Antravia Research - Payment Control in Travel: Merchant Models, Credit Risk, and the Architecture of Payment Control

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1. Executive Summary

Payment control is a strategic determinant of profitability and resilience in the travel sector. The structure through which funds move from the customer to the supplier and the contractual, operational, and regulatory frameworks that govern that flow, shapes cash flow, liability allocation, and competitive leverage. Decisions about who acts as Merchant of Record, how credit is extended, and which payment methods are supported have consequences that go beyond transaction costs, influencing liquidity, dispute exposure, and supplier relationships.

This paper examines the architecture of payment control in travel, drawing on operational case studies, market data, and regulatory frameworks to analyse the commercial and risk implications of different models. It identifies how Merchant of Record and non-Merchant of Record structures allocate control and liability, and why hybrid approaches, while flexible, introduce reconciliation complexity. It explores the operational centrality of reconciliation and data integrity, the systemic risks posed by unsecured credit extension, and the financial mechanics of chargebacks, refunds, and cancellation policies as instruments of risk allocation.

Emerging payment models such as real-time payments, Open Banking, Buy Now Pay Later (BNPL), and crypto acceptance are also assessed not simply for their cost profiles but for their impact on liquidity, regulatory compliance, and dispute handling. These models offer competitive opportunities when integrated strategically but add operational burden when deployed without corresponding adjustments to systems and contracts.

Key findings include:

- Merchant of Record status increases settlement control but also working capital and compliance requirements.
- Robust reconciliation systems are a prerequisite for scaling across multiple PSPs, payment types, and geographies.
- Credit risk, if unmanaged, can destabilise even well-capitalised operators.
- Dispute and refund policies must be designed as financial tools, not customer service afterthoughts.
- New payment methods shift the "control map" of who holds funds, when, and under what liability.

The paper concludes with strategic recommendations for travel intermediaries and suppliers to align payment architecture with business model, market strategy, and risk appetite. By treating payment control as a cross-functional discipline, embedded in finance, operations, and commercial contracting, travel businesses can improve liquidity, reduce cost of acceptance, and safeguard margins in an industry where thin profitability leaves little room for error.

2. Introduction

In travel, payment is more than a transaction but constitutes a transfer of risk, responsibility, and reputation. Whether a customer pays a hotel directly, routes funds through a travel agent, or transacts via an OTA, the flow of money defines who is liable, who controls the relationship, and who bears the operational burden when something goes wrong.

Over the last decade, payment technology has accelerated, but the underlying models in the travel industry have not kept pace. Many travel businesses still operate without a clear understanding of their status as Merchant of Record, the legal boundaries of acting as an intermediary, or the full cost of fragmented reconciliation and cross-border transfers. Hidden FX fees, delayed settlements, platform-level data mismatches, and unexpected chargebacks continue to erode margin and undermine trust, particularly for operators who handle high volumes, multi-currency bookings, or complex supplier chains.

This paper takes a financial and operational view of how travel agents and hotels receive payments, examining the architecture that underpins each model. It looks beyond surface-level convenience and asks deeper strategic questions: Who really holds the funds? Who carries the risk? What are the implications of not being the Merchant of Record? And how can businesses structure their payment flows to protect revenue, maintain trust, and improve financial resilience?

Drawing on extensive firsthand experience in travel payments, FX, VCCs, and supplier reconciliation, this paper also explores current practices across leading platforms, anonymized case examples, and practical recommendations for agents, hotels, and intermediaries navigating a payment environment that is increasingly global, digital, and risk-sensitive.

3. Merchant of Record (MoR) vs. Non-MoR Models in Travel

In the global travel industry, the question of who receives and holds funds defines legal liability, trust, and the core business model. The Merchant of Record (MoR) is the party legally responsible for processing a customer's payment. This includes managing the transaction with the acquiring bank, issuing refunds, handling chargebacks, and appearing as the named entity on the customer's credit card statement. While this role appears operational, it carries deep financial and legal implications and this is especially true in travel, where bookings are often cross-border, cancellable, and involve multiple counterparties.

