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FCA to Tighten UK Payment Firm Rules by 2026

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London, 7 August 2025 – The Financial Conduct Authority (FCA) has announced it will introduce tougher regulations for electronic payment firms from May 2026 to strengthen the protection of customers' money.

The new measures will require payment companies to hold customer funds in segregated accounts, ensuring these funds remain separate from the firm's own operating money. This safeguard aims to make it easier to return money to customers if a company becomes insolvent.

The regulator first proposed the reforms in September last year, following concerns over the growing use of digital and mobile payment services and the potential risks to consumers if firms fail.

Under the updated rules, payment service providers will be obliged to improve governance, risk management, and transparency. Firms must also comply with enhanced reporting requirements to allow the FCA to monitor compliance more effectively.

An FCA spokesperson stated that the reforms are designed to keep pace with the rapid expansion of the UK's digital payments sector and to ensure customers' money is secure.

"The payments market is evolving quickly, and with that comes increased responsibility to ensure funds are protected. These measures will create a stronger safety net for consumers should a payment firm collapse," the spokesperson said.

The FCA highlighted that while most payment firms already operate with appropriate safeguards, standardising the requirements will ensure consistent protection across the sector.

Payment companies will need to adapt their internal processes and accounting systems to meet the new requirements. This may involve changes to banking arrangements, audits, and operational oversight.

Industry analysts have noted that while compliance may add to operational costs, the reforms could boost customer confidence in digital payment services, encouraging wider adoption in the UK market.

The FCA will provide detailed guidance over the coming months to help firms prepare for the transition. Businesses have until May 2026 to fully implement the new rules, giving them nearly two years to adjust.

The UK has seen a rapid increase in the use of electronic payment methods, from appbased services to online banking solutions. According to industry data, millions of transactions are processed daily through such platforms, making robust safeguards vital.

By introducing these stricter measures, the FCA aims to ensure that innovation in the payments industry does not come at the expense of consumer protection.