



Faster Payments and Financial Inclusion:
Are faster payments financially inclusive? Financial institutions indicate more work needs to be done.

During the third quarter of 2023 the U. S. Faster Payments Council Financial Inclusion Work Group fielded a survey that had been developed by its survey subgroup earlier in the year. The intent of the survey was to measure the commercial and product features to better understand readiness and preparation for faster payments solutions for financial inclusion. Respondents were asked to categorize themselves into one of the following groups:

1. Financial Institution (FI) – banks, credit unions
2. Payment Provider (non-FI) – entities which facilitate the use of payment networks and/or provide consumer-facing payment methods
3. Business/Merchant – entities that initiate and/or accept consumer payments
4. Other – all entities who do not handle consumer payments

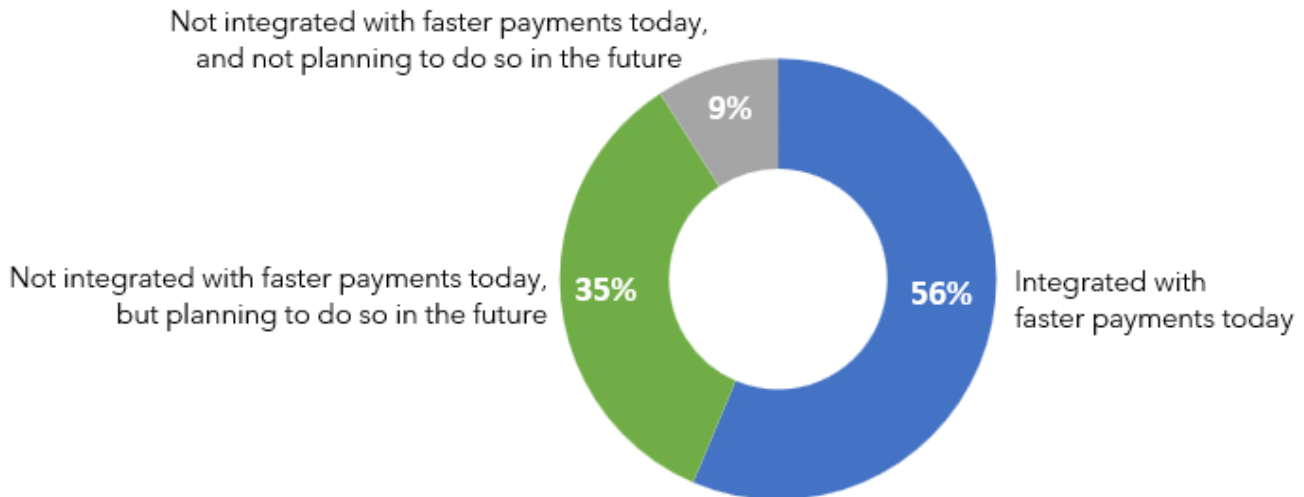
The survey questions were developed to assess industry status against “pain points” to financial inclusion in faster payments that were identified in the U.S. Faster Payments Council’s “Faster Payments and Financial Inclusion White Paper.”¹

The survey was in the field for four weeks, deployed through numerous channels. At the end of the period there were a total of 88 responses:

Category	Responses	% Total Responses
Financial Institution (FI) – banks, credit unions	55	63%
Other – all entities who do not handle consumer payments	18	20%
Payment Provider (non-FI) – entities which facilitate the use of payment networks and/or provide consumer-facing payment methods	12	14%
Business/Merchant – entities that initiate and/or accept consumer payments	3	3%
Grand Total	88	

