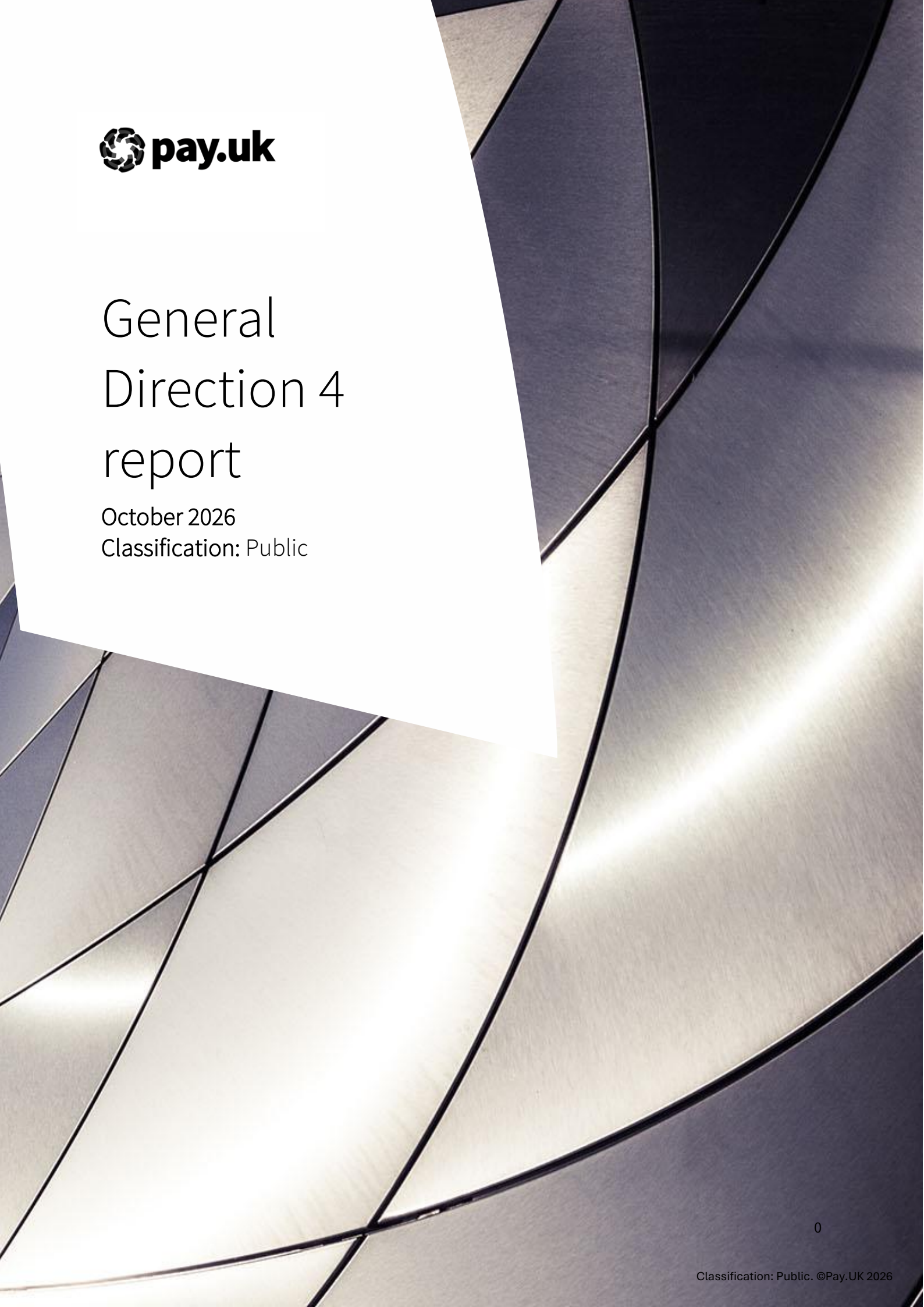

General Direction 4 report

October 2026
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1 Documentation information

1.1. Copyright statement

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2 Introduction

Pay.UK operates the UK's interbank retail payment systems, enabling individuals, businesses and public bodies to make and receive payments safely and reliably. We work across a diverse ecosystem of direct and indirect participants, regulators, infrastructure providers, industry bodies, innovators and representatives of the people and organisations that use payment services.

