
WHY THE TIME IS (REALLY) RIPE FOR OPEN BANKING PAYMENTS



CIARAN O'MALLEY,
VICE PRESIDENT OF PARTNERSHIPS
TRUSTLY

YOU'VE HEARD THE OPEN BANKING-HYPE BEFORE, BUT NOW THIS TECHNOLOGY IS TAKING OFF IN THE UK – FOR REAL.

Already popular in Sweden and the trend-setting Nordic nations, Open Banking allows shoppers to pay for purchases directly from their bank account using existing funds.

British banks' new and improved Open Banking APIs now make it possible for retailers to integrate Open Banking payments in their shops and open the door to instant purchases, less fraud, better UX and the possibility to achieve more competitive pricing.

However, the APIs are just the beginning. To take full advantage of Open Banking, you may need a partner who can help you accelerate payment settlement and refunds while expanding your cross-border reach.

WHAT'S DRIVING THE CHANGE?

The effort to improve Open Banking APIs began in 2016, when the British government formed the [Open Banking Implementation Entity](#) (OBIE). Now, the British Open Banking APIs not only work – they are some of the best in the world.

Trustly has been part of that process since the beginning. Personally, I have worked with OBIE since their inception, providing the “voice of merchants”, insights and data, cross-border comparisons with well-functioning bank payment markets, and feedback on live merchants.

WHAT'S THE ROLE OF REGULATION?

The EU's [PSD2 regulation](#), which requires two-factor authentication (2FA) for online purchases, will go into effect 31 December 2020. Despite being the same day that Britain officially leaves the EU, the UK will enforce PSD2 regulations.

Though other markets built Open Banking APIs faster, the UK is the first to build PSD2-compliant APIs and create a good user experience across all the large banks. That's because the OBIE requires banks to use a standardised API, whereas in Europe, there are multiple standards, and quality differs between banks.

The UK flow is also completely compliant with the 2020 European Banking Authority (EBA) [opinion on payment obstacles](#). So, I think the wait will be worth it for UK retailers.

WHERE DO OPEN BANKING PAYMENTS FIT IN THE DEBIT LANDSCAPE?

With competition from “buy now, pay later” solutions, the credit side of payments has seen a lot of innovation recently. However, there has been little forward movement in debit payments until the advent of Open Banking.

In markets where APIs have been clunky in the past, Open Banking payments are still significantly less popular than debit cards. But the PSD2 regulation requiring 2FA for debit payments may open the door for more shoppers to switch to Open Banking payments.

The UX provided by the APIs will be as good or better than cards. So, I expect Open Banking payments to account for an increasingly greater share of online transactions in Britain. It may be worth mentioning that Trustly has processed over a quarter of a million UK transactions in the last year since the APIs went live.

GREAT, SO THAT'S ALL I NEED TO KNOW ABOUT THE APIS?

Unfortunately, as good as they are, the Open Banking APIs don't “just work” – not without an added layer of complexity that few retailers can afford to build on their own.

The APIs simply initiate a payment. Initiation-only and API aggregators deliver the basic level of services, but reconciling individual Open Banking payments is challenging. Payments are not always guaranteed, so merchants risk non-settlement. Plus, with the initiation-only APIs, there's no support for pay-outs or refunds.

To deal with that, merchants would need to build a process to find the bank account number and make a manual payment to the customer for the refund. Sounds slow and expensive, right? Think about staffing and admin costs alone!

The APIs simply initiate a payment. Initiation-only and API aggregators deliver the basic services, but reconciling individual payments is challenging.

SO, TRUSTLY IS DIFFERENT?

Trustly is different. We initiate payments and we also collect them for the merchant. In our model, the payment goes to Trustly's account, not the merchant's. Not only are the payments often guaranteed, they are instant across most markets*

With a network of 6,000 banks in Europe, North America and Australia, Trustly also simplifies the collection of cross-border payments. Merchants no longer need a bank account in every market, they just need one contract and one activation with Trustly.

DOES THE SPEED OR EASE OF REFUND PAYMENTS AFFECT YOUR DECISION ABOUT WHERE TO SHOP?



WOULD SAME-DAY REFUNDS MAKE YOU MORE LOYAL TO A MERCHANT?



WHAT ABOUT REFUNDS?

If a merchant wants to refund a customer, they just notify Trustly via an API call. We pay the refund out of the merchant's balance with us.

Plus, Trustly sends refunds instantly, which means merchants no longer have to deal with 'where's my refund?' support calls. The merchant also eliminates the manual process needed to collect the refundee's bank account number, and the manual administrative process to make the payment, which obviously creates potential for savings.

According to *Trustly research*, 98 percent of British shoppers said they would be more loyal to businesses that offer next-day refunds. Across Europe, faster refunds would lead to 58 percent of customers spending more, and 56 percent shopping more frequently. So, it's clear that kind of customer experience can make a difference for your business.

WHAT ACTION SHOULD RETAILERS TAKE?

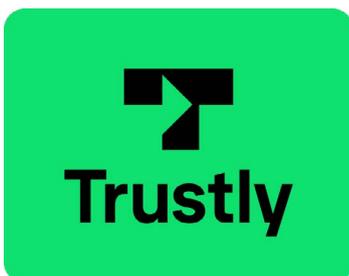
As Open Banking payments continue to gain momentum in Britain and throughout the world, offering an online banking payment option in the checkout will be crucial for merchants who want to stay relevant with consumers in the UK and beyond.

Open Banking has so much promise, but if merchants or payment services providers want a partner to deliver the benefits without the pitfalls, then Trustly is the one.

*Trustly can guarantee for Travel and E-commerce in selected markets

CIARAN O'MALLEY

// ciaran.omalley@trustly.com



" 95% OF CONSUMERS WOULD BE MORE LOYAL TO A MERCHANT IF THEY RECEIVED SAME-DAY REFUNDS"

