



All Together Money Response to HM Treasury Consultation: Modernising Payment Services Regulation

All Together Money – the credit union movement (formerly Association of British Credit Unions Limited) – is the largest network of credit unions in Great Britain, working side by side. Built on cooperation, not competition. Driven by people, not profit. Together, we are building a future where money works for all of us. We champion smart regulation, ethical finance and meaningful change.

Credit unions are co-operative societies that provide financial services, primarily savings and loans, to their member-owners. They are registered under the Co-operatives and Community Benefit Societies Act 2014 and the Credit Unions Act 1979 and, as deposit-takers, are dual-regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

Since their inception in Britain in 1964, credit unions have played an important role in tackling poverty and financial exclusion. They serve communities that may have limited access to mainstream financial services and provide affordable credit and secure savings facilities. There are over 215 credit unions active in Great Britain, serving more than 1.5 million members and managing approximately £2.7 billion in assets. The sector ranges from mid-sized organisations employing up to 50 staff to small, volunteer-led credit unions.

Introduction

All Together Money welcomes the opportunity to respond to HM Treasury's consultation.

We support the Government's ambition to modernise payment services regulation in a way that promotes innovation, competition, and strong consumer protection.

Developments such as Open Banking, account-to-account payments and variable recurring payments could bring clear benefits for credit unions and their members. They could support better affordability assessments, more flexible loan repayments, automated saving, and more efficient services.

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Our principal concern is that the modernisation of the framework should not unintentionally create fixed costs or technical requirements that fall disproportionately on smaller providers, including credit unions. The future framework should recognise the diversity of the UK payments ecosystem and ensure that smaller mutual providers

can participate in innovation rather than being excluded by the cost or complexity of compliance.

This makes proportionality particularly important. A regulatory requirement, technical standard or commercial charge that appears manageable for a large bank or fintech may be a significant barrier for a smaller credit union.

The future framework should support innovation without making it harder for smaller mutual providers to participate. Open Banking should strengthen competition and financial inclusion, not create new costs that favour larger firms.

Summary of recommendations

All Together Money supports the Government's ambition to modernise payment services regulation and establish a sustainable framework for Open Banking. To ensure these reforms work for the credit unions and the members they serve, we recommend that:

1. **Core requirements remain in legislation.** The regulatory perimeter, key definitions, fundamental Open Banking rights of access, core consumer protections and the principal allocation of rights and liabilities should remain in legislation. Detailed technical and operational requirements may be delegated to the FCA where this allows the framework to respond more effectively to market and technological developments.

2. **Proportionality is built into the framework from the outset.** The Government and the FCA should recognise the different purpose, scale, resources, and risk profile of credit unions. Rules, technical standards, implementation periods, reporting requirements, and funding arrangements should reflect those differences.
3. **The impact on credit unions is assessed across the full supply chain.** Most credit unions will access Open Banking through technology providers. The impact of a charge or regulatory requirement should therefore include costs passed through suppliers to credit unions, rather than considering only the firm on which the cost is initially imposed.
4. **Existing baseline Open Banking access remains free.** Free access has supported competition and enabled the development of services used by credit unions. Charging for existing access could raise supplier costs, reduce the availability of Open Banking services to smaller credit unions and weaken competition with larger lenders and banks.
5. **Charges apply only to genuinely additional commercial services.** Where a paid service is permitted, it should be clearly distinguishable from the statutory baseline. The free service must remain effective and usable. Charges should be transparent, proportionate, objectively justified and subject to FCA oversight.
6. **The FCA has effective pricing intervention powers.** The regulator should be able to require cost and pricing information, prevent discriminatory arrangements, mandate appropriate free allowances and impose limits or caps where pricing is harming competition, financial inclusion or consumer outcomes.
7. **Commercial schemes remain open and interoperable.** Commercial Open Banking schemes should have transparent and proportionate participation criteria. Their standards and pricing should not create

unnecessary fixed costs, fragment the market or require credit unions and their suppliers to maintain multiple costly connections.

