PYMNTS INTELLIGENCE | Trustly

PAY BY BANK:

Consumer Adoption Hinges on Security Concerns

October 2025 Index

PAY BY BANK: CONSUMER ADOPTION HINGES ON SECURITY CONCERNS

READ MORE

October 2024
Cost Concerns Hinder Merchants' Pay by Bank Adoption —
But Current Payments Could Cost More

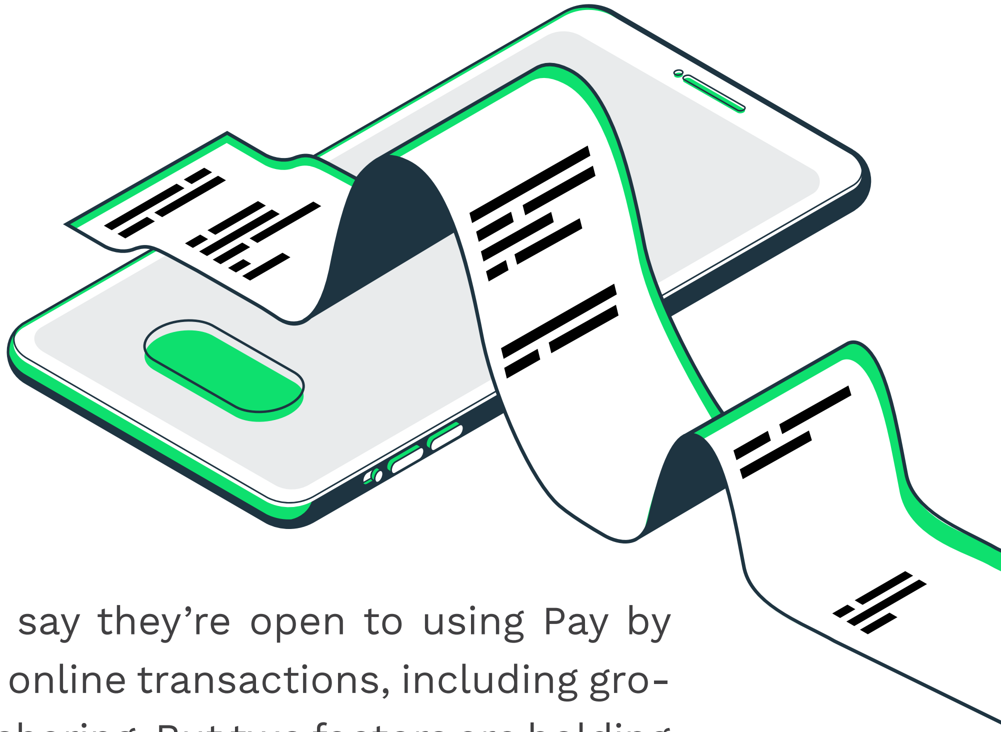
PYMNTS INTELLIGENCE | Trustly

Pay by Bank Index: Consumer Adoption Hinges on Security Concerns was produced in collaboration with Trustly, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

TABLE OF CONTENTS

WHAT'S **AT STAKE**

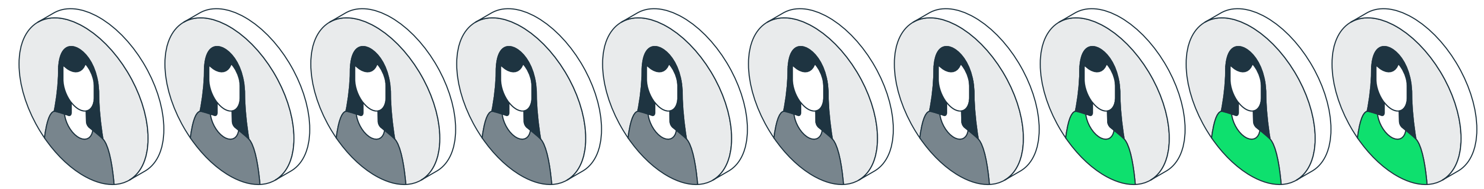
As digital payments evolve, Pay by Bank is increasingly on the radar for United States consumers. But the payment method, which instantly and securely transfers money directly from an individual's bank account to a merchant, service provider or individual—or the reverse for a refund—is not yet a mainstay of financial transactions. Pay by Bank involves a sender entering their bank username and password; no need to enter an account number or routing number, as is required for Automated Clearing House (ACH) transfers. While three in 10 U.S. adult consumers say they've used Pay by Bank in the past year, the method accounts for just 1.5% of all consumer retail transactions, a drop in the bucket compared to debit cards and credit cards. Its use remains narrowly concentrated in bill payments, account transfers and subscriptions like meal-delivery services.



Millions of consumers say they're open to using Pay by Bank for more types of online transactions, including grocery shopping and ridesharing. But two factors are holding them back. First, today's highly security-conscious consumer may be unaware of the strong data privacy of the payment method. Nearly half of debit card users who reject the method think that using their bank credentials to pay is less secure than using a debit or credit card. Second, most consumers are accustomed to some sort of loyalty or rewards program from a credit card, typically cashback for qualifying purchases and discounts. Consumers are accustomed to the buyer protections of both debit and credit cards and to the perks of credit cards, and thus expect an alternative payment option to give them something both safe and extra.

Massive room for growth

Nearly six in 10 consumers say they would consider shifting some transactions to Pay by Bank if it offered both buyer protection and incentives similar to debit cards and credit cards. At its core, the payment method is most similar to using a debit card. With debit cards accounting for 30% of all retail transactions, according to Federal Reserve data, and total U.S. retail transactions forecast to reach $5.4 trillion this year, according to one estimate, more than $1.6 trillion will be made with debit cards. Any slice of that converting to Pay by Bank represents meaningful savings to consumers and a major opportunity for FinTech providers.



THREE IN 10

consumers have used Pay by Bank in the last year, typically for account transfers or bill payments.

Pay by Bank sits at a crossroads. It can stagnate as a niche tool for a handful of use cases and a limited group of users. Or it can carve out a broader role in the consumer payments landscape—if FinTech providers can clearly communicate its data privacy safeguards and financial benefits and offer buyer protections.

