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Ireland Pushes For Better Payments Ecosystem

This year, the Irish government is due to unveil its National Payments Strategy following a consultation period. According to experts, it has been a long time coming.

On December 12 last year, the minister for finance, Michael McGrath, launched a public consultation seeking stakeholder views on the National Payments Strategy for Ireland.

“The strategy will set out a roadmap for the future evolution of the entire payments system, taking account of developments in digital payments, cash usage and how future changes should be made to the legislative criteria relating to Access to Cash,” he commented at the time.

Ireland, like other European nations, has been grappling with a step change in how people pay, as well as the need for a rethink over fraud reimbursements.

It has already enacted laws on access to cash, but there is also plenty to be done when it comes to digital payment innovation.

According to Peter Oakes, founder of Fintech Ireland, it is difficult to isolate one trigger for the focus on payments in Ireland.

“Following the bank crisis in 2010, the Irish taxpayer spent €100bn plus to bailout banks. People's trust in Irish banks was shattered,” he said. “They looked to alternatives as part of the big fintech unbundling of bank services in the 2010s being offered by new innovative firms such as Revolut.”

“Revolut is a name that didn't exist until 2015 and is now a verb used to describe a digital payment, i.e. 'Revolut me',” he said.

Meanwhile, Rónán Gallagher, product director at Fiserv, pointed out that the Central Bank of Ireland (CBI) has also been vocal regarding payment innovation.

“The fact that no Irish bank has supported SEPA Instant to date, and this will only happen following the recent mandates in this area, means that Ireland has lagged behind our peers in adopting open banking and account-to-account payments,” he said.

Alison Donnelly, director at fscom, agreed: “It is very welcome that CBI is looking to see account-to-account payments taking off.

“Ireland is so far behind, so this is important for the sector and also an opportunity for payment and e-money institutions,” she said.

Donnelly told Vixio that more than anything, this focus on payments has been spurred by consumers.

“They have had to push forward and find workarounds. Large incumbents are decreasing in number because they haven't kept up with the times and consumers have had to push and challenge and make this the charge,” she said.

Gallagher continued that although several Irish fintechs have adopted open banking as part of their product offering, including Fire, Prommt and Circit, the main retail banks have not grasped the opportunity.

“The shutdown of Synch Payments, which was owned by the main retail banks and had proposed launching Yippay as a mobile real-time payment scheme, has resulted in Revolut becoming the de facto way for Irish consumers to transfer money to each other,” he pointed out.

Central bank recommendations

As part of the National Payments Strategy consultation, the CBI has proposed priorities to address areas where the country’s payments landscape lags behind other European countries.

“It is particularly striking that, while Ireland hosts a very innovative payments sector, some of the benefits of that innovation remain untapped from the perspective of domestic consumers,” said Vasileios Madouros, the central bank’s deputy governor, in a speech at the BPFI National Payments Conference.

“The National Payments Strategy offers an opportunity to change that. It also offers an opportunity to take a longer-term view and develop a coherent, system-wide approach to the future evolution of payments, within a European context.”

The central bank has published its recommendations for four high-level priorities through to 2030 in response to the public consultation on the Department of Finance’s national payments plan.

These include coordinated action to realise the benefits of innovation and integration in a European context, with the central bank suggesting that this can help drive Ireland’s implementation of EU policy initiatives underway to improve outcomes for businesses and consumers, including instant payments, open banking, anti-fraud measures and interoperability with EU retail payments solutions.

“The immediate strategic focus needs to be on initiatives that enable the development of account-to-account payment solutions. This is critical for closing the ‘access gap’ between Ireland and Europe,” Madouros said.

“More broadly, it presents an opportunity to ensure that the domestic retail payments ecosystem can keep pace with emerging technologies in the future.”

According to Gallagher, the focus on innovation from the CBI should offer further opportunities for e-money and payment institutions operating in the country.

“On the other hand, it is very interesting that the central bank in its recent Regulatory Supervisory Outlook Report has called out risks associated with EMIs and payment institutions,” he said.

Gallagher added that it appears that the audit of safeguarding compliance following the 2023 "Dear CEO" letter from the CBI has highlighted deficiencies in this area. “And with €8bn held in safeguarded funds this could be an area of concern particularly following the saga over the last few years of the EML Payments owned Prepaid Financial Services, which has resulted in the appointment of provisional liquidators to deliver a managed wind down.”

Maintaining the security and resilience of payments is also another of the CBI’s recommendations, with the regulator stating that revising the national strategy is an opportunity to put in place initiatives to strengthen the security and resilience of payments.

This includes additional fraud prevention measures, measures to safeguard the resilience of individual institutions, particularly newer fintechs, and measures to strengthen the payments system’s resilience with further system-wide contingency planning.

Safeguarding cash as a means of payment is another recommendation, with the central bank believing cash will remain a core element of the payments ecosystem in Ireland and internationally.

Although the use of cash in Ireland has been declining, there is continued demand from households and businesses to be able to use cash as a means of payment.

“By enshrining continued access to cash it does promote financial inclusion. Access to cash in rural areas particularly access to banking facilities also touches on political concerns,” said Gallagher.

“If a small town sees a bank branch close, which has happened in many towns with almost 180 branches closed in the last five years, there are often local campaigns and any political backlash tends to hit government parties.”

Because of this, Gallagher said that some of the moves ensuring access to cash within a geographic radius may be a nod to rural constituencies. “The Irish-American politician Tip O'Neill was associated with the phrase ‘All politics is local’ and nowhere is this truer than Ireland.”

A fintech hub?

Ireland, alongside other jurisdictions such as Lithuania, was a beneficiary of the UK’s departure from the EU in the fact that it was able to bring in fintechs and other financial institutions looking for a new EU home.

"Ireland's paytech sector has greatly expanded because of Brexit,” said Donnelly. “It has become a fintech hub and a tech hub, due to corporation tax, as well as the English language."

Oakes pointed out that Ireland has around 45 indigenous payments firms, not all requiring authorisation.

TransferMate is an example of one such regulated Irish payments firm that has scaled across the globe from regional Ireland.

There is also a big group of international payments companies in Ireland, such as Wex Bank's Optal Financial, in addition to PayPal and Mastercard.

The number of Irish authorised e-money and payments firms and open banking companies is close to 60, and the country is also home to almost a dozen alternative digital payments firms in the form of virtual asset services providers.

This answers why one of the CBI's recommendations is filling data and analytical gaps, which it says will help the government understand the incentives needed to drive the development of payment services, enabling it to make informed policy decisions and anticipate the future evolution of the Irish payments ecosystem.

According to Oakes, this is "bang on point".

"The opportunities this represents are staggering. Data is the new oil and money is data. Ireland can become a leading conduit of instantaneous and global payments."

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