What it means to be MoR

To be a true MoR, a business must not only process the transaction but also:

- Assume liability for the provision of the service (or goods),
- Appear on the cardholder's statement,
- Own the merchant agreement with the acquiring bank or PSP,
- Have the necessary licenses and regulatory compliance in each relevant market.

In travel, however, this role is often misunderstood or bypassed. Some businesses route payments through third-party processors or collect funds "on behalf" of a supplier without assuming the full legal obligations of MoR. This distinction is not semantic. It determines who is responsible when something goes wrong.

Risks of not being MoR

When a travel business collects customer payments but is not the Merchant of Record, it often exposes itself to a grey zone of operational risk:

- Lack of regulatory protection: Customers may hold the intermediary accountable despite the legal MoR status being elsewhere.
- Chargeback liability confusion: If a chargeback is issued, but the non-MoR intermediary issued the invoice or confirmation, the liability chain becomes unclear.
- Reputational damage: Agents and platforms that handle funds but don't provide MoR-level service or protection are increasingly seen as untrustworthy by both partners and consumers.
- Settlement disputes: Without full MoR control, intermediaries may be bypassed in refund, cancellation, or payment flows, thus damaging cash flow and customer experience.

Case Example: Platform rejection due to non-MoR Status

A payment platform servicing mid-sized travel agencies initially launched using an intermediary model. It routed customer card payments to suppliers, issued confirmations, and handled support, but it was not a legal Merchant of Record. Despite integrating a robust payment API and offering competitive rates, the platform was unable to secure partnerships with large OTAs and hotels. Key partners raised compliance concerns, noting that the platform's lack of MoR status made chargeback liability and refund processes unclear. Eventually, the platform was forced to redesign its model to assume full MoR status and therefore absorbing greater compliance costs but unlocking commercial viability.

This case reflects a broader industry shift. As payment regulation tightens and risk appetites decline, suppliers increasingly insist on working only with clear, accountable MoRs.

Why MoR Status is a business and strategic decision

Being a Merchant of Record offers control, but also comes with:

- **Higher compliance burden**: PCI DSS, PSD2 (in Europe), and local licensing may apply.
- **Operational responsibility**: Refund handling, fraud detection, customer service.
- **Capital implications**: Holding funds and managing chargebacks can affect working capital and banking relationships.

Conversely, **not** being MoR may seem operationally lighter, but comes with commercial limitations. Many platforms, particularly in B2B2C models, find themselves caught between the need for scale and the legal obligations that come with payment control. In sectors like luxury travel or high-value FIT bookings, being the MoR may be a prerequisite for doing business.

4. Payment Flow Structures in Travel

The way a travel business handles payments is a direct reflection of its risk appetite, regulatory positioning, and strategic intent. While most operators focus on the mechanics, how funds are collected and from whom, the deeper implications lie in timing, liability, and the fragmentation of control across multiple counterparties.

In theory, the model appears straightforward. Either the agent collects the funds from the customer, or they don't. But in practice, the industry has built dozens of hybrid models, often layering partial control with operational ambiguity.

Agents that collect full payment

Agent collects the full payment, and therefore act as Merchant of Record which means they assume both control and liability. They set the cancellation policy, own the refund decision, and have first access to working capital. But they also absorb the full impact of service failure, including chargebacks, legal risk, and reputation damage. This model is only viable if systems are in place to manage reconciliation, fraud, and support at scale. For many smaller agents, those systems don't always exist.

Pass-through structures

Pass-through structures are where the customer pays the supplier directly, thus minimize compliance burden but fragment the commercial chain. The agent becomes an introducer, not a counterparty. Commission is usually paid post-check-in, often with unclear reporting, inconsistent timelines, and no cash flow certainty. Refunds are now at the supplier's discretion. In a dispute, the agent is often contacted first, but has no authority to resolve the issue. The reputational asymmetry is real.

