

Financial Conduct Authority Tightens Safeguards for Payment Firms Ahead of May 2026 Launch

August 8, 2025

— Categories: General News



The Financial Conduct Authority is strengthening rules for payment service providers, requiring clear separation of customer funds and enhanced reporting obligations, with the measures due to take effect from May 2026.

The UK's Financial Conduct Authority (FCA) is introducing tougher regulations for electronic payment firms, including payment institutions, e-money providers, and issuing credit unions, starting in May 2026. The new framework mandates a strict separation between customer funds and firms' own capital, ensuring that, in the event of insolvency, customer assets remain protected.

In response to a fivefold increase in consumers using online payment accounts between 2017 and 2022, the FCA's enhanced oversight introduces additional requirements based on firm size. Larger firms must now submit monthly reports, conduct annual audits, and perform daily assurances to confirm customer funds remain fully safeguarded. This reform follows the collapse of firms such as Argentex in 2025, where customer fund shortfalls reportedly averaged 65 percent over five years. The FCA states these measures close critical gaps in consumer protection.

Matthew Long, Director of Payments and Digital Assets at the FCA, stated that customer reliance on payment providers makes effective fund protection essential, and signalled a readiness to tighten rules further if firms fail to improve compliance.

The industry group UK Finance supports the initiative but emphasises that requirements must stay realistic and proportionate, particularly for smaller enterprises. It urges thorough impact assessments before additional changes.

These reforms form a key part of the FCA's broader move towards stronger safeguarding standards for nonbank payment firms. The regulator has already consulted on interim rules and plans to implement

end-state standards aligned with its Client Assets (CASS) regime during the first half of 2026, in tandem with a broader strategic overhaul of payments regulation.