



# THE TIME IS NOW

5 scenarios where  
open banking payments  
can accelerate growth

### What exactly is in this guide?

The TrueLayer team of payment experts explore the hidden dangers that could be costing you money and hindering your growth. We also explain how adding open banking payments to your checkout can help mitigate these challenges and accelerate your growth.

### Who is this guide for?

This guide is for anyone keen to understand more about ecommerce payments and how alternative payment methods can benefit your brand. If your job title is similar to head of payments, head of ecommerce, head of finance, head of procurement or head of revenue operations, you'll probably find this guide particularly useful.

## Be ahead of the curve, not behind the times



**Michael Brown**

Head of Ecommerce,  
TrueLayer

### “Open banking payments sound interesting, but why now?”

This question — or some variant of it — is something I hear quite often.

Ecommerce merchants understand **why** open banking payments will benefit their payment operations: lower operating costs, higher payment acceptance, no chargebacks, drastically reduced fraud, to name a few. But, understandably, making that leap from interest to action, for any new payment method, is an entirely different prospect.

You might also recognise the issues of card payments in your own payment operations: SCA and 3DS2 hampering conversion, high failure rates, costly card fees, poor checkout experiences — all built on top of a payment method that was designed for the physical world. But again, you’ve been grappling with these issues for years, so what’s the tipping point that will spur action?

We’ve spoken to payment teams from hundreds of ecommerce businesses, from the fast-growing SMEs to global enterprise brands. We’ve seen every possible spark that causes a business to see the need for an alternative payment method to card payments, to help them grow more quickly or reduce their cost burden.

And one thing that always strikes me is how often we see these scenarios when they’ve *already* become such a pressing issue, the merchant no longer has the luxury of choice. They’ve got to act now.

Spotting these hidden dangers early will give you the time to implement a new payment method at checkout in the most effective way possible.

This guide covers exactly that: five scenarios — five hidden dangers that should make you sit up and put open banking payments on your roadmap.

The only question is, are you going to be at the front of the queue for open banking payments — where you’ll be best-placed to influence advancements in any new innovation — or in the later majority, getting the mass-produced version?

# Your open banking payments journey

The ever-evolving ecommerce payments landscape is both an opportunity and a challenge. The regulatory picture is shifting, while technology is advancing at a rapid rate. Finding both the right payment methods for your checkout, and the trusted partners who can help you make it a reality, is tricky.

**That's why for open banking payments, we've split the journey into five stages:**

1

## WHAT

**What are open banking payments?**

Need an open banking payment 101? Read our comprehensive [guide to open banking](#), how it works, and what it means for [account to account payments](#).

2

## WHY

**Why would you and your customers benefit from open banking payments?**

Explore the benefits of open banking [for your customers](#) and [for your business](#). And crucially, [chart the adoption of open banking in the UK and across Europe](#).

3

## WHEN

IN THIS GUIDE

**Why would you and your customers benefit from open banking payments?**

Unpack the five key scenarios that should prompt you to take action, and add open banking payments to your checkout, so you can both increase your payments growth and improve operational efficiency.

4

## HOW

**How do you choose the provider that can build the right open banking payment experience for your business?**

Read our [buyer's guide to open banking payments](#), complete with every stage of the buying process, 25 questions to ask potential providers, and a checklist to build your own open banking RFP.

5

## WHO

**Is TrueLayer the right provider for your brand's unique use case and challenges?**

Is TrueLayer the right provider for your brand's unique use case and challenges? Find out more about [how we help ecommerce businesses](#) upgrade their checkouts, drive loyalty and win more sales. Or find out [how high-growth businesses are already using TrueLayer](#).



# The 5 hidden dangers in your payment experience

After thousands of hours talking to — and working with — payments leaders at some of the world's biggest, most recognisable and most forward-thinking companies, we've been able to categorise the most common challenges into five recognisable scenarios. Broadly speaking, these examples either hinder your customer acquisition and retention or add to the costs of operating online payments. Some do both.

<b>1</b>	<b>Your customers are frustrated by the complexity (and length) of your checkout</b>	<b>6</b>
<b>2</b>	<b>You're having trouble with rising chargebacks</b>	<b>9</b>
<b>3</b>	<b>Your refund experience isn't up to customer expectations</b>	<b>12</b>
<b>4</b>	<b>Card fees and operational costs are dragging you down</b>	<b>15</b>
<b>5</b>	<b>Your current payments stack is too fragile</b>	<b>18</b>

## For each scenario, we'll cover:

- What the exact problem is
- How you can spot it in your business
- Why it's potentially so damaging
- How open banking payments can help tackle these challenges

### Open banking payments: what's in a name?

Throughout this guide we refer to the concept of open banking payments. In an open banking payment, financial institutions allow trusted and regulated third parties to access accounts and initiate payments with the customer's permission directly from their bank account.

