

# Canada's P2P Mobile Payments Scene Has Room to Grow, and COVID-19 Could Be Spark

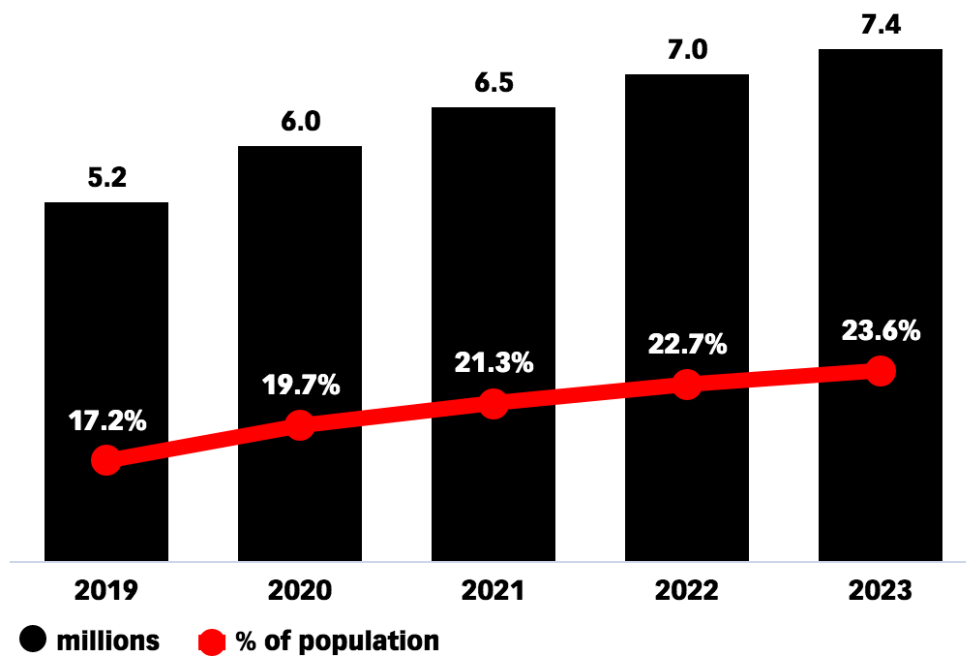
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**O**ur first forecast for peer-to-peer (P2P) mobile payments users in Canada shows a still-developing market with plenty of room to grow. This year, 19.7% of the country's population (or 6.0 million people) will be P2P mobile payment users. But that significantly trails the US market, where 30.6% of the population uses P2P payments.

## P2P Mobile Payment Users

Canada, 2019-2023



Source: eMarketer, March 2020

www.eMarketer.com

We define P2P mobile payment users as those who've made a transaction in the past month using a mobile phone as a payment method. This includes transactions made via a mobile browser and apps developed by nonbank providers and banking institutions.

New consumer habits resulting from the coronavirus pandemic could spark the P2P market. In March 2019, Canada's leading P2P platform Interac e-Transfer reported more than 50 million transactions for the month, compared with the 40.5 million average monthly transactions in 2019.

### Few P2P Options for Consumers

In the US, [Zelle](#), [Venmo](#) and [Cash App](#) have significant user bases that will fuel a nearly \$400 billion market in 2020. The apps' ease of adoption and use has led to significant adoption in the past five years. But in Canada, consumers have limited choices for sending money via

smartphones, and few dedicated apps have emerged as alternatives to what banks offer.

“In P2P payments, we’re behind the US, where Venmo has become like a verb,” said Daniel Kornitzer, chief business development officer at Paysafe Group. “In Canada, we have catching up to do. The closest we have is Interac e-Transfer, but it doesn’t come close in terms of the user experience.”

Interac’s e-Transfer is the primary method of making P2P payments in Canada. Interac was established decades ago by the major banks to be the debit transaction network nationwide. In 2018, Interac’s ownership structure changed to make it for-profit and shift its focus to commercializing funds transfers between friends and businesses via e-Transfer within mobile banking apps. The company’s deep ties to Canadian banks and its launch of e-Transfer in 2003 occurred well before nonbank alternatives like US-based Venmo could enter the market.

A main criticism of Interac’s P2P solution relates to fees. Whereas most mobile P2P apps are free, fees for Interac e-Transfers are levied by the financial institution where the funds originate. Typically, it’s a standard CA\$1.50, and the banks determine the fee at their discretion.

“The growth in Interac e-Transfer has been dramatic, even with the potential friction that a transaction fee may present,” said Christie Christelis, president and CEO of researcher Technology Strategies International. “Nobody’s going to pay \$1.50 for a peer-to-peer transfer of \$10.”

Interac’s e-Transfer P2P payment solution is predominantly mobile. In 2019, about 80% of Interac’s e-Transfers were deposited on a smartphone via mobile banking apps that utilize Interac’s debit network. Growth of e-Transfer in recent years is staggering:

- The number of e-Transfers grew 54% in 2018 and another 38% in 2019 to reach 511.6 million.
- By value, the increase was 32%, reaching CA\$175.9 billion (\$102.4 billion).

- There were 25.9 million active monthly users, averaging more than three transfers per month.

As for P2P competition to Interac, it's more likely that Visa or Mastercard will market such a solution. In 2019, Visa partnered with PayPal to launch its Instant Transfer capability in Canada, enabled by Visa Direct, the company's P2P payment capability.

"Each of the credit card companies is interested in the P2P space," Christelis said. "But for players like Venmo, they must have a relationship with every bank. And that means that the bank has to decide whether this is a worthwhile relationship, rather than utilizing the existing channel, the Interac solution."