

# Banks team up for online payment system

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Online and mobile customers of three major banks will be able to instantly zap funds from their accounts to other depositors at the banks under a program to be rolled out across the country over the coming year.

Bank of America Corp., Wells Fargo & Co. and JPMorgan Chase & Co. are setting up an Internet exchange that would allow their customers to send money via text and email messages to customers at participating [banks](#).

The program, called clearXchange, accelerates a trend away from checks and cash, the conventional ways to tap bank accounts, to debit cards and digital payments.

The new methods cut processing costs for financial institutions and, in banker jargon, are "sticky" - meaning customers who adopt them are less likely to switch banks.

"This is yet another sign that the traditional payment industry's model is looking more and more like PayPal's," said Dan Schatt, head of financial innovations at PayPal, an online payments arm of eBay Inc. that has been operating for a dozen years.

With the new system, the banks will be muscling into the consumer-to-consumer payments market dominated by PayPal, whose president recently predicted the company's annual revenue would double to as much as \$7 billion by 2013.

Customers who haven't set up linked online or mobile accounts to accept funds will get an email explaining how to do so, Mike Kennedy, Wells Fargo's head of payments strategy and chairman of the new venture, said Wednesday.

In another example of a new [payment system](#), Google is expected to unveil a program Thursday that allows users to pay for retail purchases by holding their smartphones up to a special device.

Under the banks' effort, it's unclear what new security issues may be created, but the payments, like debit transactions, appear to have fewer legal protections for consumers than credit card charges, said Paul Stephens, director of policy for the San Diego nonprofit Privacy Rights Clearinghouse.

With new financial regulations aiming to rein in the fees banks charge merchants for debit card transactions, the new system "presumably ... is a bank moneymaker," Stephens said.

[Bank of America](#), Wells Fargo and Chase are the nation's largest banks, accounting for one of every three consumer bank accounts. They are pitching the new service as a consumer-to-consumer payments system, but it could be used to pay businesses as well.

The banks said the new service will be free to customers as it is tested. Bank of America spokeswoman Anne Pace said the banks would later set separate fee structures for the service.

Bank of America and Wells Fargo already are testing the payment option in Arizona, with Chase to join them there soon, the banks said.

They invited other banks to join the network as it is introduced across the nation.

Anyone with a U.S. checking account already can use a Federal Reserve system to wire funds to another institution. But that system, while reliable and highly secure, is somewhat cumbersome, requiring users to input account numbers and routing codes, and typically can cost from \$12 to more than \$50 per transaction, said bank consultant Mike Moebis of Lake Bluff, Ill.

Moebis reacted enthusiastically to news of the banks' payments system, saying it would be a boon for consumers and small businesses alike.

He said establishing and maintaining security would be a major issue for the banks, adding that they should work to establish a single international standard for the payment technique and seek input from central bankers.

For now, the bankers said, their system will be available only domestically.

John Feldman, a Bank of America executive who is general manager of the project, said consumers will feel confident about the new system's security because it requires using only email addresses and cellphone numbers instead of account and routing numbers.

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