You may also know this payment method as *instant bank payments*, *instant bank transfers*, *bank to bank payment* or *pay by bank*.



# 1

**Your customers  
are frustrated  
by the complexity  
of your checkout**



We're seeing a [constant rise](#) in the popularity of online shopping. But consumers also increasingly expect payment experiences that reduce the amount of manual input they need to worry about at checkout.

Typing in card payment details, including the 16-digit card number, expiry date and CVV code are prime examples of when your customers can get frustrated.

## How can you spot this in your own business?

Spot customer dissatisfaction in your checkout journey by looking for drop-off during payment conversion. At TrueLayer, we would define end-to-end payment conversion\* as:

$$\text{PAYMENT CONVERSION RATE} = \frac{\text{TOTAL \# OF SUCCESSFUL PAYMENTS}}{\text{TOTAL \# OF ALL PAYMENT ATTEMPTS (POST-PAYMENT METHOD SELECTION)}} \times 100$$

Where specifically do you see the **biggest drop-off**? As card payments have an average of 10+ steps and can take about a minute to complete (along with error-prone manual entry and redirects), there are plenty of opportunities for users to willingly give up on the payment.

## Why is this so dangerous?

User drop-off is one thing if the user gets frustrated, but ultimately shops with your brand again in the future. But consumers are not afraid to take their business elsewhere if your payment experience doesn't measure up. In a [survey of more than 4,000 consumers](#) we found that:

87%

of consumers are frustrated with payment experiences

73%

say that slow or frustrating payments will make them abandon their purchase

49%

say they will avoid payment methods that involve typing payment details

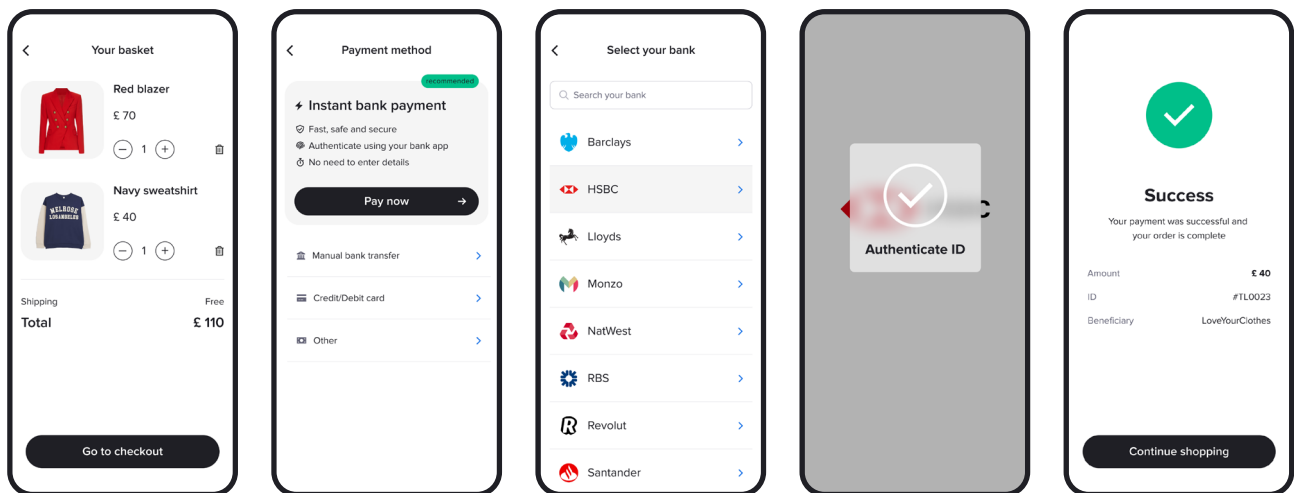
In short, a fast, smooth and secure payment experience is the key to winning customers and growing your business. Unfortunately, most brands don't measure up to consumer expectations.

\* Strictly speaking, there are edge cases where this definition may be slightly different. But in the interest of brevity, this calculation will apply in the vast majority of cases.

