## Payments & Consumer Duty - Webinar July 2025 – responses to questions from firms

### Industry engagement

**1. How are payment firms progressing against the FCA's priorities, and embedding the Consumer Duty?**

The payments sector is changing rapidly and we want to make sure firms are clear on our expectations, the direction of travel for regulation and the opportunities ahead.

As we noted in our webinar of July 2025, we've seen good innovation and growth across firms, but we've also seen recurring weaknesses in some key areas, particularly around:

- Embedding the Consumer Duty into business models
- Ensuring governance and controls keep pace with scale and complexity
- And managing risks around financial crime, safeguarding, and operational resilience

Both the webinar and our February 2025 Dear CEO letter set out our priorities for firms.

### Consumer Duty outcomes

**2. How are firms demonstrating good outcomes for price and value?**

Under the Duty, firms need to ensure that the price customers pay is reasonable compared to the benefits they receive. That doesn't mean the price has to be the lowest, but they do need to represent fair value.

Examples of good practices among firms:

- Clear and simple fee structures: Some firms have reviewed their pricing models and simplified them, making it easier for customers to understand what they are paying for.
- Regular value assessments: We've seen firms carry out structured value assessments, reviewing whether their fees are still proportionate to the service being provided, especially where customer behaviour has changed. In some cases, this has led to fee reductions or service improvements.
- Transparency and comparability: We've seen good work in how firms communicate value. Some use clear, jargon-free summaries that help customers easily compare costs and features, which not only supports better decisions but helps demonstrate fair value.

The key is to ask are we charging customers fairly for the benefits we're delivering? And are those benefits meaningful?

Where firms can show they've genuinely reviewed their pricing through the lens of customer outcomes and made necessary changes – that's an indication of strong practice under the Duty.

**3. What specific actions or behaviours distinguish firms that are fully embedding the Consumer Duty, particularly among smaller or newer payments firms?**

Our Consumer Duty multi-firm review of Payments Firms (Oct-24) found that the best Payments firms considered that implementation of the Duty and improved customer outcomes aligned with their own long-term interests, they often had clearly articulated customer-centric purposes and understood what good outcomes and foreseeable harms looked like for their customers.

They often had strong governance and control frameworks which they used to scrutinise and challenge the firm's implementation of the Duty and deliver any enhancements required. This included regular summary management information for each of the four Duty related outcomes (products and services, price and value, consumer understanding, and consumer support) which they regularly reported to their boards. Adopting this approach is helping firms to embed the Duty and take actions to deliver good consumer outcomes in a sustainable and efficient way.

Firms need to ensure, and be able to demonstrate, that they are acting to deliver good customer outcomes, as required under the Consumer Duty. We want all smaller firms to feel confident in their implementation of the Duty to deliver good outcomes and to innovate. The Duty rules and guidance should be interpreted considering what is reasonable in the circumstances, taking into account the size, activities and available resources of a firm. We will be proportionate in our expectations of firms relative to the harm, or risk of harm, to consumers.

## Consumer Duty application

**4. Are manufacturers of financial products dealing with business-to-business clients required to comply with the Consumer Duty?**

The Duty applies to firms in distribution chains for retail business. It can apply to some business-to-business activities, even where a firm doesn't have a direct relationship with consumers, to the extent a firm has a material influence on outcomes for the end consumers. For example, firms manufacturing products like prepaid cards or e-money wallets usually fall within scope of the Consumer Duty, because they have a direct say in the way products work for the end consumers, such as setting fees, spending limits or how the account can be accessed.

However, a firm's role in the distribution chain may mean it is unable to materially influence consumer outcomes and, if so, the firm may not be subject to any obligation under the Duty.

You can find further information in our Final Non Handbook Guidance (FG 22/5) and our Consumer Duty – information for firms webpage.

We have heard that firms feel they lack certainty on this and are concerned about application of the Duty to business-to-business activities, even if many fall outside our intended scope. In a letter to the Chancellor in September, we committed to consult on rule changes next year to give firms greater certainty. We want to make it clearer for firms where the Duty applies and when it doesn't.