Split models

Split models, where the agent takes a service fee or deposit, and the balance is paid to the hotel, are common in bespoke travel but operationally fragile. A partially refunded booking rarely aligns with platform logic, especially when multiple currencies or suppliers are involved. Clients don't differentiate between the parties, but they expect resolution from the agent.

From a financial standpoint, the implications are important to consider:

- **Deferred commission inflates receivables** and masks true profitability. Many agents record revenue when the commission arrives, not when it is earned, thus distorting margin analysis.
- **Cash flow becomes supplier-dependent**, with no control over payout cycles, FX timing, or reversal risk.
- **Tax treatment varies by structure**. In some jurisdictions, acting as principal triggers VAT liability on the full value. In others, a non-MoR setup may still carry nexus risk if the agent facilitates the transaction.

Most critically, **data integrity suffers**. Without visibility into supplier-side payment confirmation, agents cannot reconcile bookings in real time. Support teams are left navigating screenshots, PDFs, and supplier portals, none of which meet audit or refund standards. Over time, this weakens both internal control and external confidence.

These structures often emerge by default, not design. Many agents adopt pass-through models to avoid complexity, only to find themselves shut out of higher-value partnerships where being MoR is a prerequisite. Others take full control without fully pricing the operational burden. In both cases, the lack of a deliberate payment strategy becomes a constraint.

As the payment environment matures, driven by consumer expectations, regulatory tightening, and partner scrutiny, these decisions will define not just how travel companies get paid, but whether they remain credible counterparties in the first place.

5. Platforms and Payment Infrastructure

The travel industry's reliance on third-party payment platforms, such as Adyen, Stripe, PayPal, Worldpay, Trust My Travel, WeTravel, and others, has grown out of necessity, not necessarily preference. These platforms provide global acquiring, cross-currency processing, and technical connectivity, but they are built on frameworks designed for single-merchant commerce. Travel, by contrast, is multi-supplier, multi-currency, and often multi-jurisdictional, with layered liability chains and long booking horizons. These structural differences create costs and risks that most travel businesses underestimate.

Adyen is positioned as an enterprise-grade provider, capable of acting as a full-stack PSP with global acquiring and multi-currency settlement. It supports both Merchant of Record and intermediary models and delivers transactional data at a level beyond most competitors. Yet, Adyen's reporting is still transactional rather than reconciled. It can deliver card-level authorization and settlement data but not booking-level mapping. For travel companies, this means building proprietary reconciliation middleware to align bookings, supplier payouts, and FX conversions. Without this, unallocated cash and unmatched commissions accumulate, eroding accuracy and internal control.

Stripe appeals to smaller OTAs, tour operators, and DMCs because of its fast onboarding and developer-first API structure. Its foreign currency support is broad, but its FX spreads are opaque, and cross-border surcharges often apply to cards issued outside the merchant's base market. Stripe's reserves policy, which includes holding back a percentage of settlement for perceived "high-risk" sectors like travel, can materially affect liquidity, particularly for businesses handling long-lead bookings. Refunds, partial captures, and split settlements require manual mapping to bookings, leaving agencies exposed to reconciliation gaps and audit risks as volumes increase.

PayPal is functionally a consumer wallet, but remains a fallback for agents without direct acquiring relationships. While settlement to a PayPal balance is immediate, fees on cross-border transactions are among the highest in the market, often exceeding 4% once FX spreads and fixed transaction charges are factored in. Auto-conversion of currencies, which are applied at PayPal's internal rates, introduces additional margin erosion, rarely visible in the transaction summary. Dispute resolution policies favor the cardholder, which can result in agents refunding bookings even when suppliers have delivered, with limited ability to recover funds upstream.

