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Payments Consultation  
Banking and Credit Team  
HM Treasury  
1 Horse Guards Road  
London  
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17 June 2013

Dear Sir/Madam,

## **HM Treasury consultation: Opening up UK Payments**

This is the Financial Services Consumer Panel's response to the HMT consultation: Opening up UK Payments.

### **Financial Conduct Authority oversight**

In our response to the 2012 Government consultation on setting the strategy for UK payments ("Setting the Strategy")<sup>1</sup> we set out our view that full consideration should be given to the benefits of creating a new regulator to oversee payment structures or that the Financial Conduct Authority (FCA) should be charged with fulfilling this role. Within this response we also argued for utility style regulation in this area. We are pleased to see that such options are now being explored.

We believe the streamlining of regulatory oversight in the financial services space is a necessary and positive step. This was one of the reasons why we argued strongly for the FCA to be given responsibility for the consumer credit regime and why we have long argued that features of the UK's payment system should have been brought within the financial services regulatory space. Tasking FCA with oversight of this area now would be a further logical step in this rationalisation process.

Effective competition is the key driver for opening up UK payment systems. The FCA's is currently developing its capabilities to meet its new competition duties and will be seeking to identify and address competition problems and adopt a more pro-competitive approach to regulation. Providing the regulator with concurrent competition powers for payment systems aligns with these new duties and will enable it to fulfil them more effectively.

We are aware that the option of giving regulatory oversight of payment systems to Ofcom is also being considered. We believe this would be counter intuitive and would only serve to add complexity to financial services regulation and ultimately weaken protection for consumers. Furthermore, given the fundamentally important role payment systems play in modern society and the integrity of the financial system as a whole, handing responsibility for their regulation to a non-financial regulator, with no experience of the financial sector, would be a high risk strategy.

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<sup>1</sup> <http://www.fs-cp.org.uk/publications/pdf/uk-pay-strategy20121010.pdf>

## **Challenges**

There are challenges to providing the FCA with oversight of this area. However, we believe these are less numerous than those associated with other potential options. Most obviously, taking on of this role will coincide with the regulator adapting to other new responsibilities and areas, such as credit and competition as mentioned above.

Ideally, the FCA would have time to adapt to these changes prior to considering taking on this new area of regulation. However, in the absence of this option, it will be important that resources (including staff with necessary skills and experience) are allocated appropriately to this activity and expectations are properly managed. It will also be important to ensure that any changes required to payment systems under the new regime do not impose unnecessary costs, which will ultimately be passed onto consumers.

## **Key principles**

In our response to Setting the Strategy we stated our belief that it is essential that the governance and direction of UK payment systems is underpinned by certain principles. We believe the proposed system needs to be:

- focussed on delivering good consumer outcomes;
- independent;
- accountable;
- appropriately funded;
- transparent;
- safe and reliable.

We hope you find these comments useful and look forward to seeing more detailed proposals in due course.

Yours sincerely

Adam Phillips  
Chair  
Financial Services Consumer Panel