### 5. How should firms applying for authorisation demonstrate their alignment with the Consumer Duty expectations?

Applicants should demonstrate that they have put their customers at the heart of what they do, that they are able to develop, design and deliver products and services with fair value that customers can understand and meet their needs in their authorisation / registration applications.

It is important for the applicants to tell us, in their applications, that they understand how the Consumer Duty applies to them and how they are going to act to make sure that they avoid foreseeable harm. For example, applicants' regulatory business plans should describe how they are going to identify their target market; and how they're going to monitor and ensure that products are being sold to people within that target market. Some applicants may provide a specific policy such as a fair value assessment, an annual outcome monitoring plan and/or additional product testing policies to demonstrate their alignment with our expectations.

## The Duty's evolution

### 6. How is the Duty expected to evolve in the FCA's supervision of payment firms over the next 12 months, and what are likely to be the biggest challenges?

The FCA's supervision of payment firms will move from implementation checks to a more targeted, data-led approach that tests whether the Duty is embedded and delivering measurable consumer outcomes. Supervisory activity will continue to prioritise products & services, price & value, consumer understanding, consumer support and vulnerable customers. Firms should expect a mix of thematic reviews, targeted supervisory interventions and broader industry engagement including with trade associations.

Supervision in the coming 12 months will test whether the Consumer Duty has changed outcomes for consumers in the payments sector. Firms that can demonstrate clear governance, robust MI, targeted remediation plans and practical arrangements for safeguarding customer funds and vulnerable customers will be best placed to meet the expectations.

The key challenge will be shifting from implementing the Consumer Duty to clearly demonstrating that it is delivering better customer outcomes, while maintaining operational resilience in a fast-changing payments landscape.

## Innovation

### 7. As payments firms continue to innovate and bring in new payment technology, what should they be thinking about to meet the FCA's expectations?

Innovation is a core strength of the UK payments sector, as firms roll out initiatives such as new technologies, business models, customer experiences, partnerships and governance approaches, our expectation is that innovation is safe, responsible and with the consumer in mind from the start.

Examples of some key areas firms should consider:

1. Start with customer outcomes. Consider whether the innovation genuinely meets a need. Is it clear, usable and delivering fair value? We've seen cases where complex features or pricing models confuse customers. Additionally, test whether the outcomes are good outcomes for customers.
2. Build in good governance early. When new technology is developed or adopted, there should be clear oversight and accountability at senior levels. Make sure your Board understands the risks and has visibility over roll-out and controls.
3. Think about financial crime and fraud exposure. New technology can reduce friction, but it can also create new routes for fraud and misuse. Firms need to be proactive in identifying how criminals exploit new services and make sure you have the right controls in place.
4. Engage early and often. If unsure, engage with us. Our Innovation Hub and regulatory guidance are there to support firms.

## FX pricing transparency

### 8. The FCA published good and poor practices on pricing transparency for international payments. What is the right balance between full disclosure of pricing information and providing too much information which might cause confusion?

We recognise the importance of pricing transparency. Consumers need clear, upfront information to make informed choices, especially when it comes to international payments where fees and exchange rates can vary significantly.

We also understand the risk of overloading consumers with too much technical or irrelevant detail, which can lead to confusion.

It's about clarity and relevance. The good practice we've seen is where firms provide simple, clear information of the total cost, for example, the amount the customer will pay, the exchange rate applied, and any fees involved, all upfront and before the payment is made.

The balance is, give consumers the key information they need to understand what they are paying and compare options without overwhelming them with excessive detail. If unsure what information is key, test it on a control group of customers or staff. The focus should be on helping them make an informed decision.

There is also a clear link between different outcomes of the Consumer Duty. Communication that supports consumers in making informed choices will also reduce the risk that the product will not offer fair value to consumers.

**9. Does the FCA see a role for mid-market foreign exchange benchmark rates to aid transparency of pricing in international payments?**

Mid-market rates can provide a useful reference point for consumers to understand the cost of a currency conversion. When firms clearly show both the rate they're offering and the prevailing mid-market rate, it can help customers see the actual margin being applied.

