Gumenyuk A. , PhD., assoc. prof.,
Yanchuk V., PhD., assoc. prof.,
Zhytomyr State Technological University

ACH AND E-CHECK VS CREDIT CARDS PAYMENT SOLUTIONS: COMMISSION AND SECURITY ISSUES

B2B world tends to make the faster turnover and it makes it very sensitive to the volumes of payment and payment fees. Knowing that Credit Card processing includes both: Processing fee (usually invoiced by Processing Center) and Network fees (VISA/MasterCard) are usually charged per transaction. Besides various states of US and Canada have a limit on payment via CC set up to $25,000, leaving big businesses out of the deal that involves a bigger sum. Charge cards are revolving debt instruments that enable individuals to use borrowed money to make purchases. Credit card issuers assign each cardholder a credit limit [1]. It's a fact: 75 million U.S. consumers cannot or not willing to use a credit card to make purchases online. However, the B2C world is still fully covered with the Credit Card transactions and invoicing services, that become more and more popular in the European countries.

If we look at the map of the transactions variety there is no surprise that North America is widely use Credit Card payments for B2C and B2B segments and still stay rather concerned about payments due to PCI compliance limiting payments information collection at the Web shop side.

Transactions involving credit cards or automated clearing house (ACH) are electronic funds transfers (EFTs). Many sellers and consumers would make electronic transfers rather than use cash or paper checks. Everybody wants to have their transactions and payments processed fast, so, involvement of the delivery service of the paper check makes this procedure slower. ACH draws on funds in checking or other similar type bank accounts.

Service companies (accountants, bookkeepers, attorneys, technology support) can benefit the most from ACH over credit cards. For example, technology service company opens an ACH account. Rather than waiting for paper checks to arrive, to bill their clients electronically. For every $10,000 in checks received, the firm will pay nearly $20 in fees. The benefit is in time savings and cash flow. Setting-up a monthly service client to pay by recurring ACH on an agreed-upon date each month the firm reduces trips to the bank and also the post office, and eliminates the 5-10 days of transit time before the money is deposited in the bank. So, it is worth the 1/20th of 1 percent fee. That's where the cost savings add up.

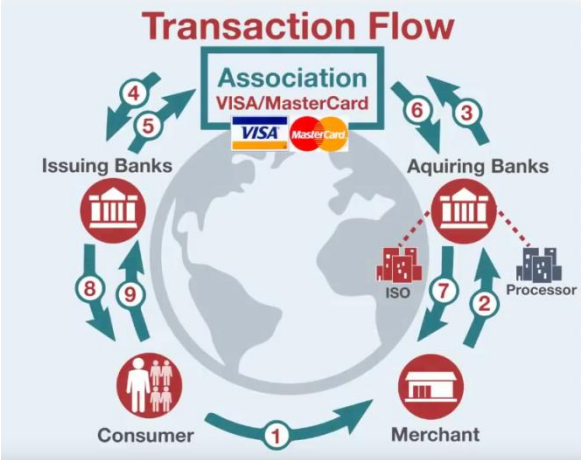

Fig1. Institutions involved increase the operational costs per transaction. The image is taken from http://bit.ly/2Fxy2oT

Example scenarios where ACH eCheck is great include:

- A business to business, commercial relationship where a you need to bill your client on occasion for work you do
- Service deliverer to bill their customer weekly
- A cleaning company that wants to bill against a bank account monthly for their services
- A gym that bills clients monthly
- A phone company billing their clients monthly
- A service provider where you want to keep an account
- A law firm that needs to bill clients periodically for services rendered throughout a billing period

Threat is totally handled between credit card and ACH processing. Credit cards utilize a network to verify whether somebody is within their credit limit and then after the network (Visa/Mastercard) approves the trade, those funds are guaranteed to the merchant.