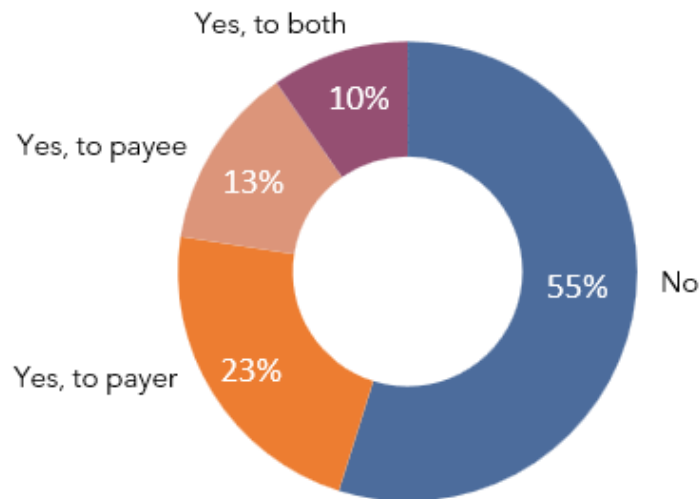
With 63% of the responses from FIs, the analysis focuses on that segment² and related questions. The questions discussed below are a subset of the full survey that is relevant to the segment (FIs) on which the survey focused.

Are you integrated with faster payments today? If no, are you planning to do so in the future?



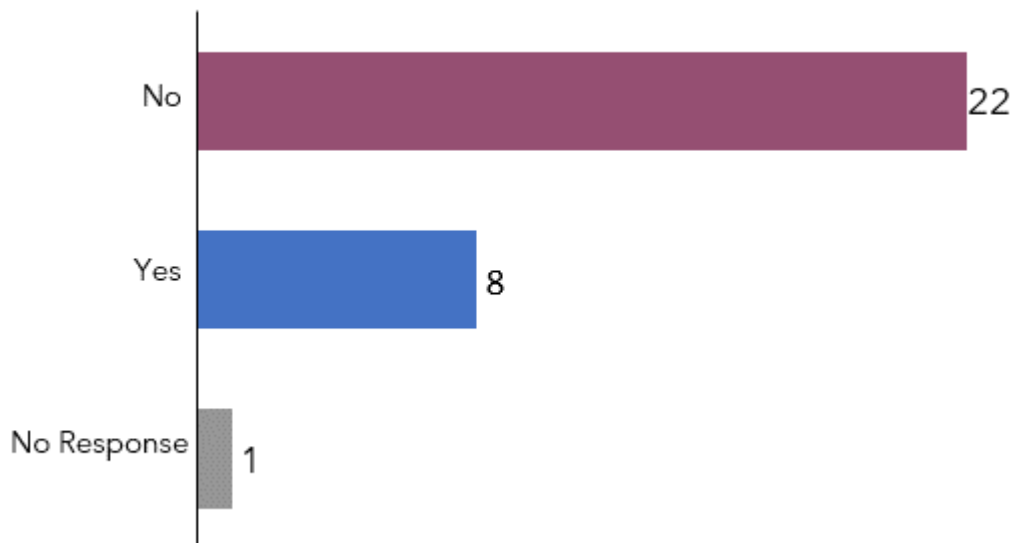
A majority (56%) of the survey respondents are currently offering faster payments with an additional 35% planning to offer faster payments in the future. This indicates that the FI segment is highly engaged in deploying faster payments, and consequently now is the time to increase awareness of how to increase financial inclusion in deployed and planned products.

Are you charging fees for usage of a faster payments network?



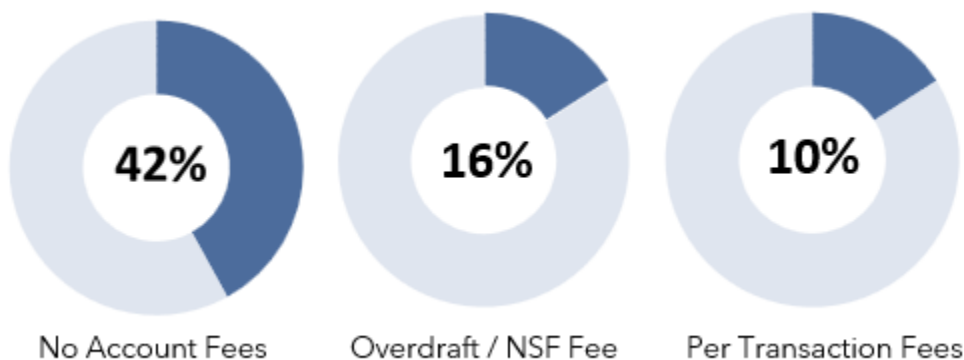
Fees paid by consumers to use a faster payment, as a sender or as a recipient, vary widely, starting from zero with some FIs. 10% of respondent FIs are currently charging for both sending and receiving an instant payment, with 23% indicating charging a fee to send and 13% indicating charging a fee to receive. Fees to send bill payments using alternative non-bank payment methods tend to be relatively high when compared to banks, with customers indicating that cash flow constraints or trust may play a factor in their payment choice.³ This may be an area of opportunity for FIs to explore marketing their faster payment products as solving those issues. This marketplace may also indicate what fees users are willing to pay for speed, transparency, and trust.

