



# **UK Finance Response to PSR's Call for Views on Specific Direction 4**

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# Introduction

UK Finance is the collective voice for the banking and finance industry. Representing more than 300 firms, we act to enhance competitiveness, support customers and facilitate innovation.

We welcome the opportunity to respond to the Payments System Regulator's (PSR) Call for Views on Specific Direction 4 (SD4). UK Finance supports the revocation of SD4, which requires the operator of the LINK payment system to competitively procure its infrastructure every ten years. Our members broadly agree with the rationale for revocation set out by the PSR. Members also consider that the revocation of SD4 will provide greater operational flexibility, particularly in light of the forthcoming consolidation of the PSR into the FCA.

Specific Direction 4 was introduced in 2017 to address competition concerns identified in the PSR's Infrastructure Market Review. However, since that time, market conditions have evolved considerably. Declining cash usage, a lack of viable alternative providers, and the high cost and complexity of re-procurement have significantly reduced the rationale for maintaining SD4. Members agree that revocation is now appropriate and necessary to support a more proportionate and outcomes-focused regulatory environment.

## **Summary of Our Position**

- UK Finance supports the proposed revocation of SD4.
- Members agree the original rationale for the direction is no longer valid, given current market conditions.
- Revocation will provide greater flexibility, reduce unnecessary cost and complexity, and support the strategic transition of the PSR's functions to the FCA.
- Strong and transparent regulatory oversight of LINK must be maintained to mitigate monopoly risks and ensure continued value for end users.

## **Response to Call for Views**

In June 2025, the Payment Systems Regulator (PSR) published a [consultation paper](#) which outlines the considerations influencing its proposal to revoke SD4. These justifications are based on a change in market conditions, which the PSR believes now render competitive tender less effective in addressing its original objectives. These considerations are outlined below:

- Falling transaction volumes undermine the economic viability of a repeat competitive procurement, risking the sustainability of the scheme.

- Mandatory re-procurement no longer offers benefits that are proportionate to its cost.
- Lack of credible alternatives in the infrastructure market further reduces the effectiveness of competitive procurement as a lever for improvement.

Our members agree with this rationale for revoking SD4. The PSR is right to acknowledge that mandatory procurement no longer provides benefits that outweigh the costs. Members consider that competitive procurement has been a costly, slow and bureaucratic process, which has not delivered commensurate benefit in terms of process, service quality or innovation yielded proportionate benefits in the contracting process. The administrative burden, in some cases, diverted resource and focus away from more strategic improvements.

Earlier this year, UK Finance [welcomed](#) the PSR's decision to revoke Specific Direction 3 in December 2024 and [supported](#) the PSR's proposal to revoke Specific Direction 2. Revoking the two directions is essential in creating the flexibility and certainty to deliver the National Payments Vision (NPV). Although the PSR's justifications for revoking SD4 are considerably different to the other two directions, revoking SD4 will similarly provide much necessary flexibility. This will be crucial for both a smooth consolidation of the PSR into the FCA and for clarifying the future supervision of LINK.

### **Financial inclusion and access to cash must be safeguarded**

LINK plays a unique and vital role in protecting financial inclusion and access to cash across the UK. That role must not be put at risk by decisions related to SD4.

Support for the PSR's proposal to revoke is underpinned by a shared commitment to maintaining the accessibility of cash for communities and consumers who rely on it. We strongly support LINK's ongoing work in this space and encourage the PSR to continue prioritising oversight and engagement to ensure this mission remains protected.

### **Supporting good outcomes through better oversight**

While members support the revocation of SD4, we recognise the importance of maintaining strong oversight of LINK and its infrastructure provider to ensure value for money and good service outcomes.

Given concern over the vulnerabilities created by revoking the competitive procurement requirement, the PSR has asked consultation respondents to share views on "active regulatory oversight of LINK and Vocalink to ensure the risks associated with a monopoly position are mitigated." In response, our members

suggested a few improvements to regulatory oversight which address these concerns.

Members favour a “soft power” approach to regulation that focuses on transparency, benchmarking, and regular reviews. This can provide strong incentives for performance, innovation, and good customer outcomes—without the disruption and inefficiency of a mandated re-procurement process.

## Recommendations for Ongoing Oversight

Industry recommends:

- **Regular independent reviews** of cost and service quality;
- **Publication of benchmarking data** to improve accountability;
- **Increased transparency** around contract performance and governance;
- **Use of regulatory dialogue and incentives** as a primary tool for maintaining standards.

These tools will help ensure LINK continues to deliver good outcomes for scheme members and end users – particularly in an evolving infrastructure landscape where innovation and stability must go hand in hand.

In addition, we recommend that the PSR and FCA commit to publishing periodic reviews (e.g. every three years) of LINK’s market position, infrastructure performance and governance model, to ensure oversight remains effective and proportionate over time.

## Conclusion

The revocation of SD4 is both necessary and proportionate. It reflects market realities and will help create a more agile, effective regulatory environment – better suited to supporting innovation and sustainable outcomes.

At the same time, it is essential that the PSR maintains appropriate understood oversight of LINK and its infrastructure provider. With the right safeguards in place, soft regulatory tools can deliver better value and more resilient outcomes for all stakeholders.

As regulatory responsibility transitions to the FCA, clarity is needed on how oversight of LINK and its infrastructure provider will be carried forward in practice.

If you have any questions relating to this response or would like to discuss anything further, please contact Pooja Patel, Payments and Innovation Intern at [pooja.patel@ukfinance.org.uk](mailto:pooja.patel@ukfinance.org.uk).

