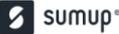


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## PSPs Expanding to Banking: Is it worth it?

Over the past few years, several major payment service providers (PSPs) have expanded their product sets by introducing banking solutions such as cards, credit, and business accounts. In this article, we analyze the banking offerings of select PSPs across Europe and the U.S., listed in Figure 1.

**Figure 1: Overview of Select PSPs**  
(non-exhaustive; marketed on providers' websites; August 2023)

PSP	HQ	Founded	Ownership	Country Coverage	FTEs (LinkedIn)
 Square		2009	Part of 		~7.2K
 PayPal		1998	Public	 200+	~30.5K
 stripe		2009	Private	 46+	~8.2K
 sumup®		2012	Private		~3.3K
 POS		2014	Private		~370
 mollie		2004	Private		~800
 dojo®		2009	Private		~1.2K
 vivawallet		2010	Private		~980
 adyen		2006	Public	 45+	~4.3K
 nuvei		2003	Public	 45+	~2.0K
 checkout.com		2012	Private	 50+	~1.8K

Source: Company websites, LinkedIn, Flagship Advisory Partners analysis  
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Banking products present a natural cross-selling opportunity for merchant payment providers by helping them to differentiate themselves, strengthen their value proposition, and increase the stickiness of merchants.

Card issuing is often a space PSPs look to expand into due to attractive revenues earned from commercial card interchange fees and the relatively low operational complexity of introducing this offering (when leveraging vendors). Working capital lending is another area PSPs are increasingly expanding into, as there is naturally high demand from SMEs for lending, and a relative lack of supply by banks. When introducing a banking solution, some PSPs like Square (for issuing) partner with product specialists (i.e., Marqeta etc.) for faster go-to-market and lower complexity. Other providers like Adyen develop in-house capabilities and source their licenses to have full control over the product stack and user experience.

Regardless of the model chosen (partner vs. build), the development of a banking proposition comes with costs. For example, Stripe and Adyen have made a significant investment in building their banking proposition with little public evidence of reaching a meaningful scale thus far. Despite the lack of data and ability to fully assess the success of PSPs' banking products, the number of payment providers expanding to banking for the past few years does tell us that there is a demand for such solutions and (presumably) attractive financial benefits.

What is clear is that any PSP that is considering introducing banking solutions should accurately pinpoint its proposition (product and geo focus), determine a precise distribution strategy, calculate the business case, and carefully choose its operating model (partner vs. build).

### **Key Observations: Card Issuing**

Based on our observations on the current card products offered by select PSPs (Figure 2), we can summarize the following:

- Debit and prepaid cards are a staple banking product offered by PSPs across Europe and the U.S. that help merchants to access their accepted funds and manage business expenses.
- Only select PSPs in the U.S. offer credit cards (i.e., Square and PayPal).
- Virtual cards are still a nascent category, primarily addressed by enterprise-focused providers that offer their merchants a flexible way to pay suppliers and manage employee expenses.

**Figure 2: Card Issuing Offering from Select PSPs**  
(non-exhaustive; marketed on providers' websites; August 2023)

PSP	Debit & Pre-paid Cards		Credit Cards		Virtual Cards		Gift Cards		Other Card Propositions	
	🇪🇺🇬🇧	🇺🇸	🇪🇺🇬🇧	🇺🇸	🇪🇺🇬🇧	🇺🇸	🇪🇺🇬🇧	🇺🇸	🇪🇺🇬🇧	🇺🇸
Square	x	✓	x	✓ <i>(invite-only for eligible sellers)</i>	x	x	x	✓	x	x
PayPal	✓	✓	x	✓	x	x	x	x	x	Cash back
stripe	✓	✓	x	✓*	x	✓	x	x	Customizable Cards	
sumup®	✓	✓	x	x	x	x	✓	✓	Cashback	
myPOS	✓		x		x		✓ Few markets only		x	
mollie	x	No US Ops.	x	No US Ops.	x	No US Ops.	x	No US Ops.	x	No US Ops.
dojo	x		x		x		x		x	
vivawallet	✓		x		x		x		x	
adyen	✓	✓	x	x	✓	✓	x	x	x	x
nuvei	x	x	x	x	x	x	x	x	x	x
checkout.com	✓	✓	x	x	✓	✓	x	x	x	x

