

UK Government Abolishes Payment Systems Regulator

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On 11 March 2025, the UK government announced its decision to abolish the Payment Systems Regulator (PSR) as part of a broader initiative to reduce regulatory burdens and stimulate economic growth.

This action is intended to simplify the UK regulatory environment, which has been criticised for its complexity and the associated costs of compliance, particularly for smaller businesses. The functions of the PSR will be consolidated into the Financial Conduct Authority (FCA), creating a more streamlined regulatory framework with greater capacity to foster innovation, competition and efficiency in the payments sector.

The PSR acknowledged the government's commitment to maintaining effective regulation and expressed its readiness to collaborate with the FCA and the Bank of England to ensure a smooth transition. The PSR highlighted its achievements in promoting open banking, enhancing competition and introducing protections against fraud.

Nikhil Rathi, the chief executive of the FCA, also welcomed the announcement, emphasising the importance of an efficient regulatory framework in the evolving payments landscape. He also assured stakeholders of the FCA's commitment to work closely with the government, the Bank of England and the payments sector to facilitate a seamless transfer of responsibilities.

The UK government established the PSR to oversee payment systems in the UK, to help ensure that they are safe, competitive and innovative. The regulator's key objectives are to:

- Ensure that payment systems are operated and developed in a way that considers and promotes the interests of all the businesses and consumers that use them.
- Promote effective competition in the markets for payment systems and services — between operators, payment service provider (PSPs) and infrastructure providers.
- Promote the development of and innovation in payment systems, in particular the infrastructure used to operate those systems.

The PSR's functions will be primarily absorbed by the FCA. This transition will not result in immediate changes to the PSR's remit or ongoing work programme. The PSR will continue to operate with its statutory powers until the necessary legislation is passed by the UK Parliament. During this interim period, the PSR and the FCA will work closely to ensure a smooth transfer of responsibilities, building on recent efforts to align their operations.

The government plans to consult on the details of this proposal during the summer of 2025 and will legislate as soon as possible to formalise the changes. This consolidation is part of the government's broader Plan for Change, which aims to create a regulatory environment that supports economic growth and increases living standards by reducing unnecessary regulatory burdens on businesses.