Do you offer cross-border faster payments solutions?



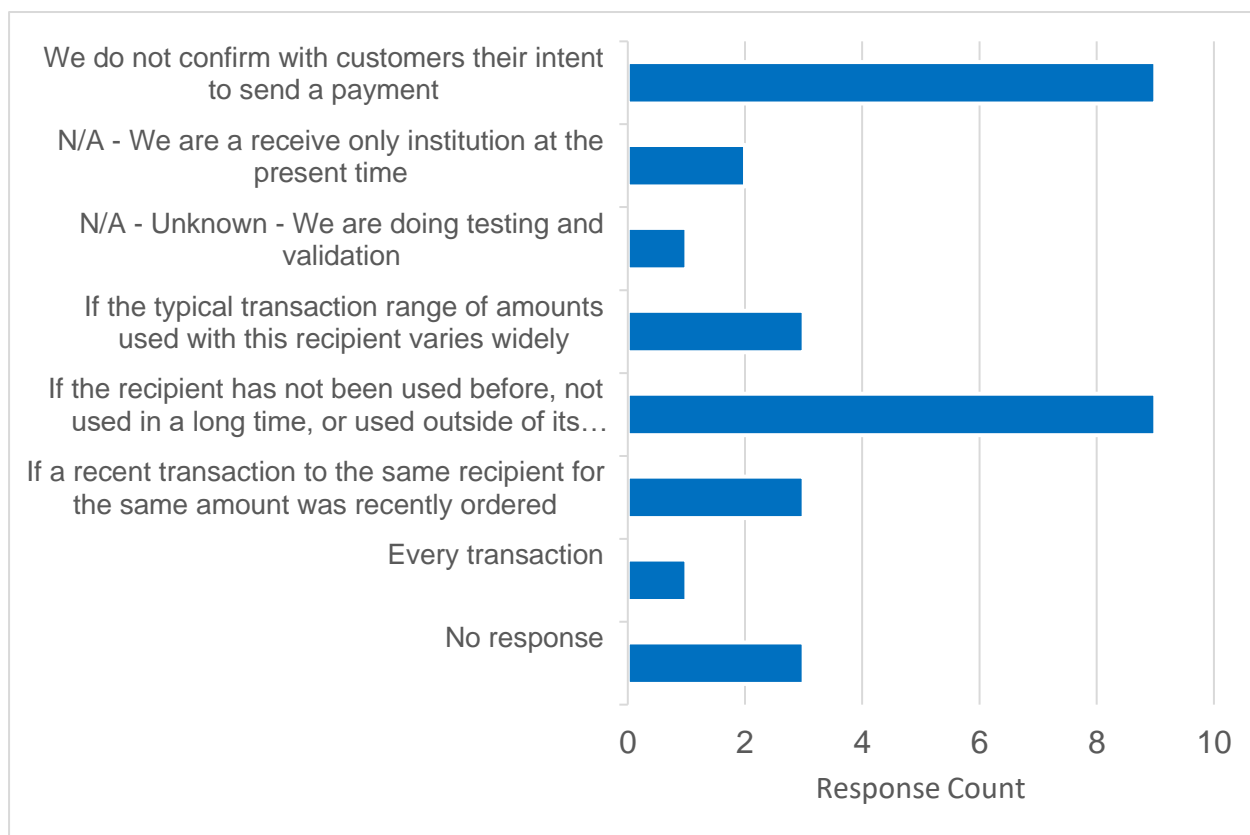
22 of 31 financial institutions respondents indicated that they do not offer cross-border faster payment solutions. The U.S. Faster Payments Council's "Financial Inclusion for Cross-Border Remittances and Bill Payment"⁴ deliverable identifies speed of payment as a pain point associated with banking the influences underserved households. Typically, cross-border payments that do not leverage faster payments result in delayed payments to recipients who do not reside in the United States; in addition, such payments may be difficult to track for those who do not have a bank account. There are many fintechs currently innovating on a global scale to fill the gap in cross-border faster payment solutions as indicated in the above graphic. As adoption rates for U.S. instant payment rails within the United States progress, this trend may follow suit for payments in and out of U.S. borders, U.S.-based instant payment solutions are baked into innovations for cross-border payments.