We've seen good examples where firms have provided side-by-side comparisons or clearly show the difference between their rate and the mid-market rate. We've also seen good practice where firms charging a markup on a reference rate make this clear to customers. That helps build trust and supports informed decision making.

There is currently no requirement for firms to display any mid-market benchmark FX rates used to calculate prices.

We are aware that the EU is considering the role of mid-market FX benchmark rates and we are monitoring developments in this area.

## <u>Vulnerable consumers</u>

**10. How does the FCA define a vulnerable customer?**

A vulnerable customer is someone who, because of their personal circumstances, is more likely to experience harm, especially if a firm doesn't treat them with the right level of care.

For payments firms, this might mean someone who's struggling financially, isn't confident using digital tools, or is going through a difficult time, like dealing with illness, a job loss, or bereavement. The key thing to remember is anyone can become vulnerable, and that vulnerability isn't always obvious. A customer with characteristics of vulnerability may not always need additional support or for a firm to do things differently, or they may have particular needs that firms should be alive to.

We want firms to think about how their products, systems and support work for people in different situations: For example:

- Is it clear how much a service costs?
- Can people easily resolve issues when something goes wrong?
- Are digital journeys designed with accessibility in mind?

Under the Consumer Duty, it's about being proactive, spotting where customers might be at risk, making sure services work well for them, and checking that good outcomes are being delivered.

**11. What emerging issues have been observed regarding the treatment of vulnerable consumers in the context of payments firms?**

The findings of our recent review of firms' treatment of customers in vulnerable circumstances were broadly consistent across sectors, although firms in some sectors were further along in developing and embedding some areas of their approach to supporting customers in vulnerable circumstances than others.

Across our work, it was clear that the Consumer Duty had driven a renewed focus amongst firms on delivering good outcomes for customers in vulnerable circumstances. But most firms can do more, particularly when designing products and services, and monitoring and taking action where customers in vulnerable circumstances are receiving poor outcomes compared to other customers.

On Consumer Support, we saw that firms with predominantly online business models and customer journeys, which may be particularly relevant to some Payments firms, often found it more challenging to spot signs of vulnerability. However, we also saw some firms using different techniques to help address concerns including:

  - Using AI and digital tools to identify where consumers may be struggling with online forms
  - Providing opportunities in customer online journeys for consumers to ask questions or raise issues that may indicate characteristics of vulnerability or having open questions asking customers if they have additional needs on screen.
  - Displaying information about the support firms can offer to those with additional needs to encourage disclosure.

But identification is not an end in itself, it is then important that firms provide appropriate support for the consumers' needs.

Most firms were not able to demonstrate how they are designing or reviewing products and services to meet the needs of customers in vulnerable circumstances. It is important firms take the needs of customers in vulnerable circumstances in their target market into account at all stages of the product and service design cycle.

On outcomes monitoring, many firms still struggle to effectively monitor outcomes for customers in vulnerable circumstances. In some cases, this was because firms were unclear on what a good outcome looks like or had not identified MI that could effectively measure consumer outcomes.

We provide examples of the types of information and data firms could collect to monitor outcomes in the Vulnerability Guidance and the Consumer Duty. We also shared a prompt in our good practice and areas for improvement publication, to support firms in developing their approach to outcomes monitoring.

**12. What are the FCA's expectations on assessing customer vulnerability?**

We expect firms to understand the scale and types of vulnerability that may exist in their customer base, and design products, journeys and support with that in mind.

Firms should also be able to spot signs of vulnerability when they appear, whether that's through customer behaviour, complaints or interactions with support teams. And where signs are identified, it's important to understand the customer's needs and be able to respond flexibly to offer appropriate customer support.

It's about having the right culture, training and systems in place.

Please review our March-2025 Good practice and areas for improvement on delivering good outcomes for customers in vulnerable circumstances.

**Smaller firms**

**13. Will the FCA be taking a different approach to regulating smaller firms, including new fintech entrants vs established firms**?

We apply the same standards to all firms, whether a new entrant or long-established firm. However, our approach is proportionate. We recognise that the risks, business models and resources of smaller firms often differ from those of larger firms, so our supervisory engagement will reflect that.

