

HM Treasury consultation on modernising payment services regulation

Response from Mobile UK

Introduction

Mobile UK, whose members are BT/EE, VirginMediaO2 and VodafoneThree, welcomes the opportunity to respond to HM Treasury's consultation on modernising payment services regulation.

Summary

The UK has developed a mature and effective market for phone-paid services and, alongside the Ofcom regulatory framework for phone-paid services, such services add materially to the diversity, convenience and ubiquitous accessibility of payment services for digital goods and services for the people of Britain.

Furthermore, the effectiveness of the existing regulatory regime and industry safeguards means these services operate with a low level of consumer harm in the premium rate services sector. In February 2025, responsibility for the regulation of Premium Rate Services transferred from the Phone-paid Services Authority (PSA) to Ofcom, reflecting both the maturity of the sector and the changing nature of digital commerce.

Alongside Ofcom the most vital component of this framework is the Electronic Communications Exclusion (ECE) within the Payment Services Regulations 2017 (PSRs). The ECE recognises that certain payments for digital content, voice-based services, charitable donations and ticketing services, when charged to a customer's electronic communications account, present a different risk profile from conventional payment services and therefore merit distinct regulatory treatment.

Mobile UK supports the retention of the ECE within the UK's modernised payments framework.

In particular, Mobile UK recommends that the Government:

1. Retain the Electronic Communications Exclusion as a core element of the statutory payments-services perimeter.
2. Preserve the existing application of the ECE throughout the phone-paid services value chain, including mobile network operators, aggregators and merchants.
3. Increase the current £40 single-transaction limit and £240 monthly customer limit, which have not kept pace with changing consumer spending patterns or developments in the digital economy.
4. Ensure that future regulatory requirements remain proportionate to the risks associated with individual payment models, rather than applying uniform requirements across fundamentally different payment mechanisms.
5. Recognise phone-paid services as an established component of a diverse and inclusive UK payments ecosystem alongside cards, account-to-account payments, Open Banking and emerging payment technologies.

Mobile UK supports HM Treasury's objective of creating a modern, clear, predictable and proportionate regulatory framework that promotes innovation and competition while maintaining appropriate consumer protections. These objectives are particularly relevant to phone-paid services.

The phone-paid services market has evolved substantially since the introduction of the current PSRs. Consumers now use communications-billed payments across a wide range of digital services, platforms and devices. The FCA's existing guidance reflects this evolution. Increasing the transaction limit is a practical way of ensuring the consumer has a choice of payment type to meet individual needs.

Mobile UK therefore believes that the UK's future payments framework should preserve the policy rationale underpinning the ECE while ensuring that its operation remains appropriate, proportionate and fit for the digital economy.

Question 1

Which requirements should remain in legislation, and which should be delegated to the FCA?

Mobile UK supports the Government's proposal to retain the regulatory perimeter, key exclusions and core definitions in legislation, while delegating more detailed operational requirements to FCA rules.

This approach provides firms with the legal certainty necessary to determine whether particular activities fall within the regulated payments perimeter. Such certainty is especially important in sectors involving multiple participants, such as phone-paid services.

The **Electronic Communications Exclusion** should remain a statutory provision rather than becoming primarily a matter of FCA rules or guidance. The scope and availability of an exclusion from financial services regulation should be established through legislation, providing certainty for businesses, consumers and regulators alike.

Question 2

Where requirements remain in legislation, are there updates that should be made?

Yes.

Mobile UK recommends that the ECE should be expressly retained and updated as part of the new legislative framework.

Under the current PSRs, the ECE covers payments for digital content, voice-based services, charitable donations and ticketing services, subject to financial thresholds. FCA guidance currently specifies a maximum individual transaction value of £40 (including VAT) and a cumulative monthly limit of £240 (including VAT) per subscriber.

Mobile UK considers that these limits no longer reflect current market conditions and should be reviewed.

