



WSBI



## ESBG response to the European Commission's targeted consultation on the review of PSD2

Executive summary

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**The core principle of the revised payment services Directive (PSD2) – access to data free of charge – did not foster the best outcome. The PSD2 implementation has been a highly complicated and costly process for the whole market. For banks, in particular, the investments required for the implementation of PSD2 have been unproportionally high without a chance of a return. More in general, the significant investment levels do not match the limited economic benefits for the market and the end-consumer. Therefore, the review of the PSD2 should seek a more balanced approach, with a fair distribution of value and risk among all market participants.**

### TOO EARLY FOR A REVIEW

It is too early to proceed with the review of PSD2, as the market effects have not yet fully unfold. Moreover, it should be considered that PSD2 regulated a new area (i.e., data sharing) that needs to be evaluated properly not only to ensure that customer demands and needs are respected, but also that data is shared and processed on the right grounds. The development of attractive products belongs to the market sphere and should not be seen as the task of legislation, which should only provide a harmonised and sound legal foundation without privileging certain products or business models. Instead, the industry should be left free to find the best solution, via market-led initiatives that involve all sides of the market. A further development of the interfaces to 'premium services' beyond PSD2 is currently taking place within the framework of both national and European initiatives with the participation of credit institutions, Third Party Provides (TPPs) and other market participants.

### PSD2 IMPROVED CONSUMER PROTECTION

Years after the entry into force of PSD2, consumers are still hesitant to share their data or to complete alternative payment flows online. On a positive note, PSD2 introduced further improvements that led to a complete and adequate consumer protection regime: the strengthened Strong Customer Authorisation (SCA) and fraud monitoring requirements for all payments has led to a decrease in fraud rates. However, it is questionable whether the strict SCA requirements are fit for the emergence of automated and M2M payment scenarios for corporate clients. The review should assess these aspects and give adequate leeway for new solutions and protocols. Finally, transparency requirements laid down in PSD2 have resulted in overwhelming consumers with information. Instead, it is necessary to consolidate and limit to the essentials the information that must be provided to the payment service user, for instance via a 'push&pull model' that would avoid information overload and enable the further digitalisation of payment services.

### FURTHER HARMONISATION AND CLARITY IS NEEDED

Should the Commission decide to proceed with a review, further harmonisation in terms of interpretation, application and enforcement must be ensured. Further clarity should also be provided in respect to the interplay between PSD2 and other pieces of legislation, especially with the General Data Protection Regulation (GDPR). Another key point is to achieve a more balanced allocation of liability between banks and TPPs, especially regarding unauthorised payment transactions. Moreover, the requirement to refund an authorised payment immediately it is questionable, as it is not always in line with a bank's obligation to duly examine the incident.

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