



PAYMENT

# Instant Recurring Payments: Unlocking Opportunities in High-Growth Vertical Markets

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## Executive Summary

This white paper explores the expanding landscape of instant recurring payments (IRP) and assesses the strategic opportunities for financial institutions and payment originators. Traditional payment systems are often characterized by long settlement timelines, inefficiencies, and lack the finality of instant payments that affect both businesses and consumers. Instant recurring payments—powered by innovations like FedNow<sup>®</sup> Service and RTP<sup>®</sup> network—represent a shift in foundational assumptions, allowing for instant authorization, settlement, and greater flexibility for both payers and payees.

It focuses on key vertical markets with high IRP potential: insurance, subscription services, investment management, utilities, and property management. It highlights the specific challenges within these sectors and underscores the compelling value proposition that instant payments offer.

## I. Introduction

Traditional recurring payment systems, such as card-on-file, ACH debits, or other methods, often operate with long settlement timelines, batch processing constraints and lack of immediate finality. The movement of funds between parties frequently limits the immediacy and transparency expected in today's digital age. This introduces operational overhead, strains company cash management, increases revenue leakage, and negatively affects customer satisfaction.

To address these challenges, instant recurring payments emerge as a solution, offering businesses and consumers the opportunity of faster, more predictable, and transparent ways to manage financial interactions. This shift is driven by growing consumer demand for seamless, instant digital transactions and by the rise of innovative fintech solutions.<sup>1</sup>

Instant recurring payments—enabled by instant payment networks such as the Federal Reserve's FedNow Service and The Clearing House's RTP network—are reshaping how businesses and consumers manage subscriptions, bills, and automated payments. These systems combine the immediacy of instant payment rails with the predictability of recurring billing, offering significant benefits while also introducing new complexities for all stakeholders.

Instant recurring payments refer to automated, periodic payments (such as subscriptions or utility bills) executed instantly over digital account-based payment networks. In the U.S., the two main rails are the FedNow Service (launched by the Federal Reserve in 2023) and the RTP network (operational since 2017). Both operate 24x7, settling payments within seconds and providing immediate, irrevocable transfer of funds—akin to a digital cash transaction.

A key feature that will further enable recurring payments is the Request for Payment (RfP) message. In this process, a biller (payee) sends a digital invoice to the customer (payer) via their respective financial institution. The customer receives a notification, reviews the bill, and authorizes payment, triggering an instant funds transfer and instant confirmation for both parties. While true automation of recurring payments via RfP will require widespread adoption of “standing approvals” (pre-authorized, automatic payment of future RfPs), the foundational infrastructure is in place and is expected to expand over time.

## II. Market Landscape and Discrete Vertical Markets

### Market Need and Trends

The demand for instant recurring payments is being fueled by several key market trends. Consumers increasingly expect seamless and instantaneous digital transactions, driven by experiences in other areas of their digital lives. Financial institutions and fintech companies are innovating to provide payment solutions that meet these rising expectations. Billers and payers want immediate confirmation that a payment has occurred in order to deliver the underlying service connected to the payment. Meanwhile, the digital payments market continues to expand, and the regulatory environment is evolving to support faster, more secure payment methods.

### High-Potential Vertical Markets

Specific payment segments stand out as prime candidates for instant recurring payment adoption. These verticals are characterized by high volumes, existing pain points with current payment methods, and strong potential for return on investment. The remainder of this section outlines five verticals with high IRP potential:

- **Subscription Services:** Within the subscription services vertical — including digital media, software-as-a-service, and IRP adoption — the most acute challenge is the high rate of card payment failures, which results in substantial revenue loss and a negative impact on customer lifetime value.<sup>2</sup>

The primary use case is employing RfP with standing authorization to collect periodic subscription fees. In a landscape where payment failures and card-related costs are high, subscription payment processing expenses are significant. Instant solutions, particularly account-to-account payments via RfP, offer the potential to significantly reduce failure rates. Because account details do not expire, these solutions help reduce churn and provide more predictable cash flow.

- **Utilities & Telecommunications:** The utilities and telecommunications sectors represent substantial opportunities for IRP, due to the high volume of recurring monthly bills. While a mix of payment methods are utilized—including ACH standing orders, direct debit, biller websites, bank bill pay, cards, and checks—the market relies heavily on legacy batch-based automation.