The Payment Systems Regulator's (PSR's) General Direction 4 (GD4) requires Pay.UK to actively ensure that we take the views of each relevant service user into account when setting our strategy and when making decisions, including those related to the design and rules underpinning our payment systems. Under GD4, Pay.UK is also required to '*publish a report on its engagement with service users once a year, covering the 12-month period to 30 September. It must do this by 31 October the same year. The report must:*

- *Explain service-user engagement over the preceding 12 months*
- *Detail the issues that the operator expects to discuss with its service users over the next 12 months, and how it intends to engage with service users.*[1]*'*

This report sets out service user (including end user) engagement for the period 1 October 2025 to 30 September 2026, including how stakeholder views were gathered, considered and reflected in our decision-making. It also outlines the areas that we expect to discuss with service users over the next 12 months and how we intend to engage on them. The report is organised in two substantive sections: the first explains our stakeholder engagement approach, including how insights are considered through governance. The second sets out engagement across our strategic priorities, with examples showing what we heard, how it was considered and how it influenced our approach.

The reporting period saw significant engagement across our strategic priorities: enhancing resilience; reducing cost and facilitating access; maximising value for participants; tackling fraud; and shaping the UK's future retail payments infrastructure and wider ecosystem model. A key focus was working with industry on the five short-term enhancements prioritised by the PSR and Financial Market Infrastructure Directorate to protect and enhance the existing payment systems: Bacs contingency; Certainty of Fate for Faster Payment System (FPS); replacing non-public key infrastructure authentication service manager users with two-factor authentication for Bacs Payment System (Bacs); improved access to data to manage systemic risk; and enabling ISO 20022 for single FPS transactions. This work formed part of our wider programme of engagement across the strategic priorities, using forums, working groups, bilateral engagement, segment roundtables, research and other targeted activity to ensure that evidence from relevant service users informed our decisions, delivery approaches and future planning.

Delivering positive outcomes for service users is ultimately the purpose of the work undertaken by us and our participants. Our approach recognises that accountability for decisions rests with us, while the quality of those decisions is improved by early, informed and inclusive engagement. We therefore use engagement to test the case for change, understand impacts, identify delivery risks and examine different options, ensuring that participant perspectives inform decisions and help us to deliver the best possible outcomes for all service users, including end users.

[1] General Direction 4 (psr.org.uk)

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3 Our approach to stakeholder engagement

Why engagement matters

Effective engagement is central to our ability to fulfil our responsibilities as a payment system operator (PSO). Our systems and services are used by organisations with different business models, operating scales, technical architectures and customer groups. Engagement with these organisations helps us understand those differences before decisions are made and as delivery plans develop.

We seek to make engagement purposeful. Each activity should be clear about the question being tested, the input required, the point in the decision process at which input can have most value and how participants will be informed of the outcome. This supports constructive challenge and provides all our stakeholders with meaningful opportunity to influence our decision-making.

How we engage: councils, stakeholder groups, bilateral engagement and research

During the reporting period, we reviewed our stakeholder engagement approach to ensure it remained effective, representative and aligned to the evolving needs of the payments ecosystem. Following this review, we amended our engagement by introducing a refreshed engagement model designed to provide clearer and more targeted routes for stakeholder participation and influence, and by standing down the advisory groups (Industry Advisory Council and End User Advisory Council) and the Strategic Participant Group. We also published stakeholder engagement guides for direct participants, end users and the broader payments industry to support the refreshed model, providing greater clarity on how we engage, the channels available for stakeholders to inform and challenge our work, what they can expect from us, and how their insight and feedback are considered in decision-making.[2] Stakeholder views are assessed alongside relevant legal, regulatory, operational, delivery and affordability considerations, as well as anticipated service-user outcomes, with material considerations reflected through the appropriate governance and decision-making processes.

