broader remit, but it is around 5,000 people. We are 183 people and we



are working with some of the very largest companies in the UK and the world. With any steps we take, we have to make sure that they are properly researched and properly evidenced and that we can back them up.

The first thing that I would say is that I still do not think we are that large. The percentages sound big—I appreciate that—but we were starting from nothing. In terms of things that we have done, I would say we have taken some very tough decisions over the last few years. If we think about authorised push payment fraud, which I am sure we will talk about, that was a very unpopular decision with certain parts of the industry. It is something that we pushed forward. It is something that has shown success that we are particularly proud of.

Confirmation of payee is something that we have also delivered, which is around account checking when you make a payment to another person. It is a step that has been introduced to make sure that it is that person you are paying.

We have carried out a number of market studies. We have looked at cross-border interchange—again, I am sure we will talk about that; scheme and processing fees; and the card acquiring market review. These are significant in-depth studies of the industry, looking at the competition and innovation and intervening where necessary. We have broken up two cartels in the industry where we saw concerns in the prepaid cards market, issuing around £33 million of fines. We have taken a number of steps around access, for example, to ensure that people have access to payment systems.

In terms of our current work, we are now working very closely with the Bank and the FCA on issues such as stablecoin. That will be an FCA lead, but we work on that as it relates to interoperability with existing systems. We have worked on infrastructure renewal through the Payments Vision Delivery Committee with the Bank, the FCA and indeed the Treasury. We are looking at things such as Great British tokenised deposits as another alternative to innovation in terms of payments. I feel like there is a lot going on. We have accelerated over the years and we are quite proud of what we have achieved.

Q134 Chris Coghlan: Mr Geale, from what you are saying, would you say that there is any practical difference in the day-to-day work of current PSR staff following the merger?

David Geale: On the practical difference today, we have to recognise that there is an element of running a change programme over an elongated period. We have been running it for a year. In some ways, it is a relatively simple exercise to say, “We want to move 180 people from working in this way to working in that way,” but clearly there are always people impacts. In essence, no, they are doing largely the same things.



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Now, there are some differences to that. Being a small organisation, sometimes people will multitask. If I take our legal function, our lawyers might be working on competition legal, enforcement legal or indeed general organisational legal. Some of them will do a bit of all three. Within the FCA, those functions are more specialised. In terms of the transfer of those people that we are looking at for April this year, we have been able to give them some element of choice. Do they want to focus on competition, enforcement or indeed general legal questions? If we have people with payment systems expertise, we have been keen to keep them working on payment systems work.

Q135 Chris Coghlan: The last time you appeared before us, you said that there may be some activities undertaken by the PSR that could move to the Bank of England. Can you tell us what they are and whether that is happening?

David Geale: That was an option for the Treasury. It is certainly something that a number of stakeholders were looking at. In terms of stakeholder response, to be clear, I have not seen all the stakeholder responses that have come into the Treasury. In terms of what people have told us, there are parts of the regulated community that would prefer to have one regulator rather than two. Therefore, they would say the oversight of things like Pay.UK, as the operator of faster payments and BACS, should sit entirely within the Bank of England and not have the PSR or indeed the FCA overseeing that.

We differ in that view. The Bank of England very closely looks at resilience. Our role encompasses competition, access and innovation. Those things are crucially important. The Treasury's consultation suggests moving the PSR's objectives and activities into the FCA.

Q136 Chris Coghlan: You disagree with the Bank of England because you think your focus on innovation is important.

David Geale: No, I beg your pardon. What I am saying is that some stakeholders—some banks, potentially some card schemes, and some of the trade associations—suggested that it would be a simpler regulatory landscape to have a single regulator.

Our view is that the Bank of England's objectives are focused mainly on resilience whereas the Payment Systems Regulator's role is to focus on competition, innovation and access. Those things are important and they should be retained. It would be a significant change in role for the Bank of England potentially to lean into that. That is something more familiar to the Financial Conduct Authority. The consultation anticipates and suggests moving the PSR's objectives into the FCA.

Q137 Chris Coghlan: Given the last-minute decision to fold the PSR into the FCA, did that have any negative impact on staff morale?

David Geale: We have done a lot to try to maintain staff morale, but of course it does. A number of our colleagues joined to work in a small



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regulator. They have enjoyed that and that is something that they would like to see continue. If I were to characterise the views of colleagues—I would not necessarily seek to put numbers on it—there are some who would not like this to happen. There are others who, looking at elements of their career, think it is good for them and good for payments regulation to put the weight of the FCA, as a much larger organisation, behind it. There are others who are a bit more ambivalent. All views exist.

Does it take a knock to people's confidence? Does it take a knock to people's time and focus? Of course it does.

Q138 Chris Coghlan: Are you aligning working conditions between the two organisations? For example, the FCA apparently has a minimum 50% attendance level in the office. Is this applying to PSR staff as well?

David Geale: All PSR staff are FCA employees. There were some differences in working practices that have been agreed. For example, the FCA has a multi-location policy. We have offices in Edinburgh and Leeds. The PSR did not allow that. Everybody had to be in London. As we were transferring to the FCA, in my view, there was no reason to maintain that policy. We have already said that colleagues can work in Leeds and Edinburgh, and we have seen some move or indeed be recruited in those areas.

The PSR originally had a 50% hybrid policy, which meant that 50% of time should be spent in the office. Again, one of the changes that I made once we knew that the consolidation was happening was to bring that in line with the FCA, which at the time was at 40% for all staff and 50% for senior leaders. We have just changed that. In the last fortnight, following a review, we have updated the FCA policy to be 50% in the office for all staff and 60% for FCA directors and executive directors. We will match that within the Payment Systems Regulator. That is what I said when I changed it originally.