8. **The sector has meaningful representation in the Future Entity.** Credit unions should be represented in the governance and standards-setting processes of the Future Entity. Its funding model, implementation periods and technical expectations should reflect the capacity of smaller mutual providers.
9. **Variable recurring payments support credit union saving and lending.** Sweeping between a consumer's own accounts should remain free and should allow funds to be moved into credit union savings accounts. The wider framework should also enable proportionate use of variable recurring payments for flexible loan repayments.
10. **Financial inclusion is reflected explicitly in the regulatory framework.** The FCA's additional Open Banking objective should refer to secure and inclusive data use, effective competition, consumer control and improved access to financial services. This would recognise the contribution that credit unions make to savings, affordable credit and financial resilience.
11. **Material changes are subject to a credit union impact assessment.** New rules, standards and pricing arrangements should assess both direct effects on credit unions and indirect effects passed through technology providers. This should include the cumulative cost of access charges, scheme fees, Future Entity funding, certification, integration, reporting and regulatory requirements.
12. **Success is measured by access and outcomes, not only transaction volumes.** The Government should monitor whether credit unions of varied sizes can obtain affordable Open Banking services, whether suitable suppliers remain available and whether the reforms improve savings,

affordability assessments, access to affordable credit and member outcomes.

Chapter 2: Approach to updating existing regulatory requirements

Question 1: Which firm-facing requirements should remain in legislation and which should be delegated to the FCA? Please explain your reasoning.

We support the proposed distinction between core requirements that require legislative certainty and detailed or technical requirements where FCA rulemaking could provide greater flexibility.

In our view, legislation should continue to provide a clear and stable framework for:

- The perimeter of regulated payment activities;
- Key definitions;
- Fundamental consumer rights and protections;
- Core obligations relating to access to payment services;
- Fundamental requirements concerning customer consent, liability and protection of customer funds; and
- Other requirements where consistency and predictability are particularly important.

More detailed technical standards, operational requirements and requirements which need to evolve in response to technology and market practice could appropriately be delegated to the FCA.

The consultation identifies Strong Customer Authentication as an example where technical requirements have reduced fraud but have also created customer friction. We support the principle that detailed requirements should be capable of being adapted where evidence demonstrates that a different approach can achieve the same regulatory outcome with less unnecessary friction.

However, FCA rulemaking should be accompanied by appropriate consultation, impact assessment and implementation periods. This is particularly important for smaller firms which have fewer compliance, technology and legal resources than major banks.

The FCA should also be required to consider the impact of new requirements on smaller providers and mutual organisations when designing rules.

Credit unions and their representative bodies should be involved early in the development of detailed rules. Engagement should take place before the main technical and commercial decisions have been made, rather than after a preferred approach has already been developed.

Question 2: Where you believe requirements should remain in legislation, are there any updates you believe need to be made to these requirements?

We support retaining clear statutory protections for consumers while avoiding unnecessarily prescription in relation to technical or rapidly changing matters. In particular, proportionality should be more clearly embedded in the future legislative framework. The FCA should be required to consider the size, nature, complexity and risk profile of the firms when setting requirements, including technical standards, reporting, implementation periods, regulatory fees and contributions to Open Banking bodies or schemes.

This is particularly important for credit unions, where the cumulative cost of compliance can be significant. While individual costs such as reporting requirements, certification of fees may appear manageable, the combined impact of regulatory levies, technology changes, supplier charges, commercial scheme fees and contributions to the Future Entity could materially affect smaller providers.

The FCA should therefore assess the total cost of participation for diverse types of firms, including the specific impact on credit unions and other smaller mutual providers. This assessment should also consider indirect participation, where credit unions rely on technology providers or other intermediaries to access Open Banking and costs may ultimately be passed through the supply chain.

