
D R A F T S T A T U T O R Y I N S T R U M E N T S

2024 No. 000

FINANCIAL SERVICES AND MARKETS

The Payment Services and Payment Accounts (Contract Terminations) (Amendment) Regulations 2024

<i>Made</i>	- - - -	***
<i>Laid before Parliament</i>		***
<i>Coming into force</i>		***

The Treasury make these Regulations in exercise of the powers conferred by sections 3 and 84(2) of the Financial Services and Markets Act 2023(a) (“the Act”).

The Treasury have consulted the regulators as required by section 3(6) of the Act.

In accordance with sections 84(3) and 84(5) of the Act, a draft of these Regulations has been laid before Parliament and approved by a resolution of each House of Parliament.

Citation, commencement and extent

- 1.—(1) These Regulations may be cited as the Payment Services and Payment Accounts (Contract Terminations) (Amendment) Regulations 2024.
- (2) These Regulations come into force on [*date*].
- (3) These Regulations extend to England and Wales, Scotland and Northern Ireland.

Amendment of the Payment Services Regulations 2017

- 2.—(1) The Payment Services Regulations 2017(b) are amended as follows.
- (2) In regulation 2(1) (interpretation)—
 - (a) after the definition for “excluded provider” insert—

““the Financial Ombudsman Service” means the ombudsman scheme referred to in section 225 of the 2000 Act;”;
 - (b) after the definition for “the SEPA regulation” insert—

““serious crime” means an offence—

(a) 2023 c. 29.
(b) S.I. 2017/752, amended by S.I. 2018/1201; there are other amending instruments but none is relevant.

(a) listed in Part 1 (England & Wales), Part 1A (Scotland) or Part 2 (Northern Ireland) of Schedule 1 to the Serious Crime Act 2007^(a), as amended from time to time;

(b) that would constitute a serious crime specified in paragraph (a) if done in England and Wales, Scotland or Northern Ireland;”.

(3) In regulation 51 (termination of framework contract)—

(a) after paragraph (3) insert—

“(3A) Paragraphs (4), (5) and (6) apply to framework contracts concluded for an indefinite period and entered into before [date].”;

(b) after paragraph (5), insert—

“(5A) Paragraphs (5B) to (5E) and (6) apply to framework contracts concluded for an indefinite period and entered into on or after [date].

(5B) Subject to paragraphs (5D) and (5E), before terminating a framework contract concluded for an indefinite period, the payment service provider must give at least 90 days’ notice.

(5C) Subject to paragraphs (5D) and (5E), any notice given under paragraph (5B) must—

(a) contain an explanation of the reasons for termination which is sufficiently detailed and specific to enable the payment service user to understand why their particular contract is being terminated;

(b) be provided in the same way as information is required by regulation 55(1) (communication of information) to be provided or made available;

(c) advise the payment service user of—

(i) how a complaint against the termination may be made to the payment service provider; and

(ii) the right to refer the complaint to the Financial Ombudsman Service if the payment service user has the right to do so.

(5D) None of the requirements in paragraphs (5B) and (5C) apply where any of the following grounds exist—

(a) if regulation 31(1) of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (requirement to cease transactions etc.)^(b) applies;

(b) if the payment account associated with the framework contract is required to be closed in accordance with section 40G of the Immigration Act 2014 (closure of accounts not subject to freezing order)^(c);

(c) if the payment service provider reasonably believes a payment service provided under the framework contract is being used or is likely to be used in connection with a serious crime;

(d) if, in the exercise of their powers, the FCA, the Treasury or the Secretary of State require the contract to be terminated; or

(e) if the payment service provider reasonably believes that the payment service user has committed an offence in connection with the user’s provision of goods or services to a third party.

(a) 2007 c. 27. Schedule 1 to that Act was amended by the Marine and Coastal Access Act 2009 (c. 23), Schedule 22; the Taxation (International and Other Provisions) Act 2010 (c. 8), Schedule 7, paragraph 101; the Bribery Act 2010 (c. 23), Schedule 1, paragraph 14; the Protection of Freedoms Act 2012 (c. 9), Schedule 9, paragraph 142; the Human Trafficking and Exploitation (Criminal Justice and Support for Victims) Act (Northern Ireland) 2015 (c. 2), Schedule 4, paragraph 7 and Schedule 5; the Serious Crime Act 2015 (c. 9), section 47 and Schedule 1, paragraph 31 and Schedule 4, paragraph 81; the Modern Slavery Act 2015 (c. 30), Schedule 5, paragraph 7; the Psychoactive Substances Act 2016 (c. 2), Schedule 5, paragraph 8; the Policing and Crime Act 2017 (c. 3), section 151; the Criminal Finances Act 2017 (c. 22), section 51; the Sanctions and Anti-Money Laundering Act 2018 (c. 13), Schedule 3, paragraph 5; the Counter-Terrorism and Border Security Act 2019 (c. 3), section 14; S.I. 2019/1354, regulation 3; S.I. 2020/1309, Schedule 1, paragraph 1; and the Economic Crime and Corporate Transparency Act 2023 (c. 56), section 206.

