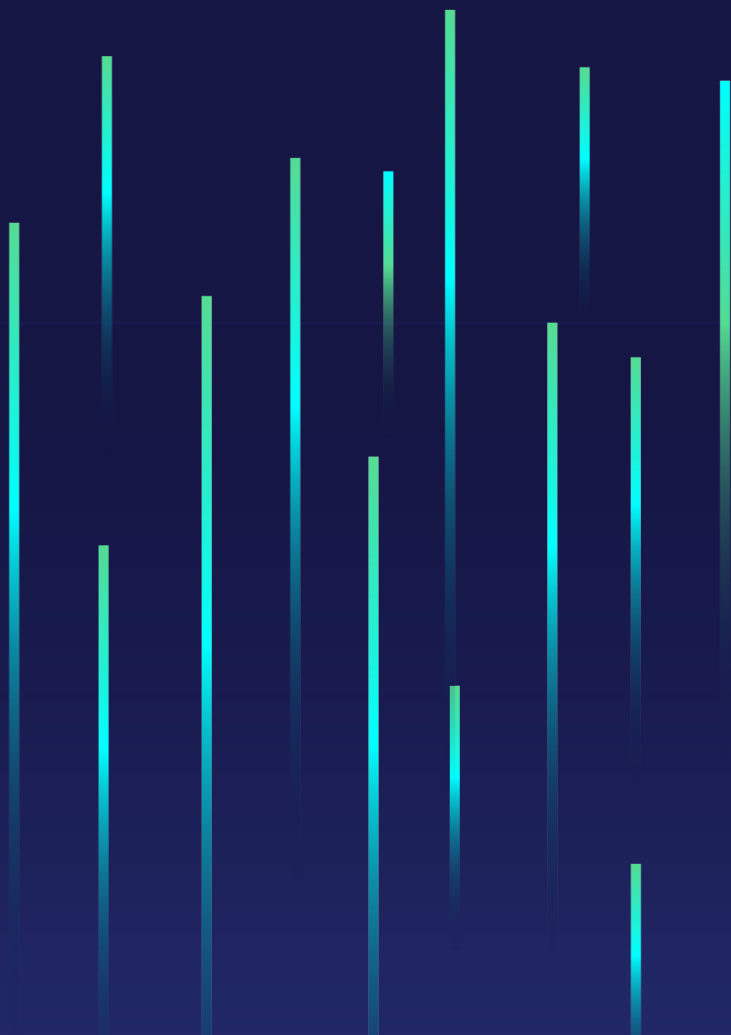




Analyse. Anticipate. Accelerate.

UK Safeguarding Playbook

November 2025





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Introduction

Safeguarding of customer funds has always been a cornerstone of the UK's payments and e-money regime. It underpins consumer trust, ensures stability in the market and is central to the Financial Conduct Authority's (FCA) view of what "good" looks like in financial services.

In September 2025, the FCA published [Policy Statement PS25/12](#) setting out changes to the safeguarding regime for payments and e-money firms. The new rules are a direct response to weaknesses identified in previous supervisory work, market exits and enforcement actions such as the [Ipagoo](#) ruling.

In that case, the Court of Appeal held that electronic money holders do not have a proprietary interest in their funds once received by an electronic money institution (EMI), and no statutory trust arises under the [Electronic Money Regulations 2011](#) (EMRs).

The FCA's message is clear: safeguarding is not a box-ticking exercise – it is a fundamental responsibility of boards and senior management.

Why this Playbook?

This playbook is designed to:

- Break down the new FCA requirements into plain English.
- Help compliance and risk leaders understand what has changed compared to the previous regime.
- Provide practical tools for implementation, including checklists, board questions and a risk-weighted task matrix.
- Highlight key risks and pitfalls firms must address to remain compliant and resilient.

Who should read this?

- Senior compliance and risk officers at large payment service providers (PSPs) and EMIs.
- Board members and senior management, consistent with FCA accountability expectations under the [Payment Services Regulations 2017](#) (PSRs) and EMRs
- Operational leads responsible for finance, treasury and reconciliation functions.
- Investors and stakeholders assessing regulatory and reputational risk.