For example:

- New firms may receive more early-stage engagement from us
- We may work closely with these firms with tools like the Innovation Hub or Sandbox, to help ensure they meet expectations from the start

- Established firms or those that are growing quickly, particularly those with large customer bases may naturally face greater scrutiny
- High-growth firms, especially where growth may outpace your control framework and increase the likelihood or scale of harm, may receive more targeted supervision to ensure risks are being managed effectively as they scale

That said, all firms must meet the same core requirements, including, for example:

1. Embedding the Consumer Duty from day one
2. Having robust governance
3. And ensuring they have the systems and controls to support safe, scalable growth

## Open banking

### 14. What are the next steps for open banking?

This year we are prioritising the development of seamless account to account payments and embracing opportunities for greater data sharing in open banking and open finance.

Both open banking and open finance have potential to be key drivers of growth and competition in the UK financial services sector and have the potential to improve customers' financial lives and help fight crime. We are proactively engaging with key stakeholders and partners across the industry to establish a sustainable footing so that the ecosystem can grow beyond the current functionalities. Ahead of legislation to enable a long-term regulatory framework for Open Banking, we are engaging with participants across the sector to establish the Future Entity, which we expect to be the primary standard-setting body for open banking application programming interfaces (APIs) in the UK. We are also supportive of emerging industry-backed work to set up new variable recurring payments (VRP) schemes and remain encouraged by the significant effort from industry to expand the use of VRPs swiftly.

We're excited to support and lead on the ambition set out in the NPV for the UK to be a world leader in open finance. The potential benefits are transformative, empowering consumers and businesses with more choice, sparking innovation, and making financial services more engaging and accessible than ever before.

In March, we brought together over 100 stakeholders from across the financial sector for the Open Finance Growth Sprint, including FinTech's, incumbents, tech providers and academia from across financial services to discuss and build practical use cases and action plans, both in the consumer and SME area.

Participants were asked to think ahead to the world in 2030 and present ideas to map out building blocks for the vision of an ideal open finance ecosystem as well as consider the immediate impact of evolving tech and the need for long term sustainability.

The sprint is part of a broader programme of work under the Open Finance Lab on use case testing, tech infrastructure and agile policy making for open finance

**15. Do you have any specific open banking related best practices around the Consumer Duty?**

The FCA's FG22/5 Final Guidance provides detailed examples and clarifies the application of the Duty to different parties in the distribution chain. This response does not substitute any Consumer Duty rules or guidance. We expect firms to consider the full range of Consumer Duty rules and guidance and how they apply to their businesses.

In 2024 we published the key findings from our review of payments firms (including open banking firms) implementation of the Consumer Duty. Firms should read this review, consider how their firm compares, and use it to address any shortfalls or gaps and raise standards.

The Consumer Duty applies to products and services offered to 'retail customers' The FCA expects all parties in the distribution chain to play their part where their services could materially affect the end customer.

Under the Consumer Duty's consumer understanding outcome, we want Account Information Service Providers (AISPs) and Payment Initiation Service Providers (PISPs) to ensure they give customers the information they need, at the right time, presented in a way they can understand that equips them to make decisions that are effective, timely and properly informed. For example, in an account information service customer journey customers must understand what they are consenting to – how will their payment account information be used and who will have access to that information.

Under the Consumer Duty's cross-cutting rules, firms must avoid causing foreseeable harm to customers through their actions or omissions. For example, where a payment initiation service is being offered, where either a PISP or an Account Servicing Payment Service Provider (ASPSP) identifies a specific risk of harm in relation to an individual payment, for example suspected fraud, we would expect the firm to take action to avoid foreseeable harm to the customer.

All firms, including ASPSPs and TPPs must act in good faith towards retail customers. This is a standard of conduct characterised by honesty, fair and open dealing, and acting consistently with the reasonable expectations of customers. Firms would not be acting in good faith if they operate systems or processes that they know frustrate or prevent customers enjoying the use of their products. Under the Consumer Duty's consumer support outcome, we expect ASPSPs and TPPs not to create friction that deters their customers from taking action in their interests, such as switching product or provider. In an open banking customer journey, ASPSPs, AISPs and PISPs should enable and support customers to pursue their financial objectives in a way that does not give rise to unnecessary delays or friction, including unnecessary blanket warnings.

