Unlock the full potential of recurring account-to-account payments

Recurring payment set up ✓

Payment sent

Payments – the cornerstone of society

In today's highly digital society, few things are as essential to our daily lives as payments. At first glance, this might be hard to recognise but ask yourself how frustrated you'd be if you ordered your morning coffee and were told to take a seat while they 'process' your payment. By the time it goes through, your coffee's cold and your patience is gone.

Whilst payments are the backbone of our economy, they are, like so many aspects of our life, constantly evolving. Take contactless as an example. Ten years ago, there was concern and uncertainty about the risk of tapping and waving your card to pay, but fast forward to 2024:

Over

90%

of all in-store purchases are now made in this way.[1]

And

70%

of all online purchases in 2023 were made through a mobile phone.[2]

The driving force behind this is technology, and of course consumer demand. As their expectations continue to grow, so too does the list of solutions and options – all aiming to be the consumer's preferred choice by offering a unique, seamless, convenient, and secure payment experience.

Indeed, these requirements are quickly becoming table stakes in the mind of the consumer.

The emergence of account-to-account (A2A)

A2A payments refer to a direct transfer of funds from one bank account to another. And they aren't entirely new either, with methods like Direct Debit and bank transfers having played a key role in the payments landscape for decades.

However, the advent of open banking has brought renewed energy to A2A, enabling the emergence of new, secure, real-time digital payment methods such as pay-by-bank.

For this reason, our whitepaper will focus on those real-time A2A payments, powered by open banking and often referred to as 'pay-by-bank'.

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The recent growth of A2A has been impressive. In the UK, real-time A2A payments (RTP) have taken root, and transaction volumes are forecast to grow at a notable 14% p.a., each year from 2023 to 2027.[3]

Globally, this trend is even more pronounced. The consumer A2A market is forecast to rise from 60 billion transactions in 2024, to over 185 billion by 2029, marking a 209% increase.[4]

60bn 2024

>185bn 2029
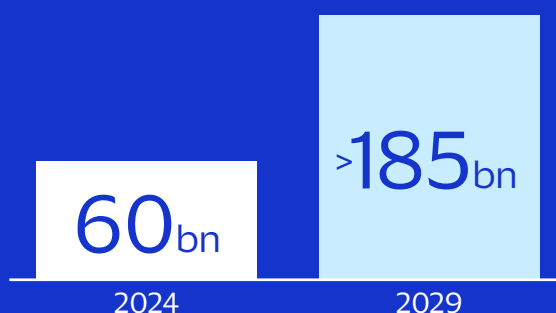
Open banking has been a key enabler of this growth by unlocking new possibilities in two ways:

01 Allowing payment providers to access consumer-permissioned data like transaction histories, spending patterns, and account details

02 Empowering third parties to initiate payments on behalf of consumers.

This means that third party technology providers can now initiate A2A transactions with ease, using rich data to tailor the customer experience in ways that previously weren't possible.

As a result, A2A has seen strong adoption in peer-to-peer payments, particularly for one-off, high-intent transactions and occasional eCommerce purchases.

However, as consumer expectations shift and recurring payments like subscriptions grow in prominence, key challenges must be addressed for A2A to become a seamless, go-to payment choice across all scenarios.

Four key challenges standing in the way

Despite there being a clear opportunity for further growth and expansion, the A2A system is constrained from expanding into recurring payments like subscription services and utilities, and high-value retail by a series of inherent weaknesses, and many of these were confirmed by the findings of Visa's latest Voice of the Merchant report.

In this, businesses across all sectors voiced their need for smoother payment operations, greater consumer protection, and consistency.

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The challenges in A2A payments aren't just technical; they're real hurdles that affect the wider ecosystem, which if left unaddressed will create friction and act as a brake on further growth and use case expansion. These challenges can be categorised under four headings:

01

Use case coverage

Today, recurring payments are dominated by Direct Debit. However, whilst it's widely used, merchants are often frustrated with delays from:

- ❌ Failed payments
- ❌ Manual interventions
- ❌ Inefficiencies in reconciliation

Recurring A2A payments, powered by variable recurring payments (VRP), present an opportunity to overcome these limitations by offering benefits like:

- ✅ Real-time fund availability
- ✅ Enhanced customer control over budgets
- ✅ Faster settlement
- ✅ Smoother user experiences

However, to better compete with traditional methods, recurring A2A payments require critical capabilities such as mandates, automated payment flows, seamless one-click (or no-click) experiences, real-time adjustments, and efficient dispute resolution – features current A2A systems cannot fully support.