Instant recurring payments offer utilities the potential to modernize payment processes, improve cash flow, and streamline reconciliation through rich remittance data. A key challenge for adoption is delivering a demonstrably superior user experience compared to entrenched, low-cost methods such as ACH debit and financial institution bill pay. Seamless handling of variable bill amounts, a straightforward process for setting up standing authorizations, and clear communication of the benefits of faster, more convenient payments are essential for promoting IRP adoption within the utility sector. Delivering instant confirmation offers immediate assurance to customers, potentially reducing inquiries.

- **Investment Management:** The investment management sector stands to benefit from instant fund transfers and trading payments enabled by instant recurring payments. Recurring payments—such as investment contributions—are typically managed via ACH or other legacy channels. By adopting instant recurring payments, financial institutions can enhance the speed and certainty of inbound payments, improving collections, virtually eliminating default risk, and enabling instant posting to customer accounts. This approach also facilitates faster outbound disbursements, such as payouts, which can improve customer satisfaction and operational efficiency.
- **Insurance:** The insurance industry presents a strong opportunity for instant recurring payments, given its high volume of recurring premium payments and claim payouts. While ACH debit is a common method for insurance providers to collect payments, financial institutions can leverage RfP for inbound recurring collections—enhancing efficiency and reducing default risk. Simultaneously, financial institutions can utilize instant credit push for outbound payments, such as claims disbursements, which improves customer satisfaction.

This dual applicability, combined with the direct involvement and technical capabilities of financial institutions, positions the sector as an early adopter of instant payments. The industry is increasingly digitized and driven by the need for streamlined operations, improved risk management through payment certainty, enhanced customer experiences through faster payouts, and competitive pressure to offer modern payment options. Major pain points revolve around managing payment exceptions, such as non-sufficient funds, returns, bank account validation, and reconciliation efforts. Instant payment rails, therefore, offer significant improvements in cash flow and operational efficiency for insurers.

- **Property Management (Rent Payments):** The real estate rental market involves high-value monthly recurring payments (rent) and is rapidly digitizing through property management software. However, many rental payments are still delayed by paper checks or batch ACH transfers, leading to cash flow gaps and challenges in collections and reconciliation for landlords and property managers. Late or missed rent remains a primary concern.

With IRP, a landlord could send an RfP on or before the rent due date; the tenant approves it via their banking app, and funds transfer instantly — providing the landlord immediate, confirmed funds and the tenant with a clear receipt. The incentive is strong: faster access to funds and reduced past due payments directly benefit property owners, while tenants increasingly expect convenient digital options.

This vertical shows high potential for IRP adoption, especially if property management platforms integrate RTP/FedNow RfP capabilities to streamline the process end-to-end.

## IRP Readiness for Adoption – Key Factors by Vertical Payment Segment

Vertical	Payment Volume/Value	Dominant Current Methods	Pain Points Today	Economic Incentive for IRP	Estimated Adoption Potential
Insurance	Med-High Volume / High Value	ACH Debit, Checks	Payment Exceptions, Check Fraud, Slow Payouts	High	High
Subscription Services	High Volume / Low-Med Value	Cards (Credit/Debit), ACH	Very High Card Failures/Churn (15-50%+), High Card Costs	Very High	High
Utilities & Telecom	Very High Volume / Med Value	ACH, Bank Bill Pay, Biller Website	ACH Delay, Check Cost/Delay, Diverse Preferences, Bill Clarity	Medium	Medium
Investment Management	Med-High Volume / High Value	ACH Debit, Checks, Wire Transfers	Managing payment exceptions and delinquencies is crucial for portfolio performance (lending) and maintaining coverage (insurance)	High	High
Property Management	High Volume / High Value	ACH, Cards (via Property Mgmt. Software), Checks	Late Payments, Slow Funds Availability (ACH), Collection Effort	High	High (Integration Key)

### III. Opportunities, Challenges, and Path Forward

#### Benefits of Instant Recurring Payments

Instant recurring payments offer numerous financial, operational, and strategic benefits for businesses. Financial gains include reduced unmanageable debt, improved cash flow visibility, and lower processing costs through automation.<sup>3</sup> Operationally, they enable instant reconciliation, reduce manual intervention, streamlined onboarding, and enhance customer satisfaction. Strategically, IRPs provide competitive differentiation, new product opportunities, and richer customer insights. For customers, instant recurring payments offer immediate access, transparency, fewer disputes, and enhanced trust.