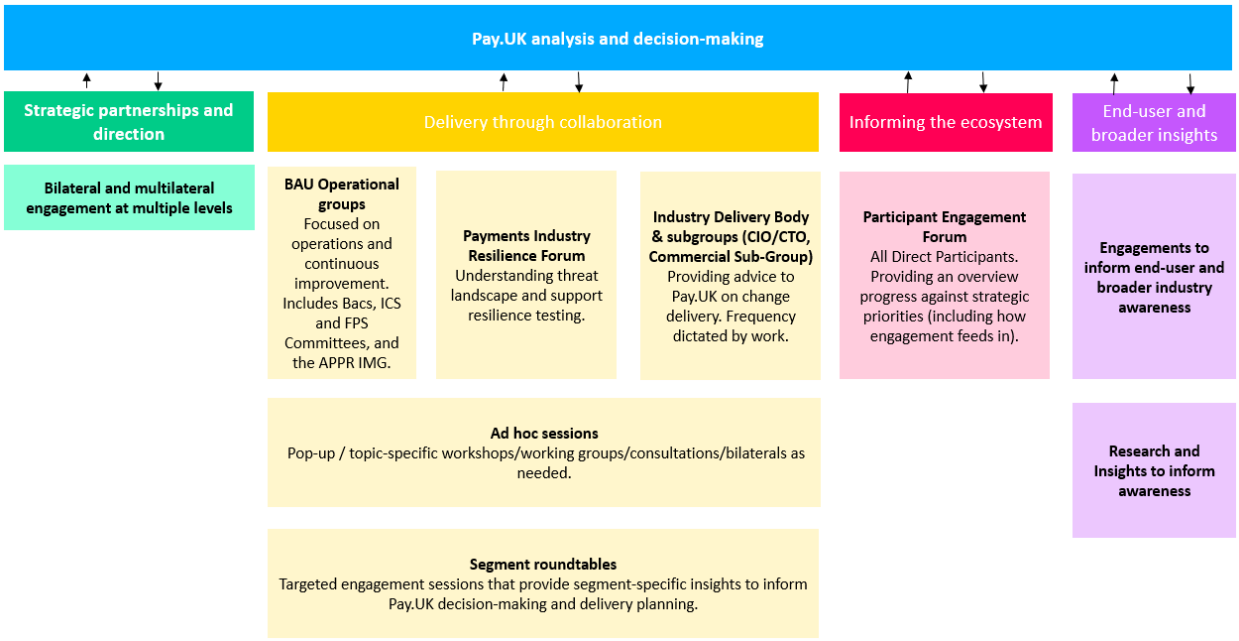

Figure 1. Pay.UK refreshed engagement model

[2] Our Engagement - Pay.UK

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Our refreshed engagement model (Figure 1) provides a structured approach to engaging stakeholders across the payments ecosystem, bringing together strategic forums, working groups, bilateral engagement, segment roundtables, and engagement with end users. Each element of the structure is explained below, including how it provides opportunities for different stakeholder perspectives and expertise to inform our work.

Across these channels, stakeholder feedback is captured, brought together and considered as part of our decision-making. Insights from forums, segment roundtables, workshops and bilateral engagement are considered through relevant programme governance, executive discussions and Pay.UK Board reporting. Section 4 provides practical examples of how this engagement has informed our strategic priorities, proposals and delivery approaches.

Strategic partnerships and direction

Our bilateral and multilateral engagement provide complementary routes for engaging participants and other stakeholders. Multilateral engagement through our councils, committees, forums and targeted sessions enables us to test proposals collectively, understand areas of consensus and divergence, and facilitate discussion across the industry.