Without addressing these gaps, recurring A2A payments will remain constrained, limiting adoption in subscription services, utilities, and high-value retail.

Overcoming these barriers would unlock A2A's potential as a compelling alternative to traditional methods, transforming its reach into everyday payments and driving broader adoption across industries.

02

Consumer protection

For A2A to thrive, consumers need the reassurance that, if something goes wrong, it will be easy to resolve the issue, without hassle, stress, or delay.

Pay-by-bank has excelled in offering real-time payments for one-off transactions, but consumer protections can still vary, especially when you introduce recurring payments.

Regardless of the use case and payment type, consumers want assurance that they can resolve disputes quickly, easily, and with the same confidence they associate with established methods like cards. Without a robust framework for liability and dispute resolution, both merchants and consumers face uncertainty, particularly in high-value and subscription-based transactions.

Merchants are hesitant to offer recurring A2A payments without clear protections in place, as unresolved disputes can harm their reputation and operations.

To expand beyond single-instance payments, A2A must deliver:

🛡️
A comprehensive consumer protection framework

🎧
Dispute resolution mechanisms backed by a trusted brand

☑️
Clear liability rules

⚠️
Fraud safeguards.

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03

Consistent user experience and technology standards

As mentioned earlier, open banking has been transformational for A2A payments. It has enabled consumers to initiate a payment in a seamless, efficient way – without the need to manually enter banking credentials. This innovation has improved accessibility and has been pivotal in simplifying one-off payments.

But recurring A2A payments introduce complexities that current systems aren't equipped to handle. Persistent consent, mandate management, and recurring payment flows require standardised user experiences and seamless technical integration, which are currently fragmented across providers and financial institutions.

It means that PISPs and payer financial institutions face the challenge of managing multiple technical configurations and negotiating one-to-one bilateral agreements. This directly creates operational complexities and inconsistent user experiences, as each interaction can differ in design and functionality.

Additionally, it means high upfront and ongoing costs, and makes it difficult for any participant to operate efficiently at scale.

Visa's Voice of the Merchant study also highlighted that merchants are eager for greater payment efficiency and automation, especially in those recurring payment sectors, such as utilities and telecoms where Direct Debit remains the prevalent method. Here, inefficient processes, like failed payments, require significant manual intervention, hinder cash flow and add unnecessary friction to payment management.

To unlock the full potential of recurring payments and encourage broader adoption, A2A systems must address these inconsistencies by creating interoperable frameworks and unified API standards that deliver a smooth, reliable experience for both consumers and merchants.

04

Commercial model

While current A2A pricing models offer flexibility for single-instance payments, recurring payments introduce additional challenges. Managing persistent consent, liability frameworks, dispute resolution, and operational training increases costs, making it harder to launch and scale if the revenue model does not cover investment and operating costs.

Recurring A2A payments require a commercial model that incentivises investment in these capabilities while remaining affordable for merchants and PISPs.

However, the lack of predictable revenue opportunities for ecosystem participants limits scalability and discourages adoption.

Without clear value-added services, such as mandate flexibility and consumer protections, or the potential for rapid customer adoption, stakeholders may deprioritise new use cases, further stalling the growth of recurring A2A payments.

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Realising the value of a streamlined, secure A2A operating system

Imagine the possibilities if these barriers were removed and the benefits that could be unlocked for all participants in the payment landscape:

Expanding use cases

Widespread adoption is key to unlocking scalability in A2A payments. By addressing current challenges and driving confidence in recurring A2A payments, it can break out of niche applications and open new opportunities in sectors such as eCommerce, subscriptions, and utilities – where faster, more flexible payment options are in high demand.

With capabilities like seamless mandate creation, flexible control over recurring payments, and robust consumer protections, A2A can become the default payment choice.

Strong consumer trust

Establishing robust protections, including clear liability frameworks, efficient dispute resolution, and backing by an established, trusted brand, ensures consumers feel confident using recurring A2A payments. These assurances would drive trust in merchants, reduce friction in transactions, and encourage widespread adoption.

