



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon the Lord Forsyth of Drumlean PC KT
Chairman, Financial Services Regulation Committee
House of Lords
London
SW1A 0PW

12 March 2025

Dear Lord Forsyth,

Announcement regarding the Payment Systems Regulator

I am writing to you today, in your capacity as Chair of the House of Lords Financial Services Regulation Committee, to inform you of today's announcement by the Prime Minister regarding the Payment Systems Regulator (PSR).

Having a strong payments sector is vital for economic growth. The ability to make and receive payments is essential to our daily lives, and underpins commerce, trade and indeed all economic activity. Our National Payments Vision sets out the government's ambitious plans to ensure we have a trusted, world-leading payments ecosystem. This plan requires a clear, predictable, and proportionate regulatory framework which promotes competition, innovation, and security.

In this regard, the PSR has carried out important work to support the UK's world leading payments sector. It has played an important role in supporting efforts to progress Open Banking, opening up access to payment systems which has supported new market entrants and introducing new protections against fraud.

However, moving forward, as part of our Plan for Change, the Government wishes to see a more streamlined regulatory environment which manages the burdens on all businesses, with minimal overlap between regulators' responsibilities. This requires a rethink of existing regulatory structures for payments, so that firms can focus more of their energies on delivering valuable services and innovations that will deliver economic growth.

That is why the Government is announcing its intentions to consolidate the PSR and its functions, primarily within the Financial Conduct Authority (FCA). This evolution in the payments regulatory landscape will see the FCA take on responsibility for ensuring the payments landscape promotes innovation and

competition, as well as supporting the interests of consumers and businesses who make payments everyday.

The Government will consult on the details of this proposal over the course of the summer, and will legislate as soon as possible. Today's announcement does not result in any immediate changes to the PSR's remit or ongoing work programme, and the PSR continues to have access to its statutory powers until legislation is passed by parliament to enact this announcement. However, in the interim period, the PSR and FCA will take steps to work closely together, building on the recent recruitment for a joint PSR/FCA payments executive director. This will help realise the benefits of a streamlined regulatory environment and make the transfer of any functions to the FCA as smooth as possible.

I hope the committee finds this information useful and I am happy to continue to update you on this important matter going forward. I have written to the Treasury Committee Chair in similar terms and the Government intends to publish that letter on Gov.UK.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'E Reynolds', with a stylized, cursive script.

EMMA REYNOLDS MP
ECONOMIC SECRETARY TO THE TREASURY