Bilateral engagement enables deeper, tailored dialogue with participants and other stakeholders at Chair, Chief Executive Officer, Chief Policy and Engagement Officer and working level. We have strengthened the planning and coverage of these relationships so that engagement is proportionate to each organisation's role, interests and influence. Bilateral engagement is used to understand organisation-specific priorities and impacts, test strategic and delivery assumptions, explore matters that may be commercially sensitive or unsuitable for a group setting, and identify internal governance and decision-making routes. Readouts and emerging themes are shared with relevant teams, compared across organisations and fed into programme governance, executive discussions and Pay.UK Board consideration. This makes bilateral engagement both a relationship channel and a structured source of evidence for decision-making and follow-up.

Informing the ecosystem

The Participant Engagement Forum (PEF) replaced the Customer Engagement Forum, which had operated primarily through an operational lens. It is now our principal forum for sharing a clear and holistic view of our strategy, roadmap and progress across key strategic initiatives, alongside material operational matters. All direct participants in Bacs, FPS and the Image Clearing System (ICS) are invited, providing a consistent route for participants to receive updates on decisions and their rationale, scrutinise progress, raise concerns and provide senior-level input and feedback. This gives the PEF an important oversight role across our strategic portfolio and enables participant views to inform subsequent programme, executive and Pay.UK Board consideration.

Delivery through collaboration

Our change delivery groups provide a vehicle for us to work with the payments industry on delivering major change.

- **Industry Delivery Body (IDB):** Established in summer 2025, the IDB engages direct participants to support us with the delivery planning and implementation of the desired outcomes of the National Payments Vision. It provides a senior forum focused on execution and problem solving. The IDB provides support across our broader programme of change, with the

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Commercial Sub-Group (CSG) and the Chief Information Officers / Chief Technology Officers (CIO/CTO) Forum sub-groups providing complementary technical and commercial industry input, which is brought together to inform proposals and recommendations considered through IDB governance and decision-making.

- **Payments Industry Resilience Forum (PIRF):** PIRF is our main forum for collaborating with industry on matters of operational resilience and risk management. It is co-chaired by our Chief Risk Officer and a member of our participant base, and draws membership from across industry participants, operations and risk management professionals within Pay.UK. It is the central organising forum for resilience scenario testing with industry and similar activities.
- **Business-as-usual operational groups** allow us to work with the industry to manage the operational effectiveness of the payment systems, for example, incident management and lessons learned, maintenance of scheme rules and contingency planning. This includes:
    - **FPS, Bacs and ICS operational committees** who oversee service performance and operational change, giving participants a route to raise and resolve operational issues
    - **The Authorised Push Payment Reimbursement (APPR) Industry Management Group** ensures efficient operation of the APPR regime, with its views shared with the PSR to support their decision-making as appropriate.
- **Segment roundtables** bring together participants with similar business models and perspectives to enable more focused and open discussion, providing an additional route to understand how strategic and operational issues affect different parts of the industry and to identify areas of commonality and divergence. Insights from these discussions are brought back into Pay.UK to inform our wider engagement, planning and decision-making, helping ensure that a broader range of participant perspectives is considered.

End-user and broader insights

We have also taken forward a dedicated programme of work to build and embed end-user awareness across the organisation and to ensure that this awareness informs our thinking and decision-making. This work has focused primarily on three connected areas: strengthening the culture of end-user consideration in governance and decision-making; building a more repeatable internal capability for gathering, sharing and applying end-user insight; and developing our external voice as a neutral and evidence-led contributor to conversations about end-user outcomes in payments.

