



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Adam Plainer

12 December 2024

Confirmation of Appointment as Independent Reviewer of the Payment and Electronic Money Institution Insolvency Regulations 2021

Dear Adam,

I am writing to formally invite you to lead an independent review of the Payment and Electronic Money Institution Insolvency Regulations 2021 ('the PESAR'). Details of the intended scope of the review can be found in the Terms of Reference.

To respond to developments in the sector, the previous Government introduced a special administration regime to help protect customers in the event of a payment or electronic money institutions being put into insolvency under the Payment and Electronic Money Institution Insolvency Regulations 2021. This was primarily intended to prioritise the return of customer funds and reduce wait times for customers to access monies in insolvency cases. The regime specifically introduced new statutory objectives for administrators of these firms, including the objective to return customer funds as soon as practicable.

The purpose of this review is to help inform the Government about whether the regime is working as intended and fulfils statutory objectives as set out in statute under regulation 12 of the Payment and Electronic Money Institution Insolvency Regulations 2021 and Section 233(3) of the Banking Act 2009. The Review will need to assess the extent to which the regime is meeting its objectives and make a judgement on whether the regime should continue to have effect. As set out in the terms of reference, the review should include an assessment of the following:

- (i) The impact of the PESAR on individual customers in administration cases where it has been used
- (ii) The extent to which the PESAR would effectively manage the failure of a larger payment firm, given thus far it has only been used on smaller firms
- (iii) The efficacy of cooperation between Government authorities, in particular between HM Treasury, the Bank of England the Financial Conduct Authority (FCA) and the Insolvency Service, and how collaboration could be improved
- (iv) The effectiveness of cooperation between the UK authorities and authorities from other jurisdictions

I would also ask that you engage with the UK's financial regulators and relevant authorities, including the Bank of England, FCA and Insolvency Service when assessing the efficacy of the regime. Following HM Treasury's Payment Services Regulations Review and Call for Evidence which called upon the FCA to consult on safeguarding reforms, the FCA has published changes to the safeguarding regime for payments and e-money firms. Where appropriate, this review should take into account the FCA's proposals, in so far as they are relevant to the regime.

My officials will meet with you on a regular basis to discuss your progress with the review. I look forward to seeing your conclusions and would ask that you provide an interim update with initial conclusions by September 2025, with a final report no later than end 2025 (which will subsequently be laid in Parliament).

Yours sincerely,

A handwritten signature in blue ink that reads "Tulip". The signature is written in a cursive style with a horizontal line underneath the name.

TULIP SIDDIQ MP