We have also sought to bring some of the cultural factors into line. The PSR had a set of values that were identified by PSR staff. They are very similar to the FCA values in practice. We might articulate what we expect by integrity differently, but it is the same sort of thing. We have brought that into line because some of our colleagues are now sitting in the FCA and some are in the PSR, but we will all be within the FCA.

Chair: We do want to talk about cross-border interchange fees, but we are aware that there is a case in which Visa and Revolut have applied to the High Court for permission to appeal. I just want to be clear that we do not intend to discuss the details of the case. Mr Geale, you also need to make it clear to us if we are pushing you too far in that direction because we appreciate you have to be careful in those circumstances, but we do have a waiver, with the agreement of Mr Speaker. Thanks to him and his counsel for that.



Q139 Jim Dickson: Thank you, Dame Meg. We have noted the High Court judgment from last month. Can I just ask you two questions on that? First, how much time and resource have you, as the PSR, spent on the litigation? Secondly, being part of the FCA, will assistance be given to you and will it be an easier process to challenge big companies in the future?

David Geale: I cannot today put a number on the amount of time we have spent, but I am very happy to follow up on that. It has mainly been our legal team, a small number of policy colleagues and indeed a bit of senior time in terms of setting strategy. It has been a regular feature at our board in terms of deciding our strategy for defending the appeal.

In the meantime, though, we have continued to progress on the work to enable us to go forward, first, in the light of the judgment that we have received, and secondly, dependent on the outcome of the appeal. We have been progressing with work on the merchant indifference test, which is really looking at what level a cap should be or helping us to assess what level a cap should be. We have a relatively small legal team. We have also engaged external counsel. It has come in within the budget that we expected, which is under £1 million, so far. We will see where it ends up.

In terms of working within the FCA, it is difficult to be precise, but the relationship that the PSR has with some of the very largest firms as an economic regulator is very different from the relationship that the FCA has with very large firms.

In terms of things like the data that we collect, we have relatively little data on the card schemes, for example. That is something that we are seeking to rectify. With individual banks, I could tell you what their strategy is; I could tell you what their product loss leaders are; I could tell you where they maximise their profit across their products. I could tell you all these things—I am not going to but I could. In terms of that data, that is a significant difference. There will be some changes in terms of how we go about that.

The intangible part is that we are a small regulator; we have limited resources. Anything that we do, such as fighting a legal challenge, as you have suggested, does divert us from other work and potentially slows other things down. Within the FCA, that may be more easily absorbed.

Q140 Jim Dickson: On the substantive issue itself, you were going to impose an interim cap and then we had the litigation. You then decided to drop the idea of the interim cap. Was that as a result of the litigation or did you reconsider the way that you want to take the whole issue forward in any event?

David Geale: It was certainly linked to the litigation. We had decided that a cap was needed. We were conscious of the time it takes to do a proper analysis of what level any cap should be set at. We were conscious of the need for that to be robust. A merchant indifference test



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is an accepted methodology that does take a period of time. It can take up to a year to do that properly and thoroughly. We were conscious of the continuation of potential harm during that period.

We did not have a particular science behind the level we were looking to set the interim cap at. It was at the previous levels, which the schemes were arguing was inappropriate. We were aware at that point of the ongoing litigation, obviously. We took a decision that, because of that and the timing of the work we were doing, it was likely it would only be in place for a short period of time. On the balance of risk and given that it would be in place for a short period of time and that schemes were appealing our powers to do this in the first place, we considered we would likely get an injunction or they would seek an injunction to stop us proceeding with that. We felt that was a distraction to achieving the overall aim.

We explained that to the various stakeholder groups. While I am sure they would have preferred something quicker, they did tell us that they understood our position and were keen for us to press on with the overall work to get to an enduring cap.

Q141 Jim Dickson: Since the big fee hike back in 2022, businesses and consumers have been paying an estimated £150 million to £200 million a year in additional charges. They are quite impatient to see this resolved. Do you have any thoughts about what the timescale for the permanent cap might be, based on all the variables that you have talked about? How long might the sector have to wait for this?

David Geale: We intend to complete the merchant indifference test analysis this year. We then are bound to consult on the level of a cap, assuming we are successful in terms of defending the appeal. As I say, we will run that work in parallel. We will continue with that.

I do not know whether an appeal will be granted. I do not know what the timing of that will be. What I can say is that the original case was lodged sometime around the middle of the year and we got a result last month. That took about six months. As I say, I would hope that we will do everything we can do to make sure that we robustly defend any appeal, if it is granted, and we are ready to go, assuming a positive result.

Q142 Jim Dickson: It will potentially be this year.

David Geale: The conclusion of the analysis will be this year. We then have to consult on the level publicly. We will be into next year, but as early as possible next year.

Jim Dickson: Thank you. That is very helpful.

Q143 Chair: Will you get any benefits from being part of the FCA? They regulate conduct and you are obviously not doing that as the PSR. Is there going to be any change to your remit as a result?



David Geale: The card schemes are not authorised firms—well, I say that they are not authorised; they are authorised firms for parts of their business but not for this particular activity. They are designated by the Treasury as payment systems or payment schemes. That gives the PSR the powers. Those powers are transferring to the FCA. What will not apply are things such as the consumer duty, the senior managers regime and so on. They will not go through an authorisation process. No, it is not a straight read-across, but, as I say, I would hope that having the weight of the larger organisation behind us certainly will not hurt.

Q144 **John Grady:** I just have a brief follow-up to this. When economic regulators such as yourself make decisions like this, there is an inevitability that the industry gets tooled up with Magic Circle firms and eminent silks and juniors. You are facing a whole battalion of lawyers and expert economists and you are a small organisation. Stepping back, do court processes and your resourcing give you equality of arms in these situations? Not in relation to the specific case but as a generality, do you have equality of arms as an economic regulator?

David Geale: That is a difficult question to answer because I feel that we have been able to take some very hard decisions that have had a significant impact on the industry.