Practical steps towards this have included publishing our approach to engagement with end-user organisations[3], establishing end-user champions in our Pay.UK Board and Executive, introducing end-user considerations into relevant governance materials, expanding our network of end-user representative organisations, and continuing to make end-user insight easier to access and apply. Together, these activities are helping us consider evolving end-user needs and payment behaviours in making strategic choices and decisions, wider stakeholder engagement and delivery planning. As part of this, we are in the process of building an end-user network to strengthen the way in which perspectives from consumers, businesses and community groups are reflected in our work.

[3] Pay.UK end user engagement guide (wearepay.uk)

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In addition, our research programme continues to maintain a finger on the pulse of the changing payments landscape and end-user interaction with the ecosystem. For example, our biannual end-user payment trackers show how end-user payment behaviours are evolving. We will continue to use research and horizon scanning to understand changing behaviours and developments in technology, regulation and the wider payments ecosystem.

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4 Engaging stakeholders with our strategic priorities to inform our decision-making and planning in 2026 and 2027

This section provides an overview of how we engaged with service users across our strategic priorities during the reporting period, and how their feedback influenced our thinking, decisions and delivery approaches. These strategic priorities are:

- Enhancing resilience
- Reducing cost and facilitating access
- Maximising value for participants
- Tackling fraud
- Future infrastructure and ecosystem model.

We explain how stakeholder engagement has informed key workstreams within these strategic priorities during the reporting period and, where relevant, how we expect stakeholder engagement to continue in the next reporting period.

For each workstream, we use the most appropriate engagement according to the maturity and significance of the issue. Engagement is planned around key decision points, ensuring stakeholder views can inform the development of proposals, rather than simply being used to communicate decisions after they have been made.

We are also placing greater emphasis on closing the feedback loop, using our engagement channels to provide clearer updates on the themes heard from stakeholders, how these have been considered, and where they have influenced the development of our work. This will help stakeholders understand both the opportunities to influence future work and how their input contributes to the development and delivery of our priorities.

Enhancing resilience

Maintaining the resilience of the UK's retail payment systems remains fundamental to our role. Engagement supported the development of our three-layer resilience approach, including prevention and recovery within existing services, our work on substitution capabilities and the wider ecosystem mitigation through PIRF. The diagram below sets out the three layers of resilience approach.

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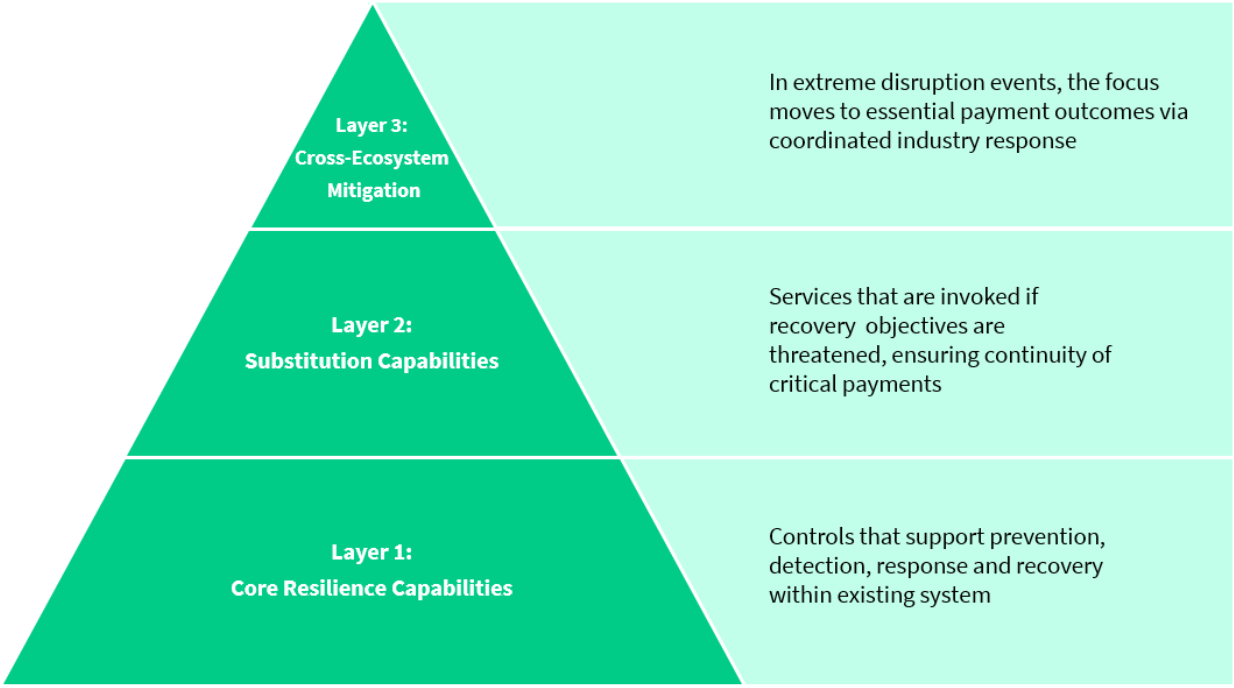

