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## 3 Pitfalls of Using a Payment Aggregator

More small- to medium-sized businesses are turning to payment aggregators – i.e. Square or Stripe – to accept payments. But not every business properly evaluates these apps and it could be hurting them in the long run.

Matt Valego, Infintech payment processing advisor, sheds some light on things worth considering before using a payment aggregator.

### #1 It's Not as Cheap as You Think

"Payment aggregators typically charge a flat percentage rate and no monthly fee, which is great if you are selling a small product a few times a year," Matt explains. "But when frequently accepting payments, businesses find they would prefer to be charged a cost-plus a processing fee, which is extremely similar to how department stores and other large multi-location businesses pay." These pricing plans give you much better rates, because the processor is not having to estimate a business' costs. They are effectively tailoring a pricing program for you that will be lower than an estimated flat rate.

Plus, a lot of people don't realize the upcharges they're hit with when they manually enter transactions. For example, Square charges 3.5% + 15 cents per transaction when payments are manually entered, which is significantly higher than the 2.75% (that they promote) for swiped transactions.

- **Related:** The Budgeting Secret Your Payment Processor Isn't Telling You

### #2 The Support Is Typically Non-Existent

One of the biggest complaints about payment aggregators revolves around customer support. Since anyone can use a payment aggregator and they involve minimal setup, these aggregators are often not able to service every support request in a timely fashion.

Some of them only offer support through email, live chats or social media, which isn't the best resource for companies with time-sensitive support needs, like a 24-hour emergency towing company, for example.

### #3 Reconciliation Can Be a Nightmare

Most payment aggregators take the fees off the top of the transaction. If you run a $100 transaction, for example, only $95 makes it into your account, that's confusing for whoever is keeping the books.

Matt says he occasionally gets calls from people using a payment aggregator who are frustrated because the aggregator is holding their money. "If you run a transaction that's a certain size, some of these aggregators have the right to keep it for up to 60 days, which is a huge problem for people with cash flow problems," Matt explains.

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