

Mastercard joins CBA backing a Brisbane start-up modernising payments

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US card giant Mastercard has made an equity investment in Brisbane-based start-up Paypa Plane, joining Commonwealth Bank on the register as new payment functionality known as PayTo is due to be switched on next month.

This will overhaul how Australian customers control payments in banking apps and the networks that move money.



The RBA is encouraging more payments to be shifted to local infrastructure instead of the Visa and Mastercard network.

Ahead of the changes, Mastercard invested in Paypa Plane's series A funding round, which raised more than \$10 million, alongside Cuscal, a payments specialist and APRA-regulated bank, Sprint Ventures, the Queensland government's Business Investment Fund and Queensland Investment Corporation.

The raise was at double the valuation of Paypa Plane's pre-series A round, but the valuation was not disclosed by the start-up or investors.

The new investors join CBA and Tyro on the register, as they place bets on potential winners in a land grab as the federal government and Reserve Bank support new local payments' infrastructure, so Australia does not have to rely on the networks controlled by Mastercard and Visa.

The two US companies operate the dominant debit and credit card networks in Australia. They compete with Eftpos, which is owned by the banks, the large supermarket retailers, Cuscal and others.

The RBA wants to see local infrastructure – known as the new payments platform (NPP) – as an alternative to the card scheme networks to reduce payment costs for small businesses.

The NPP processed more than a billion transactions worth more than \$1 trillion in the last year, more than 25 per cent of the total account-to-account payments. As the NPP grows, hundreds of millions of dollars of fee income now earned by Mastercard and Visa could shift to the major Australian banks.

As PayTo rolls out, merchant websites will start to show “pay by bank” buttons in competition with credit cards, PayPal, or buy now, pay later options. The system, which will also be available in stores via QR codes, sends customers to their bank app for authentication, reducing fraud rates because card numbers are not used.

It will also give customers more control over recurring and subscription payments.

As Mastercard makes similar hedges internationally, its Australian boss, Richard Wormald, will appear at The Australian Financial Review Banking Summit on Tuesday. The panel also includes Paypa Plane founder Simone Joyce; they will discuss the rationale for the deal in more detail.

“The payments landscape has lots of change coming to pass and everyone is taking bets and positioning for the new world,” Ms Joyce said.

The RBA's head of payments, Ellis Connolly, will also address the Summit, and outline the RBA's expectations for PayTo, after RBA governor Philip Lowe said in December the central bank expected it up and running as soon as possible.

[<https://www.afr.com/companies/financial-services/lowe-calls-on-global-tech-platforms-to-cut-payment-costs-for-retailers-20221214-p5c656>]

CBA is an investor in Paypa Plane [<https://www.afr.com/companies/financial-services/cba-invests-in-paypa-plane-to-encourage-billers-towards-payto-payments-20220204-p59tvo>] as banks seek to provide merchants with choice of network. National Australia Bank has made a move into the space via an investment in Banked [<https://www.afr.com/companies/financial-services/nab-invests-in-banked-for-new-direct-debit-system-for-retailers-20221207-p5c4fq>] based in London, joining Bank of America and Citi as shareholders.

Consumer data right

Cuscal's investment in Paypa Plane comes just a few weeks after it bought Basiq [<https://www.afr.com/companies/financial-services/nab-westpac-sell-stakes-in-open-banking-start-up-basiq-20230310-p5cqyr>]. Basiq is developing open banking technology which may be able to provide payments in competition with PayTo.

The government is considering whether to add new powers to the consumer data right (CDR) known as “action initiation” that could mean the CDR is used by non-banks to provide payment instructions. This could put even more pressure on the existing debt and credit card schemes; a bill is before parliament.

NAB, Westpac and ANZ have pledged to switch on PayTo functionality next month [<https://www.afr.com/companies/financial-services/banks-promise-to-meet-rba-s-delayed-payto-deadline-20230220-p5clxu>], after Commonwealth Bank enabled the service last year. The three banks missed a 2022 deadline after redirecting investment away from the new network, frustrating the RBA governor.

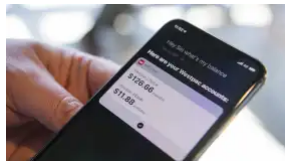
“It is obvious we will see uptake of PayTo start to tick up this year, driven by this April deadline,” Ms Joyce said.

Other fintech start-ups in the space are Monoova, Ezy pay, Zepto, Zai and Azupay, which is backed by Andrew Forrest's investment company Tattarang [<https://www.afr.com/companies/financial-services/ellerston-joins-forrest-in-real-time-payments-play-azupay-20210903-p58ofq>].

After the raising, Paypa Plane will grow staff from 40 to almost 100 over the next five years. All are based in Brisbane, which attracted the investment from QIC.

“QIC's investment in Paypa Plane will support the company as they build out their Brisbane-based product, engineering and customer support team,” said Queensland Treasurer Cameron Dick.

“The global finance sector is looking for solutions that focus on speed, transparency and optimisation, and those solutions are being developed right here in Brisbane.”



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