(b) S.I. 2017/692.

(c) 2014 c. 22.

(5E) Without prejudice to paragraph (5D), in the event of a conflict between any requirement in paragraphs (5B) and (5C) and any other legal requirement to which the payment service provider is subject—

- (a) those other legal requirements prevail to the extent of the conflict;
- (b) otherwise, the requirements in paragraphs (5B) and (5C) apply.”.

(4) In paragraph (7), after “discharged” insert “, save that the parties may not agree that the contract may be discharged in a manner that avoids the requirements in paragraphs (5B) and (5C)”.

Amendment of the Payment Accounts Regulations 2015

3.—(1) The Payment Accounts Regulations 2015(a) are amended as follows.

(2) In regulation 25 (refusal of application for payment account with basic features), for paragraph (4), substitute—

“(4) Where a reason is given under paragraph (3), it must be sufficiently detailed and specific to enable the consumer to understand why the application has been refused, unless providing that information would be unlawful.

(5) Where notification of the refusal is given, the designated credit institution must advise the consumer of—

- (a) how a complaint against the termination may be made to it; and
- (b) the right to refer the complaint to the Financial Ombudsman Service.”.

(3) Regulation 26 (framework contracts and termination)(b) is amended as follows—

- (a) in paragraph (1), for “paragraphs (2) and (3)”, substitute “this regulation”;
- (b) for paragraph (3)(a), substitute—

“(a) in accordance with the relevant notice period specified in paragraph (3A);”;

(c) after paragraph (3), insert—

“(3A) For the purposes of paragraph (3), the notice period is—

- (a) for a framework contract entered into before [*date*], at least two months before termination enters into force;
- (b) for a framework contract entered into on or after [*date*], at least 90 days before termination enters into force.”

(d) in paragraph (4), for “Paragraph (3) does”, substitute “Paragraphs (3) and (3A) do”;

(e) for paragraph (7), substitute—

“(7) Any notification given by the designated credit institution under paragraph (3) must advise the consumer of—

- (a) how a complaint against the termination may be made to it; and
- (b) the right to refer the complaint to the Financial Ombudsman Service.

(8) Paragraph (9) applies to framework contracts entered into on or after [*date*].

(9) Subject to paragraph (10), where any notification given by the designated credit institution under paragraphs (3) and (6) informs the consumer of the grounds and justification for termination, those must include an explanation of the reasons for termination which is sufficiently detailed and specific to enable the consumer to understand why their particular contract is being terminated.

(10) Paragraph (9) does not apply where providing such explanation to the consumer would be unlawful.”.

(a) S.I. 2015/2038.

(b) S.I. 2015/2038, amended by S.I. 2019/661 and S.I. 2017/931.

Date

Two of the Lords Commissioners of His Majesty's Treasury

Name

Name

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make amendments to the Payment Services Regulations 2017 (“PSRs”) to impose new requirements in relation to payment service framework contracts concluded for an indefinite period, terminated by a payment service provider (“PSP”). The new requirements apply to such contracts entered into on or after [*date*]. The minimum termination notice period is increased from two months to 90 days and PSPs are required to explain the reasons for the termination so that the payment service user can understand why their particular contract has been terminated. There are other information requirements, for example, the PSP is to inform the payment service user of their rights to complain. There are exceptions to the requirements, for example, where they conflict with other legal requirements, the latter will take precedence. Regulation 51(7) of the PSRs is also amended to clarify that the new requirements may not be avoided by the parties agreeing that the contract has been discharged.

Regulation 3 also makes amendments to the Payment Accounts Regulations 2015, mainly to bring notice period and requirements to give reasons into line as appropriate with the new requirements in the PSRs. Those also apply to framework contracts entered into on or after [*date*].

A full impact assessment of the effect that this instrument will have on the costs of business, the voluntary sector and the public sector is available from HM Treasury, 1 Horse Guards Road, London SW1A 2HQ.