## How open banking payments can help fix the problem

Open banking payments strike the right balance of security and convenience. They're inherently secure and the user flows have been refined to make it easy for customers to pay this way. They typically involve 5-7 steps to make a payment compared with 10+ on card.

While conversion rates differ across industries, use cases and countries, there are active, high-volume TrueLayer ecommerce merchants with end-to-end payment conversion rates of over 85%.



A typical example of an open banking payment flow.

### KEY TAKEAWAYS

- End-to-end payment conversion rate will uncover if your customers think your payment journey is too long or complex
- Card payments have 10+ steps and involve significant manual input, likely leading to user drop off
- 73% of your customers will abandon a purchase if they need to input too many details at checkout
- Open banking payments by TrueLayer have ~5-7 steps and can result in payment conversion rates of 85%+



# 2

**You're having  
trouble with  
spiralling  
chargebacks**



**Chargebacks** are the reversal of a debit or credit card payment. Unlike normal refunds, where the customer is the party requesting a refund, chargebacks result in the customer's bank taking the money on the customer's behalf.

According to the [JUSTT 2023](#) report on chargebacks, 77% of UK shoppers filed at least one chargeback in 2023. Worryingly, 28% said they filed six or more.

## How can you spot this in your own business?

The [UK's chargeback rate is 0.52%](#), meaning approximately 1 in every 200 payments will result in a chargeback. Is your chargeback rate higher than that average? Even if your payment service provider offers chargeback protection, that provider will have an annual limit on what you can claim. Merchants processing high volumes of payments can quickly reach that limit. Merchants with high average order value (£500+) spend an average of [£235,000 each year](#).

In short, if your chargeback rates are higher than the average, steadily increasing, or costing your business a considerable amount of money to settle or dispute, then it should be a cause for concern.

## Why is this so dangerous?

In addition to the cost of a lost sale when a customer initiates a chargeback, there are several other long-term costs to your business.

There are the **operational and logistical** costs that come with processing and shipping orders, which are never reimbursed if lost due to a chargeback.

There's the lost **inventory** cost, the **chargeback fee** charged by the acquiring bank, and the costs of **monitoring programs** if your chargeback rate is considered too high by your card network.

When you add all these costs up, estimates suggest a business needs to make a sale *eight times over* to recoup the cost of a single chargeback.

## How open banking payments can help fix the problem

[Open banking payments](#) are an alternative to card payments, which eliminate the chargeback process completely. They also have [strong customer authentication \(SCA\)](#) baked in and payments settle instantly. Customers still benefit from relevant [consumer rights and protections](#) to make sure their purchases are safe and secure.

### KEY TAKEAWAYS

- Over three-quarters of all UK shoppers filed at least one chargeback in 2023
- Chargebacks incur lost revenue, fees and many more associated costs
- Open banking payments eliminate the chargeback process entirely, while still offering SCA and relevant consumer protections



# 3

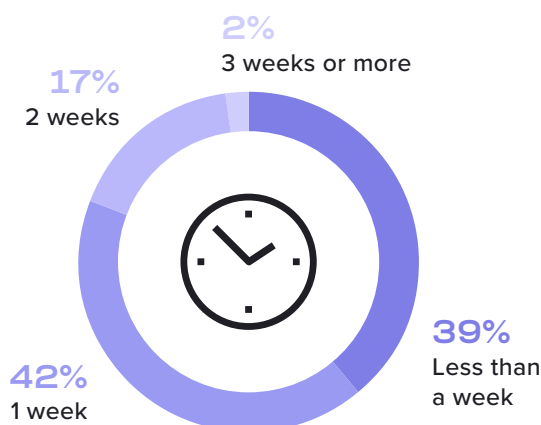
Your refund  
experience isn't  
up to customer  
expectations



Refunds are now basically table stakes. [81% of consumers expect refunds in one week or less](#). 2 in 3 customers choose to shop with a brand based partially on refund times.

Refunds can help build long-term loyalty, and it's not a great leap to recognise that if a consumer knows they can make a refund easily, they're less likely to start a chargeback claim if their purchase didn't match their expectations.

## How long are shoppers happy to wait for a refund?



**81%**

of shoppers expect a refund from an online purchase in one week or less

## How can you spot this in your own business?

How long does it take to process a return and refund to your customer? Is it longer than a week? Bear in mind, the customer doesn't necessarily make the distinction between processing the return and your brand paying the money out. Do you typically make payouts using card payments? Card-based refunds can take up to five days.