Are there fees consumers may incur when using an account set up for faster payments?



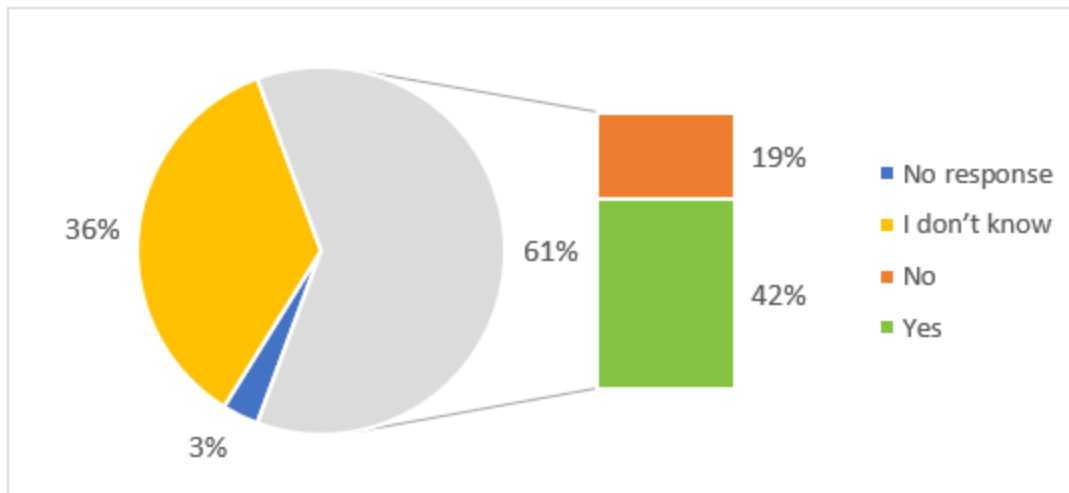
42% of respondent FIs indicate that they do not charge fees for accounts with instant payments with 16% indicating fees for overdraft and 10% indicating fees on a per transaction basis. Fees may lead to fewer people utilizing bank accounts⁵, especially if they do not understand how and when fees are assessed. Confusion may also arise when customers do not know their bank balance, with 43% of customers who were assessed an overdraft fee report being “surprised” by the fee⁶, potentially leading to an overdraft. Faster payments may be able to help alleviate some of these issues as customers become more confident that the balance they see is inclusive of all transactions and that there are fewer transactions that still need to settle.

In what situations do you confirm with your customers their intention to send payment?



