

# Applying for FCA authorisation as a Payment Institution

## How to ensure a successful application outcome

*Date: 12 May 2026*

### Introduction

The Financial Conduct Authority is the UK's regulator for financial services and supervises more than 59,000 firms across banking, payments, e-money, investments, consumer credit, insurance, mortgages, and cryptoassets. For firms wishing to provide payment services in the UK, the FCA is the gateway, and Authorised Payment Institution (API) status is the standard licence for any firm processing more than €3 million per month in payment transactions.

Created by statute, the FCA's three operational objectives are:

- Protect consumers
- Enhance market integrity
- Promote competition in the interests of consumers

For payment institutions specifically, the regulatory framework is set by the Payment Services Regulations 2017 (PSRs 2017), which implemented the Revised Payment Services Directive (PSD2) into UK law. Although the UK has left the European Union, the substance of the PSRs 2017 remains the governing framework for UK payment institutions. The FCA supplements the PSRs with detailed guidance set out in its Approach Document on Payment Services and Electronic Money.

To be authorised as a payment institution, an applicant firm must meet the conditions for authorisation in the PSRs 2017 and satisfy the FCA that the firm has the systems, controls, capital, governance, and senior management in place to operate safely from day one. The bar is high, and the FCA has progressively tightened its assessment standards through 2025 and 2026.

### What an Authorised Payment Institution can do

An API authorised by the FCA may provide any combination of the eight payment services set out in Schedule 1 of the PSRs 2017:

1. Services enabling cash to be placed on a payment account
2. Services enabling cash withdrawals from a payment account
3. Execution of payment transactions, including direct debits, card payments, and credit transfers
4. Execution of payment transactions where funds are covered by a credit line

5. Issuing of payment instruments or acquiring of payment transactions
6. Money remittance
7. Payment initiation services (PIS)
8. Account information services (AIS)

Typical users of the API regime include acquirers, money remittance operators, payment processors, open banking providers (PIS and AIS), B2B payment platforms, foreign exchange firms, and fintech marketplaces.

An API may not issue electronic money — that requires authorisation as an Electronic Money Institution (EMI) — and may not take deposits or lend on its own account, which require authorisation as a credit institution.

## What has changed in 2026

The UK payment institution regime has been reshaped in 2025 and 2026 by several developments that applicant firms must address in full.

**CASS 15 safeguarding (PS25/12).** The FCA's new safeguarding regime, introduced by Policy Statement PS25/12, came into force on 7 May 2026. It replaces the previous CASS 7 safeguarding rules for payment institutions and electronic money institutions, and introduces materially tighter operational requirements including daily reconciliation, monthly FCA returns, annual statutory CASS 15 audits, and a 48-hour resolution pack capability under CASS 10. All applications submitted in 2026 must reflect the CASS 15 standard.

**FCA service targets.** The FCA's published service target for complete applications has been reduced to four months in 2026, from the previous six months. Incomplete applications are now targeted at ten months. The statutory clock remains three months for complete files and twelve months for incomplete ones.

**Consumer Duty.** The Consumer Duty came into force in 2023 and applies in full to payment institutions providing services to retail customers. Applicant firms must demonstrate how the four-outcomes framework — fair value, product design, consumer understanding, and customer support — has been embedded in their proposition.

**APP fraud reimbursement.** Since 7 October 2024, mandatory reimbursement for victims of authorised push payment (APP) fraud applies to all firms participating in Faster Payments and CHAPS, including payment institutions. Applicants must demonstrate how this obligation is operationalised.

**Operational resilience.** The FCA's operational resilience framework continues to apply, and payment institutions must identify important business services, set impact tolerances, and demonstrate they can remain within tolerance during severe but plausible disruption.

Every application submitted from May 2026 onward must address these developments in substance, not just by reference.

## The conditions for authorisation

The PSRs 2017 set out the conditions an applicant firm must satisfy. In practice, the FCA's assessment focuses on the following.

**Body corporate in the UK.** The firm must be a body corporate with its head office and registered office in the UK. Head office means the location of the senior management who take day-to-day decisions. The FCA will not accept virtual offices or correspondence addresses.

**Governance and internal controls.** The firm must have robust governance arrangements, including a clear organisational structure, well-defined responsibilities, effective risk management, internal control mechanisms, and adequate accounting procedures.

**Initial capital.** The minimum capital depends on which payment services the firm intends to provide:

- £20,000 for money remittance only
- £50,000 for payment initiation services only
- £125,000 for execution of payments, acquiring, or issuing of payment instruments

AI-only providers are not required to hold initial capital but must maintain professional indemnity insurance. Ongoing own funds must be calculated under one of three methods set out in the PSRs and must be maintained at all times after authorisation.