72%

of digital wallet users **would switch some transactions to Pay by Bank if given a discount and buyer protections.**

These are just some of the findings detailed in the Pay by Bank Index: Consumer Adoption Hinges on Security Concerns, a PYMNTS Intelligence and Trustly collaboration. This edition examines individuals' adoption and perception of Pay by Bank and draws on insights from a survey of 2,071 U.S. adult consumers conducted from June 20, 2025, to June 30, 2025.

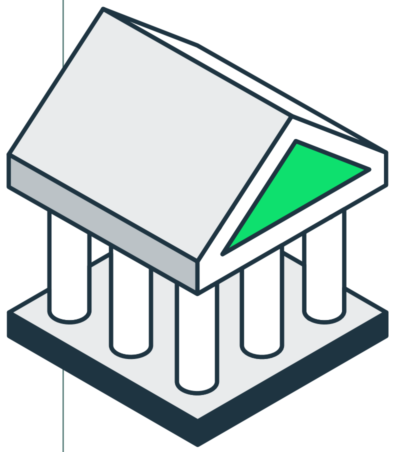
This is what we learned.

KEY FINDINGS

01

PAY BY BANK HAS MASSIVE ROOM TO GROW

Three in 10 consumers have used Pay by Bank, but they have done so sporadically, with the payment method accounting for only a marginal share of online and mobile consumer payments.



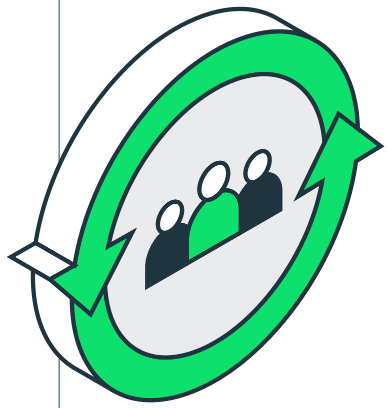
1.5%

of all consumer transactions are made using Pay by Bank.

02

MANY CONSUMERS COULD BE PERSUADED

Six in 10 consumers could be persuaded to use Pay by Bank, with those who favor paying by debit cards and digital wallets the most open.



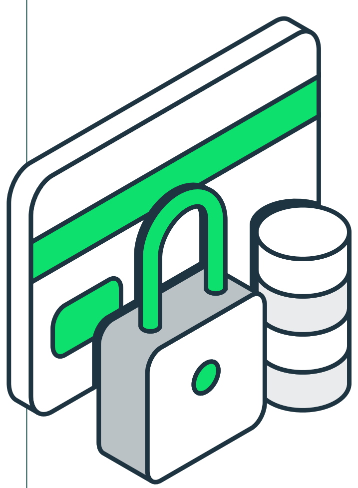
60%

of consumers would switch some transactions to Pay by Bank if given a discount and buyer protections.

03

CONSUMERS WANT CONVINCING SECURITY

For consumers to start using Pay by Bank more, they'll need both an incentive and assurance of its security.



45%

of consumers who do not think Pay by Bank is a substitute for their debit cards believe that using their bank credentials is less secure than using a debit card.

PYMNTS IN DEPTH

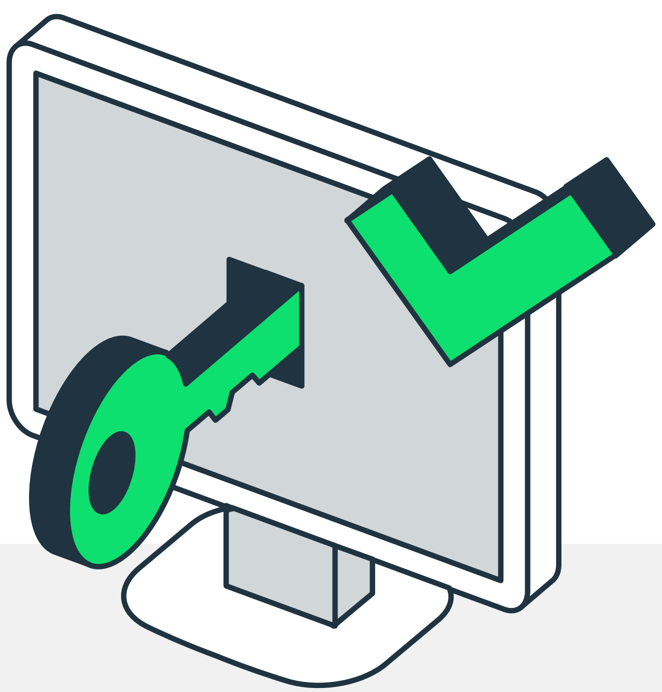
While many consumers are using Pay by Bank and some demographic segments are especially open to increasing their adoption, security concerns persist as a key barrier to broader acceptance.

Close to one-third of consumers have adopted Pay by Bank, but it still accounts for only a marginal share of consumer payments.

An alternative to credit cards, debit cards and paper checks, Pay by Bank allows consumers to sidestep card networks like Visa and Mastercard and avoid the hassles of creating a new account, downloading an app or manually entering their card number to complete an online or mobile transaction. Money flows instantly across real-time payment rails or, if that's unavailable at a given bank, ACH (which isn't instant), from the consumer's bank account to the merchant's or service provider's account (or the reverse, for refunds). The entire process never exposes the individual's bank account credentials to the merchant or service provider. Pay by Bank is thus a direct alternative to debit cards: Both involve money directly flowing between a payor's bank account and the recipient's, and neither involves credit.

A shopper offered Pay by Bank at checkout on a merchant's website, bill payment portal or marketplace selects their financial institution from a list and is redirected to that bank or credit union to securely log in, usually with some form of multi-factor authentication such as biometric authentication. Once the login is authenticated by the FinTech provider, that provider autofills the amount to be transferred, including any sales tax, the recipient's name and any shipping fees or insurance. The consumer reviews and confirms the details, then authorizes the transaction. The funds are transferred instantly to the merchant's or service provider's account or (for refunds) directly back to the consumer's account. No messy typing of dollar amounts or card details. The FinTech encrypts the sender's credentials. It doesn't store the credentials. Nobody other than the bank account owner ever sees them, leaving fewer opportunities for fraudulent actors to steal a customer's payment information.

Pay by Bank is a direct alternative to debit cards: Both involve money directly flowing between a payor's bank account and the recipient's, and neither involve credit.