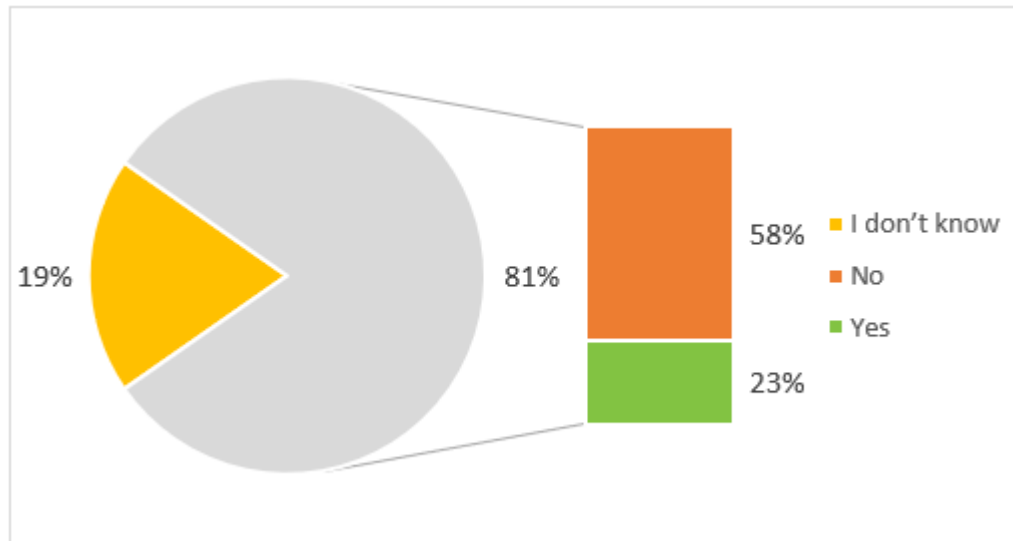
Survey results show that transaction activity and user history are common inputs to financial institutions’ decisioning on whether or not to confirm with customers their intent to send a payment prior to transaction initiation. Scenarios with a unique recipient amongst identifiable transaction patterns or scenarios with a new recipient prompt a pre-transaction confirmation for nine of 31 institutions. For some FIs, scenarios with a high degree of variability in transaction amount prompt a pre-transaction confirmation. For others, scenarios where transaction orders for the same recipient and same amount as a recent transaction prompt a confirmation query. These results demonstrate that a multitude of methods are undertaken to protect customers against ‘fat fingering’ or mistakenly duplicating transaction orders – protections which serve a particular benefit amidst the irrevocability of instant payments.

Does your product allow users to request return of funds lost due to authorized transaction fraud?



One aspect of trust is a sender knowing that, in case of fraud, the sender can request the funds to be returned. In the case of authorized transaction fraud, fewer than half (42%) of the respondents who offer faster payments indicated they offer the ability to request a refund in this case.

Does your product require biometric information for authentication?



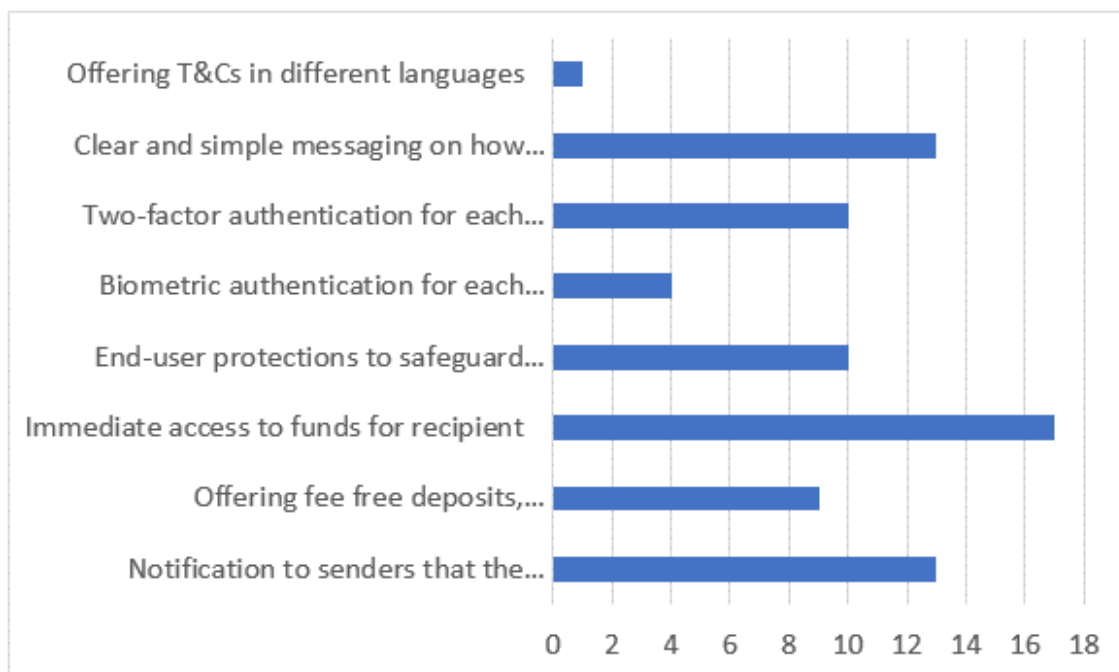
Biometric authentication usage indicates whether an FI's products, like mobile banking apps or online banking platforms, require customers to utilize their unique biological traits (e.g., fingerprint authentication or face recognition) for verification purposes during access.