Context and scope

The new rules apply primarily to large PSPs and EMIs.

Although small EMIs remain largely out of scope, the FCA's broader direction of travel is worth noting – firms of all sizes are expected to evidence robust safeguarding and strong governance.

The changes also intersect with other regulatory priorities, including:

- Consumer Duty – ensuring transparency around how customer funds are protected.
- Operational resilience – planning for disruptions, wind-down and insolvency scenarios.
- Prudential risk management – ensuring firms hold adequate capital and liquidity to support safeguarding.

Safeguarding is no longer a narrow compliance requirement, but a strategic priority that goes to the heart of customer trust and firm viability.

Key changes (before vs after)

Safeguarding obligations are not new. [Under the Payment Services Regulations 2017](#) (PSRs) and the EMRs, firms have always been required to protect customer funds.

Previously, the FCA relied heavily on its [Approach Document](#) to explain how those requirements should be met.

With PS25/12, the FCA has codified key expectations into enforceable rules within the Handbook and introduced new obligations on audit, governance and insolvency planning.

The effect is a shift from flexibility to prescription, making it easier for the FCA to take enforcement action and harder for firms to argue ambiguity.

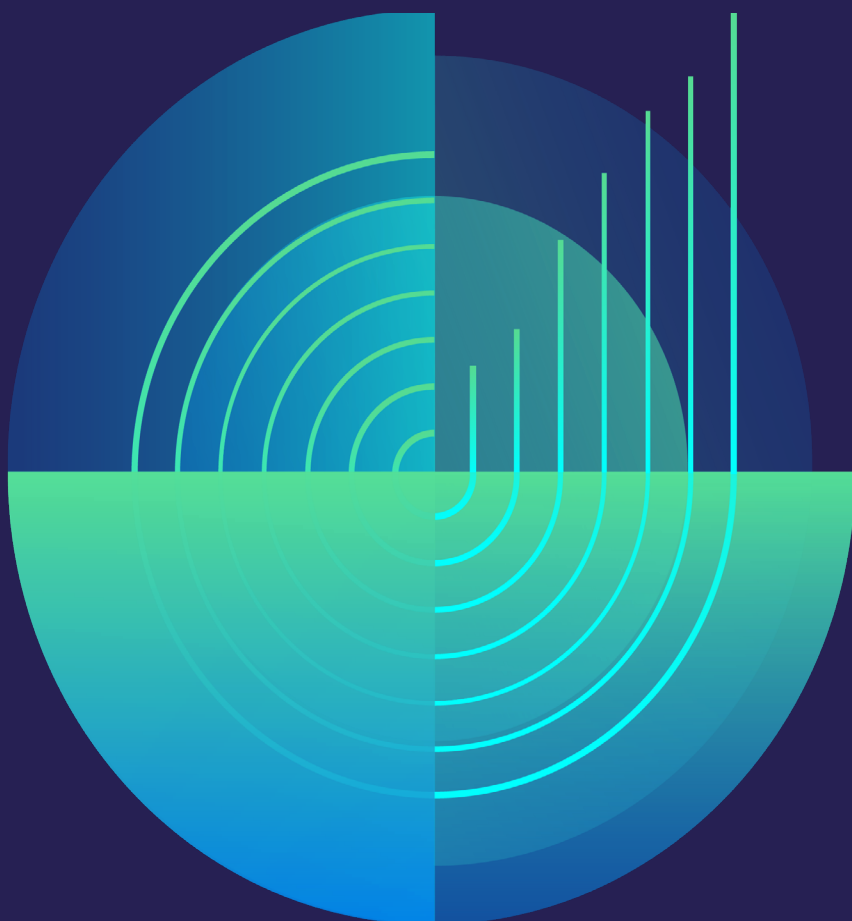
Safeguarding then and now at a glance

	Before (Approach Document and Supervisory Guidance)	After (PS25/12 Handbook Rules)	Practical Impact
Legal basis	Requirement to safeguard under PSRs/EMRs, with Approach Document as interpretive guidance.	Clear rules on safeguarding, reconciliation, governance and audit.	Less scope for interpretation; breaches are directly enforceable.
Governance and accountability	Boards were expected to oversee safeguarding, but responsibility was not explicit in the rulebook.	Clear rules with explicit board/senior management responsibility.	Senior leaders face greater personal accountability.
Reconciliation	Daily reconciliations were required, but approach and discrepancy treatment were left to the firm's judgement.	Prescriptive requirements on frequency, methodology and how discrepancies must be addressed.	Firms must invest in robust systems and governance for reconciliations.
Audit	FCA "expected" firms to commission safeguarding audits, but uptake was inconsistent.	Mandatory annual independent safeguarding audit (above thresholds).	Creates cost/resource impact; findings will feed into compliance and governance.
Insolvency and wind-down	Firms were encouraged to consider insolvency risks in wind-down planning.	Rules require a documented insolvency playbook and resolution pack.	Brings safeguarding into operational resilience; firms must test scenarios.
Customer disclosure	Safeguarding was explained in terms and conditions; quality was variable.	Prescriptive requirement for clear, plain-language disclosures on protections and limits.	Links to Consumer Duty – firms must evidence customer understanding.
Third-party banks	Safeguarding accounts were relied upon, with limited ongoing due diligence.	Enhanced due diligence and monitoring obligations for safeguarding account providers.	Firms must actively manage banking relationships and evidence oversight.

Key takeaways

- » Safeguarding was always a legal requirement – the difference is in how the FCA enforces it rather than the requirements of firms.
