

Fall 2020 Payment Update - Stripe



In the Fall of 2019, on the advice of the merchant services company used by all of our leagues (Paysafe), inLeague updated our software to use Authorize.net as a back-end payment gateway in place of Firstdata, which had been in place since 2012. Paysafe had purchased our original merchant services partner, Flagship, and we were looking to modernize our payment platform.

The transition to Authorize.net exposed several problems with the payment ecosystem:

- Leagues were dependent upon account representatives at Paysafe for support. This was less of a problem with Flagship, but the customer service experience with Paysafe was unpleasant across the board for our leagues and for us.
- Authorize.net has a limit of 120 days for all refunds. While we had been assured by Paysafe that this would be waived for our leagues, that turned out not to be the case, and the only workaround was inconsistent and not available to everyone.
- Establishing new accounts was cumbersome and confusing, with Paysafe pointing the finger at Authorize.net for configuration errors.
- While our leagues were nominally receiving some benefit from a group rate in card processing fees, it was impossible to determine the actual cost between byzantine monthly fees and a range of card fees.
- Having separate relationships between the Merchant Services company and the Payment gateway was anachronistic and provided very little value in exchange for a lot of complexity.

inLeague conducted a thorough investigation of payment processing alternatives in the Spring of 2020 and is pleased to announce that we have negotiated a deal with Stripe that promises to reduce volunteer administration and improve the payment experience for leagues, treasurers, inLeague software developers, and end-users alike.

How Stripe Works: Fees and a Comparison

Stripe is distinct from many traditional merchant services companies or payment gateways in that they are primarily a technology company rather than a traditional financial company.

Part of the difficulty in an apples-to-apples comparison between Paysafe and Stripe is that it's very difficult to know exactly what a single Paysafe merchant account costs, for two reasons:

- Monthly fees: Fees like 'Security Fee' and 'Internet Fee' aren't even divulged to inLeague and it's difficult to know what they mean, as though it were possible to process payments without Security or the Internet. These seem to be at the discretion of the merchant services company and they vary quite a lot.
- Interchange plans: While some of our leagues pay fixed percentages on every card, others have interchange plans, where fees range from 1% for debit cards to above 3% for high-end rewards cards.

Stripe [simplifies the picture by charging a flat rate](#) for all transactions with very few add-ons that are always obvious. Stripe eliminates the separation between merchant services and gateway: they are the only other entity involved and everybody (inLeague and our leagues) deals directly with them for everything.

So what does it cost?

Stripe's pricing is [public and transparent](#): 2.9% + 30 cents per successful transaction. There are no monthly fees. inLeague has negotiated a discounted rate of 2.7% + 30 cents for our leagues.

Is that higher than what we pay now?

inLeague analyzed statements from several of our constituent leagues and determined that most leagues will pay Stripe similar fees to what they are currently paying, or slightly more. If your league has an interchange plan and many of your families use debit cards, your average fees are brought down by the greatly discounted rates for debit cards under interchange plans. In that instance, your fees will go up. We auditioned alternatives, but ultimately none of them came close once we accounted for the user experience, the treasurer's experience, and the possibilities for the future.

We are sensitive to any fee hike impacting non-profit sports leagues, and that is why for many years our priority was an inexpensive provider. Ultimately, we could not really verify just how inexpensive our previous providers were, and the more we learned, the more it became evident that these fees are the cost of doing business unless you have a full-time volunteer dedicated to staying on top of your card processor.

Once we have been with Stripe for a while, either inLeague or our leagues can negotiate for better rates or interchange plans through Stripe. It was difficult to promise much business of any kind for 2020, but Stripe was willing to work with us and we are confident that we can improve these rates further over time.

Feature	Paysafe / Authorize.net	Stripe
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Refunds	120 day limit	No limit
Monthly Fees	Up to \$100	None
Per-transaction Fees	1% - 3.5% + (between 10 and 22) cents	2.7% + 30 cents
Mobile App Payments	Possible but difficult	Easy
Apple Pay and Google Pay	Possible but difficult	Easy
Account Setup	Physical paperwork and phone calls with two entities	Online through inLeague
ACH / Bank Payments	Possible but difficult	Easy
Reporting & League Interface	Adequate	Excellent
Canceled Cards: Refunds & Recurring Billing	Few or cumbersome solutions	Automatic Card Updater
Future Potential	Difficult to scale	Improved rates through inLeague
Complete Fee Schedule	Not available; difficult even with a full rate review by an account rep	Published: https://stripe.com/pricing

inLeague Is Not The Merchant (...yet)

The fundamental role of "Merchant" is still held by each individual league, with one or more Stripe accounts tied to their league bank account. inLeague acts as a transaction broker but is not a party to the transaction: Stripe deducts their fees from each charge and the remainder goes to the league's Stripe account. League accounts are connected to Stripe through inLeague so that inLeague's software can process transactions on the league's behalf, but everything to do with that transaction resides with the league: neither the funds nor the liability relating to the transaction pass through inLeague. Stripe calls these accounts "[Connect Standard](#)" for software platforms that facilitate transactions but otherwise get out of the way.

The only drawback to this arrangement is that it limits the extent to which inLeague is able to negotiate on behalf of all of our leagues together, because Stripe has to turn around and deal with Visa, American Express, and Mastercard on behalf of each individual merchant account, even if they all share a Tax ID.

inLeague is investigating the possibility of assuming the responsibility of the merchant account and then paying out funds to leagues. This is a significant logistical, accounting, and tax change and will not happen in 2020, but in the long run it would save a considerable amount of money.