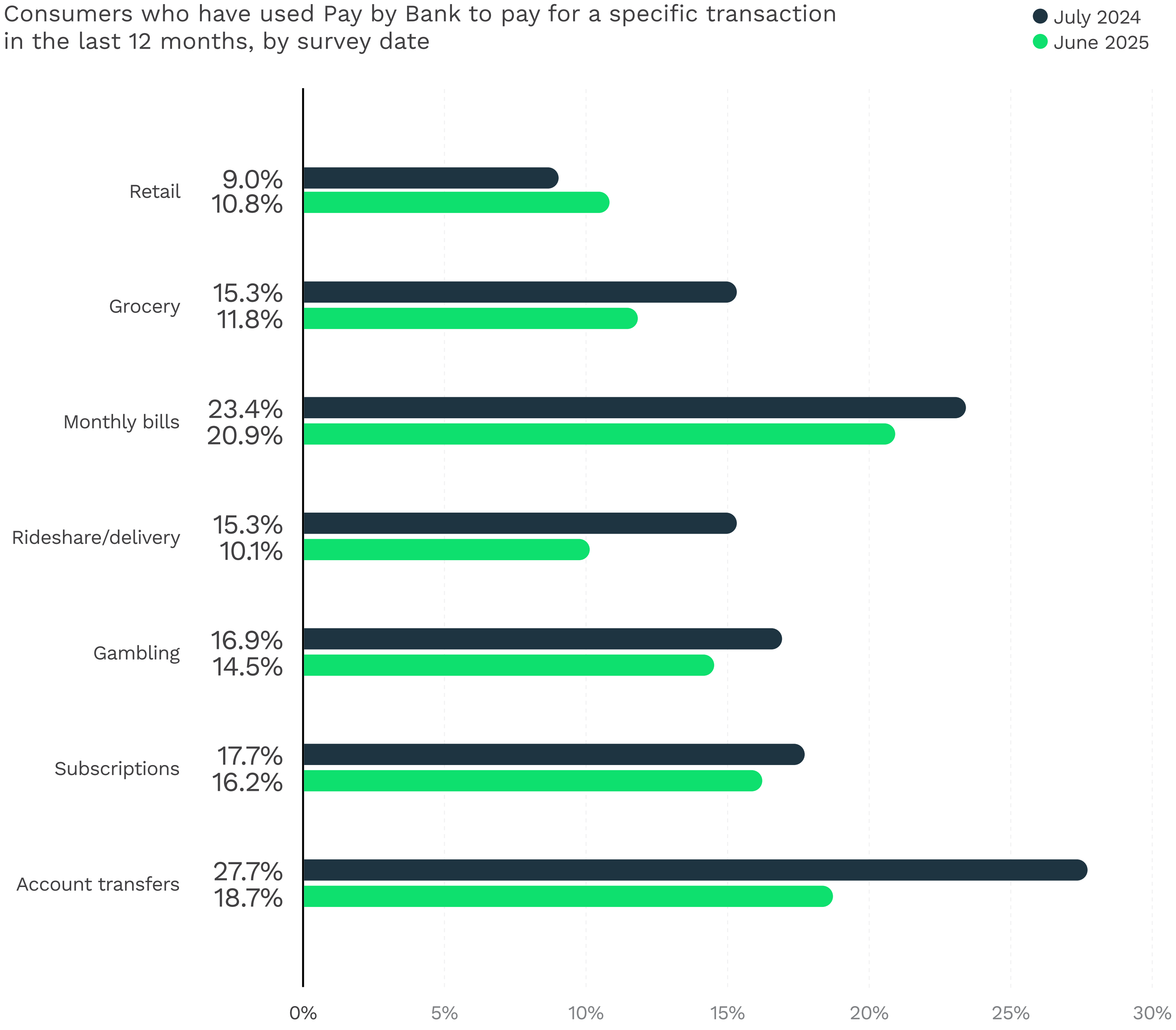


Overall, 30.2% of consumers say they have used Pay by Bank within the previous 12 months through June 2025. The payment method is most commonly used to pay monthly bills for utilities and the like. Just over one in five, or 21%, of surveyed individuals say they used Pay by Bank for a monthly bill payment in the last year, a small decline from 23% last year. Nearly one in five (19%) have used it for transferring funds between a bank account and an investment account.

FIGURE 1

Pay by Bank transactions

Consumers who have used Pay by Bank to pay for a specific transaction in the last 12 months, by survey date



Source: PYMNTS Intelligence

Pay by Bank Index: Consumer Adoption Hinges on Security Concerns, October 2025

N varies by type of purchase, fielded June 20, 2025, to June 30, 2025

While many consumers have used the payment method recently, they have done so sporadically. Pay by Bank accounts for just 1.5% of all retail transactions. The youngest consumers are using the payment method the most often, and by a long stretch. Usage rises to 2.5% among Generation Z, reflecting their digital-first mindset. By contrast, it plummets to just 0.8% among baby boomers and seniors.[1]