As you rightly say, the risk of challenges is an occupational hazard. If you are doing something that is meaningful, somebody pays for it and therefore you are at risk of challenge. Notwithstanding the fact that the decision is being appealed, we have been able to defend robustly the first stage of the challenge and therefore I am confident and happy with the level of analysis that we have managed to carry out and the fact that we feel we have the powers to take that step.

We have to be very sure of our ground. We aim to hire high-quality people to do that. We can bring in external resource when we need to do so. There is a limit to the amount of work that we can do when we are facing that sort of challenge. We have a budget of £28 million this year. There is only so much we can do at any one time. As I say, within the FCA, you have the ability to absorb more of that. You also have more people with different levels of expertise that you can bring to bear.

My answer to that would be that it is a pragmatic and helpful step to transfer the PSR into the FCA. It has taken some very significant steps. Rolling it into the FCA does provide more strength to our ability to intervene, but that is not because I do not think we have taken the hard decisions to move forward well.

Q145 **Chair:** From international fees to scheme and card processing fees more generally in the UK, I was speaking to some businesses in Shoreditch and Dalston in my constituency this week that are still very concerned about the fees. Of course, Mastercard and Visa fees have increased by at least 25% since 2017. Do you think they are abusing their market position? If I put it that way, you will say no because you will probably be more



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careful than me in your wording. Mastercard and Visa have quite a stranglehold over the system. Fees have gone up. This is very costly to businesses. What is your view on that and what are you doing about it?

David Geale: We have carried out a review of scheme and processing fees. Scheme fees are the participation fees, if you like, including some that are optional or behavioural. Processing fees are fees in terms of authorisation, fraud reporting and clearing and settlement. There are effectively two choices: Visa or Mastercard. Therefore, the competitive pressure is not necessarily there at the present moment in time as we might like. Our own analysis showed that these fees have gone up between 2014 and 2018 by around about £170 million.

With that in mind, we have carried out a market study. We have introduced a series of remedies that we are consulting on now. There were three remedies we were taking forward. The first is information transparency and complexity. That is about providing more information to merchants to enable them to understand what they are paying and how many of those fees they have to pay versus how many are potentially optional or change with behaviour, and ensuring clear and accurate billing so that they can make informed choices, including between the schemes.

Secondly, we have introduced pricing governance. That is putting more emphasis on the schemes to produce evidence that the regulator and the market can look at and take confidence in how these fees have been set—that they are set not just because they can but because there is value-add.

The other area—we have paused this work slightly because there were some complications to it, but we aim to go ahead in the spring—is around regulatory financial reporting. Businesses will not see that; that is for us. This is so that we can understand the profile of profitability across the schemes. Are the remedies that we are putting in place having an effect, for example?

We have taken steps in those areas. The other thing that is important is to introduce more competition into the market. Open banking is accelerating, which is a very positive thing. We need to see things such as account-to-account payments accelerate over the course of this year. I believe that will happen. That will start to give people more choice in terms of methods of payments and put more pressure on pricing.

Q146 **Chair:** That would include things such as Stripe and the other mechanisms that people use for payments. One of the challenges is that for online bookings there is an extra fee. Is that something that you are looking at as well? If someone books a restaurant online and pays a deposit, for example, there is quite often a higher charge to the restaurant, depending on the platform being used.

David Geale: We want clarity across the fees that are being paid by businesses, whether it is a restaurant or somebody else. What we cannot



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do, of course, is intervene in anything that the restaurant chooses to put in place. If you have a fee for reserving your table, that is not necessarily—

Q147 **Chair:** No, it is the fee to the restaurant. Let us say that I paid a £50 deposit for a meal. The fee is higher than if I just paid for that in the restaurant on my Mastercard or Visa card. We have the two main entrants in the market, but there are other platforms that charge. Is that something that you are going to investigate?

David Geale: The steps we have taken thus far around scheme fees and processing fees are for Visa and Mastercard.

Q148 **Chair:** They are just for Visa and Mastercard.

David Geale: Just Visa and Mastercard, yes. As we go forward, we will monitor the market. If we feel things are getting out of line in particular areas, we will have a choice whether to intervene or not.

Q149 **Chair:** You talked about making billing clearer. If there is a business taking payments on Visa and Mastercard, can you talk us through what it will get when that changes that it is not getting now?

David Geale: We found that at the moment businesses get very little. They get almost a summary figure. It is very hard to articulate, if I look through that total fee, how it is broken down, how much of it is optional and how much of it changes with volumes and so on. That is what we want to change so that businesses can look at their total bill and say, "Okay, I can see what the total level is. I can see what the participation fee is." If they are choosing something, whether it is for a particular type of service, statement, information or whatever it is, they have a choice of saying, "I want that" or, "I do not", and they know what it is for. If they hit certain volumes or whatever that may be—that is what I would call a behavioural fee—they can see the impact on the overall bill that they are being charged. That is the transparency that is not there. That is what we are seeking to bring in.

Q150 **Chair:** One could say, "Why only now?" Why has it taken so long to get that transparency in place?

David Geale: We were responding to two things. One was concerns from merchants. The other was the card acquiring market review that we did, which pulled up a side issue that these particular fees are unclear. We published our final report on that in March 2025. We have the remedies. We have consulted on the remedies. We are now consulting on the legal effect that brings them into force. I would expect them to come into force early next year.

Q151 **Chair:** Early next year is when businesses will see that. It will be interesting to see what behavioural changes there may be as a result of that. You have been quite clear that it is not a really competitive market with only two players. What mechanisms do you realistically have in



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place, given that fees have gone up? I am remembering how they went up dramatically in covid. Businesses tell me that, where 25% of their payments would have been in cash before, they are quite often now lower than 10%. They are paying more and more on fees and they do not really have an option. This is hitting their bottom line. Is there anything that you can be doing to look at competition? You mentioned open banking, which we will touch on in a bit more detail in a moment, but have you been too soft on the two players over the years?