Worldpay from FIS serves many mid-sized OTAs and consolidators due to its scale and direct scheme connectivity. Its dynamic currency conversion (DCC) and multi-currency settlement features can reduce friction for end customers but create risks for intermediaries. DCC rates frequently diverge from card issuer rates, triggering disputes. Multi-currency settlements also rarely align with supplier payout needs, forcing additional FX conversions at either the agency or supplier level, each with associated spreads and fees. Worldpay's transactional data is robust, but, like Adyen, it does not deliver reconciled reporting. Agencies must overlay their own data mapping tools to tie supplier balances, commissions, and FX differences back to bookings.

Trust My Travel and **WeTravel** cater primarily to niche operators, such as small tour and activity providers, using escrow-style settlement to reduce supplier risk. Funds are held until after service delivery, protecting suppliers but creating cash flow stress for intermediaries, especially those prepaying suppliers to secure inventory. Reporting is basic, with limited integration to accounting or booking systems, leaving reconciliation almost entirely manual. Multi-currency functionality exists but is blunt; conversion rates are applied at a platform spread, often undisclosed until settlement.

Across these providers, three systemic weaknesses persist:

- **Regulatory and trust gaps**: PSPs handle payment processing and PCI DSS compliance, but agencies that are not the Merchant of Record remain legally responsible for refunds and consumer protection under most regulatory regimes. The EU Package Travel Directive and UK ATOL rules treat the organizer as liable, regardless of whether a PSP processed the payment. Several large hotel groups and OTAs now refuse to contract with intermediaries who do not operate as full MoR entities, citing reputational and compliance risk. In markets governed by PSD2, strong customer authentication (SCA) failures can also disrupt booking conversions, requiring additional platform configuration.
- **Hidden cost layers beyond FX**: Cross-border interchange fees, international assessment charges, and scheme network fees all disproportionately affect travel, where most cards are foreign-issued. Some hotels impose additional surcharges on non-domestic cards, costs that flow back to intermediaries if they lack MoR control. Rolling reserves and fraud holdbacks, particularly from Stripe and Adyen, further tie up working capital, often at 5–10% of settlement for weeks or months at a time.
- **Data fragmentation amplifies reconciliation and credit risk**: None of these platforms deliver fully reconciled booking-level reporting. Most output raw transaction logs, forcing agencies to build internal tools, or accept unallocated balances. When receivables or payables cannot be tied to confirmed booking data, two risks multiply: undetected fraud and delayed supplier settlements. In downturns or high-volume periods, this data opacity can escalate into credit events, as suppliers extend terms based on assumed revenue that remains unreconciled.

The industry's dependency on these platforms reflects a compromise: access to global acquiring and basic compliance, at the cost of financial visibility, margin leakage, and operational control. While each can technically facilitate a Merchant of Record or non-MoR structure, none solve the core tension: travel transactions span currencies, jurisdictions, and parties in a way generalist PSPs were never designed to handle. Until agencies and hotels build proprietary data and reconciliation layers on top of these systems, or select MoR-aligned solutions, the structural inefficiencies in settlement timing, FX leakage, and credit exposure will continue to suppress margin and erode trust.

6. Foreign Payments, FX Risk, and hidden costs

Cross-border payments in travel can dictate margin stability, liquidity, and compliance and yet most agencies and hotels treat FX exposure as a minor transaction fee. This approach understates the structural ways in which currency movements and conversion practices erode profitability and create secondary risks across credit, reconciliation, and regulatory compliance.

Multi-currency booking flows are the first source of friction. Most PSPs, such as Adyen, Stripe, Worldpay, PayPal will settle into a single base currency by default, even when the charge was taken in the customer's currency. Unless a multi-currency settlement agreement is in place, funds are converted on settlement at PSP spreads, typically 40 to 120 basis points above wholesale rates. As detailed in the VCC paper, delayed settlement amplifies this problem. A booking authorized months before travel can settle at a materially different rate, resulting in incremental FX loss, or in some cases, rejected virtual cards at check-in when the authorized amount no longer covers the converted charge. These same issues persist when end-customer funds are collected in one currency but supplier payouts occur in another.

