

Opening the Wallet: How UK regulation of Big Tech could re shape digital payments



Key takeaways

This report explores how recent and upcoming reviews and potential interventions by the FCA, PSR and CMA – alongside the EU's Digital Markets Act – are transforming competition in digital wallets. It sets out the practical implications for payment service providers, the key risks they face, and the concrete steps they can take now to shape and benefit from the new market design.

Mobile platform regulation is accelerating:

The CMA's SMS designations and upcoming consultations will reshape how Apple and Google must support competition in digital wallets.

NFC access and interoperability are the biggest levers for change:

This could open the door to new wallets, richer features, and greater differentiation by banks and fintechs.

The EU shows what's possible:

Regulatory action has already unlocked new wallets, new business models, and greater consumer and merchant choice across Europe.

There are real risks of regulatory under reach without strong remedies:

UK providers may face high distribution costs, limited device access and ongoing dependence on Big Tech.

Early engagement is essential:

Firms that shape CMA and FCA thinking now will influence future rules on choice architecture, data, AI and mobile wallet competition. This could have benefits across the payments ecosystem, e.g. enabling alternative wallets and cheaper alternatives to card payments for merchants.

1. Context

The boundary between Big Tech platforms and financial services has rapidly blurred over the past few years, drawing increasing attention from UK regulators.

As Apple and Google increasingly control the mobile interfaces through which payments flow, UK regulators (FCA and PSR) have intensified scrutiny to understand how platform power affects competition, innovation and consumer choice.

Whilst the FCA and PSR's work aimed to better understand the intersection between Big Tech and payments and emerging competition issues, it has deferred responsibility for further review into competition issues to the CMA (but will continue to engage with the CMA). The CMA is advancing this work via the digital markets regime under its expanded powers in the Digital Markets, Competition and Consumers Act (DMCCA).

The CMA has emphasised that digital wallets are a clear priority in its review of Apple and Google's activities. It is seeking to understand the role that increased competition in the digital wallets sector could play in driving innovation and is inviting stakeholder views on how wider access to Near Field Communication (NFC) technology can best be achieved.

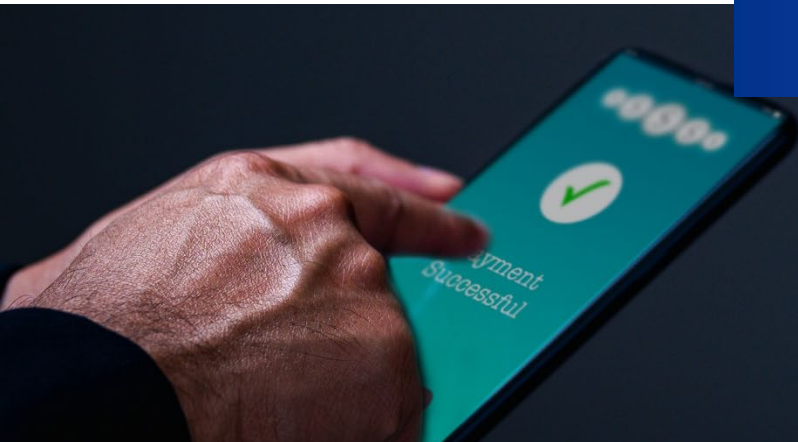
The CMA has committed to providing a further update in the first half of 2026, signalling the likelihood of tangible progress on mobile ecosystem interventions over the coming months. Alongside this, the FCA's ongoing long term review into AI – which includes the potential competitive impacts of Big Tech – signals that the regulatory lens on Big Tech and financial services will continue to widen.⁽¹⁾

Notes: ⁽¹⁾FCA (2026), Review into the long-term impact of AI on retail financial services (The Mills Review)

The evolving regulatory landscape creates both risks and strategic opportunities for firms operating in the payments/digital wallet space. Staying engaged and at the forefront of developments not only helps firms anticipate change, but also enables them to influence how future interventions are shaped. This is a crucial advantage in a market where technology and consumer expectations evolve quickly.

