



The Rise of the Payments Facilitator – Getting Control of the Merchant Services Charge, by Anderson Zaks

BRACKNELL, BERKSHIRE, UK, November 28, 2017 /EINPresswire.com/ -- For the consumer paying for something might be simply clicking your card on a contactless terminal, as we know, the processes behind the simple click are still highly complex. There are several different stages, and at each stage a third party takes a commission or fee of some sort. This can lead to fees of up to 4% for internet transactions. Merchants are crying out for something better – a one-stop-shop for payments, with more consistent fees and unified processing services across domestic and international markets.

When the EU regulator put a cap on the Interchange fee, the Merchant Services Charge (MSC) - of which the interchange fee is the largest component - should have dropped. However this has not necessarily been the case, with only those merchants and retailers on an 'Interchange ++' deal benefiting immediately and in full. This is because with Interchange ++, merchants are charged for every transaction at cost price, so any savings are automatically passed on. With a blended rate, which aims to smooth out the peaks and troughs, pricing is not transparent and so savings are often held back making this model actually more expensive. While most larger merchants have moved to Interchange ++ pricing, only now are 2nd tier retailers renegotiating their contracts.

Digitisation of Payments

Until fairly recently banks and other traditional acquirers had a strangle hold on payments, but now we are seeing the rise of a whole host of new acquirers and with them a plethora of new types of digital payment account. The payments landscape has completely changed and technological innovation is creating opportunities for new acquirers and disruptors to enter the market. The same mobile, instant gratification technology has also generated a consumer with a short attention span with little patience when things go wrong, and no loyalty because there is always an alternative supplier to try. Merchants are increasingly demanding the same levels of service and options that they have become used to as consumers.

PSD2 opens up the market

With the introduction of the Payment Services Directive (PSD2) across the EU in January 2018, competition will be opened up even more with a new wave of innovative and integrated payments services organisations called PISPs and AISPs coming to market. According to Accenture's report 'Seizing the opportunities unlocked by the EU's revised payment services directive' by 2020 PSD2 payments could be as much as 16% of online transactions. The PSD2 framework mandates that banks provide access to bank accounts to trusted third party payment services providers. With restrictions on the fees that can be levied, the cost to the merchant of these new types of payments should be significantly lower than today's card-based transaction costs.

Less cash, more global

The uncertainty over Brexit, the rise of China and other emerging markets with new forms of payment, such as WeChat Pay and AliPay based on optical barcode scanning, means that payments innovation is set to explode in the coming years. PSD2 will provide the means for organisations to make payments to global partners, with much less cross-border transaction fees, making global payments

far more transparent and will reduce fees.

Enter the new Payments Facilitator

The scene is set for the emergence of the new Payments Facilitator – a single entity that provides an end-to-end platform for payments of all types regardless of borders. Such Payments Facilitators would offer acquiring, a payment gateway and range of value added services. They would operate on a European and International scale and provide Omni-channel payments processing.

As well as providing a better service to the merchant, with potentially lower fees, this type of approach provides a much better experience for consumers, allowing them to pay by any means, either card-based account, direct bank account, or through an alternative payment method.

The days of merchants being held to ransom with high a MSC based on high interchange rates and blended processing fees are numbered, soon there will be simpler and more convenient solutions, with reasonable fees and great customer service.

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