Note: \* Stripe offers corporate cards for the expense management  
Source: Company websites, Flagship Advisory Partners analysis  
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The pricing structure for card products varies across providers and card types. Based on available pricing information from select PSPs (Figures 3A & 3B), we can summarize the following:

- **Debit & prepaid cards:** In Europe and the U.S., most providers offer debit and prepaid cards free of charge as value-added services to their merchants, except for a few providers (i.e., Stripe and myPOS), which charge a fee per card.

- **Credit cards:** A few providers offering credit cards often charge zero fees, though some set specific eligibility requirements.
- **Gift cards:** The pricing structure for gift cards varies between those that charge a fee per card (i.e., Square), while others apply a % fee of the gift card value and additional fees per purchase (i.e., SumUp).

**Figure 3A: Card Issuing Pricing from Select PSPs (non-exhaustive; marketed on providers' websites; August 2023)**

PSP	Debit & Pre-paid Cards		Gift Cards	
Square	x	Free of charge	x	Depends on package
PayPal	Free of charge	Free of charge	x	x
stripe	€3.50/card 1% + €0.30 for x-border trx.	\$3.50/card 1% + 30¢ for x-border trx.	x	x
sumup®	Free of charge	Free of charge	2.50% of gift card value	3.25%+15¢ gift card purchase
POS my	€5 one-off, up to €8.90 per month		€1 load fee	
mollie	x	No US Ops.	x	No US Ops.
dojo®	x		x	
vivawallet	Free of charge		x	
adyen	No public pricing	No public pricing	x	x
nuvei	x	x	x	x
checkout.com	No public pricing	No public pricing	x	x

Source: Company websites, Flagship Advisory Partners analysis  
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**Figure 3B: Card Issuing Pricing from Select PSPs**  
(non-exhaustive; marketed on providers' websites; August 2023)

PSP	Credit Cards		Virtual Cards	
Square	x	No fees (APR is not advertised)	x	x
PayPal	x	Card free of charge, min. 1 year in business and \$5K in turnover *	x	x
stripe	x	No fees for expense mgmt.	x	10¢/card 1% + 30¢
sumup*	x	x	x	x
myPOS	x	No US Ops.	x	No US Ops.
mollie	x		x	
dojo	x		x	
viva wallet	x		x	
adyen	x		x	
nuvei	x	x	x	x
checkout.com	x	x	No public pricing	No public pricing

SME Focus

Enterprise Focus

Note: \* annual processing volume with selected PSP  
Source: Company websites, Flagship Advisory Partners analysis  
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### Key Observations on Working Capital Offering

Based on our observations on the working capital products offered by select PSPs (Figure 4), we can summarize the following:

- Merchant cash advance and instant settlement are often offered as a value-added service as these products are highly demanded by merchants and relatively easily monetized.
- Only a few PSPs offer revolving credit cards and short-term loans, likely due to increased credit risk and balance sheet requirements.

- SME-focused PSPs operating in retail verticals tend to incorporate Buy Now Pay Later (BNPL) solutions via partnerships with third-party providers to offer more flexible payment methods for end-users.