- » This is a move from principles to prescription – the new rules are explicit, with less room for interpretation.
- » Accountability has been heightened – boards and senior management must evidence active oversight.
- » New burdens have been introduced – these include mandatory audits, insolvency packs and customer-friendly disclosures.
- » Safeguarding is now strategic – it sits at the crossroads of governance, operational resilience and consumer protection.

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FCA obligations explained

In the following section we break down the FCA's safeguarding requirements into clear, practical steps.

Obligations are framed as "Firms must" for binding rules and "Boards should" for oversight expectations. Each section also includes practical tips.

Safeguarding accounts and segregation

- Firms must hold customer funds in a designated safeguarding account with an authorised credit institution or qualifying third party.
- Firms must ensure segregation from the firm's own funds at all times.
- Boards should regularly review account designations and legal protections against creditor claims.

Vixio's tips

- » Diversify safeguarding accounts across multiple banks.
- » Get formal bank confirmation of all account statuses.
- » Commission a legal review of safeguarding account letters.

Independent safeguarding audit

- Firms above threshold must commission an annual independent audit.
- Firms must provide auditors with reconciliations, MI and governance records.
- Boards should review outcomes and oversee remediation.

Vixio's tips

- » Engage an auditor with payments/e-money expertise.
- » Use their findings to educate the board on safeguarding weaknesses.
- » Treat audits as forward-looking assurance, not a tick-box exercise.

Daily reconciliation

- Firms must reconcile safeguarded funds at least once per business day.
- Firms must resolve discrepancies promptly, using their own funds where needed.
- Boards should receive management information (MI) on reconciliation exceptions and resolution.

Vixio's tips

- » Automate reconciliations to reduce errors.
- » Maintain an audit trail of discrepancy handling.
- » Escalate persistent reconciliation issues to board level.

Insolvency planning and resolution packs

- Firms must maintain a resolution pack to help insolvency practitioners return funds.
- Firms must keep packs updated and accessible to the FCA.
- Boards should test insolvency scenarios to evidence readiness.

Vixio's tips

- » Include bank contacts, account details, reconciliation procedures.
- » Align insolvency packs with operational resilience planning.
- » Test scenarios (e.g., Friday failure) to ensure practicality.

Customer disclosures

- Firms must explain safeguarding protections and limits in plain English.
- Disclosures must make clear where funds are held and what protections apply.
- Boards should test disclosures against Consumer Duty standards.

Vixio's tips

- » Pilot disclosures with real customers to test comprehension.
- » Use layered disclosures (short summary + full T&Cs).
- » Explicitly state that safeguarding is not the same as Financial Services Compensation Scheme (FSCS) cover.

Insurance and comparable guarantees

- Firms may safeguard funds using an insurance policy or comparable guarantee, but only if conditions are met.
- Firms must prepare contingency plans three months before the expiry of policies.
- Boards should approve and monitor arrangements due to complexity and cost.