Any transition from existing statutory requirements to FCA rules should therefore be carefully managed, with sufficient notice and clear guidance to enable smaller firms to make the necessary operational and technological changes.

Open Banking access should be provided on fair, transparent, proportionate and non-discriminatory terms. Equal treatment does not necessarily produce a proportionate outcome; a standard charge may be negligible for a large bank but material for a credit union with lower transaction volumes and a smaller membership base.

Finally, material regulatory changes should be accompanied by reasonable implementation periods and clear guidance. Where services currently depend on free access, any move to commercial charging should be phased and informed by an assessment of whether those services remain viable for credit unions and other small providers.

Question 3: Do current provisions relating to the regulatory framework for payment services and electronic money, such as key definitions, need to be updated? If so, please explain how.

Some definitions will need to be updated to reflect the development of Open Banking, variable recurring payments and new ways of delivering financial services. Any changes should be clearly targeted and should avoid creating unnecessary complexity.

The definition of a payment account should remain clear and based on the function of the account. Credit unions need to be able to determine with reasonable certainty which of their accounts and services fall within the relevant payment services and Open Banking requirements.

The definition of a payment initiation service should be capable of accommodating variable recurring payments. It should cover the creation, amendment and cancellation of a recurring payment mandate, as well as the initiation of individual payments.

This is relevant to the credit union sector because variable recurring payments could support regular savings and more flexible loan repayments. The framework should allow credit unions to use this functionality without creating uncertainty about which firm is responsible for each part of the service.

The definition of an account information service should also reflect how customer-authorised financial data is now used. For credit unions, this could include income verification, affordability assessment, identification of regular expenditure and support for members who have irregular incomes or limited conventional credit histories.

The framework should distinguish between an authorised provider offering an account information or payment initiation service and a technology company carrying out a limited technical function on its behalf. Requiring several firms in the same delivery chain to hold overlapping permissions would add cost without necessarily improving consumer protection.

Those additional costs would ultimately be reflected in the price paid by credit unions for the service. Clear responsibility and accountability are therefore preferable to duplicative regulation.

The meaning of Open Banking access should also be clear. Access should mean more than simply making an interface available. An access right is not effective if the interface is unreliable, the data is incomplete or the status of a payment cannot be confirmed in a timely manner.

The relevant definitions should therefore support minimum expectations for availability, performance, functionality and data quality.

Question 4: Which international regulatory developments, for example recent reforms in the EU, should the UK incorporate into an updated framework for payment services and electronic money?



We support the Government's approach of monitoring international developments while retaining the ability to develop a regulatory framework appropriate to the UK.

International alignment is particularly important where credit unions and other smaller financial institutions rely on common payment infrastructure or where divergence could increase compliance and technology costs.

The consultation notes development in the EU and the relevance of the UK's continuing membership of Single Euro Payments Area (SEPA).

Where international standards provide benefits through interoperability, consistency or reduced compliance costs, the Government should consider alignment where appropriate. However, UK implementation should remain proportionate and should take account of the structure of the UK market, including the role of credit unions and other mutual providers.

Chapter 4: Unlocking the future of Open Banking

Open Banking has the potential to create significant opportunities for consumers, businesses and financial institutions. The consultation recognises that the existing framework has supported the development of new payment services and fintech businesses and proposes a new long-term framework involving the Future Entity, commercial Open Banking schemes and increased FCA oversight.

For credit unions, the key issue is ensuring that this development remains genuinely open to providers of different sizes and business models.

Question 22: What are your views on whether and under what circumstances ASPSPs should be able to charge third-party firms for access which they are currently required to provide for free?

We believe existing baseline rights of access should remain free.

Free access has supported the development of Open Banking and enabled specialist providers to develop services used by credit unions, including where they are not direct participants in the framework. Introducing charges risks increasing the cost of these services, as providers may pass costs on through higher platform fees, per-application charges or minimum contract values.