Standardised experiences

Unified API standards and consistent mandate workflows would reduce complexity for PISPs and merchants, enabling seamless integration across industries. This would create smoother recurring payment experiences for consumers, such as one-click subscription renewals or automated utility payments.

Sustainable commercial model

Scalable revenue structures would incentivise investment in recurring payment capabilities. By addressing unmet merchant and consumer needs, this can unlock opportunities to expand revenue streams, supporting long-term growth and recurring payment scalability. Aligning value-added services like flexible mandates and robust consumer protections with predictable costs ensures value for all ecosystem participants.

A more inclusive ecosystem

A more connected A2A network would reduce costs, drive innovation, and improve financial inclusion – benefiting businesses and consumers alike with modern, efficient recurring payment options.

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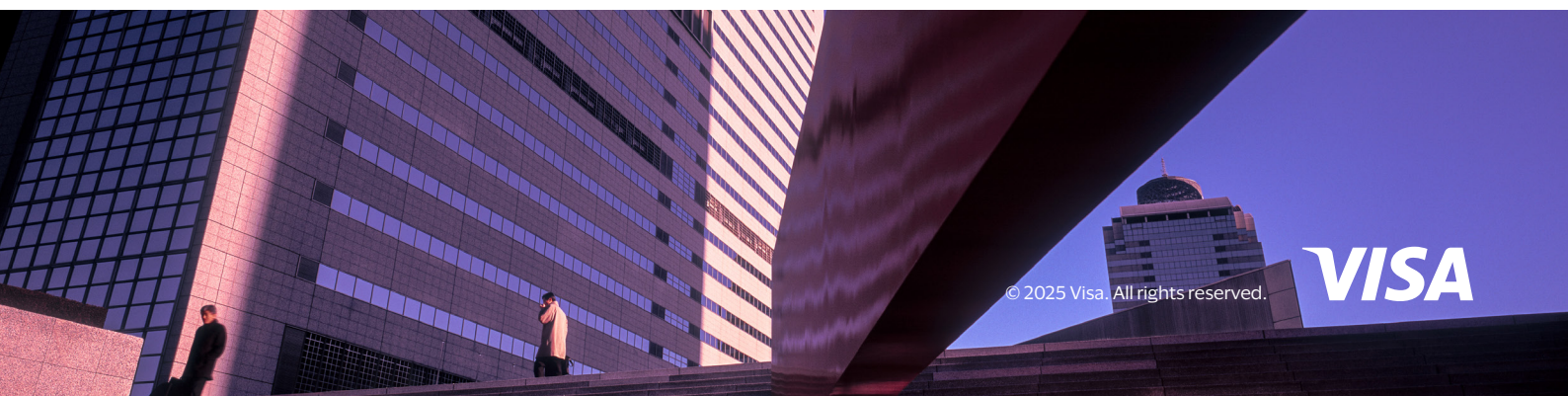
So, what will it take?

A few years ago, the idea of recurring A2A payments as a credible alternative to traditional methods seemed out of reach. Today, it's a realistic goal – but only if the key challenges are addressed.

Addressing these challenges will require five foundational pillars to be in place:

User experience
Seamless and consistent experiences enabled by clear technology and UX standards.

Rulebook
A comprehensive framework to ensure interoperability and set clear expectations.

Disputes
Robust fraud prevention with clear liability frameworks that govern mandates, dispute resolution, and protections, creating trust and certainty for all ecosystem participants.

Commercial model
A sustainable structure that incentivises long-term ecosystem growth.

Operating model
Efficient lifecycle support that simplifies processes and scales with demand.

These pillars aren't easy to achieve, but they are proven and have been done before. Establishing them will rely on collaboration across the ecosystem – creating working standards that work for all parties, not a few. It is an ecosystem play, not a competitive one.

With alignment across all stakeholders, recurring A2A can evolve into a secure, scalable, and innovative payment solution, redefining how we transact in the future.

Want to learn more about what Visa is doing to transform the A2A payments landscape?

Get in touch now ›

Sources: (1) https://www.forbes.com/councils/forbestechcouncil/2024/09/04/the-rise-of-contactless-payments-how-its-disrupting-the-way-payments-are-made/
(2) https://gauss.hr/en/mobile-e-commerce-statistics
(3) Visa Data 2023
(4) Juniper Global A2A Payments 2024 – 2029 marketing trends strategies

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