Vixio's tips

- » Review policy terms carefully – exclusions can undermine coverage.
- » Treat counterparties like critical third parties, with ongoing monitoring.
- » Use insurance/guarantees only where safeguarding accounts are not feasible.

Third-party oversight

- Firms must conduct due diligence when selecting safeguarding partners.
- Firms must monitor those partners continuously.
- Boards should treat safeguarding banks like critical outsourcing relationships.

Vixio's tips

- » Perform periodic financial/operational health checks on banks.
- » Refresh due diligence regularly, not just at onboarding.
- » Spread safeguarding balances to reduce concentration risk.

Secure, liquid assets (SLAs)

- Firms may use SLAs as part of safeguarding, provided they are demonstrably safe and accessible.
- Firms must evidence why assets qualify as both “secure” and “liquid.”
- Boards should treat SLAs as part of treasury risk management.

Vixio's tips

- » Document valuation and liquidity testing methods.
- » Stress-test asset convertibility under adverse conditions.
- » Be prepared to justify asset choices to the FCA.

Key risks to manage

The FCA's enhanced safeguarding rules are not abstract. They have been implemented in response to real-world failings where customers lost access to funds, firms collapsed and the regulator had to step in.

Safeguarding is therefore both a compliance requirement and a strategic risk issue for firms.

Regulatory and enforcement risks

- **Greater enforcement likelihood:** With PS25/12 moving from expectations into enforceable rules, the FCA can now act more decisively where safeguarding lapses occur.
- **Lessons from past cases:** Previous firm failures have shown that poor reconciliations, weak governance and incomplete safeguarding records can leave customers exposed and boards under scrutiny. One well-known case (an e-money institution that entered administration in 2019) highlighted how inadequate safeguarding can delay the return of customer funds and damage wider market confidence.

Vixio's tip

» **Boards should record safeguarding oversight discussions in board minutes. Demonstrating active challenge and monitoring will be the best defence in the event of FCA scrutiny.**

Operational risks

- **Reconciliation breakdowns:** Manual or inconsistent processes create risk of error and fraud.
- **Third-party dependency:** Over-reliance on a single safeguarding bank or insurer exposes firms to concentration risk.
- **Audit readiness:** Firms that cannot provide reconciliations, MI or governance records to auditors risk qualified reports, which can trigger FCA intervention.
- **Resolution pack gaps:** If documentation is incomplete, insolvency practitioners may struggle to return customer funds promptly.

Vixio's tip

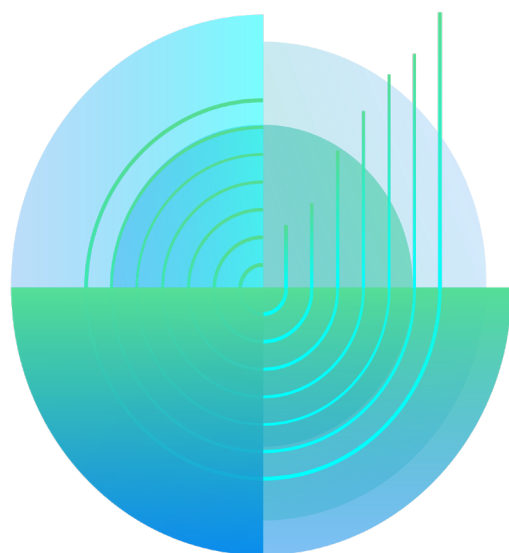
» **Compliance teams should maintain a safeguarding controls map that sets out every process, owner and escalation route and use it as a live tool to identify single points of failure.**

Customer harm risks

- **Delayed access to funds:** When firms fail, customers often wait months or years for access to their money if safeguarding arrangements are inadequate.
- **Misunderstanding protections:** Many customers still assume safeguarded funds are covered by the FSCS. Poor disclosures create complaints and potential breaches of Consumer Duty.
- **Reputational harm:** Failures do not just damage individual firms, they weaken trust in the payments and e-money sector as a whole.