This could disproportionately affect credit union. Providers may decide that lower-volume credit union customers are no longer commercially viable, or charge prices that only larger credit unions can afford. This could reduce access to Open Banking services that support affordability assessments, loan applications, savings and repayment services.

There is also a wider competition concern. If large account providers can charge for access to customer-authorized data, they may benefit financially while increasing the costs faced by competing providers and their downstream users.

Core customer-authorized access should therefore remain free, particularly where it supports affordable credit, savings, financial management or services for underserved consumers. There may be a case for charging for enhanced commercial services beyond the statutory baseline, provided the baseline remains fully usable and is not restricted to encourage take-up of paid alternatives.

Any charges should be transparent, cost-based and subject to FCA oversight, with consideration given to their impact on downstream users such as credit unions. A simple volume threshold may not be sufficient, as providers may serve many smaller credit unions collectively. The FCA should therefore consider the purpose of access and the firms and consumers ultimately benefiting from it.

Question 27: Are there any other adjustments needed to current regulation which would better support Open Banking?

Greater attention should be given to the practical quality of Open Banking access.

A statutory access right is of limited value if the interface is unreliable, returns incomplete information or does not provide a clear and timely update on the status of a payment. This affects the Open Banking supplier directly, but it also affects the credit union and its members.

The FCA should set minimum expectations for interface availability, response times, data completeness, error rates, payment status information and communication during incidents. Performance should be monitored consistently and published in a way that allows persistent problems to be identified. The framework should also recognise that most credit unions are unlikely to develop bespoke Open Banking infrastructure. Shared services and specialist providers will be essential if the sector is to participate at scale.

Regulation should support these delivery models while keeping responsibility clear. Common assurance information, standard contractual provisions and proportionate due diligence could reduce duplication and make services more affordable for credit unions.

Where credit unions themselves become subject to interface or technical requirements, implementation should reflect their scale and capacity. A small credit union should not automatically be expected to deliver the same infrastructure, within the same timeframe, as a large retail bank.

Longer implementation periods, shared technical solutions and simplified reporting should be available where these achieve the same outcome more proportionately.

Open Banking should also remain a choice for members. Credit unions serve people with a wide range of digital skills and circumstances. A member who cannot or does not wish to use Open Banking should still be able to apply for a loan, open a savings account or obtain support through an alternative route.

Question 29: What are your views on whether the FCA should be provided with a power to mandate ASPSP participation in commercial Open Banking schemes?

The FCA should have a reserve power to mandate participation where voluntary arrangements do not provide sufficient coverage or support effective competition.

New Open Banking payment services will struggle to become viable if consumers cannot use them across a sufficient proportion of accounts. If a major account provider chooses not to participate, it may limit the usefulness of the service for credit unions and their members.

The power should be used where there is evidence of a market failure and where voluntary participation has not worked. The FCA should consider the size and market position of the account provider, the effect of non-participation on consumers and whether it is preventing new services from achieving reasonable scale.

This should not mean applying identical requirements to large banks and credit unions that also act as account providers.

The aim should be to secure sufficient market coverage without imposing costs on smaller institutions that are disproportionate to the benefit or risk involved.

Question 31: Would it be beneficial to maintain a requirement on ASPSPs to enable sweeping variable recurring payments? If so, what should the scope of application be?

We support maintaining the requirement to enable sweeping variable recurring payments.

Sweeping could help credit union members build savings by automatically moving surplus funds into a savings account. It could also help members maintain a financial buffer and manage money held across different accounts.

The scope should allow a member to move money from a current account held with another provider into a credit union savings account. It should not operate in a way that mainly supports transfers between accounts offered by the same large banking group.

Sweeping between a consumer's own accounts should remain free. Charging for this functionality could discourage saving and place credit unions at a disadvantage when competing for deposits.

The appropriate consumer protections should apply, including clear consent, limits controlled by the member and straightforward cancellation. However, these requirements should not be so complex that smaller providers are unable to offer the service.