##### *For Businesses and Billers*

- **Immediate Cash Flow:** Instant settlement means businesses no longer wait days for funds to clear, improving liquidity, reducing days sales outstanding (DSO), and enabling faster reinvestment or crediting of services.<sup>4,5</sup>
- **Reduced Payment Failures:** Instant confirmation of funds availability at the point of payment significantly reduces failed transactions due to insufficient funds or expired cards and mitigates the risk of chargebacks common with delayed settlement.<sup>6</sup> Reducing late payments is a benefit for both the biller and the customer.
- **Lower Processing Costs:** Instant payments generally carry lower transaction fees compared to credit cards, and rich remittance data simplifies reconciliation and accounting.<sup>7,8</sup>
- **Enhanced Customer Experience:** Customers enjoy seamless, automated billing with instant confirmation, reducing service interruptions and improving satisfaction loyalty.<sup>9</sup>
- **Scalability:** These systems can easily accommodate business growth and expansion into new markets without increasing operational complexity.

##### *For Customers (Payers)*

- **Greater Control and Transparency:** Customers can review and authorize each payment, avoiding surprises from automatic debits and gaining more control over their finances.
- **Instant Confirmation:** Instant notifications confirm payment receipt, helping avoid late fees and ensuring uninterrupted service.
- **Improved Financial Management:** The ability to time payments with cash flow (e.g., paying a bill immediately after receiving a paycheck) helps customers avoid overdrafts, late fees, and better manage their finances.
- **Potential Cost Savings:** Customers may avoid card fees or receive incentives to pay via bank transfer, and benefit from the elimination of mail or check processing fees.<sup>10</sup>

## *For Financial Institutions*

- **Customer Retention and Acquisition:** Offering instant recurring payment capabilities is now a competitive necessity. Institutions that provide these services see higher customer satisfaction and retention rates, while those that lag risk losing clients to more agile competitors.<sup>11, 12, 13, 14</sup>
- **Operational Efficiency:** Automated, instant payments reduce manual exception handling, streamline reconciliation, and lower the risk of returns or disputes.
- **New Revenue Streams:** Financial institutions can monetize instant payment services through premium offerings to corporate clients and by reducing costs associated with traditional payment processing.<sup>15</sup>
- **New Products and Services:** Financial institutions can leverage the expanded data offered by ISO 20022 (utilized by both FedNow Service and RTP network) to gain deeper insights into how corporate and consumer customers make and receive payments. These insights can be used to develop and offer additional products and services.

## **Challenges and Risks**

Despite the advantages, instant payments also introduce operational and regulatory challenges. Fraud and cybersecurity risks must be addressed through advanced monitoring and authentication. Financial institutions must comply with regulations such as anti-money laundering (AML) and know-your-customer (KYC). Additionally, market risks—such as slow adoption or competitive responses—must be considered.

## *Technology and Integration*

- **Upfront Costs:** Implementing instant recurring payments requires significant investment in upgrading infrastructure, integrating APIs, and ensuring 24x7 system availability—posing a barrier for smaller businesses and financial institutions.<sup>16, 17, 18</sup>
- **Legacy Systems:** Many financial institutions and billers operate on outdated technology not designed for instant, always-on payments, necessitating costly upgrades or third-party partnerships.<sup>19, 20</sup>
- **System Modernization:** The relatively new instant bank payment networks, RTP network and FedNow Service, are still developing their functionality to fully support instant recurring payments. These systems will need to continue their trajectory to make instant recurring payments a reality.

## *Fraud and Security*

- **Education and Trust:** Customers must be educated to recognize legitimate RfP messages and avoid fraudulent or deceptive requests. Building trust in the process is crucial for adoption.
- **Irrevocability:** Once processed, instant payments cannot be reversed, increasing the stakes for fraud detection. Advanced, instant fraud monitoring and strong customer authentication are essential.<sup>21, 22, 23</sup>
- **Modernization:** Instant recurring payments require real-time fraud detection and clearly defined methods for addressing liability, building on existing network warranties (e.g., TCH). Because payments are irrevocable, consumers must also have FI-level controls to manage and revoke future recurring payments. Eliminating gaps or ambiguity in liability and control remains a key risk.

