

EFA Consultation Response: 3 ways instant payments matter for European consumers and businesses

The European FinTech Association (EFA) fully supports the European Commission's vision for retail payments including a competitive, innovative payments market. Making instant payments the new norm and promoting fair and equal access to critical infrastructure is key to achieving a truly competitive payments landscape.

FinTechs are often the first to adopt innovation in payments such as instant payments to their customers. As conversations at the EU level progress on how to achieve instant payments, it's important to remember how faster payments benefit Europeans.

Why do instant payments matter?

1. Instant payments significantly reduce customer worry and increase financial inclusion.

In today's digital age, convenience and speed is key for consumers. One of the most common questions financial institutions hear from customers is: where is my money? When payments are slow, customers worry their money is lost. The difference between receiving a payment day, hours or even minutes faster reduces worry, increases trust, and boosts customer satisfaction. Instant payments can also be helpful for those on low incomes, helping them get money fast and enabling them to pay last-minute bills on-time.

During the past years, outgoing transfers have been debited instantly, whilst incoming transfers are credited only with one day delay, which is particularly disadvantageous to consumers and SMEs. SCT Inst will bring this to an end, and it will also give payers an additional payment instrument, which will be less costly than the handling of cash, and more available and possibly cheaper than cards.

Moreover, the roll-out of SEPA for open-banking products would also enable far more inclusive and complete customer and merchant experiences, who are currently facing less assurances on their transactions.

2. Instant payments help small businesses access liquidity faster.

Instant payments are also important for businesses, who can benefit from instant liquidity thanks to instant retail payments versus a 2-day card settlement. Making sure European Small and Medium-sized enterprises (SMEs) can access payments instantly will bolster post-crisis economic recovery. Hence, making instant payments universally available to SMEs is imperative to establish a true alternative to cards, while also allowing further competition to flourish in the market. This would also lead to a step forward in ensuring that instant payments in Europe becomes the norm, both on the consumer front, but also through European SME's.

3. Instant payments will increase competition and consumer choice in payment methods.

We believe that the ability to pay via instant payment at point-of-sale is an important step forward in increasing consumer choice and competition in pan-European payment methods. More competition should drive down price and empower consumers to choose the best payment method for them. In this context, it's also important to open the instant payments scheme to FinTechs, as this will help foster competition and enhance consumer expectations, eliminate the idea that instant payments are a premium service and not the norm, while also adding the critical element of transparency for both merchants and consumers.

EFA supports legislative action on instant payments.

While the uptake of instant payments has been steadily increasing, the current industry effort hasn't been sufficient. A non-legislative option aiming to promote voluntary participation in the scheme won't benefit consumers quickly enough. That's why **EFA supports legislative action to promote adherence, for Payment Service Providers (PSPs) to offer instant credit transfers in euro, as well as uptake of instant payments by equalising fees between regular transfers and instant transfers.**

We consider that a broad support of the interoperability of SEPA Instant Credit Transfer-based payment solutions and schemes is a necessary element to promote an efficient credit transfer infrastructure and open the market to new participants, especially smaller FinTechs. To this matter, a development on the standardization of the technical elements led by the industry and/or by the European standardization bodies would provide further assurance to customers and market participants

Equalising fees between SCT and SCT Inst will encourage consumers to choose instant payments over payments that can take days to arrive. If instant payments are to be the norm, they can't be offered at a premium. In addition, discussions surrounding consumer protection should duly consider the different use cases of instant payments (e-commerce vs buying a service in person).

Any legislative action should be made in parallel with allowing non-banks to directly participate in the payments infrastructure, in the review of the Settlement Finality Directive (SFD). So far, it has been impossible for indirect participants to gain access to instant payments unless their 'sponsoring' bank implemented the instant scheme. This prevents the bank's customers from accessing instant payments, but also delays the uptake for the indirect participant's (fintech's) customers too.

Instant payments are not only an exciting opportunity to deliver faster, more convenient payments for all Europeans. The EU's ambition to make instant payments as the new normal will deliver concrete benefits to European citizens and businesses.

EFA's Payments Working group is responsible for topics such as instant payments, access to payments infrastructure, and other issues falling under the EU's Retail Payments Strategy.