

Banking and Payments **BULLETIN**



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iDEAL in the Netherlands faces competition from Mastercard and Visa

The Netherlands' iDEAL is the poster child in Europe for a credit transfer-based payment system for making online payments, which completely bypasses domestic and international card schemes (see page 7).

iDEAL's success (70% of online payments in the Netherlands are made via iDEAL) is due to the prevalence of Maestro and VPAY debit cards in the country. Unlike Mastercard and Visa debit cards, which can be used for online purchases, Maestro and VPAY are designed only for in-person POS and ATM transactions. This has created the perfect environment for iDEAL to succeed in the online payments sector in a way which is much more difficult in countries where Mastercard and Visa debit cards are more common.

The current system in the Netherlands is not without flaws, however, as it creates difficulties for overseas visitors, notably from Germany and Belgium, who cannot pay with their Mastercard or Visa debit cards owing to lack of acceptance. Even at a domestic level, several neo-banks issue Mastercard and Visa debit, and again such cardholders have difficulty domestically. In both scenarios, cardholders typically fall back to using cash. Furthermore, as Maestro and VPAY are not widely accepted outside of Europe, some Dutch travellers have problems making card payments when travelling overseas.

This is all about to change. Under the guidance of the Dutch Payments Association, a project has been set up with Mastercard, Visa, Dutch banks and PSPs to ensure widespread acceptance of Mastercard and Visa debit cards in the Netherlands. From 1st July 2023 all new debit cards issued in the country will be Mastercard or Visa branded, with some issuers starting to issue these cards earlier. Maestro and VPAY cards will still be accepted until their expiry, meaning Maestro and VPAY will not be fully phased out until 2027 when the last cards expire.

So what does this mean for iDEAL? Some people argue that payment via Mastercard and Visa debit will be quicker and easier than using iDEAL, but the latter is updating its processes to address these concerns. Technology could be a factor too, with mobile phone wallets, for example, better integrated with the international card schemes.

iDEAL would never have grown to where it is today were it not for Maestro and VPAY, but it had a huge headstart in the Dutch e-commerce market, and in payments that is a massive advantage. While not ideal, iDEAL should not feel unduly threatened.

Dominic Hirsch, Editor

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Editor Dominic Hirsch

Managing Editor Morten Jorgensen

Assistant Editor Tomomi Kimura

Contributors Helen Amos, Sam Blackwell, Jeni Bloomfield, Ben Joseph, Thomas Newman, Chiara Sandifer, Ethan Turner Freeman, Emma Young

Subscriptions Manager Dani Wright

Advertising Managers Amanda Hardy, Felix Kronabetter

For all editorial and advertising enquiries:

Telephone: +44 20 8831 7300

Email: bulletin@rbrlondon.com

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393 Richmond Road
London TW1 2EF, United Kingdom