## Why is this so dangerous?

For many retail brands, including fashion brands — and even food and grocery delivery — a seamless refund experience is vital to your operations. If the promise of quick and simple refunds are key to your brand promise, then failing to live up to that brand promise puts customer loyalty at risk. 2 in 3 shoppers say the time taken to receive a refund is an important factor affecting their decision of whether or not to shop on that website again.

## How open banking payments can help fix the problem

[Instant bank payments](#), as the name suggests, allow customers to pay for goods, and you receive those funds instantly. To further improve the end-to-end payment journey, open banking payment providers (like [TrueLayer](#)) have built on top of open banking functionality to enable **instant** refunds, meaning even your most demanding customers can get their money back in a time that meets their expectations.

### KEY TAKEAWAYS

- 81% of your customers will expect a refund in one week or less
- Understand how long a refund will take for each of your existing payment methods
- 2 in 3 shoppers see refund time as an important factor in choosing which ecommerce brands to shop with
- Open banking payments — combined with added refund functionality — can help you enable instant refunds for your customers



# 4

**Card fees and  
operational costs  
are dragging  
you down**



**Why are card payments so expensive? It's easy to paint the card networks as greedy goliaths that can charge what they want. But while Visa and Mastercard are both [reportedly planning fee increases](#), it's the amount of parties that are involved in each card transaction that add to that [overall cost](#).**

For each card payment, there is — of course — the customer and the merchant, in addition to the payment gateway, issuing bank, merchant bank (acquirer), a payment processor for each bank, the card network, and often a fraud solution, too.

## How can you spot this in your own business?

Do you know the exact cost of a card payment to your business? Many of these actors within a card transaction charge a fee for one or more services. It will inevitably vary by provider, but [charges associated with card payments](#) look something like this:

<b>Merchant Service Charge (MSC)</b> .....	0.25%–3% depending on card type and card issuer
<b>Interchange fees</b> .....	0.2% for debit cards and 0.3% for credit cards
<b>Card-not-present transaction</b> .....	varies, but will be more expensive than other transactions
<b>Minimum Monthly Service Charge (MMS)</b> .....	£5–£25 per month (when a minimum threshold isn't met)
<b>Online payment gateway fees</b> .....	varies, but typically £20–£75 pm for hosted checkout pages
<b>Authorisation fees</b> .....	1–3p per transaction
<b>PCI compliance fee</b> .....	£2.50–£5 per month
<b>Chargeback fee</b> .....	£10–£20 per customer chargeback
<b>Setup fee</b> .....	up to £150 at the start of any contract
<b>Early cancellation fee</b> .....	typically £115

## Why is this so dangerous?

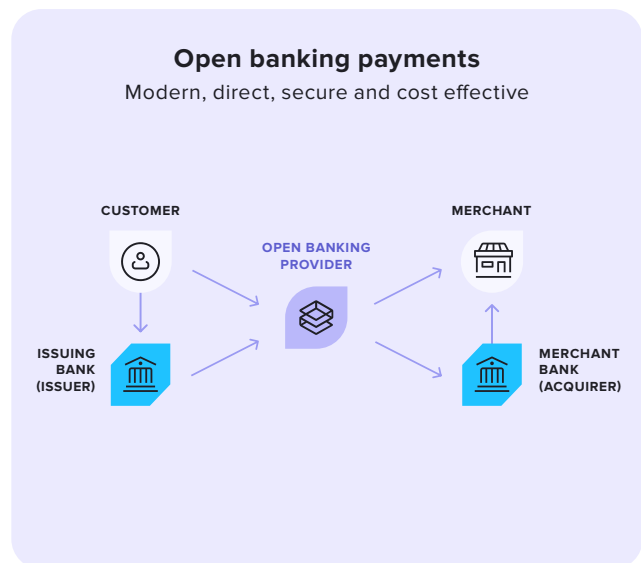
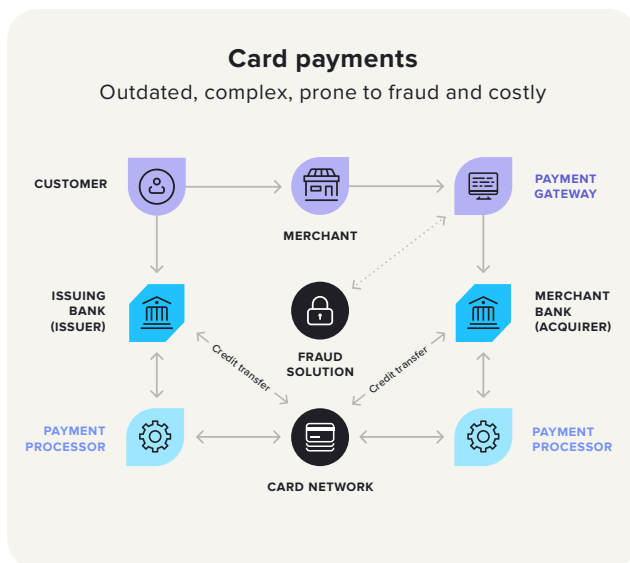
In early 2024, the Payment Service Regulator (PSR) shared [concerns](#) that Mastercard and Visa have likely raised fees to an unduly high level, at the expense of UK businesses. At a time when consumers are tightening their belts, losing more revenue to payment providers can sting.