David Geale: There are two angles to come at this from. First, how do you go about increasing competition? Cards work well. People like card payments. Card payments are very entrenched in our society. It is very difficult to change that. For somebody else to come in and get scale is very difficult.

We are seeing open banking start to get some form of scale. We have seen 49% year-on-year growth. There are 16.5 million active users of open banking now. Just under 8% of faster payments are coming through variable recurring payments and open banking. We are starting to see that gain some traction. We are a long way from it being a genuine competitor to the cards, but the framework is now in place for that to happen. The acceleration of account-to-account this year, which we are expecting, is crucial to that.

In a world, however, where we cannot rely on competitive forces to change behaviour, we need things such as the scheme and processing fees intervention. We need to say, "What can we do? What can we do to give merchants more information and more choice? What can we do to monitor the market and see what impact that is having? What does that mean for all the schemes and others?" That is why we have taken the action on scheme and processing fees. It is why we have also taken action on cross-border interchange.

Q152 **Bobby Dean:** We have spoken in the past about the difficulty of getting Mastercard and Visa to co-operate with your investigations. They were not providing you with full evidence and so on. What gives you confidence they are going to comply with your latest directives?

David Geale: If they do not comply with our directives, we do have a suite of enforcement powers that we can follow up on. We do use those enforcement powers. We could look at authorised push payment fraud, for example. Actually, that is probably not a helpful example. I was about to give you some figures around authorised push payment fraud. We have a number of live enforcement cases, but they are not against the schemes.

We have taken action previously against Mastercard. We fined them £31 million. We have done that in the past. We have those powers. We can use those powers. We will use them if there is not compliance.



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What I would say is that there are some opportunities through the consolidation—this is one of the things that we have asked the Treasury to clarify—in things such as our information-gathering powers. Currently, the FCA has stronger information-gathering powers than the Payment Systems Regulator.

Q153 Bobby Dean: Is that a sufficient deterrent? If I am being cynical, they might bake in any potential fines you might apply in the future as a cost of doing business. They are going to litigate; they are going to drag this out; and the revenue that they generate in the interim position before you get to your determination versus the fine will mean it is worth it for them. Do you fear that?

David Geale: No. The first thing that we have to do is ensure that we have a correct relationship with the firms. That is not intended to sound cosy. That is about us being clear. What information do we want? Why do we want it? What are we going to do with it? We have had quite a bit of backwards and forwards on some of that with the schemes.

On the regulatory financial reporting, we were very clear at the backend of last year that we would not proceed with that at the same time as the other two remedies on scheme and processing fees, but we wanted it done by the end of the first quarter this year. We are going through that work with them now. They are co-operating. We are working together and we will get to a point whereby we have been clear about what we want; they have been clear about what they can provide and the difficulties of doing that; and we settle on a position that we think is achievable. That will be something that is sufficient to meet our needs. If it is not sufficient to meet our needs, we have been clear that we will go ahead with the original approach.

Q154 Bobby Dean: Is your stick big enough? That is my question, really. It is nice that you have built a good relationship with them, but there will be executives at the top of that business who will care only about the bottom line. They do not face any market pressure. We are not going to shut them down because it would shut down everybody's ability to pay for everything. The only thing that is going to make them shake is if the fine is going to be big enough to wipe out any potential profits that they can make in the meantime. Do you have a big enough stick to hit them with, if it comes down to it?

David Geale: First, the relationships that we have with the seniors in Visa and Mastercard are generally positive. There is something about us explaining what we want from them and what we are going to do with the information that we get and understanding the complexities that they have. We have done that. If we are not satisfied with the answer, we have the powers to set the directions to require what we need.

On your point about whether we have a big enough stick, we have the enforcement powers that are there. You make a fair point. If we are talking about £30 million, that is a relatively small amount to a



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multinational company. However, those are the tools that we have available to us within the FCA. We regulate some very significant banks that make some very high profits. We are effective in doing that. Bringing the two together strengthens our tools in that way.

Q155 Bobby Dean: You would not need any legislative change to allow you to have more fining powers. You are satisfied with the powers that you have. That is the question that I am getting to.

David Geale: Yes, we do not need any new legislative powers to do that. We have the power to fine. If the firms continue to breach that, we can accelerate or we can step up in terms of the actions that we take. They need to be proportionate to the issue, certainly to start with. I would hope to avoid getting into that position in the first place. Moving into the FCA strengthens our hand in avoiding getting into those situations.

Q156 Bobby Dean: Can we talk about the competition with open banking, which you have already alluded to? The last time that we spoke I quoted the figure that something like 5% of payments were going through it. I know it has gone through quite significant growth. Do you know what the figure is now? What proportion of payments are done via open banking?

David Geale: I do. I am just trying to remember it—give me one second. I think it is around 8% of faster payments that are going through variable recurring payments through open banking at the moment. It is growing. We have seen 49% year-on-year growth with 16.5 million active users of open banking.

Q157 Bobby Dean: Yes, it is encouraging. There has definitely been rapid growth, but it is coming from quite a low base. Is it realistic that open banking is ever going to be able to compete with Visa and Mastercard? If so, what obstacles need to be overcome to get there?

David Geale: It is realistic. There are some key steps that need to happen. First, we have worked very closely with the industry on setting up the framework to enable commercial variable recurring payments. These can happen now. We have some low-risk use cases, such as payments to HMRC, regulated utilities or charities. These are the low-risk use cases. It is relatively small at the moment in that context. We do see quite a lot of adoption. If you want to pay off your credit card and it is going directly to your bank, that is open banking. Those are not really the sorts of payments that we are looking at to make a difference with Visa and Mastercard. That is where we need things like account-to-account.