**Safeguarding.** The firm must have adequate measures in place to safeguard customer funds. Under CASS 15, this requires either the segregated client account method or the insurance/comparable guarantee method, supported by daily reconciliation, governance, and audit arrangements.

**Professional indemnity insurance.** PIS and AI providers must hold professional indemnity insurance, or a comparable guarantee, calculated by reference to the firm's risk profile and the volume of activity.

**Fit and proper directors and managers.** Directors and persons responsible for the management of the payment institution must be of good repute and possess appropriate knowledge and experience to provide payment services. Each individual will be assessed under the FCA's fit and proper test, covering honesty and integrity, financial soundness, and competence and capability.

**Money Laundering Reporting Officer.** The firm must appoint a UK-resident MLRO with appropriate seniority and experience, and must comply with the Money Laundering Regulations 2017, as amended in 2019.

**Qualifying shareholders.** Any person holding 10% or more of the firm's capital or voting rights must be assessed as fit and proper. The FCA will conduct background checks on each qualifying shareholder.

**Business plan and financial forecasts.** The firm must submit a complete business plan with three-year financial forecasts demonstrating the firm can meet its liabilities as they fall due. Forecasts must be supported by realistic assumptions and stress-tested for downside scenarios.

## Being ready, willing, and organised

The FCA expects applicant firms to be ready, willing, and organised at the point of application. This is the FCA's own formulation and is consistently applied across all authorisation streams.

**Ready.** The firm should be able to commence regulated activity from the day authorisation is granted. Policies must be tailored to the firm's actual business model. Senior managers must be in place. Systems must be operational. Documents must be reviewed, signed off internally, and reflect the firm as it will operate, not as it might one day operate.

**Willing.** The firm must engage with the FCA openly and constructively throughout the process. Requests for information should be answered promptly and in substance. Deficiencies in the application should be acknowledged and addressed rather than defended.

**Organised.** The firm should have the necessary arrangements, supporting documentation, and operational readiness to deliver its products and services if authorised today. The test is operational, not theoretical.

## The application process

Applications are submitted on the FCA's Connect system. The application file for a UK API will typically include:

- Application forms and personal details for each director, senior manager, and MLRO
- A complete business plan with three-year financial forecasts
- Programme of operations describing each payment service to be provided
- Organisational structure and governance documentation
- Safeguarding plan compliant with CASS 15
- Anti-money laundering and counter-terrorist financing framework
- IT and operational resilience documentation
- Outsourcing and third-party arrangements
- Professional indemnity insurance documentation, where applicable
- Risk management framework
- Capital adequacy calculation

The FCA's case officer will typically issue requests for further information once the application has been assigned. The volume and depth of these requests is a strong signal of how well the application was prepared at submission. A well-prepared application file should be capable of approval with limited remediation.

The FCA application fee ranges from £1,500 to £5,000 depending on the firm's scope and complexity.

## **Application rejections and incomplete applications**

The FCA has progressively tightened its approach to inadequate applications. Where an application is judged to be incomplete or fails to meet minimum standards on submission, the FCA may either reject the application or treat it as incomplete, extending the assessment period to twelve months and consuming the application fee in either case.

Where the FCA case officer concludes that authorisation should not be granted, the firm has the opportunity to make representations. If the case officer's recommendation stands, the firm may refer the matter to the Regulatory Decisions Committee. Withdrawal of an application before formal rejection is also an option in some circumstances.

The most common reasons for rejection or delay are:

- Business model and proposed services are not clearly aligned with the requested permissions
- Senior managers and key personnel do not have demonstrable relevant experience
- Policies are templated rather than tailored to the firm
- Financial forecasts are insufficiently substantiated
- Safeguarding arrangements are not compliant with the current CASS 15 standard
- Operational and IT resilience documentation is generic
- Outsourcing arrangements lack adequate oversight provisions

## **Steps to avoid delays or rejection**

1. Ensure the business plan and proposed services align precisely with the requested permissions, and that financial forecasts are supported by defensible assumptions.
2. Confirm that senior managers and the MLRO have demonstrable, relevant experience in payment services and that this is documented in their statements of responsibilities and CVs.
3. Tailor every policy and procedure to the firm's actual operating model. Do not submit templated documents.
4. Demonstrate operational readiness — systems, vendors, banking relationships, safeguarding accounts, and reconciliation infrastructure must be in place or in advanced contracting.

5. Build the safeguarding plan and reconciliation framework to the CASS 15 standard from the outset.
6. Engage with the FCA case officer openly. Respond to requests for information substantively and on time.

## **About Buckingham Capital Consulting**

Buckingham Capital Consulting is a specialist UK and European regulatory consultancy. We have advised firms across UK and European financial services on regulatory licensing and ongoing compliance since 2013. Our work spans payments, electronic money, banking, and cryptoassets.

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