Participant and end-user expectations are centred on a reliable, resilient infrastructure that they can build their operations on, and extensive engagement emphasised the need to balance resilience benefit, implementation risk, affordability and operational capacity. This feedback informed the sequencing of work and the separation of technical, operational and commercial questions into the forums best placed to consider them.

- **Substitution**

We engaged participants through the IDB, CSG, CIO/CTO Forum, and bilateral meetings on contingency measures intended to strengthen the resilience and continuity of retail payments. Feedback informed our consideration of technical, operational, commercial and participant-readiness factors, and helped to ensure that specialist questions were examined through the appropriate governance routes.

- **Existing service and ecosystem resilience**

We also engaged participants on Bacs contingency, two-factor authentication and cross-ecosystem resilience testing. Input from operational and risk specialists helped identify practical implementation considerations and reinforced the need for coordinated mobilisation, clear roles and robust testing. These insights continue to inform contingency development and future scenario activity.

Looking ahead to 2027, resilience and substitution will remain an important area of engagement. We expect to continue working with participants on the development of our wider resilience approach, including the practical, operational and technical considerations associated with their delivery. Engagement will help test proposals against participant operating models, identify dependencies and impacts across the ecosystem, and ensure that the development of resilience capabilities is informed by those responsible for operating and connecting to the payment systems.

Reducing cost and facilitating access

Participant feedback has consistently highlighted the importance of making access to our payment systems simpler, more proportionate and cost-effective. This feedback has directly influenced our work. In 2026, we implemented a flexible model for liquidity requirements for Faster Payments Net

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Sender Caps (NSC), further facilitating access for a wider range of participants. We are also engaging with participants on an initiative to make our rules simpler, clearer and easier to access. The sections below demonstrate how stakeholder insights are being used to support sustainable access to payment services whilst maintaining appropriate safeguards.

Looking ahead to 2027, access and cost will remain an important theme, building on feedback received from different participant segments about the cost and complexity associated with participation. Engagement will continue to explore opportunities to improve access and reduce avoidable costs, helping us understand differences in impact across the market and consider potential changes alongside wider resilience, competition and end-user outcomes.

- **Faster Payments Net Sender Caps**

Engagement provided insights on how the NSC framework could be adapted to better reflect different payment profiles and business models while maintaining appropriate oversight and safeguards. Participants, including smaller organisations, highlighted that the fixed NSC framework often meant that payment service providers were holding more liquidity than necessary and this represented a significant barrier to access. Their feedback directly contributed to the development and implementation of a flexible liquidity model, which went live in July. This model enables limits to be aligned more closely to payment flows, subject to monitoring and risk-management arrangements, therefore reducing the cost of participation and improving access, helping to remove barriers for newer entrants.