- 58% of FIs do **not** require biometric information for authentication within their products.
- 23% of FIs **use** biometric authentication.
- 19% of FIs were **unsure** whether their products utilized biometric authentication.

That 58% do not use biometrics could be considered a positive thing in the context of the conversation around financial inclusion, as it reduces potential barriers to using these products for those who may not have smartphones or devices with the necessary biometric capabilities. The 23% of financial institutions requiring biometric authentication could potentially **exclude individuals lacking access** to the necessary technology or facing concerns about data privacy related to biometrics.

It is noteworthy that a significant portion (19%) of FIs were unsure about their own products' biometric usage, investigating the causes behind the high number of unsure responses could reveal issues with internal communication or lack of awareness within FIs, potentially impacting customer experiences.

How is your brand building trust with consumers using the platform?



The response options for building trust with consumers mirror issues identified by the FPC's Financial Inclusion Work Group as steps to build trust.

- Quick access to funds was widely reported.
- Access to the terms and conditions in languages other than English was reported by just one respondent, 5% of the sample. This suggests that more can be done to reach and to build trust among consumers whose primary language is not English.
- Two factor authentication on a per transaction basis was reported to be used by just over half of respondents (55%). This matters for financial inclusion because cash-strapped households are more likely to be unable to absorb losses from a fraudulent transfer and may suffer harm due to budget disruption even when they have a right to a return of stolen funds.

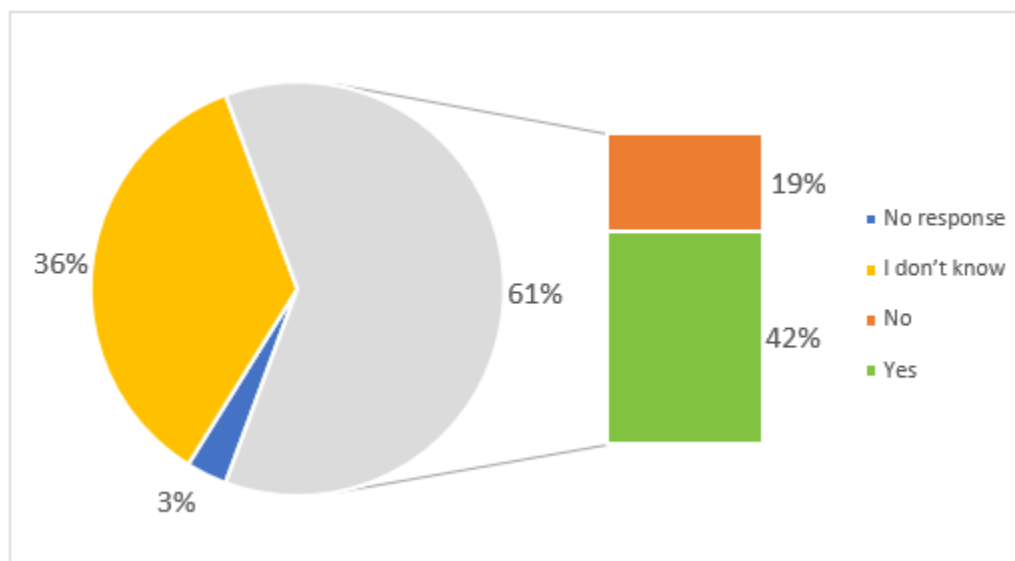
The results also show that most financial institution respondents believe that their messaging about faster payment services and fees is clear and simple, and that 72% inform the sender when the recipient has received the funds. The trust question also asked about required biometrics, and end user protections to safeguard against financial or other losses, topics addressed specifically by other survey question that are discussed above.

