

IATA, Ipagoo demonstrate success with first IATA Pay transaction

The International Air Transport Association (IATA), in partnership with UK-based Fintech company, Ipagoo, has successfully completed its first IATA Pay ticket purchase transaction in a live test environment. IATA Pay is an industry-supported initiative to develop a new payment option for consumers when purchasing a ticket directly from an airline website.



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It is made possible by the European Commission's second Payment Services Directive (PSD2), and the UK's Open Banking regulation.

These regulations encourage the use of so-called direct debit transactions in which payments are made from the customer's bank account directly into the bank account of the merchant. This method offers a high level of security to both user and recipient and can be instantaneous.

IATA's role is to develop an industry solution enabling airlines to make this payment option available on their websites. The live test conducted with Ipagoo was done under the UK's Open Banking framework with IATA Pay pilot airlines, including Cathay Pacific Airways, Scandinavian Airlines and Emirates.

For airlines, the advantages of IATA Pay are:

- Cheaper payment option compared to other alternatives,

- Secure,
- Faster cash flow with instant/near instant payment to the merchant, and
- Simpler payment process resulting in fewer lost sales.

For consumers, the benefits include access to a new, simpler method of payment that is highly secure.

"Today's consumers, and especially millennials, have expectations of multiple payment options including mobile and peer-to-peer. IATA Pay responds to these expectations. At the same time, airlines are trying to manage significant card payment costs - \$8bn per year and rising.

"A large part of this cost is incurred in direct purchases from airline websites. One of IATA's strategic objectives is to support airlines' financial sustainability including controlling costs," said Aleksander Popovich, IATA's senior vice president of financial and distribution services.

Carlos Sanchez, Ipagoo CEO said: "We are delighted to have completed the first Open Banking live transaction for the airline industry, helping IATA and its member airlines to achieve their goals of operational and financial efficiency."

IATA is working with Deutsche Bank on a prototype for Europe (excluding the UK), starting with the German market, which is expected to undergo testing in early 2019. Following this, IATA will validate the concept with the intention to expand to other regions.

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