

# UNDERSTANDING INSTANT PAYMENTS

In recent years, the European payments landscape has undergone a significant transformation. Many new players and solutions have entered the market. Increasingly, we see that these solutions are enabled through instant payments. Instant payments are electronic payment solutions that process payments in real time, 24 hours a day, all year long, where the funds are made available immediately for use by the recipient.

Peer-to-peer instant payments are becoming increasingly popular. A well known use case is the transfer of funds via mobile phone between friends to split a bill at a restaurant. Instant payments at a merchants' point of sale are also increasing, although they are more complex. In-store payments with a mobile app by the scanning of a QR code are a good example of such use.



Technological development, such as online and mobile payments, are key drivers for the uptake of instant payments. Regulatory developments such as PSD2 Open Banking also give providers the ability to further develop these solutions. The further growth of instant payments will lead to further digitalisation and diversification of payments. This will benefit consumers, businesses and commerce in general.

**In this context, the European Commission is advocating for instant payments to become the norm for payments.**

Payments Europe supports the uptake of instant payments. We believe it will be complementary to,

## **Payments Europe supports the uptake of instant payments**

rather than replacing, existing services such as card. The existence of a variety of payment methods leads to more choice for consumers and retailers. We believe in choice as each payment method has different use cases. End-users should be allowed to decide which payment method better suits them for a specific purchase. At the same time, we believe in the importance of informed choice. We believe consumers should have access to all the necessary information about the different features and different value, functionalities and costs of new methods of payment.

## WHAT ARE INSTANT PAYMENTS ...



Like a bank transfer, instant payments directly transfer funds from one account to another. This is done **instantly** following the payment initiation. The funds become instantly available on the receiving party's account.

For this reason, instant payments are **irreversible**.



Very popular for **peer-to-peer** payments, e.g. reimbursing a friend for a dinner via mobile phone.

... but also growing in the **retail space**.



## ... AND WHAT THEY ARE NOT

- Instant payments are currently unable to offer the same **guarantees** offered by other payment methods such as high level of protection against fraud, well-developed reimbursement options, enhanced safety features, and rich involvement in innovation.
- They do not have uniform and smooth **acceptance** (often QR code based)
- The full transaction is often **slower** than a card payment, in particular contactless card payments
- They require **stable internet connection**, from both parties, as well as other device requirements such as a **sufficient battery** in case of mobile payments.

## A COMPARISON BETWEEN CARD, INSTANT AND CASH PAYMENTS



	Cards	Instant	Cash
<b>Who can use it?</b>			
Consumer-to-consumer ("peer-to-peer") payments	✓	✓	✓
Consumer-to-merchant payments	✓	✓	✓
Accepted by most merchants	✓	✗	✓
Business-to-business payments	✓	✓	✓
<b>Where can you use it?</b>			
Physical or in-store payments	✓	✓	✓
Mobile payments	✓	✓	✗
Online payments	✓	✓	✗
<b>What type of protection and other services are built in?</b>			
Merchant protection against fraud (e.g. counterfeit money)	✓	✓	✗
Consumer protection from fraud and unauthorised debiting	✓	✗	✗
Established dispute resolution mechanisms in case of interrupted payment, non-delivery of goods or technical issues	✓	✗	✗
Complimentary insurances (e.g. travel insurance, online shopping insurance, extended guarantees)	✓	✗	✗
Zero liability for the consumer in case of fraud	✓	✗	✗
Global fraud monitoring solutions to stop fraud and illicit activities	✓	✗	✗
Improvement of businesses' cash flow	✓	✓	✗
Dedicated business solutions	✓	✓	✗
Availability of credit (for businesses and consumers)	✓	✗	✗
<b>What are the costs and charges?</b>			
No charges for the consumers at point of sale	✓	✓	✓
Retailer (hidden) cost	✓	✓	✓
<b>Can you pay cross border?</b>			
Functioning across currencies	✓	✗	✗
Intra-regional payments between all EU Member States	✓	✗	✗
International payments outside of the EU	✓	✗	✗

### About Payments Europe:



Payments Europe is the voice of the card-based payments industry. We represent card issuers, card acquirers and card schemes, and our members are active in all European countries. Our mission is to promote the value that card-based payments bring to the European economy and society. We strive for a vibrant, competitive and consumer-centric European payments market.

[www.paymentseurope.eu](http://www.paymentseurope.eu)