

HM Treasury concludes its Payments Landscape Review

The publication of the **Payments Landscape Review: Response to the Call for Evidence** concludes the Government's review of the payments landscape. This paper indicates (at a high level) the Government's policy agenda for the payments sector. Key priority areas relate to Faster Payments, Open Banking, cross-border payments and the legislative/regulatory framework for payments.

Points to note:

Faster Payments:

The Government supports proposed changes to Faster Payments rules to set out liability and reimbursement arrangements between scheme members with a view to enhancing consumer protection. While the Government is focussed on authorised push payment scams, they note that consumer redress in other situations – where a Faster Payments transaction is not processed as intended or is used to make purchases – also needs to be considered. It expects the Payment Systems Regulator, together with other relevant bodies such as Pay.UK, to take this proposal forward but does not rule out the introduction of regulation in this area.

Open Banking:

The Government wants to unlock Open Banking payments safely and securely to increase the number of consumers that choose payment methods that allow them to pay directly from their accounts. Given the current attractions to customers of paying by card (including broad refund – or “chargeback” – rights under card scheme rules), it's not clear whether the changes to Faster Payments (referred to above) to introduce additional consumer protections would go far enough to make Open Banking a comparably attractive alternative. Notably, the Government also does not appear to address other factors potentially affecting the uptake of Open Banking, such as constraints on surcharging card transactions.

Legislative/Regulatory Framework (1):

In line with its Future Regulatory Framework Review, the Government expects certain areas of the PSRs and EMRs to be taken out of primary legislation and made subject to FCA rule-making powers. The paper mentions safeguarding in particular in this context. This could be a route towards clarifying and improving a range of existing requirements but at the same time firms may need to get used to more frequent rule changes.

Legislative/Regulatory Framework (2):

In light of new payment chains that, in the Government's view, decrease the use of banks and payment systems, the Government will consult on bringing systemically important firms in payments chains into Bank of England regulation and supervision in the first half of 2022. The precise scope of 'systemically important' firms is not yet clear but this could potentially include large payment institutions and e-money firms as well as firms that are currently unregulated such as gateway providers.

HM Treasury plans to take forward the proposed areas of focus outlined in this paper with the regulatory authorities, other government departments and industry.

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