Structure

-  Overview of UK regulatory activities aimed at scrutinising and addressing competition issues within the digital wallets space.
-  Comparison to the EU to see how regulatory action taken by the European Commission has shaped competition.
-  Identification of risks and opportunities arising from UK regulatory action for payments stakeholders.
-  Next steps for stakeholders to take.



1. Context (cont.)

Key takeaways from FCA/PSR Big Tech reviews:

Jul 2023 **Entry and expansion in retail financial services**

Big Tech's entry into financial services is likely to begin through partnerships with incumbents, but strong complementarities across payments, credit and deposits mean they could later expand organically or through acquisitions into neighbouring markets. While this could drive lower prices and better services through heightened competition, it also raises the prospect of longer-term market power if Big Tech leverages its ecosystem advantages and data to attract and retain customers.

Apr 2024 **Data asymmetry**

Big Tech could accumulate market power in financial services by leveraging their extensive consumer data to gain competitive advantage (such as more targeted marketing and credit scoring), which may raise entry barriers for other firms and dampen innovation over time. Their growing role across wallets, authentication and cloud/AI infrastructure also risks making them essential "gatekeepers", concentrating partnerships and reducing financial services firms' bargaining power both upstream and downstream.

Feb 2025

Digital wallets

Digital wallets offer major innovation potential, particularly for emerging non card payment methods such as A2A, stablecoins and CBDC, but stakeholder feedback highlights competition, consumer protection and resilience concerns. These issues, along with doubts about whether the current regulatory framework adequately supports innovation, suggest that further regulatory attention may be needed.



2. Current UK regulatory activity

At the heart of the CMA's digital regime is the concept of Strategic Market Status (SMS).

The CMA can designate a firm's activities as having SMS where it considers that the firm has "substantial and entrenched market power" in respect of the digital activity. The CMA is equipped with two key tools to manage the market power of firms with SMS:

Conduct Requirements (CRs)

Which aim to address fair dealing, open choice, and trust and transparency. CRs can be used to impose requirements to act in a certain way (e.g. to be fair and reasonable), or to refrain from acting in a certain way (e.g. discriminatory practices).

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Pro Competitive Interventions (PCIs)

Which aim to address sources of market power or remove barriers to entry. The CMA will investigate whether SMS activities have an adverse effect on competition (AEC) in the first instance and if an AEC is found, PCIs may be imposed to remedy, mitigate or prevent an AEC. PCIs may be behavioural or structural remedies and are "harder" measures relative to CRs.

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These tools give the CMA flexibility to reshape how mobile platforms operate, particularly in areas that influence payments and digital wallets. Crucially, the CMA will need to consult with stakeholders on:

- any proposed CRs;
- whether there is an AEC that warrants PCIs; and
- the nature of proposed PCIs.

Notes: ⁽²⁾ CMA (2025), [Strategic market status investigation into Google's mobile platform](#) and CMA (2025), [Strategic market status investigation into Apple's mobile platform](#)

Three activities are currently designated as having SMS: Google's search services, Google's mobile platform, and Apple's mobile platform. The latter two are key areas for payment service providers (PSPs) and merchants to engage with. Indeed, the CMA has highlighted several areas of focus directly affecting PSPs in its roadmaps for Apple and Google's mobile platforms:⁽²⁾



Access to Apple's NFC technology

This is potentially the most pertinent for payments stakeholders as access to NFC technology would enable account servicing PSPs (ASPSPs) and wallet providers to develop alternative digital wallets with richer and more competitive user experiences. The competitive impact of opening up access to NFC technology can be observed across the EU (discussed in the next section).



Choice architecture in relation to digital wallets (and browsers)

Changing how default wallets are set and reducing the influence of pre-installed options could significantly rebalance consumer choice by ensuring users are not automatically steered towards platform-owned wallets. Even small adjustments to choice architecture can materially affect adoption, giving competing wallets a fairer chance to be selected and used.