- **Future of cheques**

We established a joint industry working group, supported by workshops and bilateral engagement, to identify a more efficient way to process cheques, as per the Payments Vision Delivery Committee's strategy. Pay.UK and a working group of participants collaborated closely to agree assessment criteria and evaluate options, supported by engagement with Swift and CHAPS. Solutions were assessed against criteria requiring minimal impact on end users and no material change to or deterioration in the end-user experience. The design principles for the next phase carry forward the requirement that end users can continue using cheques without a material deterioration in their experience. We will submit our position and next-generation settlement requirements, to retain optionality of future transition, to the Retail Payments Infrastructure Board (RPIB) in early November 2026.

In 2027, engagement will continue to support work on the future of cheques, undertaking further analysis on the move towards bilateral processing. Participant and wider industry input will help inform decisions on the approach, impacts across the market, and the practical, commercial and regulatory considerations associated with any future change. We will keep RPIB and the authorities informed, discuss appropriate delivery arrangements and provide updates to relevant trade bodies.

- **Rules modernisation**

Feedback gathered through operational committees and more recent targeted participant workshops emphasised that the current document-based rules can be difficult to navigate and time-consuming to interpret. Participants supported clearer and simplified rules, together with a single authoritative digital source that provides role-relevant access, improved search, visibility of changes, version history and traceability to source material.

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This feedback has shaped our rules simplification approach, and through industry co-creation workshops, bilateral engagements and our forums we are now exploring with participants the simplified rules and a Digital Rules Portal proposal to test and shape our evolving approach.

Throughout 2027, rules modernisation will involve continued engagement as we develop simplified, more accessible rules and progress the Digital Rules Portal. Stakeholders will have opportunities to test the emerging proposition and provide evidence on usability, operational impacts, implementation and adoption considerations, and the safeguards required to support a transition towards digital rules. This engagement will help ensure that the future rules framework reduces unnecessary complexity, improves clarity and traceability, and remains proportionate, resilient and responsive to future change.

Maximising value for participants

- **Governance and engagement model**

Stakeholders consistently highlighted the importance of transparent decision-making, clear accountability and earlier opportunities to influence strategic initiatives. We changed the Pay.UK Board composition to equally balance the number of Independent Non-Executive Directors and participant Non-Executive Directors, broadening industry representation while retaining independent oversight. In response to wider stakeholder feedback, we also refreshed our engagement model, stood down the strategic advisory groups and introduced more targeted routes including segment roundtables, specialist groups and structured bilateral engagement. Since retiring the End User Advisory Council, we have strengthened the way end-user insight informs decision-making through research, broad industry engagement and a growing network of end-user representatives. PEF has moved beyond a predominantly operational focus and now provides all direct participants with a holistic view of our strategy, roadmap and progress across key strategic initiatives, alongside material operational matters.

Feedback gathered through these routes is captured and synthesised for relevant programme governance, executive discussion and Pay.UK Board consideration. This maintains clear pathways into decision-making while allowing us to weigh differing participant perspectives alongside regulatory, operational and end-user considerations.

- **Pricing**

Participants told us that earlier visibility of future pricing would better support internal budgeting and planning. We have therefore focused on ensuring greater predictability and stability in our pricing, while acknowledging uncertainty inherent in forward forecasts and developing delivery plans. In previous years, we have confirmed pricing in September. In response to this feedback, we provided an earlier indication of 2027 pricing in May, communicating to participants that we expected core pricing to be broadly flat in 2027 while explaining that there was uncertainty dependent on our substitution approach. Pricing was confirmed in July.

Pricing and investment priorities will also require continued dialogue with participants in 2027 and beyond. Engagement will provide opportunities to understand participant perspectives on affordability, investment priorities and the distribution and timing of costs, particularly as multiple changes progress across the ecosystem. These views will inform the evidence available to us when considering trade-offs between investment, service enhancement, resilience and affordability.

