


Payments Horizon Scan

UK Retailers

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Executive Summary



What's New



UK payments policy now has a clearer delivery sequence

The National Payments Vision has moved further into execution. The government published the Payments Forward Plan on 26 February 2026, following the July 2025 Payments Vision Delivery Committee update and the November 2025 strategy for future retail payments infrastructure. For retailers, this gives a firmer planning baseline even though major design choices on future account-to-account infrastructure are still developing.



Contactless flexibility is now live, but market uptake will vary

The FCA confirmed in December 2025 that firms with strong fraud controls can set their own contactless limits, and the rule change took effect on 19 March 2026. This creates room for larger card-based tap payments over time, but not all issuers are expected to move quickly and acceptance changes above £100 still depend on wider industry implementation.



Open Banking has moved another step towards merchant relevance

The FCA and PSR backed a temporary commercial bridge for selected cVRP use cases, including utilities, public sector payments and certain regulated financial services, on 20 January 2026. Open banking also ended 2025 with 16.5 million user connections and 351 million payments, underlining that this is now a scaled payment proposition.



BNPL regulation is now a defined retailer timetable, not a distant policy issue

The FCA confirmed in February 2026 that Deferred Payment Credit regulation will take effect on 15 July 2026. For merchants and lenders, this turns BNPL governance, disclosures, complaints handling and partner readiness into an immediate delivery item for any checkout journey that depends on deferred payment options.



What's Trending



Network tokenisation is strengthening as the strategic direction for ecommerce cards

Mastercard continues to position tokenisation. Click to Pay and password-free checkout as the route away from manual card entry by 2030. Public scheme evidence still points to improved approval rates, lower fraud exposure and stronger lifecycle management as the practical merchant benefits.



Card economics remain under scrutiny, but remedies are still gradual

The PSR's scheme and processing fees work has moved into remedies and proposed directions, while on UK-EEA cross-border interchange it decided in October 2025 not to impose an interim cap and instead proceed through a fuller cap methodology. Retailers should still expect card cost pressure to remain a live issue rather than a near-term reset.



AI is moving from horizon topic to payment-operations reality

The FCA has expanded AI Live Testing in 2026, with use cases including agentic payments, while merchant-risk bodies are now treating agentic commerce and AI-mediated buying journeys as emerging but near-term operating issues. For retailers, the practical question is what fraud, identity and dispute controls suppliers have in production rather than in concept.



Digital money has become more concrete across stablecoins, CBDC and the digital euro

The FCA and Bank of England both advanced UK stablecoin work in 2025-26, while the Bank's digital pound work remains in design phase through 2026 with no decision yet taken to launch. In parallel, the ECB has moved the digital euro into its next preparation phase, creating a more credible medium-term external benchmark for UK merchants and PSPs to watch.



What's Important



PCI DSS v4.x should now be treated as operational BAU, not future change

The future-dated PCI DSS v4.x requirements became effective on 31 March 2025. Any retailer still relying on "best practice until later" assumptions should already be in remediation mode, especially across ecommerce controls, targeted risk analysis, authentication and supplier evidence.



Authentication strategy requires revisiting across store, ecommerce and recurring journeys

More flexible contactless rules, continued fraud adaptation, open banking growth and tokenised digital checkout all point to the same conclusion: authentication is now a strategic design decision, not just a compliance setting. Retailers should revisit how they want low-friction trust to work across cards, wallets, pay-by-bank and recurring propositions.



Open Banking now belongs in the retailer options set for selected account-to-account use cases

Open banking is now large enough, and cVRP concrete enough, that retailers with recurring, replenishment or high-friction payment journeys should actively assess where it can complement cards. The main gating factors remain economics, dispute handling, customer experience and partner readiness rather than basic market legitimacy.



Payments operating models need to anticipate tighter fraud, dispute and partner controls

Visa's consolidated VAMP framework took effect on 1 June 2025, with stricter excessive-merchant thresholds in Europe from 1 April 2026. Retailers with elevated CNP fraud, dispute or enumeration exposure should make sure acquirer, fraud, payments and chargeback teams are aligned before issues become programme events. In conjunction with AI, investment in fraud and authentication/identity tooling is required to optimise for conversion and risk.



A rapidly changing payments environment requires focused decisions, active controls and a clear operating model.