We have set the framework for variable recurring payments. We are expecting those to really start to take off in quarter 1 this year. We have the UKPI set up as an entity to help facilitate that. That was incorporated at the end of last year. We have resolved the commercial nature that is needed—effectively, the pricing that can be set to enable these things to wash their own face. That has been set on an interim basis by us issuing a letter of non-prioritisation of competition to get around the competition



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concerns of them agreeing a price that would work. That will be resolved, hopefully, through legislation later this year under the DUA Act.

Q158 Bobby Dean: The regulatory hurdles are being cleared. You are finding ways to get consumers used to the technology by doing things like paying HMRC bills and so on. The technology seems to be there. What else is holding it up? I will be direct. I heard from people at a roundtable that I was at recently that they think some of the larger bank institutions do not really want to see progress on this. Some of the challenger banks will adopt it quite quickly, but some of the large ones are dragging their feet, partly because of their own relationship with Mastercard and Visa and how they benefit from that. Is that a problem?

David Geale: If you had asked me that a year ago, I would have said that we were having trouble coalescing the industry around making progress. If you ask me now, I will say that we had 31 companies in a room, including incumbent banks, challenger banks and payment firms, who all got together to put UKPI in place, which is the facilitating network for variable recurring payments.

That is a significant step. They have agreed to the funding. They have agreed to the mechanism. They have agreed to move forward—my words—at risk because we cannot turn off the competition requirements until the new legislation comes in, but we have issued a letter of non-prioritisation of that work. The CMA has come in as well on that. We have set the framework for them to do it and they have got together and agreed to do that. We are expecting a number of the major institutions to be making those payments live in retail this year.

Q159 Bobby Dean: This a final question on the tech side of things. I have also heard complaints about the likes of Apple and Google blocking access to wallets and that sort of near-field communication. Is that a hurdle that needs to be overcome as well?

David Geale: It is a concern that I have also heard. It is not something that we have the powers to get into because we do not regulate Apple, Google and so on or the activities that they are carrying out.

Q160 Bobby Dean: In Europe they have started to tackle this problem by allowing other operators to get into the wallet functions on people's phones.

David Geale: They have done that in Europe. Australia has also looked at this. It is an issue that needs looking at. The CMA is looking at the use of digital wallets. There was a piece of work we did jointly between the PSR and the FCA to look at the use of digital wallets. That has passed to the CMA because we felt that they were a better place to look at that across the piece. We are staying very close to it. It is important.

The other point that I would just like to make briefly is that we have talked about open banking as a competitor. There are other initiatives, some of which are being driven by some of the larger institutions, around



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things such as tokenised deposits that potentially offer an alternative to cards.

Chair: There is a lot on your plate.

Q161 **John Grady:** I have a brief question and a follow-up to Mr Dean's questions. Things such as the Competition Act 1998 are getting on a bit. Technological change in this world is moving very quickly across the piece. Are you satisfied, at a macro level, that you have the legal powers to mandate the big financial institutions to adopt technological change that is manifestly to the benefit of consumers? If you do not have an answer to that, is it something that you would perhaps consider that the regulator should review? We have heard a long drawn-out saga of people not doing things that are clearly to the benefit of consumers.

David Geale: I am not a lawyer so I would not profess to understand everything about CA98. With that said, we do have the powers to mandate in certain areas. I would hope that we do not have to use those because what we want is for people to come to the party for the right reasons. If we look at open banking, it will be faster and more secure. There can be benefits to everyone. It opens up things such as open finance, which can be to the benefit of companies across the piece. If we need to mandate the use of open banking, we can mandate that. We have the powers to do so.

Q162 **John Grady:** I have one more quick question. Will the FCA and the PSR review what has happened in this context and other contexts, review the legislation and consider whether there is a need to change it to give you more powers?

David Geale: In terms of CA98, I would have to defer to—

John Grady: More generally, there are various bits of competition law that allow for market studies, remedies and things like that.

David Geale: I would need to defer to colleagues who are competition specialists on that. What I would say is that the modernising payments regulation is very important. This is looking at payments as a whole and thinking about the legislation that is there. It is very important to look at that, first, from the perspective of, "Are we carrying things that are more complex than they need to be?" The industry will say that strong customer authentication could be done better, quicker and cheaper in other ways. That is probably a fair challenge. That is something that we have carried across from European regulation.

There are also some opportunities to modernise payments regulation. Different standards are applied to different types of firms in the payments arena. There is also the opportunity to think more about innovation and what comes next in terms of things such as tokenised deposits and making sure that we actually set the regulatory framework in the right place.



Chair: From one John to another, I will go to John Glen MP.

Q163 **John Glen:** Could we turn to supervision? You set up your supervision division two years ago. I believe you have been consulting on the approach to take since April 2024. Could you explain that interval from when you were started to 2024 and what is happening now with supervision, please?

David Geale: Yes. I will be limited in what I can say not because I do not want to but because I do not know why it was set up originally as it was.

As an economic regulator, there is a large focus on market studies and using those as a tool to understand the market and put interventions in place. As the organisation has matured, we now have a number of directions in place that need monitoring, supervising and potentially enforcing. There has been a natural shift from policy into supervision and the importance of supervision. That is the first thing that I would say.

Supervision has always been there. The recognition a couple of years ago was that we wanted to strengthen that and make sure we had a better understanding on a day-to-day basis. I see supervision very much as understanding the market, understanding the firms that are in there, monitoring what they are doing, potentially taking action on a supervisory basis if we need to make some small corrections, and referring to an enforcement investigation if necessary. You can do that fully only if you have a properly dedicated supervision function.

What we have now is a compliance monitoring team, which looks at things such as whether firms are complying with confirmation of payee or APP scams rules. If we find there is a problem there, we investigate. In some cases, we can remedy the problem through supervisory action; in some cases, it is enforcement.

If I look at the card acquiring market review, through our supervisory exercises we have managed to change or get redrafts of around 700 contracts that we felt were in danger of not complying with the rules. In that area, I should also say that we have two live enforcement cases where we feel firms have not done enough to come to the party on that.