Anti-steering provisions

These relate to provisions to restrict Apple and Google's ability to prevent third-party developers from directing users to alternative payment options. Whilst third-party app developers may stand to benefit most from such provisions, these may nevertheless encourage use of alternative digital wallets if implemented.



Broader interoperability provisions

Improved interoperability could give third-party wallets access to essential device capabilities (e.g. biometric authentication, secure elements, and APIs), enabling them to match the functionality of platform-owned wallets. This levels the technological playing field and allows rival wallets to deliver seamless, secure, and high-quality user experiences.



Apple and Google have since offered commitments in relation to fair and transparent review of apps on their app stores, the ranking of apps, safeguards on data collection from apps, and easier processes for requests for interoperable access (for Apple's mobile operating systems). Such measures relate to all third-party app developers.⁽³⁾ However, other provisions such as NFC access are expected to be the subject of consultation, giving industry stakeholders the opportunity to inform how remedies are shaped and implemented. Risks and opportunities are explored in more detail in subsequent sections.

Alongside these developments, the FCA continues to explore the broader impacts of Big Tech and emerging technologies across financial services. Its ongoing long term review into AI is particularly relevant. Big Tech firms play a central role both in powering AI tools and in offering AI enabled services directly to consumers, positioning them upstream and downstream within the value chain.

Their access to large volumes of behavioural and device data may amplify existing competitive advantages unless regulatory frameworks ensure fair access and responsible governance. The use of AI within digital wallets is nascent, but given how quickly technology trends arise, it is critical to keep abreast of regulatory developments which could impact the space.

If the FCA follows a similar trajectory to its previous Big Tech reviews, then further targeted workstreams may emerge. The FCA has not stated if or how it intends to interact with the CMA on these matters. However, if substantial competition matters are found, these are likely to be referred to the CMA for further consideration.

Notes: ⁽³⁾ CMA (2026), [Press release](#)

3. Lessons from the continent

The European Commission (the 'Commission') also operates its own set of digital regulations (the Digital Markets Act, or 'DMA') whereby it can designate Big Tech firms as 'gatekeepers'.



The Commission has taken speedier action and has implemented a series of provisions and requirements on Apple and Google, which has led to greater competition in the provision of digital wallets. These include:

- Mandating effective interoperable access to their hardware and software free of charge for third-party apps. For digital wallet providers, this means access to Apple's NFC technology is free.⁽⁴⁾
- Limiting practices such as restrictive pricing or interoperability requirements that disadvantage rival payment apps by aiming to "unbundle" payment services from gatekeepers' core platforms.⁽⁵⁾
 - This enables third-party app providers to choose from alternative payment services rather than relying on a gatekeeper's default system.
 - For consumers, it breaks the link between a device and its preinstalled wallet and enables users to replace or add alternative wallets.

The DMA took effect from May 2023 and has enabled significant developments in digital wallets over the last few years. Lifting NFC access restrictions allows banks and other providers to offer tap and go payment apps, improving convenience and security at the point of sale and expanding consumer choice.

Previously, limited NFC access forced independent providers to rely on QR based payments, which depend on proprietary, non interoperable codes. This has kept QR payments fragmented and prevented the development of common standards needed for widespread adoption.⁽⁶⁾ NFC, by contrast, provides secure, globally interoperable functionality. Under the DMA, open access to the NFC controller gives instant payment providers the option to use NFC as well as QR codes, enabling smoother contactless transactions. This shift is expected to accelerate uptake of new open banking payment innovations, including services that let consumers make point of sale payments directly from their bank accounts.

EU consumers can now choose from a variety of digital wallets offering innovative benefits, like integrated cashback and consolidating purchase information.⁽⁷⁾ For example, Visa has enabled the launch of several new digital wallets across Europe, including offerings with BBVA, Klarna and Vipp's MobilePay, with further pilots planned. These are the first Visa enabled wallets in the region to use NFC technology via Host Card Emulation on iOS, demonstrating how regulatory change can unlock entirely new product categories and partnerships.