**Figure 4: Working Capital Offerings from Select PSPs**  
(non-exhaustive; marketed on providers' websites; August 2023)

PSP	Merchant Cash Advance		Instant Settlement		Buy Now, Pay Later (BNPL)		Revolving Credit Cards		Short-Term Loans	
Square	✓ UK only	✓	✓ UK only	✓	clearpay ↻ UK only	afterpay ↻	✗	✓	✗	✗
PayPal	✓	✓	✗	✓	✓ Few markets only	✓	✗	✓	✗	✓
stripe	✗	✓	✓ UK only	✓	clearpay ↻ Klarna.	afterpay ↻ affirm Klarna.	✗	✗	✗	✗
sumup <sup>®</sup>	✓ UK only	✗	✗	✗	✗	✗ <sup>2</sup>	✗	✗	✗	✗
myPOS	✓ <sup>1</sup>		✓		✗		✗		✗	
mollie	✓	No US Ops.	✗	No US Ops.	✓ Klarna.	No US Ops.	✗	No US Ops.	✗	No US Ops.
dojo <sup>®</sup>	✓ UK		✗		✗		✗		✗	
vivawallet	✓ GR only		✗		✗		✗		✗	
adyen	✓	✓	✓ (for gig economy operators and marketplaces only)		clearpay ↻ Klarna. oney walley	afterpay ↻ affirm Klarna.	✗	✗	✗	✗
nuvei	✗	✓	✓	✓	clearpay ↻ Klarna.	afterpay ↻ Klarna.	✗	✗	✗	✗
checkout.com	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗

Note: <sup>1</sup> to be rolled out in partnership with financial institutions. <sup>2</sup> No partnerships with BNPL providers are observed so far; though SumUp offers an option of split payments to its merchants under business account feature

Sources: Company websites, Flagship Advisory Partners analysis  
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The pricing structure for working capital solutions is mostly consistent across geographies amongst the PSPs who offer these value-added services to merchants. Based on available pricing information from select PSPs (Figures 5A & 5B), we can summarize the following:

- **Merchant cash advance:** In both Europe and the U.S., most providers charge a flat fee as a % of daily sales.
- **Instant settlement:** Fee structures vary between providers that pair instant settlement with a business account at no additional charge (i.e., myPOS in Europe) and providers that charge a fee per transaction (i.e., Square and Stripe in Europe and the U.S.).
- **BNPL:** The fee structure for BNPL solutions is inconsistent across PSPs primarily due to partnerships with third-party providers.

**Figure 5A: Working Capital Pricing from Select PSPs**  
(non-exhaustive; marketed on providers' websites; August 2023)

PSP	Merchant Cash Advance		Instant Settlement		Buy Now, Pay Later (BNPL)	
Square	18.45% APR on daily sales		1% per transaction	1.75% per transaction	6% + £/\$0.30 per installment	
PayPal	Flat fee as % of daily sales	Flat fee as % of daily sales, min. \$15K turnover*	x	1.50% per transaction	3 interest-free installments	4 interest-free installments
stripe	x	Flat fee, min. \$5K turnover*	1% per transaction		APR varies on installments & partner	
sumup*	Flat fee as % of daily sales	x	x	x	x	x
myPOS	No US Ops.		Free of charge (incl. in business account)	No US Ops.		x
mollie			x			2.99% + €1,00** (NL & BE)
dojo			x			x
vivawallet			x			x
adyen	Flat fee as % of daily sales		No public pricing			
nuvei	x	Flat fee as % of daily sales				
checkout.com	x	x				

Notes: \*annual processing volume with selected PSP, APR stands for Annual Percentage Rate  
 \*\*Mollie's BNPL price varies per purchasing market and Klarna payment method  
 Sources: Company websites, Flagship Advisory Partners analysis  
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**Figure 5B: Working Capital Pricing from Select PSPs**  
(non-exhaustive; marketed on providers' websites; August 2023)

PSP	Revolving Credit Cards		Short-term Loans	
Square	x	No fees (APR is not advertised)	x	x
PayPal	x	28.99% APR, min. \$2 charge	x	\$20 + flat fee, \$33K in turnover *
stripe	x	x	x	x
sumup®	x		x	x
myPOS	x	No US Ops.	x	No US Ops.
mollie	x			
dojo.	x			
vivawallet	x			
adyen	x	x	x	x
nuvei	x	x	x	x
checkout.com	x	x	x	x

Note: \* annual processing volume with selected PSP, APR stands for Annual Percentage Rate  
Source: Company websites, Flagship Advisory Partners analysis  
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