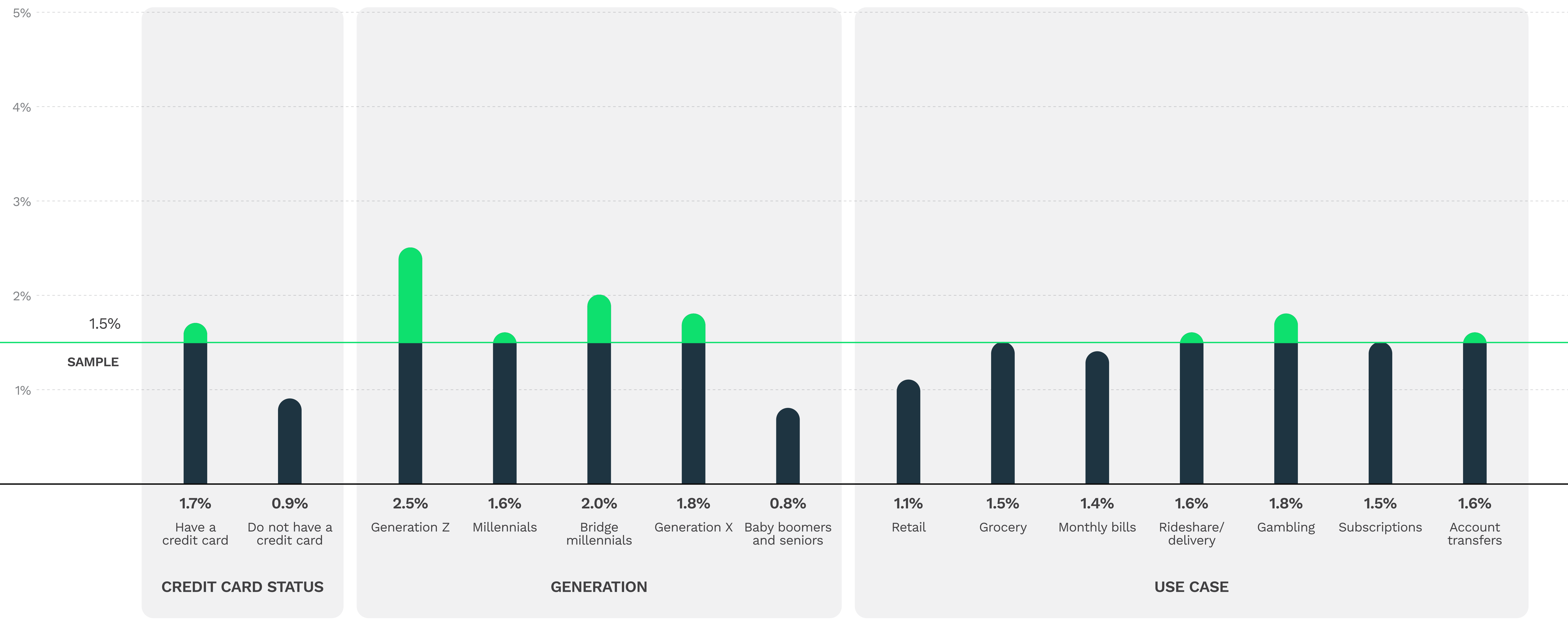
The payment method is used disproportionately for gambling transactions, rideshare payments, delivery purchases and account transfers. Those niche use cases are increasingly widely used, signaling the method's potential for other spending categories.

1 PYMNTS Intelligence uses the following birth dates and approximate age ranges in 2025 for generational cohorts: baby boomers: born in 1964 or earlier and now aged 61 or older; Generation X: born between 1965 and 1980 and now aged 45–60; millennials: born between 1981 and 1996 and now aged 28–44; bridge millennials: born between 1978 and 1988 and now aged 37–47; zillennials: born between 1991 and 1999 and now aged 25–34; and Generation Z: born in 1997 or later and now aged 28 or younger.

FIGURE 2

Pay by Bank's portion of all transactions

Percentage of consumer transactions completed using Pay by Bank, by demographics and purchase category



Source: PYMNTS Intelligence

Pay by Bank Index: Consumer Adoption Hinges on Security Concerns, October 2025

N = 2,010: Consumers who completed at least one such transaction in the last 12 months, fielded June 20, 2025, to June 30, 2025

Most consumers could be persuaded to use Pay by Bank more, with debit card and digital wallet users the most open.

Consumers have many ways to pay, and most already use other methods involving direct transfers from their bank accounts. Internal bill pay systems offered by financial institutions are one example. Consumer provision of account and routing numbers to billers, such as a utility company, is another. Seven in 10 U.S. consumers use their debit cards, which are linked directly to their bank accounts, at least once a week.

What's unique about Pay by Bank is that it leverages open banking to connect merchants directly to a consumer's bank by letting the consumer enter just their username and password to complete a transaction at any merchant accepting the payment method—all without exposing routing or account numbers to the merchant or Pay by Bank service provider.

WHAT COULD NUDGE MORE USERS TO USE PAY BY BANK?

The top answer:
the right financial incentives.

Consumers are used to cashback rewards when using their credit cards, typically 1%–2% but often higher for premium cards. That benefit sets the bar for what they expect from an alternative payment method. At the same time, it also exposes how most consumers don't realize the financial value Pay by Bank provides. More than six in 10 (62%) consumers say that if they were offered benefits with "immediate cash value," they would be more interested in paying by logging in to their bank account directly via a merchant's or service provider's website or mobile app.

"Immediate cash value" refers to the monetary value to the consumer of avoiding the interchange, assessment and payment processor fees that merchants pay when consumers settle up with a credit card. (The merchant pays those fees to the processor, the company facilitating the transaction between the merchant, bank and card network, which then distributes the portions to the card issuer and the card network.). The fees are typically borne by the consumer indirectly, in the form of higher sticker prices.

Pay by Bank itself typically doesn't offer direct cash rewards like many credit cards do. But some merchants wanting to encourage its use over credit cards may offer their own incentives, like discounts, instant rebates or loyalty points that lower the total cost to the consumer of using the payment method instead of a credit card. Regardless of whether a merchant offers those incentives, Pay by Bank provides a "discount" for consumers simply by sidestepping card network fees.

THE SECOND ANSWER CENTERS ON SECURITY PROTECTIONS.

> FOUR IN 10

consumers would be **more interested in Pay by Bank if they thought it provided strong security protections**. As with financial discounts, consumers appear unaware of the protections the payment method provides.

