



## LES DESSOUS DES CARTES BANCAIRES

### PAYMENT INSTRUMENTS

#### Introduction

**LUCILE:** Welcome to *L'Éco en court*, the podcast that provides clear answers to your economic questions. My name is Lucile, I've been working at the Banque de France for 10 years, and in this episode we tell you everything you need to know about payment instruments. Paying at the checkout is a basic part of our day-to-day shopping experience, and merchants can choose how they want to be paid depending on customers' preferences. Bank cards for online customers. Contactless payments for customers in a hurry. A merchant's choice of payment instrument will also depend on how much it costs. Because in France, it's the merchant that pays most of the fees.

**GUEST 1:** My dad owned a restaurant and, back then, he hated payment cards because he said they cost him as much in fees over the year as he lost to bounced cheques. I'm talking about 20 years ago.

**LUCILE:** In the United States and Australia, it's the customer who pays the commission, and the amount varies depending on the brand of card they use to settle their purchase.

Basically, behind every purchase, there's a whole string of intermediaries who have to be paid for their services – the provision of payment instruments and solutions to merchants to meet their customers' needs, especially in terms of speed and security. Payment instruments are defined by law – specifically by the French Monetary and Financial Code.

We've got banknotes and coins, of course, but also bank cards that can be affiliated to different networks. These networks connect the banks and all other transaction intermediaries who allow merchants to be paid by card. The most widely known are Visa and Mastercard, and CB in France.

**GUEST 2:** I think CB stands for *carte bleue* which is a French payment instrument brand and a rival to Visa, but not quite... actually I'm not exactly sure how the system works.

**LUCILE:** In fact, CB doesn't stand for *carte bleue*, it stands for *groupement de cartes bancaires* or bank card group. *Carte bleue* was the name of the first French payment card. It was taken over by Visa in 2010. The other payment instruments defined under law are transfers, direct debits, cheques, luncheon vouchers and electronic money – for example money stored on a gift voucher. These can be combined with other forms of payment solution: Google Pay or PayPal electronic wallets which store a digitalised version of our bank cards, the mobile payment app Lydia which allows you to transfer money using your mobile phone number instead of your bank details, and Wiro which is an instant payment solution that allows you to send and receive money directly between bank accounts, using a telephone number or email address. Each time you use a payment instrument and solution, the intermediaries have to be paid. That's why some banks offer free payment cards, because they like having you as a customer. But that's not the only reason. They also receive fees, known as interchange fees, each time you use the card. They can also make money from the data linked to our purchases.

As users, we aren't always aware of the costs linked to our payment instruments and solutions, so we tend to base our choice of payment method on other criteria.

**GUEST 1:** I use PayPal a lot for subscriptions like Netflix. Because when I change my payment card, as I did just recently, I only have to change my card details in PayPal and that instantly changes my payment method for all my subscriptions, automatically I mean, so I don't have to worry about them being cancelled because I forgot to change my card details with each one. It's really useful.

**GUEST 3:** I've got an iPhone and I've saved my card in Apple Pay. For ages I was against the idea, but then I lost my card and I had to start using it. There's also something a bit cool about having everything on your phone, being able to pay with it.

**LUCILE:** As consumers, we can still make conscious choices when it comes to paying for our purchases. Have you heard of co-branding? Look at your bank card. You'll see it carries the Visa or Mastercard logo, or the CB logo. That means it's co-branded. You can choose which network you want to handle your card payments. You can also make the same choice online when you're asked to click on Visa, CB or Mastercard at the checkout. And you can choose your network in a shop, although in practice we don't do it much. Around 95% of French bank cards are co-branded, but mine isn't. Surprisingly, my bank card carries the Visa and Olympic Games logos.

**GUEST 2:** Visa was official partner of the Paris Olympic Games this year, so all payments linked to the games – at the drinks stands, at the shop... I mean the official merchandise sellers, they only took Visa cards. I've got a Visa, so it didn't bother me, but I thought it was crazy, that you could discriminate between customers like that, based on their payment card, when I really don't think many people actually choose to have a Mastercard instead of a Visa, or vice versa.

**LUCILE:** The commercial stakes are really high. Visa's global turnover was around 30 billion dollars in 2023. Aside from the competition issue, there are other factors at stake when we choose how to pay. Given that bank cards are the most widely-used means of payment, the functioning of the entire economy depends on how reliable the payment chain intermediaries are. This poses a technical challenge. A failure or breakdown at a service provider can temporarily block payments using certain cards. It happened for a few hours in France in July 2024.

**GUEST 2:** I've got a story about that. A few months ago, there was a massive breakdown at a payment terminal company, I've forgotten what they were called. I went shopping that day, completely unaware. And it was a bit of a nightmare because everyone gradually realised that they couldn't pay for anything, the shops didn't know what to do. I imagine that in those shops, and in the greater scheme of things, it didn't really matter that we couldn't buy anything for that short time, but if it had carried on and hadn't been sorted out, what would have happened?

**LUCILE:** There's also the issue of sovereignty. After the invasion of Ukraine, Visa and Mastercard suspended all activities in Russia. Cards issued by Russian banks no longer work outside Russia, and foreign cards no longer work inside Russia. Given that the market is dominated by just a few players, if one of them suspends its services, it can disrupt the entire economy. To deal with this, the Banque de France and European Central Bank are working on designing a digital euro. The idea would be to provide a new European digital payment instrument with the same properties as cash. It would be public, free of charge, accepted everywhere in the euro area and usable without an internet connection. The Council and European Parliament are currently discussing how to introduce the digital euro, but other solutions are already available, like instant transfers, which are another way of shortening the payment chain. To encourage people to use them, a European regulation will be passed on 9 January 2025 stating that instant transfers cannot cost more than a standard transfer. In practice, instant transfers will be made free of charge. As part of this, the Banque of France is backing the European Wiro solution, which is being rolled out by banks in France, Germany, Belgium and Luxembourg.

**GUEST 4:** I think Wiro is the replacement for PayLib which lets you send money to friends really easily. At least that was the PayLib service I used, and I think it's Wiro now, although I haven't had the chance to use it yet.

**LUCILE :** In France, most consumers can already use it to make instant transfers. In the future, Wiro's functions will be expanded so you can pay online, in shops or between businesses using a QR code. So now I've told you everything you need to know about paying. This episode was produced with the help of the Banque de France's cashless payments team, whom I would like to thank. If you enjoyed this episode, don't hesitate to subscribe to the podcast and leave us comments and stars. For the next episode of *L'Eco en court*, we look forward to receiving your economic questions by posting a message on the Banque de France's Instagram account or by emailing [podcasts@banque-france.fr](mailto:podcasts@banque-france.fr).