Supplier payout misalignment adds a second layer of leakage. A U.S.-based OTA may collect in dollars but pay a European hotel in euros. If the PSP settles only in USD, a second conversion occurs at the bank level which is often at a wider spread than the PSP's rate. Without netting or hedging, this double conversion can erode two to three percent of the gross booking value. In the FX paper, we highlighted how some large intermediaries mitigate this by matching opposing currency flows, offsetting inbound USD bookings against outbound USD supplier payments to reduce conversions entirely. Few mid-sized agencies adopt such practices, leaving exposure to both FX cost and volatility.

The scale of volatility should not be ignored. In 2022, the euro moved more than 15 percent against the U.S. dollar within six months. Agencies with unhedged EUR supplier contracts funded by USD customer receipts saw entire margins eliminated on static-rate bookings, despite steady transaction volumes. Without active monitoring, FX is not just a cost line but a variable that can turn profitable business into loss-making business without any operational failure.

Dynamic Currency Conversion (DCC) complicates the picture further. PSPs and acquirers market DCC as a revenue stream, often sharing a portion of the margin with the merchant. In practice, customers often pay materially worse rates than their card issuer would offer, leading to disputes and reputational damage. Moreover, DCC earnings rarely offset the structural FX losses occurring elsewhere in the payment chain, making it more of a cosmetic benefit than a real hedge.

Beyond visible FX spreads, **hidden cost layers** distort financial visibility:

- **Cross-border interchange and scheme fees**: Visa and Mastercard apply international assessment and cross-border transaction fees, typically adding 60 to 120 basis points to most non-domestic card transactions. These charges stack on top of PSP margins and are rarely itemized on merchant statements.
- **Bank conversion spreads**: When PSPs remit in a currency that differs from the agency or hotel's account, receiving banks often apply their own FX spreads, which sometimes exceeding those of the PSP.

- **Chargeback currency losses**: Chargebacks often reverse at exchange rates different from the original booking, producing incremental FX losses even when the merchant ultimately prevails.

Liquidity constraints exacerbate these costs. PSPs frequently treat travel as high-risk, holding back rolling reserves of 5–10 percent for up to 90 days. Stripe, Adyen, and several acquirers enforce these policies, tying up capital needed for supplier prepayments or FX hedging. Agencies without predictable access to cash often rely on short-term borrowing to bridge these delays, compounding the financial impact through interest expense.

The operational consequences extend beyond treasury. Unhedged FX gaps and delayed settlements feed directly into credit and reconciliation risk. Agencies experiencing cash shortfalls due to FX swings are more likely to rely on supplier credit, increasing their vulnerability to default when demand fluctuates. Simultaneously, FX variances are one of the most common sources of unallocated balances in reconciliation, as PSPs, banks, and booking systems rarely record exchange rates at the same timestamps or levels of granularity.

For travel businesses, addressing FX exposure requires more than tolerating spreads or reacting to volatility. As detailed in the FX paper, four practices consistently separate resilient operators from those dependent on luck:

- **Booking-level FX tracking**: Recording the exchange rate at booking, authorization, settlement, and supplier payout, enabling precise variance analysis.
- **Netting and natural hedging**: Matching inflows and outflows in the same currency to eliminate unnecessary conversions wherever possible.
- **Forward contracts and options**: Locking in rates for material exposures, particularly when natural hedging is insufficient and booking lead times are long.
- **MoR-aligned PSP structures**: Negotiating multi-currency settlements and full visibility into applied FX rates, bypassing unnecessary conversions and enabling direct reconciliation.

Without such measures, FX costs remain diffuse, embedded across multiple touchpoints rather than isolated on a single line item. The result is not only suppressed margins but an erosion of control, where treasury, accounting, and risk management all lack the data or flexibility to respond. In a sector where net margins are often measured in single digits, leaving FX to chance is not simply inefficient; but could be the difference between a loss or profit on a booking.