If I look at authorised push payment fraud, we have looked very closely at the experience of firms and looked at outliers. We also have investigations ongoing where we felt firms were perhaps not doing what they should be.

Q164 **John Glen:** What people in the industry would possibly say is that, when you started, you were there to ensure that the payment system worked for everyone; you were an enabler. As the decade has progressed, instead of being a force for good, you have become something that is a policeman of behaviours. How would you want to characterise your supervision such that it does not have a chilling effect on innovation and progress in the industry, which is something that you—not you



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personally, but the regulator as an institution—were so keen on? How did you lose the positivity that you had 10 years ago?

David Geale: I would characterise it by saying the interventions that we have taken are because something is not happening, is broken or is not working. Whether it is about clarity around fees, fees being too high for no apparent reason or fraud, if you put an intervention in place, there is no point in doing it and then walking away and hoping that it is effective. The first thing that you have to do is check that people are doing what they should be doing. That is what we have done with authorised push payment fraud. I am very pleased with how that is going.

We absolutely have to look and ask, “Are all firms doing what they should be doing?” If there are some who are not, we need to take action to make sure that they are. Non-compliance should not be, to quote what was said earlier, an acceptable cost of business.

The flip side of that is, to protect innovation, we need to make sure that any interventions we make are proportionate and grounded in evidence and that we have an eye to not stifling innovation along the way.

Q165 **John Glen:** Was the imperative for your fusion into the FCA, if we put it like that, the impression that somehow the PSR had become something that was not facilitating an economic good outcome? That was probably the motivation, from the way it was portrayed. How would you respond to that to the payment systems operators and the people who you are supervising? That is what they would be whispering into the Chancellor’s ear.

David Geale: It is a difficult question. I do not want to speculate on what they were saying, but what I was hearing was that the landscape was too complex. They potentially had three regulators between the FCA, the Bank of England and the PSR. Would it not be simpler to have one or two?

The most significant intervention that we have made in the last couple of years is probably on authorised push payment fraud. There is no doubt that there are very significant parts of the industry that did not think that was the right thing to do and still do not. There are very significant parts of the industry that were lobbying very heavily around the policy itself from first principles and on aspects of it, including the limits that we put in place, the 50% sharing and so on. Do I think the Treasury and others were heavily lobbied on that point? Yes.

John Glen: Your candour is really appreciated. It is textbook for us on this Committee to have somebody before us who gives us such honest answers. Thank you for that.

Chair: Yes, absolutely.

Q166 **John Glen:** I have one further question, if I may. Given the organisational changes with the PSR moving into the FCA, how would you



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respond to the challenge that those supervisory approaches are different and that your coherence as a regulator in your own right will be compromised or there will be some dissonance that will be unhelpful to the industry?

David Geale: I would respond by saying that the supervisory approaches are different. That is one of the things that I have been seeking to change. The PSR supervisory approach can learn from the FCA approach. That is not to say what we were doing was wrong to start with, but I want to understand more about the schemes. I want to have more of a relationship where the supervisor picks the phone up and says, "I do not like this," and there is a sensible conversation that says, "Okay, how do we fix it?" before you have to invoke formal powers.

Q167 **John Glen:** That is influencing by principles rather than fixed rules.

David Geale: Both have their place. The style and nature of supervision needed to change. We were doing that anyway. My current head of supervision is somebody who used to work for me in retail banking supervision in the FCA. He has come in specifically with a mandate to say, "What is the most effective way for us to supervise?" We have very little data. We need to think about what we need to be able to spot issues early, deal with them and have those conversations rather than wait for a market study, which takes a long time and has to do a full drains-up. There is quite a lot that you can achieve just through what I would call day-to-day active supervision.

Q168 **John Glen:** That would be an enhancement to the overall function of your unit within the FCA.

David Geale: That is my view. The second part of that is our horizon-scanning, our strategy and bringing those together. Within the FCA, I have a payments and digital assets unit, which reports to me with my FCA hat on. That deals with firms. If I look at the PSR, it deals with systems now. There are firms within that, but they are payment schemes and systems. With a coherent view of the payments ecosystem, we can say, "Where are the problems? Where can we be most effective?" To me, that is a big step forward.

Authorised push payment fraud is a classic example of this. There is a lot that can be done through the FCA looking at individual firms, calling them out and dealing with it quickly, whereas the PSR has to look at the direction, do a bit more around what has been breached and take that forward. We can be a lot stronger.

Chair: I concur with Mr Glen's comments about your honesty as a witness. It is a training exercise for some others, perhaps.

Q169 **John Grady:** I was going to start with the national payments vision, but push payment fraud appears to be on your mind, Mr Geale, so let us have a conversation about that. You have expressed various concerns in discussions with Mr Glen about how banks are dealing with push payment



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fraud. Are there any particular concerns you would like to draw to the attention of the Committee?

David Geale: If I have, that was not my intention. I am very pleased with the way that the authorised push payment rules have taken effect. We are carrying out the independent review. The concern that I was seeking to express was that we look for outliers to see whether anybody is not doing their bit. We have two investigations under way on that.

What I am seeing is that for in-scope claims—these are the ones that we intend to pick up—97% of those by volume are being paid out. Some 82% are being paid out within five working days and 98% within 35 working days, which is what we allow for the more complex cases. In the first year, we have seen £173 million returned to consumers, which is 88% of the value that the victims have lost. We can never be complacent on fraud, but I am really pleased with what we are seeing.

Of those claims, 99.8% are under the £85,000 limit. The decision that we took to lower the limit was the right one at the time. We will carry out the independent review. That will conclude this year.

Q170 **John Grady:** On these investigations, is it public who is being investigated yet?

David Geale: No, it is not.

Q171 **John Grady:** You cannot really say anything about those at that stage. I will not press you on that, Mr Geale. Have firms got better at detecting and preventing APP fraud?