Notes: ⁽⁴⁾ European Commission (2022), [The final text of the Digital Markets Act \(DMA\)](#)

⁽⁵⁾ Smart Payment Association (2024), [The key EU Digital Markets Act \(DMA\) changes set to impact the payments industry](#)

⁽⁶⁾ Smart Payment Association (2024), [The key EU Digital Markets Act \(DMA\) changes set to impact the payments industry](#)

⁽⁷⁾ CMA (2025), [CMA proposes next steps for improving mobile platforms in the UK](#)

4. Risks and opportunities for UK payment services

For digital wallet providers, the implications of UK regulatory actions are far reaching, creating both opportunities and risks.

Opportunities

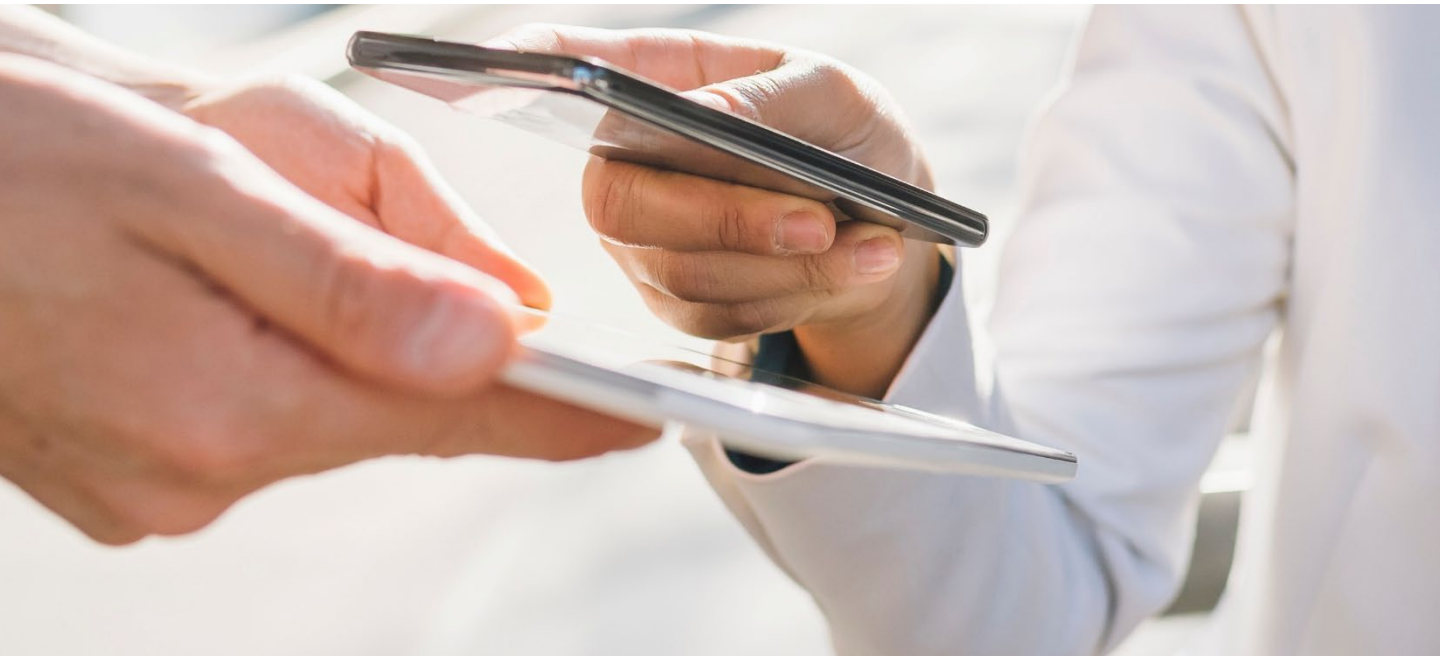
Opening up mobile platform access - particularly through expanded NFC rights, improved interoperability, and changes to default settings - presents a significant opportunity for UK PSPs to compete more effectively with Apple Pay and Google Wallet. If third-party wallets can use the same device-level capabilities, banks and fintechs will be able to differentiate through features, data-driven insights, and user experience, rather than being constrained by platform-imposed technical limits.

