

Payout to Cards

How does Payout to Cards work? Payout to Cards is a relatively new area of payment business that is not very common, so this article brings more information about it.

What is Payout to Cards? Actually, the answer is simple. It is nothing more than a normal bank transfer, but made to a card number instead of a bank account number.

Transfers to bank accounts are pretty common and I guess we understand how they work. A bank or another financial institution connects to Automated Clearing House (usually National Clearing Center or National Bank or inter-bank organization), implements the solution on both frontend (internet banking, mobile banking, internal systems) and backend (integration with core-banking system and ACH), and once Customer wants to send money and enters IBAN (bank account) of the receiver, the transfer is performed. In such a case the bank sends technical information to ACH and sends money or performs settlement either with another bank or National Bank, or any other payment organization responsible for this transfer.

Payouts to cards work completely in the same way, but the money transfer is done to Mastercard or VISA cards. At Mastercard, this solution is called "MoneySend" (sometimes Mastercard Send or Cross-Border Send), while at VISA it is called "VISA Direct". In case of such a transaction Customer of the bank or any other money transfer organization initiates payment via the Internet or mobile application and sends money to the Primary Account Number (card number) of the receiver. The settlement of money happens via the Mastercard and VISA networks - actually through settlement bank accounts registered at Mastercard and VISA to perform a card transaction. Money is taken from the settlement account of Originating Institution (sending institution) to the settlement account of Receiving Institution.

We present this on the chart below.

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In fact, there are not many differences between a standard bank transfer and Payout to Cards. Real differences are a natural result of using payment cards to process transactions. The main differences are:

- **Pricing** - obviously pricing of such a Payout to Cards is different than a standard banking transfer - usually more expensive. This is the outcome of the pricing policy of VISA and Mastercard. Nothing else. On average, Payout to Card costs around 0,5-1% + 0,1-0,8 EUR per transaction.
- **Speed of the transfer delivery** - Receiver of a Payout to Cards transaction usually receives money (globally) within 30 minutes. It is a big game changer compared to SWIFT

or SEPA transfers. It really works globally. Imagine that you can send money from Brazil to Germany in 30 minutes! From Singapore to Pakistan in 30 minutes!

- **Using a card number** - Receiver needs to share his/her card number (only 16 digits) with Sender. This is a significant problem because we do not like sharing card numbers with other people. Actually we are taught that it is risky. This can impact a user conversion in many use cases.
- **Issues with a receiving network** - Sometimes it is difficult or impossible to send transactions to particular countries. For example Germany or the USA are countries where such transactions are blocked - banks usually do not accept receiving Payouts to Cards. This may be a problem for some use cases and some transaction corridors.
- **Maximum transaction value** - VISA and Mastercard decided that there are some maximum transaction values. Usually it is around 5-10k EUR or USD per transaction. There are also some monthly limits per user. It does affect the user experience but this value is growing over time.

In general, it is a great functionality that works well for banks around the world as competitive to SWIFT and ACH. It gives added value to the user who wants to transfer money quickly, especially internationally. Worth considering for all money transfer organizations and banks. The implementation of Payout to Cards can be greatly simplified by Verestro and our partner payment organization Fenige. Please check us out!

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