

# Wells Fargo, BofA among banks eyeing Zelle for retail to address open banking disruption

Article

**The news:** Wells Fargo and Bank of America are reportedly among banks considering a plan to enable Zelle for online retail payments at big merchants, per the Wall Street Journal.

**More on this:** Not everyone is on board with the plan—some **JPMorgan** executives said it's not the right time for such a plan, people familiar with the matter told the Journal.

The executives said Zelle should focus on protecting against consumer fraud, which has proliferated on the peer-to-peer payment (P2P) network. And regulatory gray areas mean victims often struggle to get banks to refund them for fraudulent charges and scams, the New York Times [reported](#).

But other banks support the plan because it could let them set their own rules and fees for payment acceptance. These banks can participate in the scheme individually but would need to get a vote from Zelle's owners before activating the service across the entire network. Zelle is operated by **Early Warning Services**, which is owned by seven banks—including JPMorgan, Bank of America, and Wells Fargo.

**Why it matters:** Zelle adoption is surging—the number of users is expected to grow **13.8%** year over year and hit 61.6 million in 2022, per Insider Intelligence forecasts.

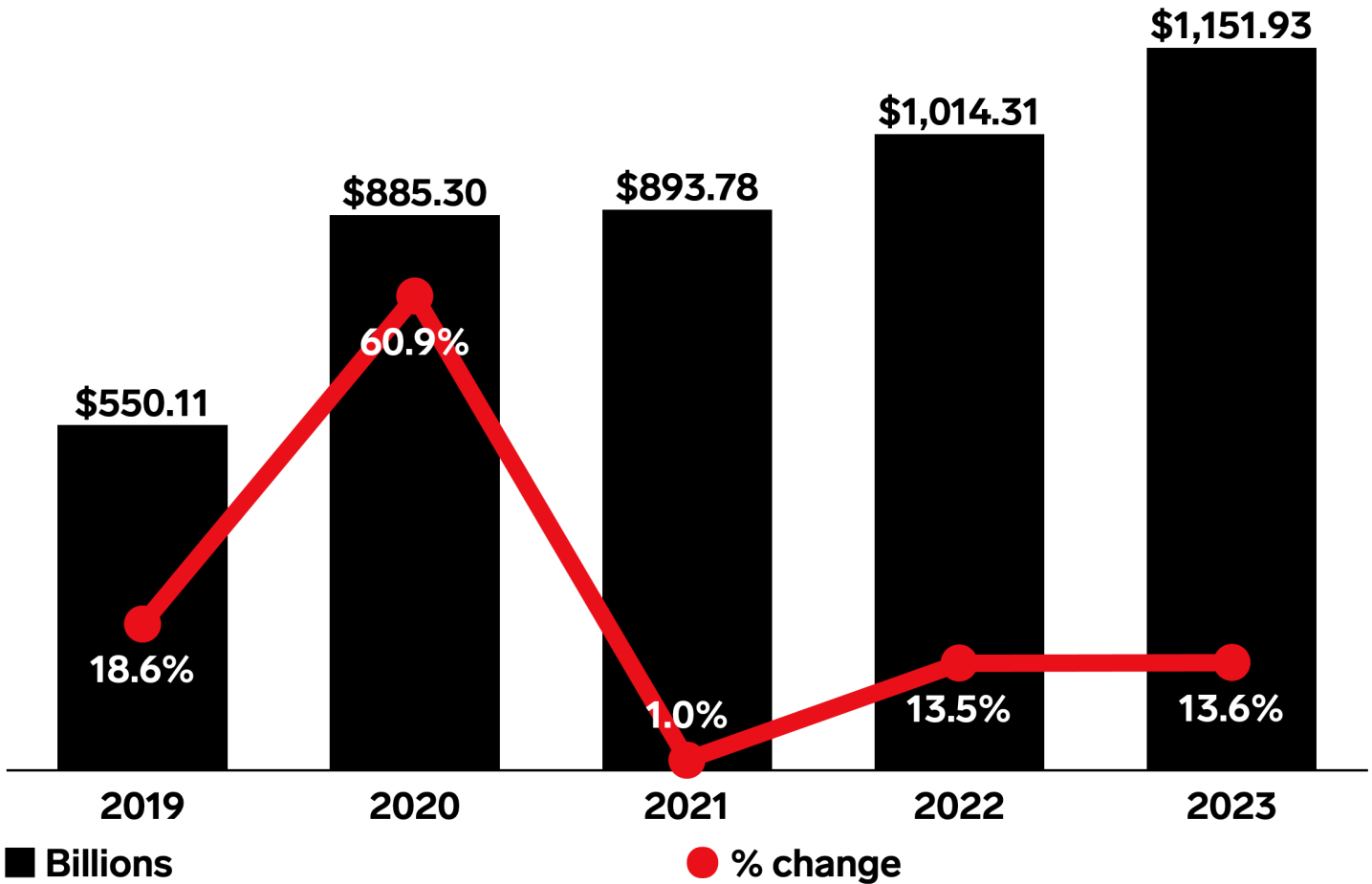
But card payments still hold the upper hand: Cards are expected to make up **84.5% of digital retail & food services transaction value this year**, [per](#) Insider Intelligence forecasts. And banks earn income from interchange and other fees (which are set by networks like **Visa** and **Mastercard**) on card transactions, unlike with current Zelle transactions.

So why would banks want to risk this income in exchange for a less lucrative service?

- 1. Retail Zelle payments may be closely related to open banking.** Implementing Zelle for retail would let consumers make payments directly from their bank accounts, potentially via a bank login. This closely resembles the payment process that open banking providers like **Plaid**, Mastercard-owned **Finicity**, and Visa-owned **Tink** facilitate. These providers use customer-permissioned bank data to support a wide array of financial services, which threaten banks' customer relationships and data ownership.
- 2. Banks might see Zelle as a way to avoid open banking disintermediation.** The value of **global payment transactions facilitated by open banking will exceed \$116 billion** by 2026, up from just under \$4 billion in 2021, [per](#) Juniper Research. As open banking-enabled payments and financial services become more prevalent, banks may want to protect themselves from future disintermediation, which could occur as Visa, Mastercard, and other fintechs use open banking data and customer relationships to their advantage.

# Digital Payment Card Transaction Value

US, 2019-2023



*Note: Transactions made over the internet using credit cards, debit cards, and prepaid cards; includes food services and drinking places sales; includes sales tax; excludes travel and event tickets, payments (such as bill pay, taxes or money transfers), mail orders, gambling, and other vice goods sales; includes desktop/laptop, mobile and tablet purchases.*

*Source: eMarketer, July 2021*

*Methodology: Estimates are based on the analysis of data from the US Department of Commerce and the Federal Reserve, estimates from other research firms, reported company revenues, historical trends, consumer buying trends, and macro-level economic conditions.*

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