Associated costs, like [chargeback fees](#), administrative costs, lost revenue from failed payments and churn, can all be impacting your bottom line.

## How open banking payments can help fix the problem

Open banking payments are typically more cost-efficient because of the much simpler model of parties involved in a transaction: the customer's bank, the merchant's bank and the open banking provider.

When you add in other advantages like the lack of a costly chargeback model, high [payment acceptance](#) and conversion rates (meaning less time chasing up failed payments and lost customers), open banking payments represent a strong option.



### KEY TAKEAWAYS

- Each card payment includes seven or more actors, many of whom charge you — the merchant — a fee for their services
- During an economic downturn, losing larger and larger chunks of a sale to card payment fees can impact ecommerce businesses
- Open banking payments are typically more cost-efficient due to the much simpler model of parties involved in a transaction



# 5

Your current  
payments stack  
is too fragile



**You've probably heard the term 'future-proofing' many times before. But what does it actually mean? And how do you know any decision will actually make your brand future proof?**

One way of thinking about future proofing your payments stack is resilience. Resilience is about reducing the likelihood that a single payment method, whether through fee hikes or prolonged downtime, can significantly impact your ability to convert customers and collect payments.

“

I think the online paying experience is going to get a lot more diverse... my job is to make sure we offer the full complement of payment methods to customers in the best way possible. Bank payments are part of that, and a huge area for growth.

**MEGAN BRAMLETTE**

**Director of North America & EU Payment Acceptance at Amazon,**  
speaking to TrueLayer at Money 2020

## How can you spot this in your own business?

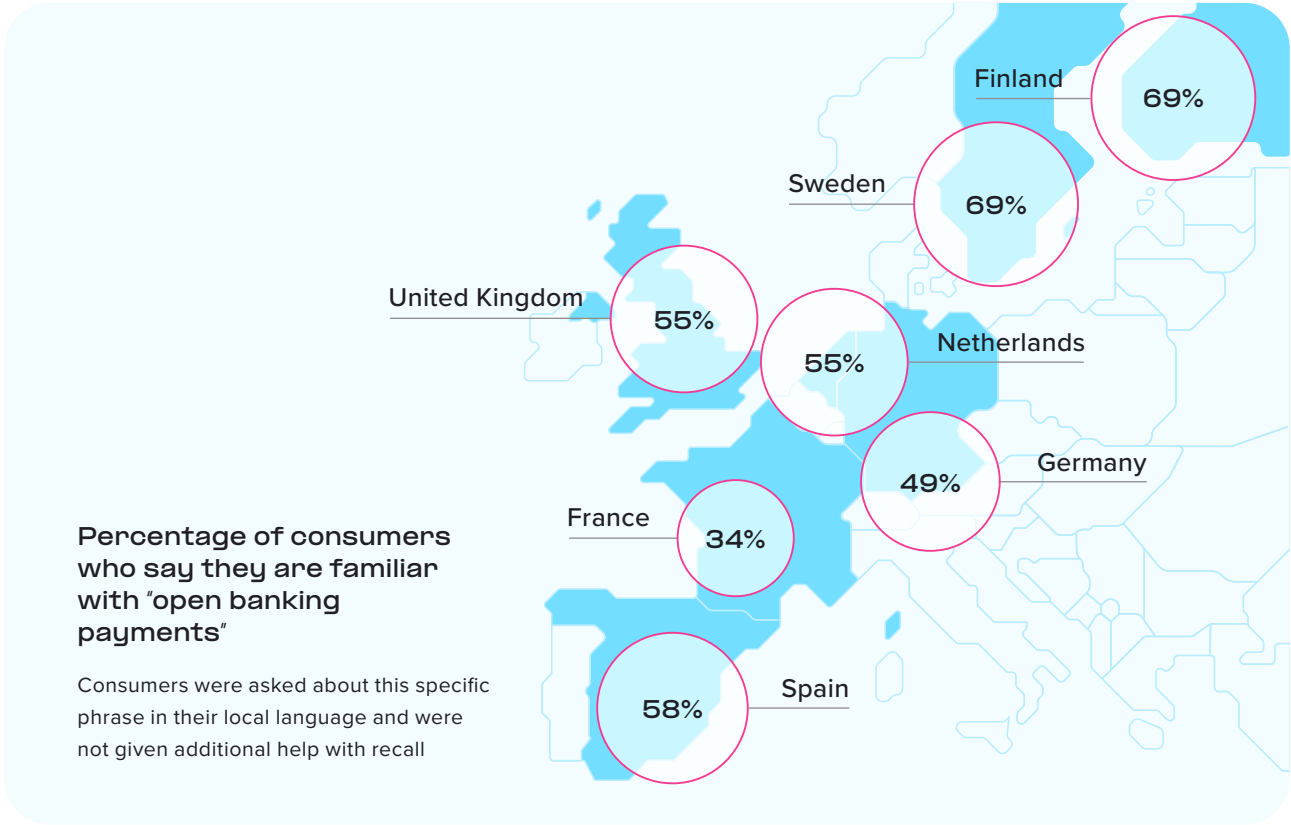
Simply put, where are your payment operations fragile? Do you rely on one payment method for all transactions? What would happen if the costs of managing that payment method suddenly increased, or if a period of downtime caused that payment method to be unavailable?