Tackling fraud

- **Best Practice Standards (BPS) claims management**

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Engagement with UK Finance, BPS members, users and other stakeholders supported the proposed transition in ownership of the BPS claims management system from UK Finance to Pay.UK. Discussions covered continuity, correct phasing, enhanced functionality, funding, required contractual changes and long-term sustainability. This input has informed work with UK Finance and BPS members to identify a path towards a consolidated industry claims management solution that provides value for money and can respond to an evolving fraud landscape.

Based on the planned transition programme, engagement for the upcoming reporting period is expected to focus on the design and implementation of the future operating model, including contractual arrangements, service charging, support processes and governance arrangements under Pay.UK ownership. Stakeholders will also be engaged on technical and operational changes required to support the transition, including regulator-driven enhancements, migration readiness and potential impacts on BPS users. Through this engagement, we will continue to seek industry input to help ensure the transition is delivered in a way that maintains service continuity, provides value for money and supports the long-term sustainability of the service.

- **Enhanced Data Exchange (EDEx)**

We established an industry working group to define and shape a fraud data sharing service, EDEx, and build industry support for the proposition. Participants asked for clarity on the service model, technical design, organisational value and adoption path. Feedback helped define an approach that reuses our existing assets, including the Directory, Trust Framework and application programming interfaces, without creating a central store of exchanged data. We shared a fuller proposal and technical overview to help participants validate the value case for their organisations. Launch is intended to be managed through consecutive cohorts, with the longer-term goal of whole-market coverage.

To support our work on fraud in general and EDEx more specifically, we have kicked off an exploratory research project to understand the landscape of fraud; the various parties in the ecosystem and their contributions; and impact on end users.

In 2027, fraud prevention, claims management and EDEx will continue to be significant areas of focus. We will work with participants and other stakeholders to understand operational and implementation implications, test emerging proposals and identify dependencies across initiatives. Engagement on EDEx will similarly help shape how greater use and exchange of data can support improved outcomes while taking account of the practical implications for participants.

Future infrastructure and ecosystem model

The reporting period saw significant industry activity to shape the UK's future retail payments infrastructure and the wider ecosystem model. We contributed through the RPIB and Design Authority, drawing on our experience as the current PSO and on evidence gathered from participants through our engagement channels, including the segment roundtables.

Our engagement explored how future payment infrastructure can meet the needs of service users, while supporting resilience and uninterrupted payment journeys, improving access and interoperability, managing migration risk, and defining future operating arrangements and ecosystem responsibilities. Participant and regulatory engagement informed our response[4] to RPIB's consultation on future

[4] Pay.UK's response to RPIB consultation on the Design of the Future Retail Payments Infrastructure (wearepay.uk)

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infrastructure design and helped us test the capabilities required of a future PSO against the roles and responsibilities described in the Payments Vision Delivery Committee's ecosystem model. Through our seats on the RPIB and Design Authority, we contributed industry and operational experience in our capacity as the current PSO.

- **Managing transition**

Participants emphasised that transition planning for future payment infrastructure should begin early, reflect existing service and contract dependencies, provide clear accountability and minimise operational, security, resilience and financial risk. These views continue to shape transition planning, future operating models and preparations for future infrastructure delivery. The CSG is helping to shape the commercial transition strategy, with wider engagement planned to ensure all participants have an opportunity to inform the strategy's development. This work also takes account of the recent Vocalink contract extensions, which provide continuity for FPS, Bacs and ICS while the future model and migration approach are developed.

Looking ahead to 2027, the future infrastructure and ecosystem model will require sustained engagement as work develops around future infrastructure, ecosystem roles and migration. This will include exploring the implications of potential future models for different participant segments, understanding implementation and migration considerations, and ensuring that participant and end-user perspectives inform the development of the future direction. We expect engagement to become progressively more detailed as the future infrastructure and ecosystem model is developed further through the RPIB, the Design Authority and the Payments Delivery Company, the industry-led company which will deliver the new infrastructure.

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