By way of example:

- The digital tickets and the electronic games market requires single transaction limits well over £40, and £100 is appropriate for current requirements. On the Microsoft Store, the standard edition of Electronic Arts' flagship soccer game (rebranded from FIFA to EA SPORTS FC 26) is priced at £69.99. There are also games bundles priced up to £109, and so consumers would get access to most games but not all.
- When this legislation was originally passed, there was an argument that voice calls could drive very high bills but, as Ofcom will attest, the 09x and 118x dial volumes continue to shrink. This is principally because access to information is better and because Ofcom price-capped the DQ and imposed closer controls on Information services merchants.
- Inflation has eroded the £40 limit.

The digital economy has changed significantly since the thresholds were introduced in 2018. Since the current thresholds were introduced, consumers have increasingly used mobile devices to access and purchase a much wider range of digital goods and services, including streaming subscriptions, gaming content, security products and digital entertainment. Many of these transactions now routinely exceed the current £40 limit. As a result, consumers may be prevented from using phone-paid payments for products and services they wish to purchase through their preferred device and payment method, reducing choice and limiting the ability of the framework to reflect modern patterns of digital consumption.

Transaction values have increased while inflation has reduced the real value of the existing limits.

The Government should therefore consider whether the existing thresholds remain proportionate and fit for purpose. This does not imply removing monetary limits altogether. Rather, any review should consider:

- the cumulative effects of inflation since January 2018;
- changes in average digital transaction values;
- the effectiveness of existing operator and Ofcom safeguards;
- the differing risk profiles of various transaction types; and
- the impact of current limits on competition, innovation and consumer choice.

In its response to the 2023 Payment Services Regulations Review, industry proposed increasing the single transaction limit to £100 and the cumulative monthly threshold to £300. While the appropriate figures should ultimately be determined by Government, the current limits risk constraining the continued viability and attractiveness of communications-billed payments within the modern digital economy. 3 years on, the pressure for an increase is now more urgent and relevant.

Question 3

Do current provisions and key definitions need to be updated?

Mobile UK's view is that the existing Electronic Communications Exclusion remains conceptually sound and continues to achieve its intended policy purpose.

The primary area requiring review is the financial thresholds attached to the exclusion. Any modernisation of the payments framework should therefore focus on updating these limits while preserving the existing underlying principles and definitions that support the ECE.

Preservation of the Phone-Paid Services Cascade

Mobile UK considers the current treatment of the payment chain, commonly referred to as the "cascade", to be an essential feature of the framework.

Phone-paid services typically operate through a multi-party structure involving:

Consumer → Mobile Network Operator → Aggregator → Merchant

The FCA currently recognises that where the underlying transaction qualifies for the ECE at network level, related payment services arising from the same transaction may also benefit from the exclusion.

Mobile UK recommends that this principle is retained.

Without the cascade, an anomalous situation could arise whereby:

- the underlying customer transaction remains excluded from payment-services regulation;
- the network operator remains outside the regulatory perimeter; but
- an intermediary facilitating the same transaction becomes subject to payment-services regulation.

Such an outcome would impose disproportionate compliance obligations without delivering corresponding consumer-protection benefits. It could also discourage participation across parts of the existing value chain.

The new framework should therefore expressly preserve the principle that where the underlying transaction qualifies for the ECE, associated payment services forming part of the same transaction chain should also benefit from the exclusion.

Question 4

Which international regulatory developments should the UK incorporate?

Mobile UK recognises the benefits of maintaining an appropriate degree of international alignment.

However, the UK should retain the flexibility to adopt approaches that best reflect the characteristics of the domestic market, rather than automatically replicating overseas frameworks.

The Electronic Communications Exclusion provides a good example of where an established UK approach continues to operate effectively.

The regulatory oversight of phone-paid services is now provided through the Premium Rate Services Order 2024 under Ofcom's supervision. In addition, compliance with the relevant ECE thresholds is independently audited. Together, these arrangements support a comprehensive framework of consumer protection and market oversight.

The wider phone-paid services ecosystem has developed robust controls covering:

- customer authentication;
- transaction value limits;
- merchant onboarding and due diligence;
- fraud monitoring;
- billing transparency;
- complaint handling;
- refunds and customer redress; and
- ongoing service-provider oversight.

The future framework should take account of these existing safeguards when considering the appropriate regulatory treatment of communications-billed payments.

