

Installments

Overview

Installments allow consumers to pay for a purchase in parts. An installment typically covers one purchase/order and multiple payments over time.

Installments differ from recurring payments because unlike recurring payments it is not a single purchase, but an ongoing service like bills or subscriptions. In an installment transaction, a single transaction is sent to the issuer, which in turn splits the total amount into several monthly payments.

Installment Types

There are two installment types:

- issuer-funded (credit installments)
- merchant-funded (regular installments).

Issuer-funded (credit instalments)

- The bank issuing the card to the consumer offers the installments to the consumer
- The bank charges the consumer's account in the agreed number of installments and charges an interest
- The merchant receives the total purchase amount at once
- The issuer takes the risk

Merchant-funded

- The merchant and consumer agree on the number of installments, free of interest fees
- The bank charges the consumer's account according to the installment plan between the consumer and the merchant
- Merchants receive payments as the bank charges the consumer's account
- The merchant takes the risk