7. Reconciliation and Data Integrity

Reconciliation is where financial accuracy and operational complexity often clash in the travel industry. It is not just a routine accounting exercise; it is the process by which businesses determine whether they have actually earned the revenue they report, whether suppliers have been paid correctly, and whether their liquidity position reflects reality rather than assumption. When reconciliation fails, the consequences extend beyond cash leakage to regulatory breaches, audit challenges, and systemic credit exposure.

Structural fragmentation drives the problem

Booking systems, property management systems (PMS), and payment processors do not communicate easily. A hotel's PMS records a reservation as a single event, with charges tied to a folio. An OTA's booking engine logs a gross booking value, net of commission, as its core reference. PSPs, whether Adyen, Stripe, Worldpay, or PayPal, organize their outputs around card authorizations, captures, and settlements. Even when booking references are passed as metadata, they are often truncated, dropped, or overwritten during partial refunds, card reauthorizations, or multi-currency captures. The result is a data chain that fractures at the points where financial control is most critical.

Commission and supplier settlement amplify the gap

Agents that are not the Merchant of Record typically rely on supplier portals and post-stay remittances, often with a 30–90 day lag. These remittances are rarely tied to a clear, booking-level audit trail. CSV downloads from bedbank portals must be manually matched to booking logs, often line by line. In practice, five to ten percent of commissions earned remain unreconciled for months or permanently written off unless agencies allocate full-time staff to chase discrepancies. For a mid-sized agency generating $50 million in gross bookings, this equates to $2.5–5 million annually at risk of being lost or delayed.

Hotels face a parallel challenge. Large resorts or chains handling hundreds of OTAs and intermediaries must reconcile virtual card payments, bank transfers, and PSP settlements against their PMS revenues. Virtual card breakage, where a card is reissued due to a date or amount change but the updated details fail to reach the property, is a frequent source of unallocated funds. Unless hotels maintain staff dedicated to identifying and recovering these mismatches, millions in receivables can sit unclaimed with issuers or processors each year.

FX variances and timing differences magnify the exposure

PSPs often apply FX conversion at settlement rather than authorization, meaning the amount received in the merchant account rarely matches the amount recorded in the booking system. Receiving banks add their own spreads if the settlement currency differs from the account currency, introducing hundreds of minor discrepancies across thousands of transactions. Most fall below traditional materiality thresholds and are quietly written off, but aggregated across volume, they represent meaningful leakage and sometimes in the low single-digit percentages of total receipts.

The regulatory and audit consequences are significant

- In the European Union, the **Package Travel Directive** and local insolvency protection rules require that organizers safeguard customer funds. If FX variances or unreconciled balances deplete protected accounts, agencies can face regulatory sanction, even if total liquidity remains adequate.
- **U.S. state-level trust account rules**, such as those under California's Seller of Travel law, mandate daily reconciliation of client deposits. Agencies relying on multiple PSPs and manual reconciliations frequently fail to meet these standards, exposing themselves to fines or license suspension.
- For companies seeking private equity, bank financing, or acquisition, unreconciled balances often lead auditors to flag **material weaknesses in internal control**, which can delay transactions or result in valuation discounts.

The operational fallout extends beyond compliance

- **Fraud detection suffers**: Unmatched transactions create blind spots where duplicate charges, phantom bookings, or fraudulent refunds can go unnoticed.
- **Supplier disputes escalate**: Hotels and bedbanks challenge unpaid balances when agencies cannot provide booking-level evidence of payment, even when PSP settlements appear correct.
- **Cash flow visibility erodes**: Unreconciled receivables and payables distort working capital reporting, leading agencies to extend credit to suppliers or clients based on inflated liquidity assumptions.

