

Swipe Your Credit Card on a Cell Phone

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By plugging a small piece of hardware into a phone's audio jack, users can swipe credit cards and transfer money without the need for an additional machine.
Credit: Square.

(PhysOrg.com) -- With a small card reader that attaches to a cell phone, a new company is making it easier for small businesses and even individuals to accept credit card payments. The San Francisco start-up, called Square, which opened just last week, is headed by Twitter cofounder Jack Dorsey.

Currently, in order to accept credit cards, a business usually has a stationary [credit card](#) machine attached to a computerized cash register. For most medium and large businesses, the set-up works fine. But smaller businesses, such as street vendors, farmers markets, and even individuals having garage sales, often don't accept credit cards. Square hopes that these types of sellers may find its new system to be simple enough to incorporate in their micro businesses.

Square's system consists of a small card reader that plugs into a phone's audio jack. The reader is currently compatible only with the [iPhone](#), but the company plans to make versions for [Android](#) and [Blackberry](#), as well. To make a payment, a buyer swipes a credit card through the reader, provides a signature on the touchscreen, and has the option of receiving a receipt via email.

Only the person receiving the payment needs to have an account with Square. The company hasn't yet set account prices, but says there will be different levels for individuals who rarely use the system and for small businesses that use it more frequently. If the person paying with their credit card has a Square account, they can also enjoy extra features such as receiving a [text message](#) when their card is swiped, and customizing their swipe with an image that displays to the seller.

As for security, the system uses encrypted protocols to send transaction information to credit card companies, and the device is subject to the same regulations as other payment systems. Credit card information is not stored on the seller's phone.

As noted in a recent article in MIT's Technology Review, some people question how useful Square's system will be. Issues such as fraud protection, robustness of the [card reader](#), widespread ATMs, and a small potential market for the device could pose challenges for the new company.

Nevertheless, Square is currently conducting pilot tests in major cities including San Francisco, Los Angeles, New York, and St. Louis. The company plans to release a commercialized system in early 2010.

More information: <http://squareup.com>

via: [MIT's Technology Review](#)

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