David Geale: I believe so, yes. We have seen around a 30% drop in the value of authorised push payment fraud within the scope of the policy. There are two things that have driven that. First, the warnings from firms have improved in terms of what they say to customers and what they do to check it. Alongside that, you have confirmation of payee now across 99% of payments. That is a further tool that says, "You may not be paying the person you think you are paying." The real driver is the 50% being paid by the fraudsters' institution, which puts huge incentives on people to make sure that they are dealing with legitimate customers.

Q172 **Chair:** Just before Mr Grady moves on, can I unpick that figure? Did you say that 99.8% of claims are under £85,000?

David Geale: In-scope claims, yes.

Q173 **Chair:** Might there be other ones that are higher that you are perhaps not capturing or where people are perhaps not reporting but going straight to the FOS? Is there any way that there could be higher claims that those numbers do not reflect?

David Geale: That is the industry data. I think that is as robust as we can get.

Q174 **Chair:** So industry is reporting to you anything that is over that, which



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would not come under—

David Geale: Industry is reporting on the level of claims. The one thing that we do not necessarily get is everything that is under £100 because they are allowed to invoke a £100 excess. Some firms do; some firms do not. We allowed it in the rules, but it is voluntary. We do not get data on figures that would be under £100, if they have just said, "No, that's not in scope."

Q175 **Chair:** There was a lot of discussion around that figure.

David Geale: There was.

Q176 **Chair:** There was also a lot of pressure on you to reduce it down from the original £395,000.

David Geale: It was £415,000.

Q177 **Chair:** You are a very honest witness with us. You are very confident now that you have made the right decision. There is some speculation that the decision was not entirely down to you—obviously, professionally, on one level, it was—and that there was a lot of pressure on you to reduce that limit. I wondered whether you wanted to tell us any more about how pressured you felt at the time and how confident you are. You said, seemingly confidently, just now that you felt the decision was right. It was a big point of discussion.

David Geale: It was. Various institutions across banking and payments, some of the trade associations in particular, were arguing for a limit of around £30,000, if not less. We started at £415,000. At the time, that was the Financial Ombudsman Service limit. With the benefit of hindsight, we felt we could achieve what we needed to achieve with £85,000. It is fair to say we did come under a lot of pressure.

I think I know what you are getting at. We were not told to do it. It was our decision.

Q178 **Chair:** Your predecessor did leave.

David Geale: Yes. You would have to ask Chris why he left, but it was not necessarily as a result of this. He chose to leave and go into consultancy.

In my view, it was the right thing to do based on the evidence that we had, which suggested that something around 99% of claims would be covered by £85,000. The argument was that firms would be prevented from achieving investment into themselves if we set the limit too high because of the concern. We are looking at the impact on investment through the independent review. But on the level of claims being under £85,000 with people still having the option to go to the Financial Ombudsman Service above that, I am glad we took that decision.

Q179 **Chair:** Fintechs in Shoreditch were certainly concerned about the level but, on the other hand, consumers benefit from what you proposed. It



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always swings and roundabouts.

David Geale: It was not just fintechs. I think it was some of the banks as well.

Q180 **John Grady:** The deposit protection limit has risen to £120,000. The PSR has said it will review the reimbursement level within a reasonable period of time. Is there a plan to review this in the near future?

David Geale: We are reviewing the policy as a whole through the independent review, which will include whether the limit is in the right place. We did not set an automatic period for review, but we will continue to monitor the policy. We will see what the independent review says. I am not expecting any surprises in terms of impact on investment, for example, but we will see.

Q181 **John Grady:** You mentioned lobbying earlier. We are discussing lobbying. Has there been any recent lobbying on keeping it at £85,000 as opposed to moving it up to £120,000 so that it is consistent?

David Geale: I have not been approached on moving it up to £120,000. If it continues to be that around 99.8% are under £85,000, I am not sure that would be necessary, particularly when people have the option of going to the ombudsman. We do see continued press, in particular from some of the payments associations, around whether the limit should be lower if you are getting that level of coverage at £85,000.

Q182 **John Grady:** On social media companies and social media, what proportion of these scams are conducted using social media?

David Geale: We carried out some research in 2023, which we published. We found that around 54% of authorised push payment frauds were going through Meta platforms. It is a very significant proportion. We found that another 12% of cases were coming through telecoms and email.

That is not something that we can directly intervene in. It is something that we have raised with the joint fraud taskforce and we are working on with the FCA. Steve Smart, who is the executive director of enforcement including financial crime, has written to the Home Office highlighting the fact that we feel that the tech companies are reactive rather than proactive and could do more to help prevent this.

Q183 **John Grady:** Your position is that they could do more to prevent this. What would you like to see them do?

David Geale: It is things such as proactively looking for accounts that look like they might have something to do with fraud. It is taking steps, where someone is identified, to get those accounts down quickly and then tracking them to make sure that they do not pop up under a different name quickly afterwards.

Q184 **John Grady:** Presumably the FCA, the PSR and other people write to



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social media companies and say, "Could you take this account down? This account is fraudulent." How long does it take them to respond?

David Geale: It is more the FCA rather than the PSR doing that. I do not know the exact figure of how long it takes them to respond. I think it varies.

Chair: In evidence to us, the FCA said it is very slow.

Q185 **John Grady:** Would it be possible to get data on that?

David Geale: I can investigate that with the FCA in terms of what they know.

Chair: Let us take that offline.

Q186 **Bobby Dean:** I just want to come on to this point. I have a habit of asking about this. The fraud strategy is on its way. One of the things that was rumoured to be contained within it was a financial incentive for the big tech firms to act—for example, a penalty that can be applied if they do not clean up or act fast enough to deal with these scams on their platforms. Is that something that you would like to see in the fraud strategy?

David Geale: I do not know whether that is there or not. It comes back to the point that was made earlier.