**Collaboration on sector strategy**

### 16. How is the FCA working with authorities to ensure a coordinated approach to implementing strategic initiatives across the payments sector, such as the National Payments Vision (NPV)?

We recently published a revised Memorandum of Understanding in relation to payments (https://www.fca.org.uk/news/statements/authorities-revise-memorandum-understanding-relation-payments-uk). As set out in the Vision, this will strengthen coordination between the FCA, the PSR and the Bank of England, deliver a more efficient and effective regulatory environment and manage our collective impact on firms. The updated MoU supports the development of a resilient, safe, well-operating payments sector, while also promoting competition, innovation, and economic growth in the UK. It also reflects the growing collaboration between the FCA and PSR ahead of the planned consolidation (https://assets.publishing.service.gov.uk/media/68bac94511b4ded2da19feb3/A_Streamlined_Approach_to_Payment_Systems_Regulation.pdf), reinforcing our commitment to a joined up regulatory approach.

We are continuing to work with HM Treasury, the Bank of England, and the PSR to deliver the National Payments Vision, including through the Payments Vision Delivery Committee (the Committee). As set out in the Committee's update published in July (https://www.bankofengland.co.uk/news/2025/july/a-new-approach-to-retail-payments-infrastructure), it will publish its strategy for retail payments infrastructure in the Autumn. It will also publish the Payments Forward Plan by the end of the year, which will set out a sequenced plan of initiatives across the payments ecosystem, including initiatives in both retail and wholesale payments, and the role of digital assets.

**Communications**

### 17. How is the FCA looking to address risks of potentially misleading financial promotions disseminated via social media?

On 27 March 2024, we published Guidance on financial promotions on social media. We want to clarify our expectations for when firms and others, such as influencers, use social media to communicate financial promotions and address emerging consumer harm we've seen arising from the use of social media. We will continue to provide feedback to firms where their promotions on social media do not meet the standard we expect.

With regards to illegal promotions communicated on social media, we will continue to take action where we see harm. In June 2025 we led a group of 9 regulators as part of an 'international week of action' against unlawful finfluencers. This comes on top of the FCA launching criminal prosecutions against 9 unlawful finfluencers in 2024.

While we continue to act, it is not our role to moderate social media platforms. Platforms themselves must take responsibility.

We urgently need social media platforms to step up and stop this illegal content at source. We welcome the introduction of the Online Safety Act and look forward to its robust implementation.

We want to hear from regulated firms if you are seeing illegal content online and any challenges you are experiencing when reporting illegal content to tech platforms, such as if you spot deep fake scams of your firms.

**Growth**

**18. With the FCA’s focus to support growth, how do you see the Consumer Duty enabling growth?**

The Consumer Duty is fundamentally about improving outcomes for consumers, and that drives sustainable, long-term growth. When consumers are treated fairly, when products and services meet their needs, and when they can trust the firms they deal with, confidence in the financial system increases. That confidence is essential for market participation and innovation.

By setting higher standards, the Duty encourages firms to compete not just on price, but on value, transparency and service.

This levels the playing field, incentivises innovation and genuinely benefits consumers, and ultimately supports the competitiveness of the UK's financial services sector.

From a growth perspective, firms that embed the Duty effectively are more likely to build resilient customer relationships, reduce complaints and remediation costs. By prioritising outcomes, firms earn customer confidence and strengthen loyalty over time. It’s the outcomes that really matter, as they show whether firms are truly meeting customer needs. Consistently achieving good outcomes creates the foundations for sustainable growth.

**Safeguarding**

**19. Will the changes to the safeguarding regime for Payments and e-money firms, set out in PS25/12 (published Aug-25) impact on FCA’s approach to supervising firms**?

Our new safeguarding rules will help us supervise payment and e-money firms more efficiently. For example, increased reporting (both through our new data return and in audit reports) will allow us to supervise the sector in a more proactive and targeted manner, acting as a smarter regulator, and helping to improve customer outcomes if a payment firm fails.