Experience from the EU shows what is possible when ecosystem restrictions are lifted. Regulatory action under the DMA has already enabled a wave of new wallets across Europe, demonstrating how platform access can unlock entirely new propositions and partnerships. Similar openness in the UK could attract major international players (e.g., PayPal's tap-to-pay rollout and global super apps like Alipay or WeChat) while also giving UK banks, fintechs – or even merchants - the space to develop their own wallets, supporting richer customer engagement and more control over data and relationship ownership.

Risks

Despite the growing regulatory focus on digital wallets and mobile platform competition, there remains a risk that forthcoming CMA interventions may not go far enough to materially shift the competitive landscape.

Whilst the Commission has mandated free NFC access across the EU, elsewhere, Apple has offered to open up NFC access at cost. Key differences in current NFC access offerings in the UK and the EU are set out in the table on the next page. The CMA has highlighted third party access to Apple's NFC capabilities as a priority, however, it has not signalled an approach as expansive as the Commission's.



4. Risks and opportunities for UK payment services (cont.)

UK vs EU Digital Wallet Offering

Jurisdiction	NFC Cost	Technology	iOS features access (e.g. push notifications)	Legally binding	NFC access controlled by Apple	Includes wearables
UK	At cost	Secure Element (SE)	Potentially	No	Yes	Unknown
EU	Free	Host Card Emulation (HCE)	Yes	Yes – 10 years	Yes	No

Source: [FCA \(2025\) Big tech and digital wallets](#)

It is not certain whether Apple’s offer for NFC access at cost represents appropriately structured commercial terms for third parties. There is a risk that third party wallet providers and banks may still face barriers that limit their ability to compete effectively. However, given that proposed CMA interventions are subject to consultation, there are opportunities to mitigate these risks if access at cost is not deemed to be sufficient.

Beyond NFC access, further risk lies in how key design choices are made: broader decisions around interoperability and how different wallets can function on mobile platforms will shape competitive outcomes for years. Although the CMA has identified such issues discussed in Section 2 as a priority area, the timing, the scope and depth of any intervention remain uncertain. This means firms will need to proactively demonstrate to the CMA the consumer and industry benefits that greater openness and interoperability could unlock.

Furthermore, alternative payment methods, such as account-to-account payments, a future digital pound, or crypto based solutions, are still in their infancy. These models could create meaningful competition to card-based payments, but only if supported by an enabling ecosystem and a regulatory framework that encourages innovation. A lack of clear support or misaligned rules could represent a missed opportunity for the UK payments sector. The strategic importance of alternative payments methods and what is required to make these successful needs to be clearly communicated.

Similarly, the growing role of AI in personalisation, insights and fraud detection presents both promise and risk. Although AI could greatly enhance digital wallet innovation, Big Tech’s privileged access to device level data may strengthen their position further, reinforcing existing asymmetries. This compounds the enduring risk of interface disintermediation, where Big Tech continues to own the primary consumer touchpoint, leaving banks operating behind the scenes as commoditised rails with limited scope to differentiate. Regulators will need to be educated on where the potential risks lie.

More broadly, there is a strategic risk that payments providers are left competing on uneven terms with large digital platforms that control the primary customer interface. This reinforces the importance of close regulatory engagement to help ensure a level playing field as the market evolves. Firms that do not engage early may find themselves operating within a framework that favours others.

5. Next steps

Looking ahead, UK payment stakeholders will want to remain alert to opportunities to contribute to the CMA's Strategic Market Status process and the FCA's ongoing review of AI in financial services, both of which will shape the competitive and technological foundations of digital wallets.

