

Merchant Accounts And Gateways Explained

This article applies to:

What is a Merchant Account?

A merchant account is a type of bank account that is used to hold funds from credit and debit card transactions. When you swipe your debit card or fill out credit card information online, a payment gateway bundles and approves the transaction and then the money from your personal account or credit line is processed and acquired by a merchant account. This all happens in a matter of seconds. From there, the funds are normally transferred to a business bank account after a few days.

In order to accept credit and debit cards online, you must have a merchant account setup with one of our approved providers, like PowerPay. The alternative is to use an aggregator (PayPal), which uses their own merchant account to process transactions on behalf of another company or individual. When you use an account provider like PowerPay, you get a dedicated account with strong customer service.

What is a Payment Gateway?

A payment gateway is simply the gatekeeper. When you swipe your credit card or purchase an item online, the gateway will bundle the info and send it to Visa or MasterCard and then down the line to the issuing bank to confirm there are sufficient funds. If everything is in order, the gateway will approve the transaction and pass approval to the merchant account. At this point, the merchant account captures the funds from the transaction.

As mentioned above, you must have a merchant account and a payment gateway in order to accept online transactions. It is common for a merchant account and a payment gateway to be provided as a package deal by the same company.
