

# Klarna's account-to-account payments bring greater transaction choice and cut costs

Article

**The news:** Klarna expanded its partnership with account-to-account (A2A) payments provider **GoCardless** so its US users can make payments from their bank account, per a press

release. The A2A solution is available for Pay in 4 and Klarna financing, the provider's long-term credit option.

**The threat to card players:** Letting users pay directly from their bank accounts minimizes their reliance on cards, which could lead to less volume—and revenues—for networks and issuers.

Klarna's A2A integration reflects a broader battle for consumer spending between credit card issuers and BNPL providers. BNPL players are attracting customers with their interest-free installment solutions: **36.9% of US consumers who used BNPL** said they wanted to avoid credit card interest, [according to](#) The Motley Fool. In response to the BNPL threat, many issuers (like [US Bank](#)) have come up with their own flexible payment options.

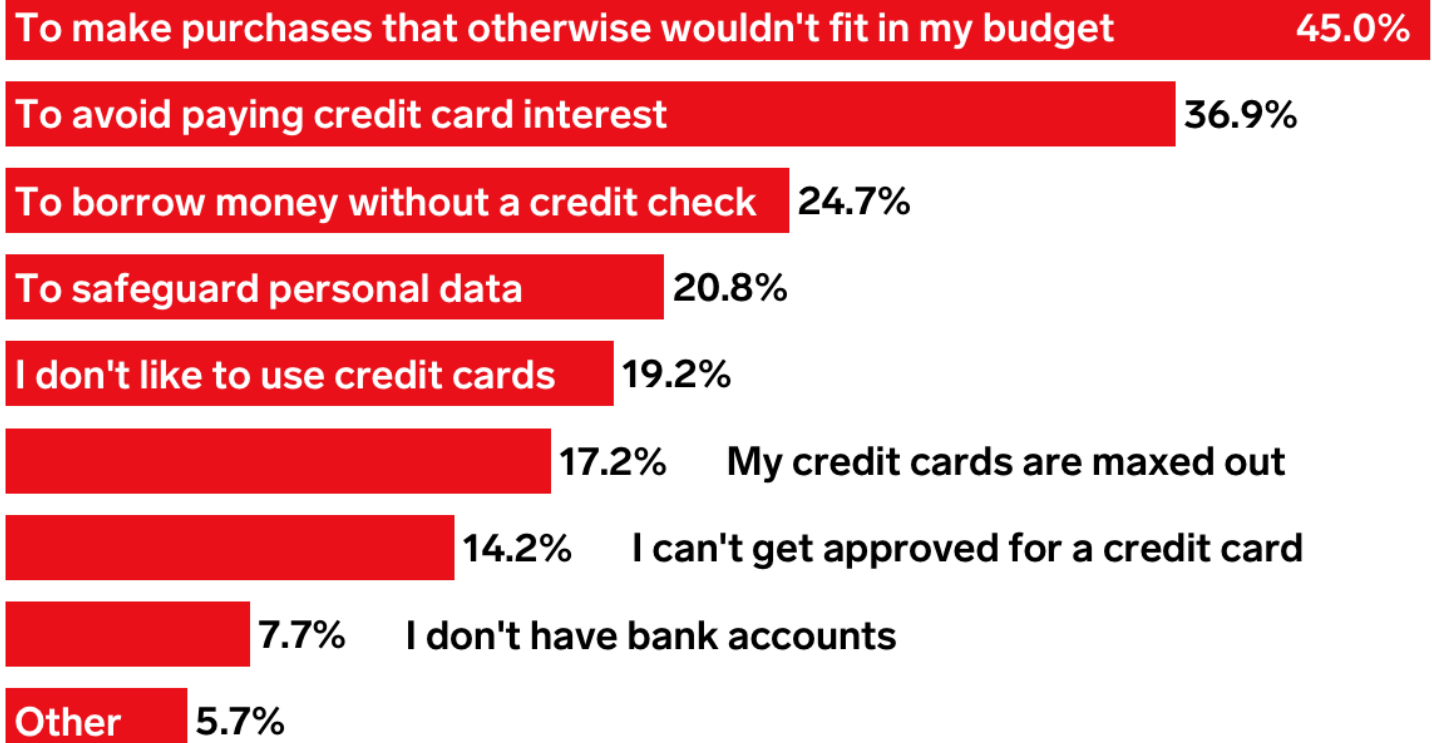
**Klarna's opportunity:** The A2A solution benefits Klarna in three key ways.

- **Gives users more ways to pay for their purchases.** The A2A payment offering gives users more control, and it's potentially easier to use. For instance, some customers may prefer to pay their BNPL balance through bank transfers to avoid filling out lengthy card payment details.
- **Cuts costs with lower card fees.** The A2A integration can help Klarna save on interchange fees—which **cost US merchants \$44.4 billion** last year, [per](#) the Nilson Report—helping increase its bottom line. Klarna could also decide to pass these savings onto its merchant partners in the form of lower retailer fees: For many of its products, Klarna [makes money](#) by charging partner merchants to enable its BNPL solution. This can help solidify Klarna's merchant relationships, especially as BNPL competition heats up.
- **Protection from potential issuer retaliation.** With credit cards facing tighter competition from BNPL providers, some issuers may decide to bar or limit BNPL transactions from their cards like **Capital One** [did](#) last year. Enabling A2A payments lets Klarna provide a workaround for customers in the event of more BNPL card bans.

**Related content:** Check out the section titled “How BNPL Solutions Are Threatening Credit Card Stakeholders” in “[The Buy Now, Pay Later Report](#)” to learn more about competition between card issuers and BNPL providers.

# Reasons Why US Consumers Use BNPL Services

% of respondents



Note: respondents were able to select multiple responses

Source: The Motley Fool, March 22, 2021

Methodology: The Ascent, a service from The Motley Fool, distributed the survey via Pollfish to 2,000 US adults ages 18 and over on March 10, 2021. Respondents were 59% female and 41% male.

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