Q187 **Bobby Dean:** I did not ask whether you knew. I asked whether you would like to see it in there. Those firms have been reactive to date, and it is quite hard to get them to act. Would a financial incentive, in your opinion, be something that would make them act?

David Geale: It does not hurt. The question then is about what level of financial incentive there would be and how that would operate such that it could genuinely cause a change in behaviour. We want to see that change in behaviour, whether it is through that or whether it is through some form of requirement to do more to spot, act and remove accounts that are driving fraud.

Q188 **Bobby Dean:** Are there any other jurisdictions or countries that are getting them to act? Have they done something differently that we could look to, that you are aware of?

David Geale: I am aware of pressure in other jurisdictions. I am not aware of anybody taking steps that have actually made that difference as yet.

Q189 **John Grady:** As the Payment Systems Regulator, you mentioned earlier, Mr Geale, the 50-50 split between the paying and receiving bank. Has the Payment Systems Regulator considered or would you consider something along the lines of a split of one third, one third and one third? Might that lead to such an incentive? At the moment, the banks cover this, so the social media companies—ultimately, once you include the telcos and emails we are up to 66%—have no incentive to assist, do they?



David Geale: The benefit of the current policy—this is why we set it where it is—is that it is simple. There is potential over time to move to a more complex model. I would like to see the fraudster’s institution footing more of the bill rather than the victim’s bank, provided that the victim’s bank is doing enough to warn people. We are not there yet. We will see whether there is anything in the review that would help us with that. We do not have the powers within the PSR or the FCA to require the tech companies to contribute in that way.

The challenge is, “What is the point of origination of a fraud?” It is about tracking it back and how complex that becomes. In principle, though, I agree. If you can identify a point of origination, you want some incentives in that area to act.

Q190 **John Grady:** As a principle—I think everyone is clear on this—the social media companies are not doing enough to deal with this.

David Geale: In principle, I would like to see an incentive to act and prevent on social media companies and telecoms as well as banks and payment firms who are banking fraudsters.

Q191 **John Grady:** Shall we move on to the national payments vision? The Treasury defined the payments vision in 2024 as “a trusted, world-leading payments ecosystem delivered on next generation technology, where consumers and businesses have a choice of payment methods to meet their needs.” That is very general. Are we any further forward on defining what this next-generation technology is going to be and how we are going to implement it?

David Geale: “Next generation” seems to mean many things to many people. I am not even sure it is one thing because it will continue evolving. Where we have moved forward is, first, an acceptance that we are going to need the existing infrastructure for some period of time because to bring in something new, scale it and make it effective is going to take time. The contract renewals with Pay.UK and so on do that. I have seen a change in attitude among the industry as a whole to support Pay.UK in running faster payments and BACS as the rails.

The important steps that have been taken under the payments vision to set out the strategy and design the Retail Payments Infrastructure Board, which will help to set and build the new infrastructure to facilitate things such as stablecoin, tokenised deposits and interoperability between payment systems, are critical. The difference is moving that into public-private partnership. The Retail Payments Infrastructure Board is now set up. It will consult shortly on the steps it will take. That is chaired by the Bank. We are an observer on that body.

Q192 **John Grady:** I am not entirely clear on when we are likely to see any kind of tangible outcome on this. Something that concerns this Committee is that it is ultimately consumers at the end of the chain who are experiencing regular payment outages and unreliable payments



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infrastructure. They do not distinguish between different bits of the infrastructure; they just know they cannot use their cards, their pay is late and all the rest of it. Could you give any guidance as to when we can expect to see modernised systems?

David Geale: The Retail Payments Infrastructure Board is due to set out the plans of what is coming and when within the next month. I believe it is within the next month; if not, it is within the next two months—certainly this quarter.

It has had the first three meetings. It has set up the delivery company and the design authority to do that. It does take time to build and operationalise new infrastructure. What I would say is that the resilience of things such as faster payments is very high. Of course, people feel the impact very keenly when it happens, but the resilience is very high.

Q193 **John Grady:** There is one last question on this. We have a Payments Vision Delivery Committee, a Retail Payments Infrastructure Board and a delivery company, Pay.UK. There are various bodies involved. Of course, complexity and blurred responsibilities are classic ingredients for cost overruns and delays. With this delivery infrastructure, if you like, are you confident that people are on top of what their roles are and what they are meant to be doing and that they are performing well?

David Geale: People are very clear on what the roles are. The Payments Vision Delivery Committee is chaired by the director general of financial services at the Treasury. It has me as a member, Nikhil Rathi for the FCA and Sarah Breeden and Victoria Cleland for the Bank. It has the right people in there to make sure that we are pushing the strategy in the right way and holding those bodies accountable for delivery.

The Retail Payments Infrastructure Board is a critical step in terms of that public-private partnership, bringing people to the table and saying, "This is what you wanted in terms of how to build this. Now build it and get on with it." That reports back through the PVDC as necessary, so we can take whatever steps are needed to make sure it does motor.

Chair: Thank you very much, Mr Grady. Thank you to Mr David Geale for his crisp answers to questions. We have had an interesting session. In response to my questions about legislation, you indicated that you have no timetable, but it is possible that there might be legislation as early as quarter 1 in 2027. None of us knows for sure, with Government timetables being what they are, so it looks like the Payment Systems Regulator will be around for a while yet—another year or so.

We discussed some of the work, particularly the ongoing litigation on cross-border fees and reviewing scheme and processing fees. You indicated that being part of the FCA gives you a bit more heft to deal with some of those challenges. We also discussed competition or the lack of it sometimes between the payment providers and, of course, push payment fraud, which you conclude is going well from your point of view. I am



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sure that will elicit responses from those who are watching.

Thank you very much to Mr Geale for his time. Thanks to our colleagues at Hansard for the transcript, which will be available uncorrected in the next couple of days on our website. Thanks to our colleagues at Bow Tie for the broadcasting.