ACH, by comparison, does not guarantee the funds – which is why you do not tend to see it as widespread for point of sale retail transactions at retailers that are physical. The transactions are usually batched to reduce price which causes delay of a day (or more) to settle. (Keep in mind, however, the US is pushing toward same day ACH.) There are instances where a merchant using ACH can find out days later (and sometimes months afterwards) that the customer had insufficient funds (NSF) or is claiming a return after the fact. The retailer then must take manual remediation with the customer to try to get those funds – billing bounced check type fees, sending etc., to collections. The charge card business takes on the danger of

that set should the demand arise, while a consumer may neglect to pay their charge card bill.

Now, with all that being said, what's the number 1 benefit of using ACH over credit card processing – lower fees.

ACH transactions usually have the lowest fees of any payment system – except for cash. Typically, as a merchant collecting payment from your customers, you end paying, on average, 1/5 to 1/20 the cost you would if you utilized credit and debit cards. That's a lot of savings and money that can go elsewhere in business.

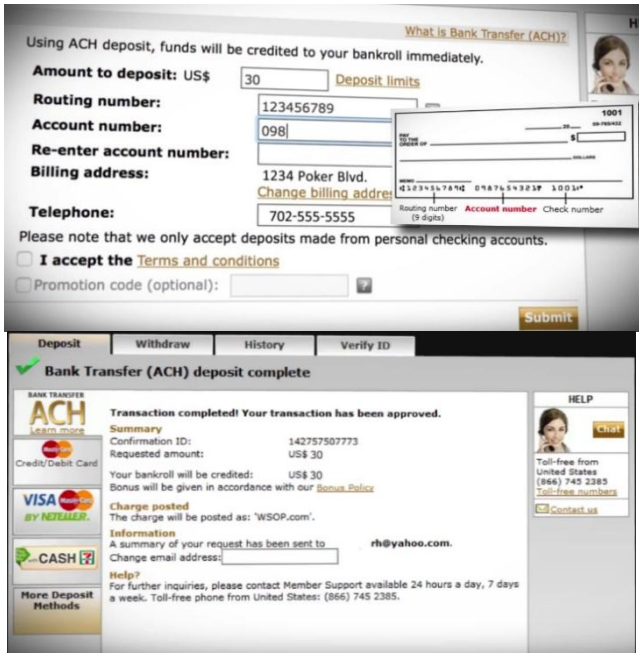

Fig2. The payment screens of the hosted payment page example publicly available at http://bit.ly/2Fxy2oT

Given the points above, do demonstrate benefits of the ACH eCheck processing in situations where you really know your customer.

The biggest players on the market still do not offer the Hosted Payment Solution for ACH, however Authorize.Net is still offering this solution taking the lead in both: B2B and B2C segments.

Coming competitor of the payment options allowing saving cards at the side of the PCI Complient PSP PayJunction suggests REST API offering rich methods to create your own payment page for ACH and still offer the Hosted Payment solution asd REST API for the Credit Card option. Hereby is the short integration script you can easily use to pass the transactional information on ACH, which is rather easy to implement in frame of the B2B solution.

```
curl -X POST -u "login:password" -H "Accept: application/json" -H "X-PJ-Application-Key:
YOUR_PRODUCTION_APP_KEY" \
    -d "achRoutingNumber=104000016" \
    -d "achAccountNumber=12345678" \
    -d "achAccountType=CHECKING" \
    -d "achType=PPD" \
    -d "amountBase=1.00" \
"https://api.payjunction.com/transactions"
```

Fig3. Example of the simple ACH request taken from [2]

ACH solution is not affected with the PCI compliance, however that still falls within GDPR [3] and requires the ISV to make payments only via secured channels.

Thus, placing iFrame solution at the check-out section, especially if there is activated Google Tag Manager for Analytic enabled - may still be a question for the GDPR. That is officially proven that Analytics can be properly set up to keep a correct tracking without putting clients' data at risk and still use the hosted payment pages.

References:

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2. https://developer.payjunction.com/hc/en-us/articles/218052357-ACH-Check-Transactions
3. https://www.datastreams.io/gdpr-compliance-with-the-data-stream-manager/