

Building an Effective Digital Payments Ecosystem

Close collaboration between multiple stakeholders makes for safer transactions and better experiences.

The ability to transfer money with the click of a button or the swipe of a smartphone has transformed the way we buy and sell things around the globe. Mobile payment platforms, peer-to-peer payment services and digital wallets have made the conducting of business faster, more convenient and more accessible for merchants and customers alike. And as more people become acquainted with these innovative technologies, adoption rates are soaring. In 2022, for example, 3.4 billion people were using digital wallets. By 2026, the number of users is [poised to rise](#) to 5.2 billion - well over half of the world's population.

Speed and seamlessness may be what draws people to digital payments, but trust is what keeps them coming back. Buyers and sellers need to feel secure in their belief not only that their transactions are safe, but that their data and privacy aren't being compromised. Unfortunately, as [a recent Chubb report](#) exploring the role of trust in digital

payments makes clear, these transactions are especially vulnerable to certain risks that don't similarly impact traditional payment methods, including cyber scams, data breaches and even software bugs or power outages. Experiencing any one of these misfortunes - or even just worrying about experiencing one of them - has the potential to erode trust and sow doubt.

To maintain trust, platforms and businesses that operate in the digital payments realm must view that realm as an ecosystem where multiple stakeholders - not only merchants and customers, but also financial institutions, regulators and insurers - have important roles to play. By understanding the roles of these participants and collaborating closely with them, digital payment providers can mitigate both actual risk and customer worry, creating a safer environment for all.

Risks From Multiple Angles

Every financial transaction entails some degree of risk. But digital transactions, by turning dollars and cents into bits and bytes, pose unique risks whose impacts can be highly damaging and long-lasting. Cybercriminals infiltrating a digital wallet can gain access to a user's personal and financial data, opening the door for identity theft or unauthorized purchases. Hackers that are able to break into a company's payments platform can instantly obtain the financial information of all that company's customers, including their credit card information. These and other risks are in addition to the more basic risk of consumer fraud that

digital payment users may face if they place their trust in a scammer who takes their money but never delivers anything in return.

Not all risks relating to digital payments involve criminality. Technical issues – including network outages and software glitches – can wreak havoc on payment flows. When the cybersecurity company CrowdStrike issued a faulty update to its software in July of 2024, more than 8 million systems [crashed across the globe](#), including those of many [banks and payment service providers](#).

In some instances, the greatest risk that these users face may be their own

understanding of the relevant laws surrounding digital transactions. It's only relatively recently that digital payments have been made subject to the same kind of regulatory oversight that governs other transactions between individuals and financial institutions; as a result, users may not be aware of how rules and laws apply to specific situations. As we note in [our report](#), the U.S. Electronic Fund Transfer Act requires banks to reimburse consumers for unauthorized transactions, but not for authorized transactions – meaning that someone tricked into sending money to a scammer may have no legal recourse for being made whole.

Solutions From Multiple Partners

Like its natural counterpart, the digital payments ecosystem relies on a balanced interconnectedness between various elements for its health and sustainability. To keep users and their money safe, the key players in this ecosystem must view themselves as stakeholder partners whose unique capacities, when brought together, lessen risk and increase efficiency and customer satisfaction.

- **Financial Institutions:** Just as cash gave way to checks and checks gave way to credit/debit cards, these payment methods will increasingly give way to digital transactions that are handled over smartphones and computers. Banks must do all they can to make these transactions safe, seamless and frictionless if they want to hold onto their customers. Having already earned these customers' trust, banks can confer that trust onto payment platforms by partnering or co-branding with them, as they have done with platforms like PayPal, Venmo, and Apple Pay in the U.S.; AliPay, GoPay, and WeChat Pay in Asia; and Pix and Mercado Pago in South America. Financial institutions can also offer their digital customers attractive add-on services that reduce risk and increase satisfaction, such as [24/7 fraud monitoring](#), [zero-liability protection](#) for unauthorized purchases and [biometric identification](#).
- **Merchants:** Around the globe, merchants and sellers are recognizing that digital payments in their various forms represent the future of transactions. [Digital wallets](#) were used for half of global e-commerce purchases, and nearly a third of in-store purchases, in 2023, accounting for \$14 trillion in transaction value. Growth is taking place in all regions: In [Latin America](#), 92 percent of small businesses now accept digital payments; in the [Asia-Pacific region](#), 70 percent of online purchases and 50 percent of in-store purchases were made with digital wallets; and [in the U.S.](#), usage of digital payments for in-app purchases has hit the 60 percent mark and usage for in-store purchases has climbed recently to 28 percent. Increasingly, customers are availing themselves of retailer apps that allow them to pay digitally when they step inside brick-and-mortar shops



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to pick up their orders. Merchants that provide special offers and incentives (such as loyalty programs) to reward digital payments online, in-app and in-store can forge relationships with their customers – relationships that can be further strengthened by offering those customers payment protection plans or [embedded insurance](#) at the point of sale.

- **Regulators:** As the digital payments ecosystem continues to evolve and expand, regulation and oversight will be key to protecting the consumers and businesses that utilize it. In the U.S., a major step towards this goal was taken in November 2024, when the Consumer Financial Protection Bureau (CFPB) [finalized a rule](#) aimed at enhancing consumer protections and addressing risks in the digital payments landscape by bringing platforms into the same supervisory ambit as banks, credit unions and other financial institutions overseen by the agency. Policymakers in the European Union, meanwhile, are [currently debating](#) whether to pass new laws that would require banks to reimburse the victims of Authorized Push Payment (APP) fraud, wherein a consumer is tricked by a scammer into initiating a financial transaction. A similar law [has been in effect](#) in the United Kingdom since October 2024. Regulatory agencies also have a role to play in raising public awareness about digital payments fraud by educating consumers on risks, as well as the measures that can be taken to mitigate those risks.
- **Insurance Companies:** As [our report](#) notes, many of those who regularly make digital payments erroneously believe that they are automatically protected against losses in various scenarios, such as technology malfunctions, data breaches or APP fraud. The survey at the heart of the report indicates that holding transaction insurance would significantly boost trust in digital payments for three quarters of consumers. Insurers that offer payment protection insurance or other products relating to [cyber scams and cyber fraud](#) have an opportunity to give consumers peace of mind as they make everyday transactions, be they small or large. With that added peace of mind comes continued, and even increased, participation in the digital payments sphere.

Building Together

Healthy and robust ecosystems run on synergy between partners. In addition to offering the different products and services outlined above, members of the digital payments ecosystem have an opportunity to collaborate in shaping the future of this still-relatively-young sector by working together to develop industry standards, share information and best practices, and educate both businesses and consumers on risks and solutions. Such collaboration will result in faster, easier and safer transactions that translate into increased trust and satisfaction for consumers – and increased business for merchants and other sellers.