Vixio's tip

» **Customer teams should test disclosures with real users. Evidence of customer understanding will help meet their Consumer Duty obligations and reduce mis-selling risk.**



Emerging and strategic risks

- **Policy expiry risk:** Firms using insurance or comparable guarantees face heightened risk if policies lapse or are withdrawn at short notice.
- **Market liquidity risk:** Secure, liquid assets may not be realisable at expected value under stress conditions.
- **Regulatory direction:** The FCA has already opened multiple supervisory cases on safeguarding and is expected to run thematic reviews in the near term.

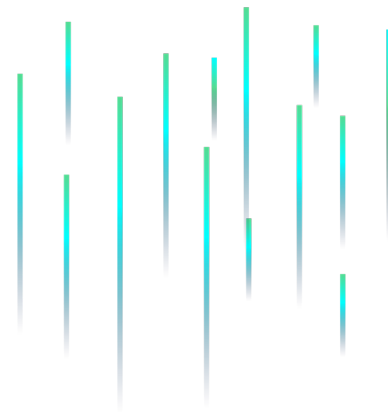
Vixio's tip

- » Risk officers should add safeguarding explicitly to the firm-wide risk register, linking it to operational resilience and Consumer Duty. They should ensure it is reviewed at risk committee level at least quarterly.

Key message

Safeguarding risk is no longer a narrow technicality. It cuts across compliance, operations and customer outcomes.

The FCA has demonstrated through firm failures that weaknesses can have severe consequences for customers, firms and individual senior managers.



Implementation roadmap

Implementing PS25/12 is not just about understanding obligations, it is also about prioritising them.

Some requirements demand immediate, high-intensity effort, whereas others can be sequenced or embedded into existing governance processes.

To help firms plan, Vixio has grouped tasks by **priority** (regulatory urgency/impact) and **resource intensity** (people, systems, cost).

Weighted task matrix

Not every task demands the same urgency or resources, but every firm must be able to evidence a structured roadmap.

Boards that prioritise quick wins while allocating resources to heavier projects will be best placed to withstand FCA scrutiny.

High Priority/Low Resource	High Priority/High Resource
Quick wins that deliver immediate compliance benefits. • Customer disclosures – updating T&Cs and onboarding materials in plain English. • Board MI – integrating safeguarding metrics into monthly reporting packs. • Contingency planning for insurance/guarantee expiry – diarising renewals and approval cycles. Vixio's tip » These are low-hanging fruit. Deliver them early to show the FCA and auditors that safeguarding is taken seriously.	“Must-do now” items that require significant investment and board oversight. • Safeguarding account structures – reviewing bank arrangements, diversifying accounts and obtaining legal confirmations. • Daily reconciliation upgrades – investing in automated reconciliation systems, with escalation protocols. • Annual safeguarding audit – sourcing an auditor, preparing evidence and aligning governance processes. Vixio's tip » Treat these as programme-level projects, with dedicated owners and board reporting.
Lower Priority/Low Resource	Lower Priority/High Resource
Ongoing enhancements that strengthen governance but require minimal effort. • Training for staff – embedding safeguarding awareness across finance, ops and customer-facing teams. • Policy refreshes – updating internal safeguarding policies and escalation routes. • Board self-assessments – documenting how the board challenges and oversees safeguarding. Vixio's tip » Use these tasks to embed a compliance culture. They also provide useful “evidence pieces” during FCA supervision.	Important items, but can be sequenced after immediate compliance tasks. • Resolution pack development – assembling insolvency playbooks and aligning with operational resilience. • Third-party oversight frameworks – building risk assessments and monitoring dashboards for safeguarding banks. • SLAs – building frameworks for asset selection, monitoring and stress-testing. Vixio's tip » Run these as second-wave projects, but do not defer them indefinitely as they are likely to be tested in FCA thematic reviews.

Practical tools and good practice

The FCA expects firms not only to comply with rules but to evidence good practice in how safeguarding is managed.

Below are practical tools to help boards and compliance teams embed safeguarding into daily operations.