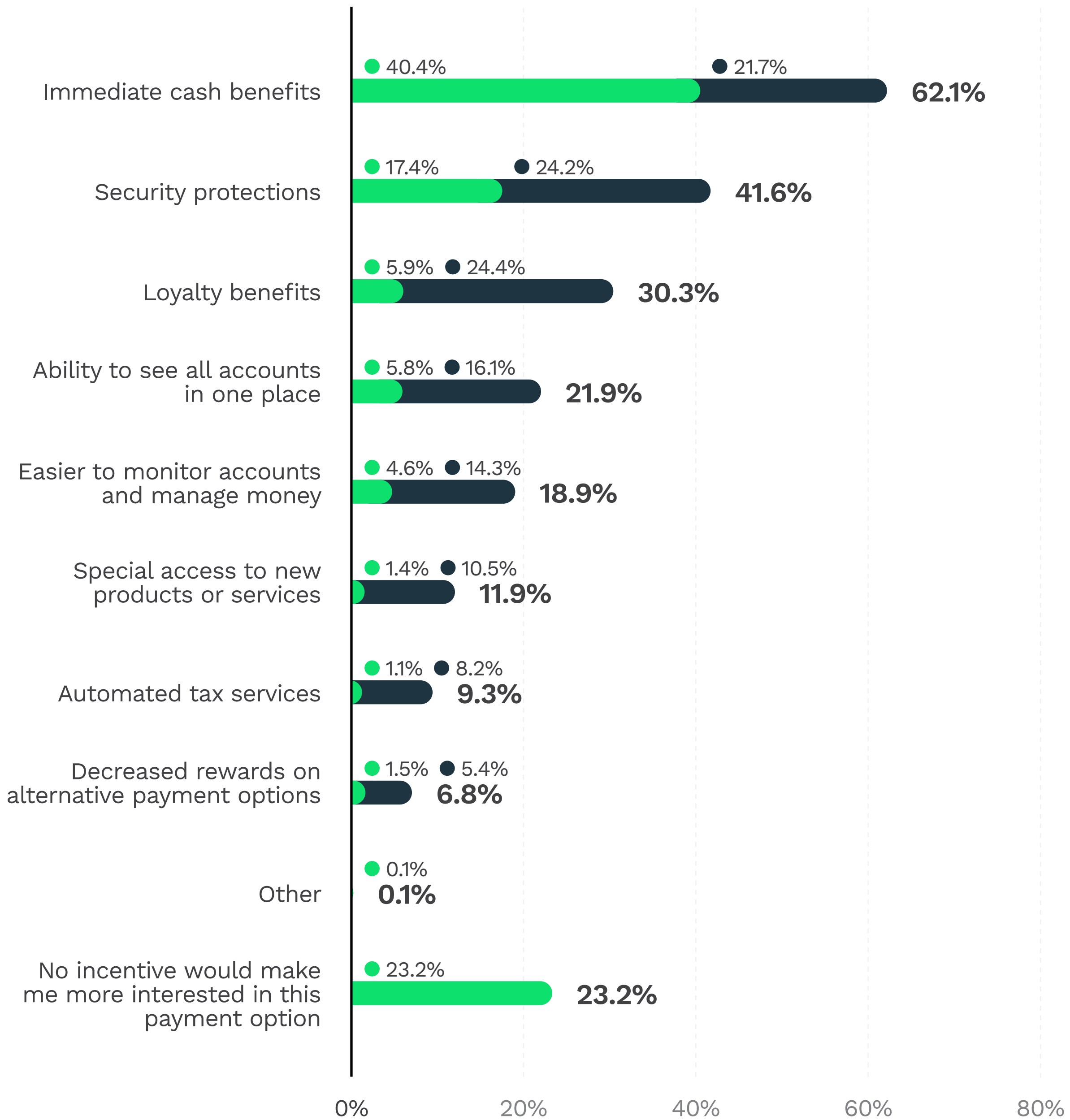
< ONE IN FOUR

say that no **incentive of any kind** would convince them.

FIGURE 3

Consumer interest in Pay by Bank

Consumers who say select incentives would make them more interested in using a payment option where you log in to your bank account directly via a merchant's or service provider's website or mobile app



Most important incentive

Selected but not the most important incentive

Source: PYMNTS Intelligence
Pay by Bank Index: Consumer Adoption Hinges on Security Concerns, October 2025
N = 2,071: Complete sample, fielded June 20, 2025, to June 30, 2025

Overall, six in 10 consumers would switch some transactions to Pay by Bank if they got both buyer protection and a 1% "discount" to use the method instead of a credit card. The discount would come from the merchant as an incentive for using the payment method.

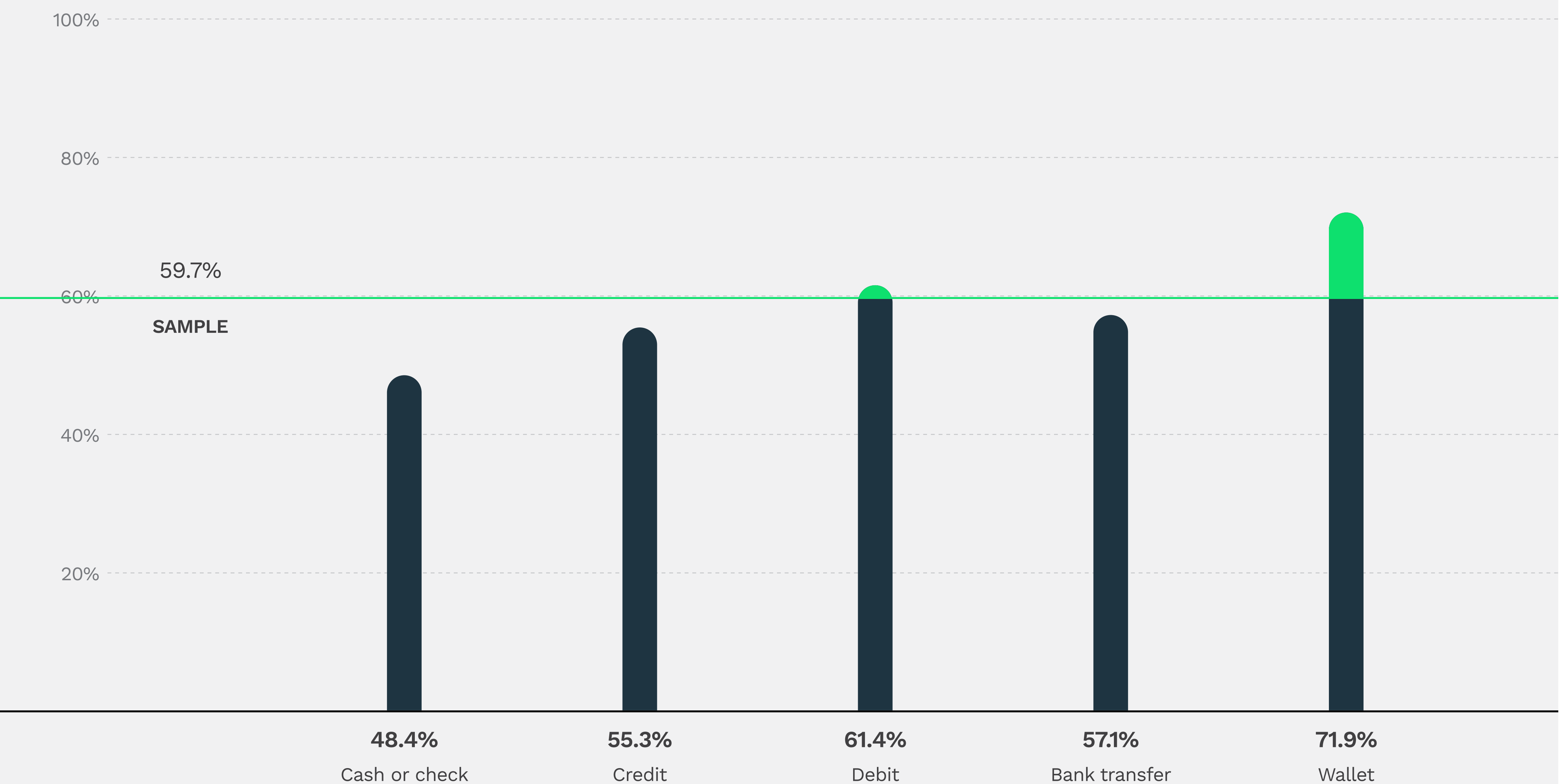
The potential market for switchers is vast. If total U.S. retail transactions totaled $5.3 trillion last year, according to one estimate, then $1.6 trillion (30%) were made with debit cards, leaving a large number of transactions potentially open to converting to Pay by Bank.

