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KEY TRENDS FOR EUROPEAN PAYMENTS 2025

As we start 2025, the payments landscape continues to evolve rapidly due to technological innovations and changing consumer needs. Real-time payments and the use of artificial intelligence will be prominent this year, targeting faster, safer and more inclusive global transactions. The following six key trends are set to shape the future of payments and commerce in Europe and beyond.

1. AI-DRIVEN PAYMENT SOLUTIONS: IMPROVING SECURITY AND FINANCIAL DECISIONS

In 2025, artificial intelligence (AI) will play a pivotal role in transforming payment systems, ushering in a new era of smarter, safer, and more user-friendly transaction experiences. AI-powered fraud detection will allow for vigilant, real-time surveillance of transactions, promptly pinpointing and addressing any suspicious activities, particularly in cross-border payments where fraud risks are heightened. Through the rapid processing of vast amounts of data, AI will enhance transaction security, mitigate financial losses, and increase trust in international payment infrastructures. Additionally, AI will simplify regulatory compliance in the payment landscape by

automating verification tasks to ensure transactions meet both local and global standards, ultimately lightening the compliance load for businesses. Moreover, AI-infused personal finance applications integrated into payment platforms will provide users with real-time, personalized financial guidance (like cash forecasting or liquidity monitoring), enabling them to make well-informed financial decisions while offering ongoing support. In 2025, AI will be crucial in not only preserving payment systems' integrity but also enhancing their accessibility, efficiency, and personalization for users worldwide.

2. INSTANT PAYMENTS: ESTABLISHING SPEED AS A NEW BENCHMARK FOR A CONNECTED WORLD

In 2025, the SEPA Instant Payments Regulation (IPR) will take effect. This regulation expects payment service providers to offer real-time payments – executed within 10 seconds, 24/7 - without applying fees higher than traditional credit transfers. As of January 9, 2025, European banks must be equipped to receive instant payments and be able to initiate them by October 9, 2025. Banks and payment service providers will also need to address the Verification of Payee (VOP) service by October 9, which is crucial for preventing authorized-push payment fraud, as VOP helps ensure that the provided IBAN matches the beneficiary's name. Furthermore, banks will need to handle the complexities of daily sanctions list checks, develop

new liquidity management methods, and improve customer experience, which poses a significant challenge.

We will also see a shift in the volumes of transactions from SEPA Credit transfer towards SEPA credit transfer Instant. Therefore, banks payment engines would need an update to handle this continuous increase of instant payment volumes.

On the upside, the potential advantages are considerable. Worldwide, interoperable systems connecting payment networks across regions like Asia, Africa, the US, and Europe will facilitate instant payments globally.

3. APIS: A STREAMLINED TRANSACTION EXPERIENCE

An Application Programming Interface (API) constitutes a collection of standards and protocols that facilitate communication and interaction among various software applications. In the scope of payments, APIs play a crucial role in enabling the smooth transfer of information and supporting transactions among different parties, such as banks, businesses, and consumers. They allow for near-instantaneous processing of transactions, significantly minimizing the duration required to complete payments. This rapidity and efficiency are particularly vital in sectors where prompt payment confirmation is necessary, including e-commerce, retail, and financial services. Enhanced transaction speeds contribute to greater customer satisfaction and can promote more active business operations.

The availability of real-time payment information ensures that account balances, transaction histories, and authorization requests can be accessed immediately. For businesses, this immediate insight into financial data empowers timely decision-making and more effective financial management. For consumers, it provides the ability to monitor transactions instantly, thereby enhancing control over their financial activities.

APIs are constructed with stringent security protocols to safeguard sensitive payment information. They utilize advanced encryption techniques and authentication processes to ensure the confidentiality and integrity of transactions. By 2025, APIs are expected to continue leading the charge in payment innovation, influencing how goods and services are purchased in an increasingly digital and interconnected environment.

4. DIGITAL CURRENCIES: CREATING A BORDERLESS PAYMENT ECOSYSTEM

In 2025, digital currencies are anticipated to transition from being theoretical assets to essential elements of global payment systems, fundamentally altering the way individuals, enterprises, and governments conduct transactions. Central bank digital currencies (CBDCs) are set to facilitate quicker, more economical, and secure cross-border payments, providing a viable alternative to the limitations of traditional banking.

By 2025, the European Central Bank may take the decision to launch its own Digital Euro, granting citizens direct access to central bank money in digital form for the first time. The ECB envisions a secure, private Digital Euro—usable online or offline, accessed via wallets from banks or authorized intermediaries which is not currently part of the European digital payment system.

5. VIRTUAL ACCOUNTS: OPTIMIZING PAYMENT RECONCILIATION AND TREASURY MANAGEMENT

When looking toward 2025, virtual accounts will become even more present in the ever-changing payment ecosystem. These present opportunities for both financial institutions and corporate clients, as they offer organizations a way to transform how they manage their finances and their interaction with banks. Their growing adoption reflects a broader shift towards greater efficiency, transparency and agility in payment operations.

In addition to enhanced efficiency, virtual accounts offer the opportunity to reduce costs and improve compliance, which will make them indispensable for businesses navigating the complex and fast-paced payments landscape. This trend signals a shift from traditional account-based banking towards a more flexible, data-driven and value-added future for payments.

6. WERO: CHANGING THE WAY EUROPE PAYS AND DRIVING PAYMENT HARMONIZATION ACROSS THE REGION

Wero, launched by the European Payments Initiative (EPI) and backed by 16 European banks and financial services companies, is a digital wallet designed to unify and streamline payments across Europe. This initiative will further shape the future of payments in Europe with the objective of creating a unified European alternative to existing local, national and global payment systems (e.g. Payconiq, Giropay, Paylib, IDEAL).

At its core, Wero features a digital wallet combining payments, loyalty programs and value-added services (RTP, QR payments)

offering convenience for consumers and deeper engagement opportunities for merchants. Wero is aligned with the Instant Payments Regulation and integrates real-time payments, ensuring faster and more efficient transactions.

Wero is more than just a new payment method, it represents the milestone of Europe's journey towards a modern, integrated and sovereign payments framework. Wero will strengthen Europe's financial infrastructure and allow banks and payment providers to collaborate, while enabling competitive innovation.

CONCLUSION

The projected payment trends for 2025 are expected to establish payment systems that are not only faster and more sophisticated but also more globally inclusive. Nevertheless, these developments present challenges such as stricter regulatory timelines and increasing concerns regarding fraud.

Financial institutions that prioritize modernization, utilize advanced technologies, and promote collaboration will be optimally positioned for success.

Contact us for assistance or to discuss these payment trends in more detail. Our experts in payments and cash management will support you in achieving your goals.



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ABOUT CAPCO

Capco, a Wipro company, is a global management and technology consultancy specializing in driving transformation in the energy and financial services industries. Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its award-winning Be Yourself At Work culture and diverse talent.

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