Question 32: Do you agree with the proposed approach to providing the FCA with powers to regulate the Future Entity as an interface body?

We agree that the FCA should have powers to regulate the Future Entity.

The Future Entity will make decisions about standards, implementation, performance and funding that could directly affect credit unions' ability to participate in Open Banking. It should therefore be accountable to the wider market, not solely the largest banks and Open Banking firms.

Credit unions should have meaningful representation in the Future Entity's governance and standard-setting processes, with opportunities to influence proposals at an early stage.

The Future Entity should be required to assess the impact of material changes on smaller providers, both direct costs and costs passed on through technology suppliers. Implementation timelines should reflect the capacity of the credit union sector and not assume the resources of larger firms.

Funding arrangements must be proportionate. Credit unions should not contribute on the same basis as large account providers or technology firms. Any contribution model should reflect an organisation's scale, usage and ability to absorb costs.

Question 34: Do you agree that the FCA should have powers to intervene directly in the pricing of Open Banking access arrangements where

necessary? Should those powers differ depending on whether the pricing arrangement is established through a commercial scheme or outside a commercial scheme?

We agree that the FCA should have powers to intervene in Open Banking pricing where necessary.

Without effective oversight, pricing arrangements could disadvantage smaller providers, including credit unions, which often have limited ability to negotiate or challenge charges.

The FCA should be able to require transparency on pricing methodologies and costs, prevent discriminatory arrangements, and intervene where pricing harms competition, participation or consumer outcomes.

While the FCA's approach may differ between commercial schemes and bilateral arrangements, the same principles should apply in all cases; pricing should be fair, transparent, proportionate and objectively justified.

In assessing pricing, the FCA should consider the total cost of participation, including access fees, supplier charges, scheme contributions, certification, integration, regulatory requirements and Future Entity funding. It should also take account of costs passed through the supply chain, as charges that appear modest in isolation may have a disproportionate impact on smaller organisations such as credit unions.

Question 35: Do you agree with the proposed approach to providing the FCA with powers to regulate commercial Open Banking schemes?

We agree with the approach in principle.

The FCA should be able to regulate scheme governance, pricing, participation criteria, operational resilience, dispute resolution and information sharing.

Commercial schemes should not develop in a way that fragments the market or requires credit unions and their suppliers to pay for multiple connections to achieve adequate coverage. Common standards and interoperability should remain central to the framework.

Participation and onboarding requirements should be proportionate to the risk presented by the firm. They should not impose unnecessary fixed costs that make participation uneconomic for smaller providers.

Scheme fees should be transparent, and firms should not be required to buy unrelated services as a condition of participation. There should also be reasonable arrangements for switching, exit and dispute resolution.

The effect on credit unions should be considered even where they participate through a third-party provider. Commercial schemes should be expected to understand how their fees and standards affect smaller firms further down the supply chain.

Question 36: Are there additional powers that the FCA might need to manage Open Banking effectively?

The FCA should have sufficient powers to identify and address arrangements that may appear reasonable between direct participants but create wider market or competition issues.

It should be able to obtain information on how access charges and scheme fees affect credit unions and other smaller providers, enabling it to assess their impact on competition and financial inclusion. It should also be able to address disproportionate participation criteria, set minimum interface standards and require interoperability where necessary.

Where significant changes to prices or standards are proposed, the FCA should be able to require appropriate transitional arrangements to avoid sudden cost increases or loss of access. Continuity arrangements may also be needed where

a commercial scheme or key technology provider withdraws, particularly given the limited number of suitable suppliers available to credit unions.

Question 37: Do you agree with the proposed approach of mirroring as closely as possible the FCA's monitoring and enforcement powers as set out in FSMA?

We agree that the FCA's monitoring and enforcement powers should broadly reflect its existing Financial Services and Markets Act 2000 powers.

A consistent approach should provide greater certainty and allow the FCA to obtain information, investigate concerns, impose requirements and require remediation where necessary.

