

# Open Banking Trends for 2024

by Donal McGuinness

**“The viability of any business hinges on the efficiency of your accounts receivable (AR) function. Customers need to make payments based on invoices received and open Banking significantly optimises the AR function,” writes Donal McGuinness, CEO of Prommt.**

Open Banking is rapidly gaining popularity in the Irish payments landscape, hitting a new level of maturity this year with increased users, services, and regulatory attention. Apple announced it is using open banking data to improve its financial services and customer experience. The upcoming iPhone wallet for UK users will display account balances from supported banks and credit cards, along with transaction history. This should follow to Ireland soon.

Open banking is a game-changer for higher-value transactions, offering a safer, faster, and more cost-effective alternative to manual bank transfers, drafts, or cheques.

Let's dive into the five key open banking trends we're seeing this year:

## 1. Smarter Invoicing

The viability of any business hinges on the efficiency of the accounts receivable (AR) function. Customers need to make payments based on invoices received and many businesses still send them by post with instructions to pay via IBAN.

With a national stamp in Ireland currently costing €1.40, many businesses have pivoted to email, but have yet to modernise their payment options, still requiring IBAN payments. This causes a large degree of friction for the payer.

This is where smart invoices can help with the “payment requests” feature where a link to pay the bill directly is available. The payee information will be preset, and the payment can be made with full authentication, in just a few clicks. This is how open banking can significantly optimise businesses’ AR function.

## 2. Fraud Prevention and Cost Savings

Open banking payments are safer, reduce time and manual effort for both buyers and sellers, and lead to quicker payment settlement compared to traditional payment methods.

Customers enjoy a quick, secure, and seamless way to pay directly from their bank accounts. With open banking payments, customers no longer need to worry about mistyping

account details. In a few simple taps, they select their bank, log in to their mobile banking app, and authorise the payment in a familiar setting. They have more control over who accesses their personal data and enjoy greater visibility into their transactions and account balances. Sensitive payment information becomes 'invisible', making it harder for criminals to exploit. Customers authenticate payments directly through their banking app, with their personal information encrypted and safeguarded by industry-standard banking security.

Customer consent is the cornerstone of open banking, obtained before any data is shared or transactions initiated. Unlike direct debits, the payment is initiated by the payer and pushed to the merchant, and not initiated by the merchant and pulled from the payer. All providers offering open banking services must meet high-security standards to ensure that customer data is protected.

## 3. Faster Payments/SEPA Instant

In the UK market today, account-to-account payments are instant. In Ireland, we are still under the EU SEPA system which is pretty much next-day payment, depending on the time of day, and a few other parameters. The EU version of faster payments is called SEPA Instant and is being developed within the Irish banks.

Mairead McGuinness, our EU Commissioner for Financial Services recently announced this as “the ability to send and receive money within seconds, at no extra cost, will allow EU citizens to better manage their finances.



It also brings real and tangible benefits for businesses, especially SMEs and merchants, who can be reassured that funds transferred to them are immediately received.”

#### 4. Payment Orchestration

Increasing open banking adoption is not about replacing card transactions. Open banking is supplementary to cards; the success lies in their collaboration, with open banking proving particularly effective in higher-value transactions.

Merchants can set automated thresholds to present their desired payment method, depending on factors such as the value, location, or transaction type. They can easily set automatic chase paths for failed transactions or where the cart has been abandoned and present an alternative payment method to complete the transaction – bank or card. This strategy allows them to achieve substantial savings on transaction fees and operational costs, while also mitigating card fraud and minimising chargebacks.

#### 5. PSD3 and Advanced APIs

PSD3, the EU's updated Payment Services Directive, marks a significant stride forward in open banking, building on lessons from PSD2. Set to take effect in 2026, it aims to enhance the performance of open banking APIs and encourage broader adoption of associated services. Key priorities include improving fraud prevention, safeguarding consumer rights, and promoting fair access to payment systems.

Furthermore, PSD3 strengthens fraud prevention measures by expanding the scope of IBAN and name checks. Payment providers now bear the responsibility of ensuring the accuracy of payment details. This will increase the demand for Confirmation of Payee services among PSPs and reduce misdirected payments and fraud. PSD3 gives customers greater control and security. It mandates that PSPs implement Strong Customer Authentication across numerous devices, thereby enhancing payment



and data security through a variety of diverse authentication methods.

#### What can I do with Open Banking today?

The most important point for Irish business is that open banking works very well today, but the ongoing developments will make it instant. As a payment mechanism, it is here, now, and being used successfully by many businesses today.

The open banking landscape in 2024 is dynamic and full of promise, powered by transformative trends driving it toward a future marked by greater speed, security, accessibility, and innovation. In addition, significant costs can be saved in accounts receivable functions by implementing an open banking strategy.

#### About Prommt

Founded in 2017, Prommt is a payments platform that is revolutionising payments for enterprises and their clients. Its innovative solutions enable fast, frictionless card and open banking payments anytime, anywhere. Prommt is an enterprise-grade solution that is built for teams, supporting multiple locations, and provides powerful reporting and alerting capabilities. It is trusted by industry leaders across the automotive, luxury retail, hospitality, builders' merchants, and insurance

sectors. Headquartered in Dublin, Ireland, Prommt is used by businesses today across Europe and North America and is the winner of the Best Open Banking Service Initiative awarded by Global Payments Innovation Awards 2023 as well as a finalist for the Best Open Banking Payments Project within the Open Banking Expo Awards 2023.

Curious to learn more about how Pay by Bank can help you? Get in touch - [www.prommt.com](http://www.prommt.com)



#### Donal McGuinness

Serial paytech entrepreneur Donal McGuinness is CEO of Prommt. He studied Information Technology at DCU and Telecommunications Engineering at DIT and spent the early years of his career in the telecommunications industry. His experience in mobile payments dates to 1999 when he founded his first mobile payments company, ItsMobile and since then has been working areas covering payments, money remittances and digital identity.