A proactive regulatory narrative will be essential. Firms that can clearly articulate how their innovations support better competition and consumer outcomes (whether through increased choice, lower costs, enhanced safety or greater innovation) will be best positioned in their engagement with the regulator. There are also potential implications for firms' bottom lines; however, action needs to be taken to capitalise on the opportunities presented.

About our team

KPMG's Competition Economics and Finance practice combines leading competition economics expertise with deep corporate finance, regulatory and data analytics capability.

This breadth of expertise and KPMG's sector knowledge makes us uniquely positioned to deliver rigorous economic analysis and practical support across all aspects of competition, consumer and market investigations – including in the key areas of remedy design and financial analysis.

We have advised private sector clients, investors and regulators on the full spectrum of competition matters, and our experts and academic associates have held leading positions in competition and regulatory authorities. This gives us first-hand understanding of how investigations unfold in practice – and how to navigate them effectively.

Our offering is underpinned by three strengths:

- The KPMG network enables our competition economists to draw on complementary expertise in regulation, corporate finance and accounting. Our regulatory practitioners are uniquely placed to consider what well-functioning markets look like, having helped mimic competitive outcomes in natural monopoly sectors, while our financial expertise opens a wider set of analytics for clients.
- Issues in competition are increasingly market-specific and less amenable to one-size-fits-all approaches. Our team brings unparalleled depth across digital, energy, telecoms, infrastructure and financial services, and draws on the sector expertise of the wider KPMG network. This breadth gives us a level of sector intelligence that sets us apart from other providers.
- Robust economic evidence depends on making sense of complex, real-world data. Our team has deep expertise in data analytics and the application of machine learning and AI, drawing on our experience of advising across the regulated sectors. This allows us to apply the latest empirical and computational techniques to analyse markets and assess competition.

Our experience in financial services and payments includes:

Retail Payments Regulatory Strategy

Advised a large UK bank on its regulatory strategy in relation to several regulatory consultations and initiatives. We developed robust economic arguments on appropriate cost recovery frameworks and their competitive implications, supported by technical cost modelling evidence, in relation to payment types including cards and Open Banking payments.

Payments Infrastructure

Advised a large payments operator on competition risks associated with its strategy for procuring new payments infrastructure and options for mitigating risks. We assessed strategic behaviours and incentives of market participants, and assessed likely competition impacts of different mechanisms.

Card Acquiring PSR Market Review

Carried out economic analysis on profitability, pass-through of costs and merchant dynamics to support a major card acquirer in responding to the PSR.

Consumer Duty

Advised major retail banks, building societies and wealth and asset manager firms on the preparation of fair value assessments (FVAs) to meet "Price and Value" requirements of the FCA's Consumer Duty. This included reviewing FVAs in line with FCA guidance to identify gaps to meet good practice, analysis of the strength of the evidence base presented and running "teach ins" for client stakeholders.

What support can KPMG provide?

Our economists have worked directly on developing the UK digital markets regime and have in-depth understanding of the CMA's analytical approaches.

We have broad expertise across the regulated sectors, which means we are particularly well-positioned to advise on regulated market reviews.

We have broad expertise in remedy design; a vital skillset for influencing conduct requirements for designated firms. We are experienced in providing analysis and evidence that informs workable regulatory interventions.



Contact us



George Hay

Partner,
Regulatory Finance
E: george.hay@kpmg.co.uk



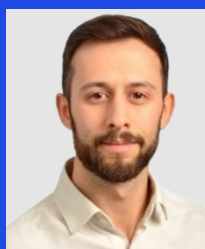
Chris Jenkins

Director,
Competition Economics and Finance
E: chris.jenkins6@kpmg.co.uk



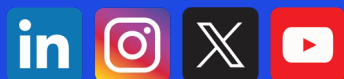
Mei Lau

Associate Director,
Competition Economics and Finance
E: mei.lau@kpmg.co.uk



Harry Wilson

Manager,
Competition Economics and Finance
E: harry.wilson2@kpmg.co.uk



kpmg.com/uk

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