These powers should still be used proportionately. A smaller credit union should not receive the same scale of information request or face the same supervisory approach as a large bank unless the nature of the risk justifies it.

Where a credit union has made a minor or technical error, the usual starting point should be clear guidance and a reasonable opportunity to put the issue right. Strong enforcement powers should remain available for serious, deliberate or repeated failings.

The FCA must also be able to act where the problem is caused by a dominant provider or scheme. Enforcement should not focus only on whether individual credit unions and smaller firms have followed technical rules. It should also address pricing, poor interface performance and participation requirements that restrict competition.

Question 41: What are your views on providing the FCA with an additional objective which reflects the broader data-focused aims of DUAA to support its approach to regulating Open Banking?

We support an additional objective, but it should focus on the beneficial and inclusive use of data rather than increasing data sharing for its own sake.

We suggest that the objective should require the FCA to support secure, effective and inclusive data sharing and account functionality that promotes beneficial innovation, effective competition, consumer control, financial inclusion and improved access to financial services.

Financial inclusion should be included explicitly. An objective focused only on innovation or market growth may not fully recognise the value that Open Banking can provide through the credit union sector.

For example, the benefit may be that a credit union can better understand a member's irregular income, make a more informed affordability assessment or help that member build a savings habit. These may not be the largest or most commercially valuable Open Banking use cases, but they can produce important outcomes for consumers and communities.

When applying the objective, the FCA should consider proportionality, accessibility, informed consent, operational resilience and the position of smaller mutual providers.

The objective should complement the FCA's existing consumer protection and competition responsibilities. It should not result in pressure to expand data access where this is not clearly understood by the consumer or does not deliver an identifiable benefit.

Question 42: Are there any other areas of feedback on issues raised in this consultation?

The Government and the FCA should carry out a specific credit union impact assessment when developing material Open Banking rules, standards and pricing arrangements.

This should look at both direct requirements and indirect costs. Credit unions may not be the firm that receives an access charge, becomes a scheme member or implements an API change, but they may still bear the cost through their suppliers.

There should also be a cumulative cost assessment. The cost of Open Banking access cannot be considered separately from scheme fees, Future Entity funding, regulatory fees, certification, integration, supplier charges, reporting and operational resilience requirements.

Credit unions should be represented in the Future Entity, relevant commercial scheme arrangements and FCA working groups. The sector should be involved early enough to shape decisions, rather than only being asked to comment once an approach has been substantially developed.

The success of these reforms should not be measured only by payment volumes or the number of commercial schemes. The Government should also consider how many credit unions can access Open Banking services, what those services cost, whether they remain available to lower-volume firms and whether they improve access to affordable credit and savings.

Conclusion

All Together Money supports the Government's ambition to modernise payment services regulation and establish a sustainable future framework for Open Banking.

Open Banking could help the credit union sector improve affordability assessments, make lending processes more efficient, support regular saving, and provide more flexible repayment options. These developments could benefit both credit unions and their members.

However, those benefits will only be realised if participation remains practical and affordable.

Our main concern is that access charges or commercial scheme costs will be passed through Open Banking providers to credit unions. This could make services less affordable, particularly for smaller credit unions, and may lead some suppliers to focus on larger and more commercially attractive customers.



This would weaken the competition that Open Banking is intended to support. It could also limit the ability of credit unions to provide affordable and inclusive alternatives to the wider market.

Core Open Banking access should therefore remain free. Any paid service should be genuinely additional to the statutory baseline, and the FCA should have the power to intervene where pricing is excessive, unclear, or discriminatory.

The future framework must also reflect the scale, purpose, and capacity of UK credit unions. Proportionality should apply to regulation, technical standards, implementation periods, fees, and scheme participation.

The overall test should be whether the new framework enables innovation while maintaining a diverse financial services market. Credit unions should be able to participate alongside larger banks and payment firms on fair, affordable, and proportionate terms