Question 15

Agentic payments, authentication, consent and unauthorised transactions

Mobile UK supports the Government's objective of ensuring that authentication, consent and liability frameworks remain effective as payment technologies evolve.

However, future regulation should recognise that different payment methods present different operational characteristics and risk profiles.

Phone-paid services benefit from a direct and ongoing relationship between the customer and their communications provider. Network operators can apply controls at both account and network levels, supported by further authentication requirements contained within the Premium Rate Services Order 2024.

Future authentication and consent requirements should therefore adopt a payment-method-neutral approach and avoid assuming that card-based or bank-account payment models represent the appropriate benchmark for all payment mechanisms.

Question 16

Other innovations across the payments landscape

Mobile UK recommends that HM Treasury explicitly recognises phone-paid services as an established digital payment method within the UK's evolving payments landscape.

Phone-paid services are sometimes viewed primarily through the lens of traditional premium-rate services. This no longer reflects the contemporary market.

Today, communications-billed payments support a broad range of digital goods and services and can provide an alternative payment option alongside:

- payment cards;
- bank transfers;
- digital wallets; and
- account-to-account payment solutions.

The future framework should therefore remain genuinely technology-neutral and payment-method-neutral.

Question 17

Inclusive payments

Phone-paid services contribute positively to payment choice and financial inclusion.

They enable consumers to make purchases without providing card details or establishing a separate payment relationship with the merchant. Charges can instead be incorporated into an existing mobile account or prepaid balance.

This can provide a useful alternative for consumers who prefer not to use conventional banking or card-based payment services, as well as individuals who may have limited access to mainstream financial products.

The Government should recognise the contribution that phone-paid services make to consumer choice, accessibility, payment diversity, digital participation, and financial inclusion.

These considerations will become increasingly important as the payments landscape continues to diversify.

Question 18

Key risks in the payments and electronic money sector

Mobile UK recognises the importance of addressing fraud, scams, unauthorised transactions and financial crime throughout the payments ecosystem.

At the same time, regulatory intervention should remain proportionate to the risks associated with individual payment methods.

Phone-paid services operate within a framework that includes a range of protective controls, including:

- established customer relationships between network operators and subscribers;
- transaction and monthly value limits;
- network-level controls;
- customer account controls;
- merchant onboarding and monitoring;
- established billing relationships;
- the ability to suspend or block services;
- transaction monitoring;
- complaint handling and customer support processes; and
- a dedicated regulatory framework governing the sector.

Future risk assessments should therefore take account of the specific characteristics and risk profile of communications-billed payments rather than assuming that all payment mechanisms present the same levels of risk.

Question 20

Targeted amendments to address sector risks proportionately

Mobile UK believes that a small number of targeted reforms would strengthen the framework while preserving its effectiveness and proportionality.

In particular:

1. **Retain the Electronic Communications Exclusion** as a clear statutory component of the UK payments perimeter.
 2. **Preserve the cascade principle**, ensuring that where a communications-billed transaction qualifies for the ECE, the exclusion continues to apply throughout the associated payment chain.
 3. **Review the existing financial thresholds**, including the £40 single transaction limit and £240 monthly limit, to ensure that they remain fit for purpose in the modern digital economy.
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Question 42

Other areas of feedback

Mobile UK would like to highlight the continuing importance of the Electronic Communications Exclusion as HM Treasury develops the future legislative framework.

The consultation rightly focuses on significant developments such as Open Banking, tokenised payments and agentic commerce. However, the modernisation process should also ensure that established payment methods are not inadvertently disadvantaged.

Phone-paid services remain an important element of the UK's digital economy. The ECE provides a proportionate framework that recognises the distinctive characteristics of communications-billed payments whilst maintaining appropriate safeguards and controls.

Mobile UK therefore recommends that HM Treasury:

1. confirm the continued availability of the Electronic Communications Exclusion;

2. review and increase the existing financial thresholds; and
3. preserve the established application of the exclusion throughout the phone-paid services value chain.

Mobile UK would welcome the opportunity to engage further with HM Treasury and the FCA as proposals for the future legislative and regulatory framework are developed.