Board oversight checklist

Questions boards and senior managers should ask at least quarterly:

- ☐ Are safeguarding accounts correctly designated and legally protected from creditors?
- ☐ Do daily reconciliations run on time, and are discrepancies resolved within one business day?
- ☐ What MI do we receive on safeguarding exceptions?
- ☐ Have we tested insolvency or wind-down scenarios this year?
- ☐ How do we evidence customer understanding of safeguarding disclosures?
- ☐ Are our third-party safeguarding partners monitored for financial stability and operational resilience?
- ☐ Has the board reviewed and acted on the most recent safeguarding audit findings?

Safeguarding audit preparation checklist

Before engaging with auditors, firms should prepare:

- ☐ Copies of all safeguarding account agreements and bank confirmations.
- ☐ Reconciliation logs, showing both normal operation and how discrepancies were handled.
- ☐ Customer-facing safeguarding disclosures.
- ☐ Board and committee minutes discussing safeguarding oversight.
- ☐ Draft or final insolvency resolution pack.

Vixio's tip

» Treat the audit like a dry run for FCA supervision – answering the same questions, just for a different audience.

Vixio's tip

» Keep answers documented in board minutes to demonstrate accountability.

Safeguarding risk assessment framework

Firms should map safeguarding risks against operational resilience and Consumer Duty.

Risk Type	Example	Mitigation
Operational	Delayed reconciliations due to manual processes	Automate reconciliations, implement exception reporting
Third-Party	Safeguarding bank becomes distressed	Diversify accounts, ongoing due diligence
Customer harm	Customers think funds are FSCS-protected	Plain-language disclosures, customer testing
Governance	Board not receiving timely MI	Integrate safeguarding metrics into board packs
Strategic	Insurance/guarantee policy lapses	Renewal tracking, approve contingency plan three months before expiry

Common pitfalls

- **Inadequate reconciliations:** Reliance on spreadsheets or late reconciliations, leading to errors.
- **Poor documentation:** Missing or outdated safeguarding agreements, weak legal opinions.
- **Weak board oversight:** Safeguarding is discussed only reactively, and is not on standing agendas.
- **Insolvency unreadiness:** Resolution packs are incomplete or theoretical, and have not been tested in practice.
- **Misleading disclosures:** Customers are misinformed or confused about safeguarding vs FSCS.
- **Third-party over-reliance:** No monitoring of safeguarding banks or insurers after onboarding.

Vixio's tip

» Firms that appear in FCA supervisory casework often make two or more of these errors simultaneously. However, tackling them proactively is a strong defence.

Good practice markers

From supervisory experience, the FCA views the following positively:

- **Early remediation** of reconciliation errors with own funds.
- **Board training** on safeguarding obligations.
- **Independent assurance** beyond the mandatory audit (e.g., internal audit reviews).
- **Customer testing** of disclosures and retention of feedback.
- **Integrated risk registers** linking safeguarding to broader resilience and Consumer Duty frameworks.

Key message

Safeguarding is not just about compliance with the rules – it is about creating a culture of assurance. Boards that ask the right questions, prepare for audits and avoid common pitfalls will be better positioned when the FCA tests their arrangements.



Looking ahead

The FCA's safeguarding reforms are not happening in isolation. They reflect a wider regulatory direction of travel: more prescription, increased accountability and greater scrutiny of customer outcomes.

Operational resilience link

- Safeguarding arrangements are now explicitly tied to operational resilience and wind-down planning.
- Firms that fail to plan for insolvency or disruption risk breaching not only safeguarding rules but also resilience expectations.
- The FCA is increasingly asking: "Can this firm fail safely?" Safeguarding sits at the centre of that question.

Action

Align safeguarding resolution packs with your impact tolerance testing under operational resilience frameworks.

Consumer Duty connection

- Safeguarding disclosures must now be understood by customers, not just legally watertight.
- Under Consumer Duty, firms must be able to demonstrate both that customers are not misled into thinking the FSCS applies and that they understand both the protections and the limits of safeguarding.
- The FCA will expect safeguarding failures to be reported and remediated through the Consumer Duty's governance framework.

Action

Evidence customer testing of safeguarding disclosures and feed results into Consumer Duty board reports.

Prudential and liquidity pressures

- Safeguarding is linked to wider prudential risk management.
- The FCA's concerns include shortfalls between safeguarded funds and liabilities, as well as over-reliance on unstable banking partners.
- Expect more intrusive supervision of liquidity, treasury management, and use of SLAs.

