

BTR: Digital Payment Systems Enter New Phase as AI Tackles Decline Rates

WASHINGTON, DC, UNITED STATES, October 15, 2025 /EINPresswire.com/ -- Digital payment systems are undergoing a significant transformation as artificial intelligence reshapes how merchants manage risk, recover revenue and improve the customer experience. For years, online commerce has been constrained by a significant occurrence of false declines, when legitimate transactions are mistakenly or inappropriately rejected by payment processors. Adding insult to injury, declines of legitimate purchases may account for approximately half a trillion dollars a year in missed opportunities, significantly exceeding losses that are currently attributed to actual [digital payment fraud](#).

This challenge is now being addressed by advances in real-time AI decisioning and open-platform payment orchestration. A recently announced collaboration between payments orchestration provider Spreedly and AI-powered decline recovery and prevention specialist FlexFactor illustrates how this shift is taking shape across the industry.

The State of the Market

Digital payment systems have long been characterized by a patchwork of proprietary gateways, rigid fraud-prevention rules and high integration costs. While fraud prevention remains essential, overly cautious authorization policies have produced double-digit decline rates for many merchants, particularly in cross-border commerce.

"Declines in general run about 10 to 15 percent," said Michael Rokos, Director of Strategy & Partnerships at Spreedly. "We believe about a third of those are recoverable."



Michael Rokos, Spreedly

High decline rates directly undermine both revenue and customer retention. In some global markets and high-risk verticals, they can spike to 40 or even 50 percent, according to Rehman Baig, Chief Product Officer at FlexFactor. "Some of that is legitimate fraud," Baig noted. "But there's also a large share of recoverable transactions being turned away unnecessarily."

Technology Trends Reshaping the Sector

In response to the challenge, the industry is shifting from rule-based, sequential transaction retries toward real-time, intelligence-driven recovery strategies. AI systems such as FlexFactor's can now automatically analyze hundreds of millions of transactions, applying predictive modeling and behavioral insights to determine whether a declined payment is actually valid and then approve it instantly. This change addresses one of the most persistent inefficiencies in digital commerce.



Rehman Baig, FlexFactor

"It's not just reacting to a decline," Baig explained. "It's using real-time intelligence to make a confident approval decision before the customer ever sees an error message."

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Michael Rokos, Spreadly

These advances are occurring alongside other powerful shifts in the digital payments sector. Merchants, stated Rokos, increasingly want flexible, open payment ecosystems that allow them to combine multiple gateways and integrate value-added services without costly re-engineering. Payment providers are consequently working to build infrastructure that can support expansion into new regions while maintaining compliance with diverse regulations and card-network rules. In a world

where consumers expect seamless shopping, a smooth, frictionless checkout has become just as critical to brand loyalty as product selection or price.

The Role of Open Payment Platforms

Spreadly's platform exemplifies the industry's move toward greater interoperability. The company allows merchants to connect to more than 150 payment gateways worldwide, add services such as fraud scoring or decline recovery, and adjust their payment routing strategies to suit local market conditions. This is important for organizations that have a multi-geographic footprint, or are moving into new international markets.

"It was important for us to create a situation in which you don't have to lift and shift your entire infrastructure to enter a new market," Rokos said. "You can connect to the right local gateways and maintain leverage by not locking into a single vendor."

This flexibility makes it possible for merchants to integrate decline recovery and prevention services from FlexFactor with minimal disruption. The combination of open orchestration and AI-driven decisioning offers a way to raise approval rates while also improving operational agility and reducing risk.

Moving Beyond Compliance a Market Imperative

PCI Level 1 compliance, adherence to Visa and Mastercard network rules and alignment with local laws are essential for any provider seeking global scale.

Both Spreadly and FlexFactor operate at PCI Level 1 and maintain active relationships with card networks to ensure compliance. "Compliance isn't optional," Baig stressed. "It's table stakes for being able to deliver this at scale, whether you're processing in the U.S. or across borders."

Compliance considerations are especially important in cross-border commerce. According to Baig, false positive decline rates tend to be significantly higher on international transactions because acquirers are more risk-averse. AI-driven systems can help recover many of these transactions without violating network rules or assuming unacceptable fraud risk. For merchants looking beyond their home markets, this capability provides a meaningful growth lever.

Strategic, Operational and Financial Implications

The implications associated with AI-enhanced transaction approval systems are significant. From a strategic perspective, merchants who are early adopters can now treat payment optimization as a source of competitive advantage. By recovering transactions that competitors are losing, they can capture incremental revenue without increasing marketing spend or making product changes. Operationally, automated real-time recovery removes much of the burden associated with exception management and reconciliation. Financially, recovered transactions flow directly to the bottom line and often produce measurable top-line gains.

"When you tell a CFO they can grow revenues without changing their product profile, their marketing spend or their acquisition strategy, their eyes light up," Baig said. "This becomes board-level content very quickly."

Sector-Specific Opportunities

Certain sectors are especially well-positioned to benefit from AI-driven payment recovery. Subscription-based businesses, from streaming services to subscription boxes, can see a disproportionate lifetime value impact from saving even a single renewal. Digital goods, including gaming and crypto merchants, which face higher fraud-prevention thresholds, can also recover legitimate sales that might otherwise be lost to overly cautious risk models.

Retail and general e-commerce players benefit not only from preserved revenue but also from improved customer experience. A smooth checkout can turn a first-time buyer into a loyal customer, amplifying the value of each recovered transaction.

In a competitive global market where acquisition costs are rising and margins are tightening, digital payment systems are becoming more than just a transactional utility. They are strategic platforms for growth. AI-powered decline recovery is one of the sector's most promising tools, and its adoption may soon separate the leaders from the laggards in the next phase of digital commerce.

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