Consumers who prefer to pay using digital wallets or debit cards may be easier to convince. The 60% generally open to the payment method rises marginally to 61% among debit card users and shoots up to 72% for digital wallet users. Conversely, people who favor using credit cards for their transactions are slightly less interested than the overall population, at 55%. That lower interest makes sense, given that they are likely revolving their monthly balances and thus not paying in full, which is what a direct Pay by Bank transfer accomplishes. Those who prioritize cash and paper checks are the least interested, likely because they have less of a digital-first mindset. In sum, this suggests that for Pay by Bank to gain broader adoption, two things need to happen. The payment method needs to look, feel and act more like a debit card and offer the buyer protections available for both credit and debit cards. For credit cardholders who pay their balances in full each month, the method needs to convey the monetary advantages of bypassing credit card fees.

FIGURE 4

Consumer amenability to Pay by Bank

Consumers who would switch some transactions to Pay by Bank if provided buyer protection and a 1% "discount" for using the method instead of a credit card, by current preferred payment method



Source: PYMNTS Intelligence

Pay by Bank Index: Consumer Adoption Hinges on Security Concerns, October 2025

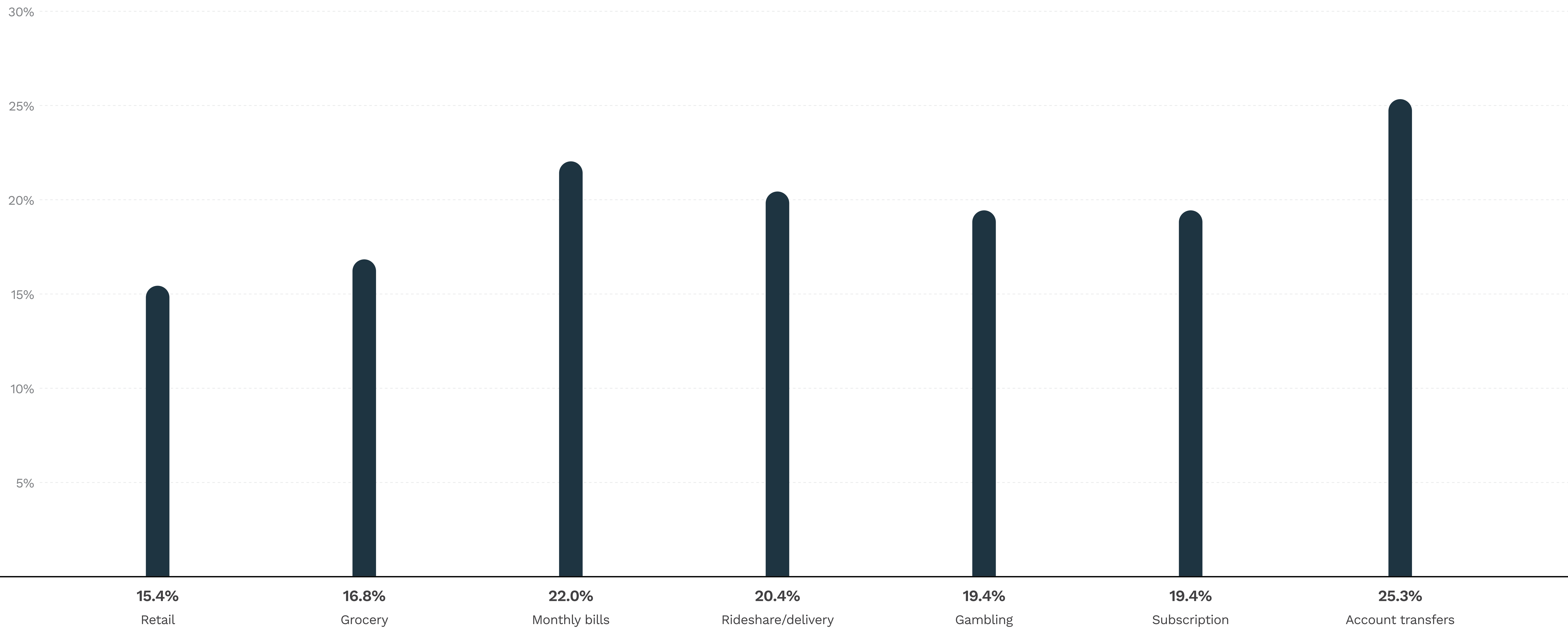
N varies by category and represents consumers who used each payment method, fielded June 20, 2025, to June 30, 2025

Boosting consumer understanding of the two incentives—immediate, cash-like benefits and strong security—could increase Pay by Bank adoption by double digits in certain categories of transactions. One in four account transfers could shift to Pay by Bank if incentives and protection are offered, up from 1.6% today. Some 22% of bill payments could shift to the payment method, up from 1.4%. Ridesharing and delivery payments could spike to 20.4% from 1.6%. Retail purchases made through the payment method could rise to 15.4% from 1.1%.