What capabilities do you offer to ensure customers are made whole from mistakes? (select all that apply)



Not surprisingly, allowing senders to ask for the recipient to voluntarily return funds is the most offered option for helping customers to be made whole from mistakes. Particularly interesting is the second-most-chosen option, providing and dispute resolution process and potentially an indemnity for losses from mistakes: this suggests many FIs understand the importance of such options, both for building a more attractive product and in the anticipation of regulatory scrutiny.

Does your product allow users to request return of funds lost due to authorized transaction fraud?



Authorized transaction fraud is a problem that any successful faster payment solution will need to address. The fact that 42% of FI survey respondents are currently doing so indicates a reasonably wide awareness of this point. However, the fact that more than a third (36%) of survey respondents did not know if their products address the problem suggests the degree to which awareness needs to be increased.

Conclusion

Financial inclusion in faster payments requires more than just an available product. Financially inclusive products must build trust, make user costs transparent, be usable and affordable with or without a bank account, have strong security for money and data, be designed to prevent mistakes and provide remedies for losses from fraud and mistakes. Faster payments designed to be safe and affordable can contribute to increased financial inclusion.

It is early days for faster payments in the United States, so it is not unreasonable to expect the deployment of financially inclusive products to reflect that. And this, in general, is what the survey results reflect: while the vast majority of responding FIs currently offer or plan to offer faster payments, the degree to which products address inclusion “pain points” varies.

The results show that while some progress has been made in addressing the factors needed to make faster payments financially inclusive, work remains to be done if most faster payment products are to be financially inclusive. Understanding what needs to be done and the size of gaps are key points to take away from the survey results.

Financial Inclusion Work Group

Thank you to the members of the U.S. Faster Payments Council's Financial Inclusion Work Group who contributed to this report.

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- Steve Wasserman, Photon Commerce
- Hannah Melton, Wise Inc.

About the Financial Inclusion Work Group

The U.S. Faster Payments Council established the Financial Inclusion Work Group in early 2021 with the mission to provide a blueprint for leveraging faster payments to accelerate access to the financial system for unbanked and underserved Americans.

About the U.S. Faster Payments Council

The U.S. Faster Payments Council (FPC) is an industry-led membership organization whose vision is a world-class payment system where Americans can safely and securely pay anyone, anywhere, at any time and with near-immediate funds availability. By design, the FPC encourages a diverse range of perspectives and is open to all U.S. stakeholders.

References

- [1] Faster Payments Council. (2022, July). *Faster Payments and Financial Inclusion*. https://fasterpaymentscouncil.org/userfiles/2080/files/Financial%20Inclusion%20White%20Paper_7-29-2022_Final.pdf.
- [2] Note: Due to a limited response rate (37%) for the remaining categories, the work group determined these areas did not provide enough data for a meaningful analysis.
- [3] Toh, Ying Lei. (2021, November 23). When Paying Bills, Low-Income Consumers Incur Higher Costs. *Federal Reserve Bank of Kansas City*. <https://www.kansascityfed.org/research/payments-system-research-briefings/when-paying-bills-low-income-consumers-incur-higher-costs/>.
- [4] Faster Payments Council. (2024, February). *Financial Inclusion for Cross-Border Remittances and Bill Payment*. https://fasterpaymentscouncil.org/userfiles/2080/files/FPC%20FIWG_CBPWG%20Bulletin_2-23-2024_Final.pdf.
- [5] Federal Deposit Insurance Corporation. (2021). *FDIC National Survey of Unbanked and Underbanked Households*. <https://www.fdic.gov/analysis/household-survey/2021report.pdf>.
- [6] Consumer Financial Protection Bureau. (2023, December 19). *CFPB Issues Report Shows Many Americans Are Surprised by Overdraft Fees*. <https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-report-showing-many-americans-are-surprised-by-overdraft-fees/#:~:text=Households%20frequently%20incurring%20overdraft%20and,were%20not%20charged%20a%20fee>.