Action

Integrate safeguarding oversight into broader prudential and liquidity risk assessments appropriate to the firm's scale and structure.

Future supervision and thematic reviews

- The FCA has already opened supervisory cases against a significant proportion of safeguarding firms.
- The next phase will likely include thematic reviews of reconciliations, audits and insolvency preparedness.
- Enforcement risk is rising – with the rules now codified, firms will find it harder to argue ambiguity.

Action

Assume that safeguarding will be tested in detail at your next FCA supervisory engagement, and have both documentation and board minutes ready.

Key message

Safeguarding is no longer a narrow compliance obligation for firms operating in the UK – it is central to how the FCA measures their resilience, governance and customer outcomes.

The strongest firms will not only comply with PS25/12, but will also integrate safeguarding into Consumer Duty reporting, operational resilience planning and prudential oversight.



Appendix: Quick reference summary table

This table provides a single view of the safeguarding regime: what must be done, who is accountable, how often and how to evidence compliance.

Boards should use it as a standing reference point in governance packs and audit preparation.

Obligation	What Firms Must Do	Who is Accountable?	Frequency/ Timing	Evidence Required
Safeguarding accounts and segregation	Hold customer funds in designated safeguarding accounts, separate from firm funds	CFO/ treasury lead; board oversight	Ongoing	Bank confirmations, legal opinions, board minutes
Daily reconciliation	Reconcile safeguarded funds daily; resolve discrepancies using firm funds	Finance/ops; accountable management	Each business day	Reconciliation logs, exception reports, escalation records
Independent audit	Commission annual independent safeguarding audit (if above threshold)	Board/audit committee	Annually	Audit report, remediation plan, board review minutes
Resolution pack (insolvency planning)	Maintain a pack with key documents for insolvency practitioner; update regularly.	Risk/compliance; board oversight	Continuous; reviewed quarterly	Resolution pack, test results, resilience plan alignment
Customer disclosures	Provide clear, plain-English explanations of safeguarding protections and limits.	Compliance/legal; customer team; board sign-off	At onboarding; material changes	Disclosure documents, customer testing results
Third-party oversight	Conduct due diligence and ongoing monitoring of safeguarding banks and insurers.	Treasury/risk; board oversight	At onboarding; annual refresh	Due diligence files, risk assessments, monitoring reports
Insurance/ comparable guarantees	If used, ensure valid coverage; prepare a contingency plan three months pre-expiry.	CFO/risk; board approval	Annual renewal	Policy terms, renewal plan, contingency documentation
Secure, liquid assets (SLAs)	Ensure SLAs are genuinely safe and accessible; stress-test liquidity.	Treasury/risk; board oversight	Ongoing	Valuation records, stress-testing, risk committee minutes
Board MI and oversight	Receive regular safeguarding MI (reconciliations, exceptions, audit results).	Board oversight	Monthly/ quarterly	MI packs, board agendas, decision logs
Staff training and culture	Embed safeguarding awareness across finance, ops and customer-facing staff.	HR/compliance	Annual refresh	Training records, staff attestations

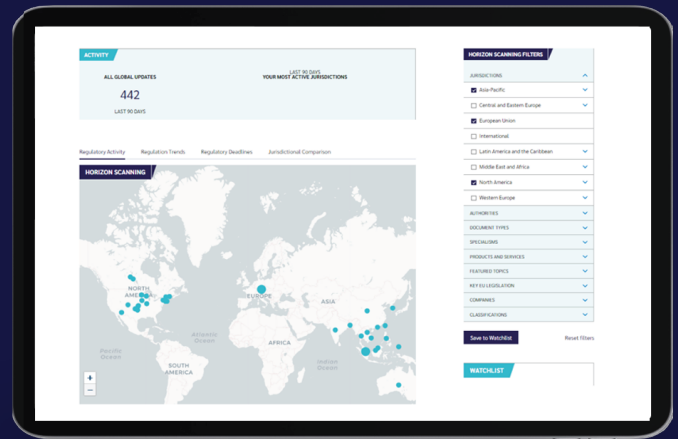


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