FIGURE 5

Openness to Pay by Bank

Consumers who would shift select types of transactions to Pay by Bank if offered buyer protection and a 1% "discount" for using the method instead of a credit card



Source: PYMNTS Intelligence

Pay by Bank Index: Consumer Adoption Hinges on Security Concerns, October 2025

N = 2,010: Consumers who completed at least one such transaction in the last 12 months, fielded June 20, 2025, to June 30, 2025

In order for consumers to start using Pay by Bank more, they'll need to feel more assured of its security.

Pay by Bank depends on what's known as open banking, in which banks share bank account credentials with third-party FinTechs that provide the technical and payment processing services. The sharing takes place through software known as Application Programming Interfaces (APIs), which lets the two sides' technology work together using encryption and other protections of account data, or dedicated payment gateways linking the consumer and the merchant's acquiring bank. Again, APIs don't require customers to disclose their bank login details with third-party Pay by Bank providers.

It's an environment with safety and security that few consumers seem aware of. Security concerns are Pay by Bank's top obstacle for consumers who favor debit cards. Specifically, 45% who don't think Pay by Bank is a debit substitute say they believe that using bank credentials is less secure than using their debit card. This share is far greater than those who said the same of any other concern.

12%

of debit card users **see Pay by Bank as an alternative to debit**, even though the two methods shift money directly from the consumer's bank account.

Currently, only 12% of debit card users see Pay by Bank as an alternative to debit, even though the two methods shift money directly from the consumer's bank account. At the same time, the majority who don't yet see Pay by Bank as a substitute could be persuaded. Specifically, 13% of debit users would use it if they were offered rewards for doing so. Rewards and buyer protections could boost interest to nearly 70% in spending categories where existing use is already high.

> Nearly two in three debit card users **say they could never be persuaded to use Pay by Bank** instead of their debit card for retail purchases.

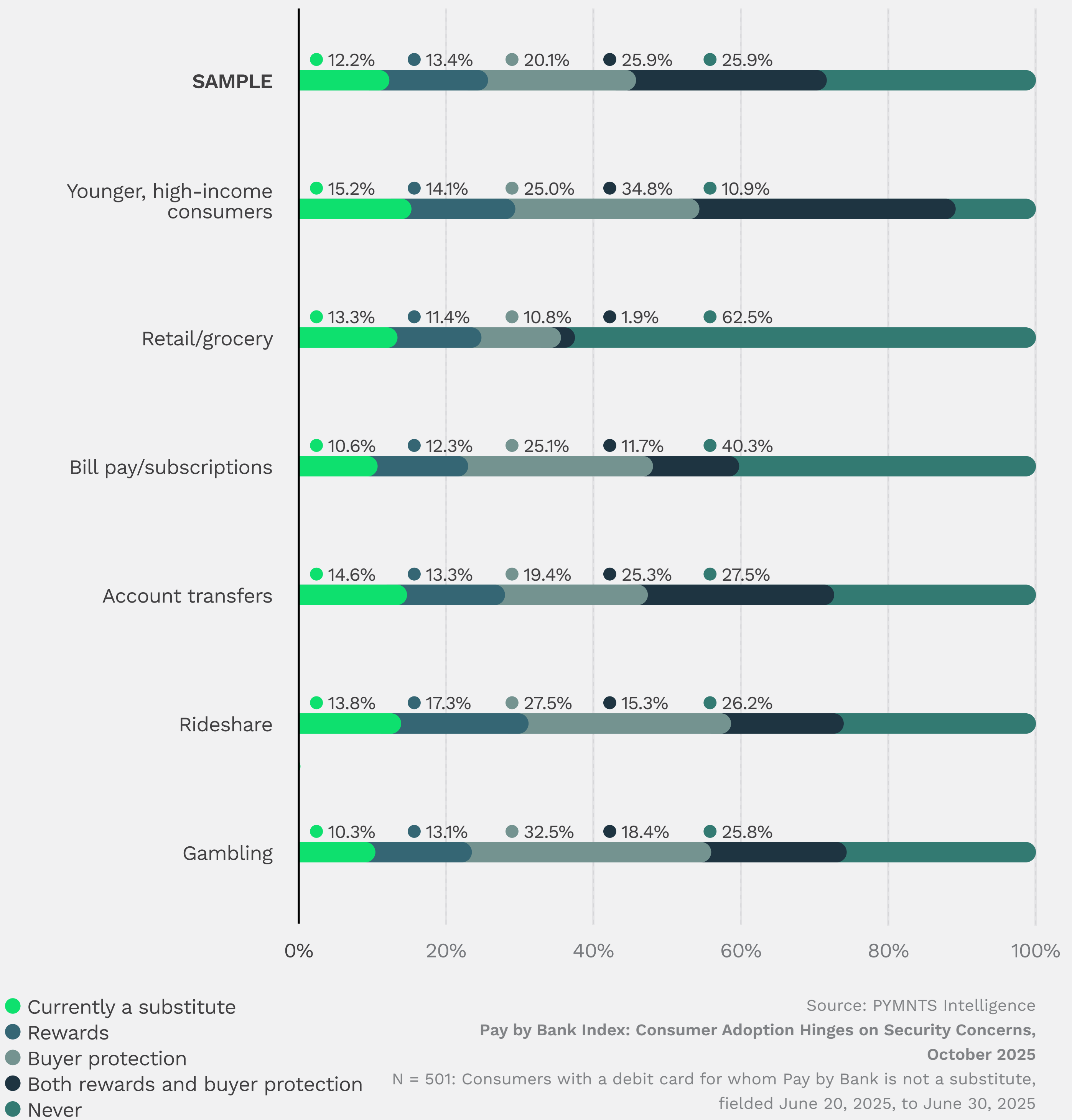
Younger, high-income consumers are the most likely to already use Pay by Bank as a debit substitute or to be open to making the switch. Among these, only 11% would never use it as an alternative.

Openness to the payment method varies by type of transaction. Rewards and buyer protections could boost interest to nearly 70% in the areas where existing use is high (monthly bills and subscriptions). Conversely, nearly two in three debit card users say they could never be persuaded to use Pay by Bank instead of their debit card for retail purchases.

