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Discover To Offer Direct Payments

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Discover Financial Services will soon give U.S. merchants the option to accept payments from shoppers' bank accounts -- no card needed.

The card company is joining with **fintech** firm Buy It Mobility Networks Inc., whose **technology** allows consumers to pay directly from their checking accounts using merchants' apps. The companies are expected to announce the partnership this week.

Such payment arrangements are popular in Asia -- Alipay and WeChat Pay are among the big players. They have been slower to take off in the U.S., where debit and credit cards reign. U.S. banks earn much higher fees on card purchases, giving them little incentive to encourage payments directly to and from bank accounts.

Discover's network is plugged into some 11.8 million U.S. merchant locations, according to 2020 data from the Nilson Report, removing a barrier to acceptance that has thwarted others attempting to break into the business.

Though its cards are widely accepted, Discover lags behind its bigger competitors -- Visa Inc., Mastercard Inc. and American Express Co. It accounted for just 2% of card transactions on major U.S. networks in 2020, according to the Nilson Report. Visa had 65%.

"It'll give us at Discover another arrow in the quiver," said Jason Hanson, senior vice president of global business development at Discover.

Still, convincing people to change how they pay for things is easier said than done. Several years ago, BIM's **technology** was part of a short-lived effort by a group of large merchants to develop a mobile wallet. BIM is betting that discounts will help sway shoppers. Merchants pay lower fees on transactions that travel over the ACH, or Automated Clearing House, rails that connect bank accounts, allowing them to cut prices for shoppers who choose this option.

Shell PLC and Phillips 66 are among the companies already using BIM's **technology** at checkout. Customers who opt to pay by checking account at gas stations pay as much as 25 cents less a gallon than those who use cards.

The discounts can encourage consumer loyalty to merchant brands. Consumers who pay by checking account tend to buy gas at locations where they know they will get the discount. For BIM's merchant clients, that translates into an average of \$1,700 in annual additional revenue per active user compared with consumers who pay with cards, the company said.

Grocery chains, pharmacies and quick-service restaurants have expressed interest in adopting BIM's **technology** but have hesitated due to the technical work involved, BIM Chief Executive Adam Frisch said. BIM approached Discover, which is an investor in the company, and conversations about a partnership picked up during the last six months.

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