Industry Roadmap

Detail on the milestones that shape payments



Milestones



20/01/2026

FCA / PSR clarity commercial cVRP bridge model

Regulators gave competition-law comfort for the temporary UKPI access-fee model covering selected use cases including utilities, public sector payments and certain regulated financial services. Retailers should use this as the clearest sign that account-to-account recurring propositions are moving from concept towards structured rollout.



26/02/2026

Payments Forward Plan published

The Payments Vision Delivery Committee issued a sequenced cross-authority plan for the payments agenda over the next three years. This provides a stronger planning baseline for retailer roadmaps across regulation, infrastructure and innovation.



19/03/2026

FCA contactless flexibility takes effect

From this date, firms with strong fraud controls can set their own contactless limits. No universal market-wide change should be assumed, but merchant acceptance strategy should no longer assume a permanently fixed £100 card cap.



15/07/2026

BNPL / Deferred Payment Credit regulation goes live

Lenders providing deferred payment finance at merchant checkout come into FCA regulation from this date. Retailers should expect tighter governance, clearer rules and more partner due diligence around checkout credit propositions.



01/10/2027

Deposit Return Scheme goes live in England, N. Ireland and Scotland

Retailers selling in-scope drinks containers will face full refund and return-point responsibilities from 1st October 2027. This is not a mainstream payments reform, but it is a meaningful checkout, refund and store-operations change for affected retailers.



11/02/2026

FCA confirms BNPL / Deferred Payment Credit rules

The FCA published final rules ahead of regulation taking effect on 15 July 2026. Retailers using deferred payment at checkout should now be validating lender readiness, customer disclosures, complaints handling and merchant-partner operating impacts.



04/03/2026

Bank of England issues digital pound design-phase update

The Bank confirmed the design phase runs through 2026 and that no decision has yet been taken on launch. This matters less as an immediate retailer acceptance issue than as a signal on future UK digital-money architecture.



01/04/2026

Visa lowers excessive-merchant VAMP threshold in Europe

Visa's tighter European excessive-merchant threshold is now in force. Retailers with high CNP fraud, dispute or enumeration exposure should treat this as an operating-model issue, not just an acquirer concern.



End- 2026

FCA operational incident reporting rules come into force

The FCA's new operational-incident reporting framework comes into force on 18 March 2027. This is more relevant for PSPs and financial firms than merchants directly, but retailers with embedded finance or closely integrated payment operations should understand supplier readiness.

Watchlist Roadmap

Key items to monitor on the payments horizon

Watchlist



Spring / Summer 2026

Retail Payments Infrastructure Board consultation and design activity

The Bank has said the RPIB will consult on design in spring 2026 as the UK moves from the old NPA trajectory to a new design-and-delivery model. Retailers should monitor this because future A2A capability, resilience and interoperability will shape the alternatives to cards over time.



2026

Digital pound design phase concludes

The current Bank / HMT design phase ends in 2026. Retailers should treat this as strategic watchlist activity rather than a committed implementation programme.



2026–2027

AI-led fraud controls and agentic commerce readiness

The FCA's AI Live Testing program includes agentic: payment use cases, while merchant-risk bodies report significant planning activity around agentic AI payments. This remains watchlist rather than BAU for most retailers, but fraud, identity, checkout and data teams should begin scenario planning.



2026–2027

Digital euro pilot and preparation work continue

The ECB has opened the digital euro pilot process in 2026 and says a potential issuance could be ready in 2029 if legislation is adopted in 2026. This is an external signal rather than a UK milestone, but it may influence European PSP strategy, acceptance design and digital-money expectations.



Summer 2026

FCA final policy statements on stablecoin issuance and custody expected

The FCA has said it intends to publish final crypto and stablecoin rules in policy statements in summer 2026, while earlier statements positioned stablecoin payments as a 2026 priority. Most retailers do not need an acceptance decision yet, but treasury, settlement and proposition teams should now track the UK direction.



2026–2027

Network tokenisation / Click to Pay / passkeys continue scaling

The card schemes continue to push toward tokenised, number-free ecommerce experiences by 2030. For retailers, this remains one of the clearest medium-term card-stack priorities because it supports approval uplift, fraud reduction and lower credential-management friction.



2026–2027

PSD3 / PSR and EU fraud reforms may influence UK expectations

The EU's PSD3 / PSR package remains important for UK retailers because it shapes fraud controls, authentication debates and cross-border PSP product roadmaps even where UK law diverges. The EBA's latest fraud work continues to highlight: manipulation scams and evolving fraud patterns beyond classic SCA controls.

