

New Payment Methods: Is Canada Ready?

Executive summary
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Businesses and corporations in the financial and technological sectors continually innovate, giving consumers and merchants access to new payment methods or new technologies that make it possible to use traditional payment methods differently: cell phone payment, biometric payment, contactless payment, etc.

In recent years, with the appearance of new technologies, the market has seen a rush toward alternative payment methods. Some of the new payment methods have already been introduced in Canada, and others will likely follow in the near future. Of course, all these new payment methods require a suitable framework to ensure that consumers have reliable and efficient ways to pay for their purchases, pay their bills or transfer funds.

This study will outline the main payment methods newly available or being tested in Canada and worldwide, to compare them with existing payment methods. Our study describes the advantages, disadvantages and costs of these new payment methods. It also identifies existing frameworks, in Canada and elsewhere, in order to assess their effectiveness with regard to these new payment methods and whether they adequately protect those who would be attracted to these products.

The research demonstrates that there are actually few truly new payment methods. Most of the products advertised as new are only new ways made available to consumers to use existing payment methods. For example, contactless payment by credit card is not a new payment method, but a way to make available to consumers a new instrument for using an existing payment method – the credit card – differently.

The research shows that, with the possible exception of faster payment, there are generally few advantages to using the new payment methods. But some of the latter are truly innovative: PayPal, for instance, has a niche that makes it almost impossible to ignore.

With regard to frameworks, the research reveals serious shortcomings. Both traditional and new payment methods are insufficiently regulated, if at all. Indeed, certain payment methods are only governed by voluntary codes of conduct that offer consumers no effective remedy in the event of a dispute.

Our recommendations aim for a fair balance between adequate consumer protection and payment methods that meet consumer needs. To provide an adequate framework for both traditional and new payment methods, we advocate the establishment of a regulatory framework that would be technologically neutral. We also recommend that provincial governments enact regulations within their fields of jurisdiction to give consumers adequate and equal protection, whatever payment method they use.

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