## *Operational and Compliance Complexity*

- **24/7 Operations:** Instant payments require round-the-clock support, fraud monitoring, and customer service, challenging traditional financial institution operations.<sup>24</sup>
- **Regulatory Compliance:** Navigating varying regulations across authorities adds complexity, especially for businesses operating internationally.<sup>25</sup>
- **Dispute Resolution:** Unlike credit cards, instant payments lack built-in chargeback protection. Disputes must be resolved directly between payer and payee, requiring clear refund and error-handling policies as well as consumer education.

## *Customer Experience and Adoption*

- **Approval Friction:** Unless standing approvals become standard, customers must manually approve each payment, which can be seen as inconvenient compared to “set it and forget it” autopay. Effective notification strategies and user-friendly interfaces are key to minimizing friction.
- **Funding Requirements:** Payments settle instantly, so customers must have sufficient funds at the moment of payment. This may be challenging for those who rely on grace periods or credit card float.

## *Network Interoperability*

- **Limited Reach:** Not all financial institutions support instant payments, and interoperability across different networks is still evolving—potentially limiting seamless transactions.<sup>26</sup>

### *Implementation Strategy*

- A phased implementation strategy is essential for a successful rollout of instant payments. This includes forming strategic technology partnerships and engaging in stakeholder and change management.

### *Success Metrics*

- To measure the success of instant payments initiatives, it is essential to track metrics such as customer adoption rates, transaction volumes, cost savings, and compliance performance. Regular measurement and analysis of these indicators will enable businesses to refine their strategies and ensure they are maximizing the benefits of instant payments.

## **IV. Industry Trends and Outlook**

The adoption of instant payments is accelerating. By 2028, 70–80 percent of U.S. financial institutions are expected to have instant payment capabilities, and instant payments could make up over 20 percent of all electronic transactions globally.<sup>27, 28</sup> The pressure to adopt is coming from both corporate and retail clients, with businesses seeking improved cash flow and consumers demanding greater control and transparency.

As subscription services proliferate, financial institutions and payment providers are developing tools to help consumers manage recurring charges, flag unwanted subscriptions, and avoid hidden fees—responding to growing demand for greater transparency and control.<sup>29, 30</sup>

Despite concerns about fraud and high integration costs, data suggests that with proper controls, instant payments can be as secure as traditional methods, and the operational efficiencies and customer benefits are compelling.<sup>31</sup>

### *Strategic Considerations for Stakeholders*

#### *For Financial Institutions*

- **Act Swiftly:** The window for proactive adoption is narrowing. Institutions that delay, risk losing relevance and market share.<sup>32, 33, 34</sup>
- **Invest in Security and Education:** Robust fraud detection, customer authentication, and user education are critical to building trust and ensuring safe adoption.
- **Prioritize User Experience:** Streamlined interfaces, clear notifications, and support for standing approvals will drive customer adoption and satisfaction.

### *For Businesses and Billers*

- **Upgrade Infrastructure:** Seamless integration with existing billing and enterprise resource management (ERP) systems is essential to fully realize the benefits of instant recurring payments.
- **Educate and Incentivize Customers:** Awareness campaigns and incentives can encourage customers to switch from traditional payment methods to instant payments facilitated by financial institutions.
- **Develop Clear Policies:** Transparent dispute resolution and refund processes will help address customer concerns about the finality of payments.

### *For Customers*

- **Embrace New Tools:** Instant recurring payments offer greater control, transparency, and potential cost savings, but require an understanding of how the process works and what protections are in place.
- **Monitor Accounts:** Since payments settle instantly, maintaining adequate balances and responding promptly to payment requests is essential.

## V. Conclusion

Instant recurring payments represent a major evolution in the payments landscape, offering speed, control, and efficiency for businesses, consumers, and financial institutions alike. While challenges remain—particularly around security, technology integration, and customer adoption, the momentum is undeniable. Stakeholders that invest in robust, user-friendly solutions and prioritize education and security will be well positioned to lead in this rapidly transforming environment.<sup>35, 36, 37, 38, 39, 40, 41</sup>

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## About the Instant Recurring Payments Work Group

The FPC Instant Recurring Payments Work Group promotes the development and adoption of instant recurring payment solutions for business end users and financial institutions.

## 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 stakeholders in the U.S.

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