FIGURE 6

How Pay by Bank could replace debit

Consumers who say select factors would be required for Pay by Bank to become a substitute for their debit cards



Source: PYMNTS Intelligence
Pay by Bank Index: Consumer Adoption Hinges on Security Concerns, October 2025
N = 501: Consumers with a debit card for whom Pay by Bank is not a substitute, fielded June 20, 2025, to June 30, 2025

The next biggest opportunity for wider adoption concerns buyer safeguards. Nearly one in four, or 23%, cite a lack of liability and buyer protection when they use Pay by Bank.

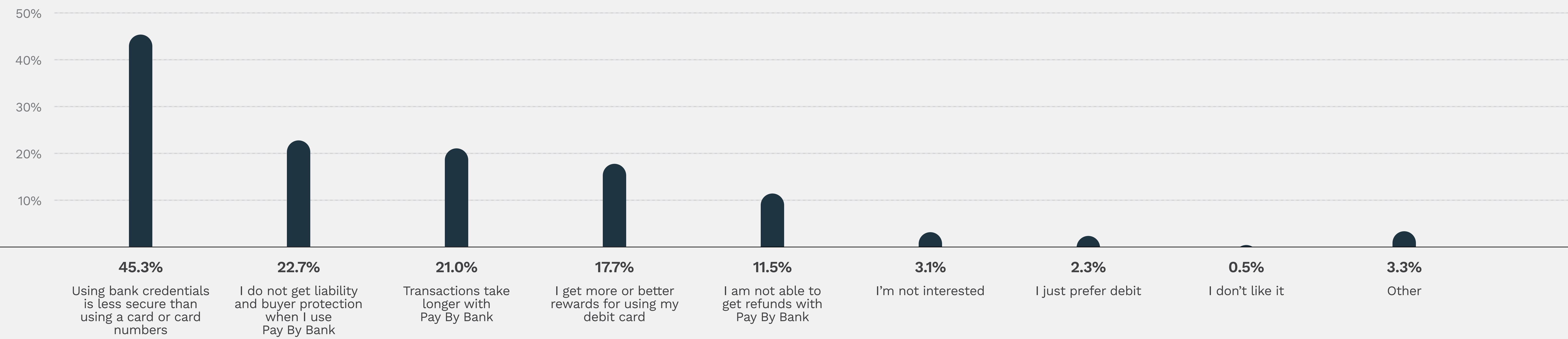
Unlike with credit cards, there are no federal rules for Pay by Bank regarding chargebacks for fraudulent or unauthorized purchases or disputes over goods not received or misrepresented. A consumer who reports a lost or stolen credit card before it's used isn't responsible for unauthorized charges. If the report is made after the credit card is used, the most a consumer will owe is $50. With debit cards, liability for bogus or contested charges depends on when the consumer reports a card theft or disputes a transaction. The amounts are $50 if reported within two business days, $500 if reported after two business days but within 60 days of the statement being sent, and unlimited liability if longer.

One in five consumers say they would switch to Pay by Bank if it offered buyer protections. Just over one in four would use the method if they received both rewards and buyer protection. Only 28% could not be persuaded to use Pay by Bank as a substitute for debit.

FIGURE 7

Reasons Pay by Bank doesn't yet replace debit

Debit card users for whom Pay by Bank is not a substitute who attribute their reluctance to select reasons



Source: PYMNTS Intelligence

Pay by Bank Index: Consumer Adoption Hinges on Security Concerns, October 2025

N = 501: Consumers with a debit card for whom Pay by Bank is not a substitute, fielded June 20, 2025, to June 30, 2025

ACTIONABLE INSIGHTS

01

Prioritize broader availability and consistent benefits. Pay by Bank has achieved trial but not habitual use, signaling a gap between interest and widespread, sustained adoption. Incentivize everyday usage across a broad range of purchasing categories and ensure seamless integration at checkout to transform one-time users into regular adopters and convince holdouts. Expand beyond narrow categories like bill pay and account transfers.

02

The path to higher adoption lies in educating consumers about the method's security and financial benefits. Target incentives such as discounts and buyer protections at people who favor paying by debit cards and digital wallet users, as they show the strongest likelihood of shifting behavior. Offer tailored rewards programs and immediate value consistently to accelerate conversion. Launch compelling incentives to capture persuadable segments.

03

Position Pay by Bank as an alternative to debit cards. To compete with debit, integrate protections like chargeback rights, liability coverage and clear consumer guarantees. Complement these protections by offering rewards that align with established cardholder expectations. Build trust by embedding protections equal to or greater than those for debit.

PYMNTS INTELLIGENCE | Trustly

PAY BY BANK:

Consumer Adoption Hinges on Security Concerns

October 2025 Index

METHODOLOGY

Pay by Bank Index: Consumer Adoption Hinges on Security Concerns is based on a survey of 2,071 U.S. adult consumers conducted from June 20, 2025, to June 30, 2025. The report examines individuals' adoption and perception of Pay by Bank. Respondents were recruited to reflect U.S. Census Bureau population totals across gender, age, education and income.

THE PYMNTS INTELLIGENCE TEAM THAT PRODUCED THIS REPORT:

Lynnley Browning
Managing Editor

Carson Olshansky
Senior Writer

Scott Murray
SVP., Head of Analytics

ABOUT

PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

Trustly

Trustly was launched in 2008 and has grown rapidly over the past 16 years to become a global leader in open banking payment solutions. With a mission to make online payments as seamless as possible, Trustly offers an innovative payment platform, bridging the gap between consumers and merchants. Its technology ensures that transactions are processed in real-time, providing both speed and security for all parties involved.

Trustly's dedication to revolutionizing the payments industry is reflected in its partnerships with major brands such as PayPal, eBay and Hargreaves Lansdown in Europe and FanDuel, T-Mobile and Coinbase in North America. To date, Trustly has transformed the performance and experience of payments for over 9,000 merchants in 30+ markets, connecting them to 650+ million consumers through 12,000 banks. Read more at us.trustly.com.

We are interested in your feedback on this report. If you have questions, comments or would like to subscribe, please email us at feedback@pymnts.com.