BNPL at checkout: what should UK retailers do before 15 July 2026?



Suggested takeaway: Treat BNPL regulation as a live delivery deadline, not a policy note.



Why this matters now

- The FCA has published final rules for Deferred Payment Credit, with regulation going live on 15 July 2026.
- DPC lending grew from £0.06bn in 2017 to over £13bn in 2024, so this is now a large checkout-finance market rather than a fringe proposition.
- The FCA explicitly identifies merchants and credit brokers that offer DPC as a payment option as part of the relevant audience for the policy.



What changes

- Lenders offering DPC at merchant checkout will come under FCA regulation from 15 July 2026.
- The FCA's rules are designed to strengthen customer information, affordability and support for customers in difficulty.
- Merchants offering their own DPC directly are not themselves brought into regulation by this specific rule change, but retailer journeys that depend on regulated lender partners will still be affected operationally.



What this means for retailers

- Checkout content, disclosures and customer hand-offs may need review with lender partners.
- Complaints, support journeys and vulnerability handling need clearer operating ownership between merchant and lender.
- Retailers should expect stronger partner due diligence requirements around controls, readiness and conduct outcomes.



Risks to watch

- Late readiness by lender partners creating checkout disruption close to go-live.
- Poorly aligned customer communications increasing abandonment or complaints.
- Weak internal ownership across payments, credit, digital product, legal and customer operations.
- Assuming the rules only matter to lenders and not to the merchant experience around them.



Retailer questions to ask now

- Which BNPL / DPC providers do we rely on, and what is their readiness status?
- What changes are needed to checkout copy, customer information and consent journeys?
- How will complaints, refunds, cancellations and partial returns work after go-live?
- Where do legal, risk, customer-ops and digital teams need revised controls or training?
- Do we have a fall-back plan if a provider's implementation slips?



Recommended client stance



Run this as a dated checkout-readiness change with named owners.

For retailers with material BNPL volumes, the right response is not just policy monitoring. It is a time-bound delivery plan covering partner assurance, customer journey changes, support model changes and executive visibility before **15 July 2026**.



Make 15 July 2026 a delivery milestone in your roadmap, not a compliance afterthought.

Open Banking and commercial Variable Recurring Payments (cVRP) : When should UK retailers care?



Suggested takeaway: 2026 is the year to assess specific use cases, not to assume mass retail rollout.



Why this matters now

- Open banking ended 2025 with 16.5 million user connections and 351 million payments, showing that it has reached material scale in the UK.
- Regulators backed a temporary commercial cVRP bridge on 20 January 2026, giving industry a clearer path for selected recurring use cases while legislation is prepared.
- Open Banking Limited says VRPs are now close to 16% of open-banking transactions, although today that still includes a large “sweeping” component rather than broad merchant ecommerce adoption.



What has changed

- The conversation has moved on from “should cVRP exist?” to “which use cases can move first under a bridge model?”
- Phase 1 focus is not broad retail checkout; it is selected use cases including utilities, public sector payments and certain regulated financial services.
- This means retailers should be selective: the issue is now less about market legitimacy and more about commercial fit, UX and operating model.



Possible upsides for retailers

- Lower acceptance cost than cards in some account-to-account journeys.
- Strong fit for recurring, replenishment and account-on-file journeys where cards create avoidable friction or lifecycle failure.
- Customer permissions can be more explicit and controllable than some legacy recurring mechanisms.



Constraints to watch

- Broad merchant ubiquity is not here yet; coverage and readiness are still maturing.
- Economics, dispute handling, proposition design and PSP enablement are still uneven across the market.
- The current regulatory comfort is a bridge, not the final long-term legislative end state.



Retailer questions to ask now

- Which of our journeys are high-friction or high-cost enough to justify testing A2A?
- Where do we have recurring, repeat-purchase or replenishment behaviour that could suit cVRP?
- Does our PSP / bank / pay-by-bank partner have a credible UK delivery roadmap?
- How would refunds, disputes, customer support and reconciliations work in practice?
- Do we want to test this first in a narrow proposition rather than enterprise-wide?



Recommended client stance



Assess now, pilot selectively, avoid enterprise-scale assumptions too early.

For most UK retailers, cVRP is now credible enough to enter the options set, but still early enough that the right move is a targeted assessment of specific journeys rather than a broad payments migration programme.



Make cVRP an assessment milestone on your roadmap in 2026, not a competitive afterthought.