## Why is this so dangerous?

If one 'break' in your payment journey would be frustrating, but you could easily reroute customers to a different path in that journey, your payment operations are resilient. If it would cause you to lose significant sales or even lose customers, then your payment operations are fragile.

## How open banking payments can help fix the problem

A best-in-class checkout is a diversified one. And a diversified checkout is a resilient one. Alternative payment methods are gaining traction and popularity among your customers. 55% of UK consumers are familiar with open banking payments, and 61% say instant bank payments sound trustworthy.



**As of November 2023, 11% of the UK population are active users of open banking** and there were 13.6 million successful open banking payments in the UK in December 2023 alone.

Other alternative payment methods, like buy now pay later (BNPL) and digital wallets are also gaining popularity, but many of these are still built on card payment rails, so don't necessarily make your payment stack more resilient.

## KEY TAKEAWAYS

- A resilient payment stack will reduce the likelihood that issues affecting a single payment method can significantly impact your ability to convert customers and collect payments
- Diversifying your payment methods will increase your payment resilience
- Open banking payments are growing in popularity across Europe, with 69% of Swedish consumers, 58% of Spanish consumers and 55% of UK consumers familiar with open banking payments



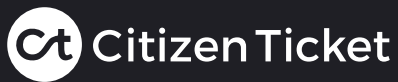
# Ready to upgrade your checkout with TrueLayer?

Instant bank payments can help you drive sales, build loyalty and offer a more secure way to pay.

Five ways TrueLayer can help your business grow, increase customers satisfaction and improve operational efficiency:

- 1 Streamline your checkout and boost sales**  
Reduce drop-offs at checkout with natively integrated SCA and no manual data entry.
- 2 Minimise chargebacks**  
Protect customers with greater security and virtually eliminate chargeback costs.
- 3 Offer instant refunds**  
Offer customers account to account payments and refunds that settle in seconds.
- 4 Cut payment fees and operational costs**  
Reduce transaction and operational costs. Remove payment intermediaries and their associated costs.
- 5 Build a more resilient checkout**  
Diversify your checkout with an increasingly popular alternative to online card payments.

## CASE STUDY



Instant, verified bank payments that cost less

96%

decrease in  
chargebacks

40%

savings in payment  
processing fees

1 in 4

transactions use  
TrueLayer payments

“

TrueLayer is a lean-in to the future, a modern solution. We believe that, in the future, bank-to-bank transactions could even surpass traditional card processing mechanisms.

**HARRY BOISSEAU**  
CEO | Citizen Ticket

## TALK TO US

We're here to help you make the most of open banking payments.

[GET IN TOUCH](#)

