

Dame Meg Hillier MP
Chair, Treasury Select Committee
House of Commons
London, SW1A 0AA

24 March 2025

Dear Dame Meg

Thank you for the opportunity for our Chair and I to give evidence to the Committee on 12 March. During the session, the dates and timings of decision points were discussed. I thought it would be helpful if I clearly set out the timings relating to the announcement made by the Government about the future of the Payment Systems Regulator (PSR).

As we said when we gave evidence to your Committee, it is right that government and parliament decides who sets the regulatory framework and we have supported discussions around the future of payments regulation with the government.

Over the course of the last year, we have been striving to work more closely with the FCA to leverage the strength of both organisations to progress UK payments. Both the PSR and FCA have recognised the need for greater regulatory collaboration and reduced congestion. It was on that basis that in November, at the same time as the National Payments Vision was published, the joint role of Managing Director of the PSR and Executive Director of Payments and Digital Finance at the FCA was created as an effective way to manage the payments work being carried out by the two regulators.

Along with the other UK regulators, on 24 December 2024 we received a letter from the Prime Minister and Chancellor asking us to set out our plans to support economic growth. [We responded](#) on 16 January 2025 and along with our plans, we outlined that the PSR Board is committed to considering wider changes to support pace, efficiency and growth. We also said we would continue to review how the outcomes of the PSR can best be achieved through regulatory streamlining and simplification, exploring further opportunities for greater efficiency and coherence, in particular through closer alignment with the FCA.

With respect to the role of the PSR specifically:

- In December 2024 we were informed that the Chancellor had requested an audit of regulators and their roles. This was later reported [in the press](#) on 18 February.
- In January, there were discussions between Treasury officials and ourselves about potential options regarding the role of the PSR. We understood those discussions to be part of the audit being undertaken.
- Subsequently and over February, it became clear from our discussions with Treasury officials that consolidating the PSR into the FCA was under active consideration, although no specific decision had been made. The PSR Board was briefed on the progression of the discussions.
- I spoke to PSR staff on 24 February following [media speculation](#) to address the rumours, being open with them that discussions were taking place with Treasury as part of the audit, but I was unable to give them any certainty at that stage, given that a specific decision had not been made (and, in any event, any announcement would properly have been for Government to make).
- On 11 March, we were informed by HM Treasury that a decision had been formally taken to consolidate the PSR and its functions mainly into the FCA and would be made public that evening. As a result, I made sure to brief my staff with the Chair at 5:30pm on 11 March and let them know a consultation is expected over the summer.

We see the decision as a pragmatic next step in simplifying and clarifying payments regulation. It is vital that there continues to be effective regulation of payment systems to support competition and innovation. This had been a gap before the PSR was set up. We therefore welcome the government's commitment to this under a changed regulatory framework.

Since the PSR was first set up, the payments sector has dramatically changed, particularly over recent years. The PSR has played a central role, supporting open banking and innovation, opening up access to payment systems, promoting competition, and introducing world leading protections for victims of fraud. We are very proud of the PSR's record, which has only been possible because of the commitment and expertise of our dedicated people, working closely with parties across the payments' ecosystem.

We're committed to working with government and the FCA as decisions are taken on the transfer of regulatory responsibilities and, when they are, to help ensure the process is smooth. Legislation will take time, but we do not need to wait to realise the benefits of an even more streamlined regulatory approach. Doing so builds on recent work bringing the PSR and FCA more closely together.

In the meantime, there is important work still to be done to ensure payments are safe, competitive and innovative, and our focus on delivering that under the National Payments Vision, remains.

I trust this clarification is helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Geale', with a stylized, flowing script.

David Geale
Managing Director, Payment Systems Regulator