Some sectors are more vulnerable than others. Cruise lines and all-inclusive resorts face persistent mismatches because per-guest adjustments (for upgrades, onboard spending, or late cancellations) are rarely updated in the same format across PMS and PSP data. Luxury DMCs with multi-supplier itineraries routinely handle partial refunds and itinerary changes, where booking IDs fragment across air, land, and activity suppliers. Each adjustment introduces a fresh reconciliation failure point.

While a few global OTAs and hotel chains have mitigated these risks by building proprietary data warehouses, integrating PSP logs, booking data, and bank statements into unified reconciliation systems, these solutions are capital-intensive and technically complex. They ingest every transaction at the booking, supplier, and payment instrument level, flagging variances in real time across FX, timing, and commission. For most mid-sized agencies and independent hotels, such systems are unattainable.

For operators without these capabilities, three practices are essential for reducing risk:

- **Persistent booking identifiers**: Ensuring that every booking carries a standardized reference across authorization, settlement, refund, and supplier payout.
- **Near-real-time variance reporting**: Reconciling PSP, booking, and bank data daily or weekly, not monthly, to detect discrepancies before they cascade into losses.

- **FX normalization**: Capturing the exchange rates at booking, authorization, and settlement for each transaction to isolate currency-driven differences, rather than treating them as rounding.

Unreconciled balances do not just represent accounting annoyance; they undermine liquidity forecasts and make businesses more reliant on supplier credit. Suppliers, in turn, often overextend terms when they cannot verify agency cash positions accurately. In a downturn, these opaque exposures accelerate defaults. In travel, where net margins often sit below ten percent, reconciliation failures are not a minor inefficiency, but they are a structural risk that can destabilize entire business models.

8. Credit and Receivables Risk

Credit is an unavoidable component of travel commerce. Whether it is a bedbank extending payment terms to a high-volume agency, a hotel allowing an intermediary to settle post-checkout, or a DMC delivering services before receiving funds, credit effectively becomes a financing instrument within the supply chain. When managed well, it supports sales growth and strengthens relationships. When unmanaged, it exposes businesses to liquidity shocks, supplier disputes, and, in severe cases, systemic default.

Credit flows in both directions

Large agencies with strong booking volumes often negotiate credit terms from bedbanks or hotels, enabling them to collect from the customer before remitting to the supplier. This creates a positive working capital cycle and can be used strategically to fund marketing or cover operational costs. Conversely, smaller agencies frequently operate on supplier credit, where payment to the supplier is due only after the client has paid the agency. While this arrangement supports cash flow in low season or during demand shocks, it also magnifies exposure if customers cancel, delay payment, or default.

Supplier credit is not risk-free capital

Bedbanks and hotels that extend terms effectively act as unsecured lenders. In the absence of robust credit assessment and monitoring, these arrangements can collapse without warning. The collapse of major travel intermediaries in the last two decades, most visibly Thomas Cook in 2019, demonstrated the ripple effect: hotel receivables running into the tens of millions were written off, bedbanks absorbed cascading defaults, and downstream agents relying on those suppliers faced sudden disruption of inventory access. In a sector where margins are often in single digits, even a small number of large receivable defaults can be existential.

Quantifying the risk

A coastal resort group in Southern Europe extended €4 million in credit to a single inbound operator, representing approximately 18 percent of its annual contracted volume. When that operator entered insolvency, the resort recovered only €300,000 through liquidation proceedings, a process that took 26 months. The unrecovered €3.7 million equated to over seven months of operating profit, forcing the group to suspend planned renovations and negotiate bridge financing. This case illustrates how even a single concentrated credit relationship can destabilize a business.

Unreconciled balances distort credit exposure

As examined in the previous section, reconciliation failures leave agencies uncertain of their true receivable and payable positions. This uncertainty can lead to overextension: an agency may request higher credit lines from suppliers based on overstated liquidity, or a supplier may extend terms to an agent whose reconciled position would not support it. In downturns, when booking volumes decline and cancellations rise, this opacity accelerates the crystallization of bad debt.

Credit risk is amplified by FX volatility and payment delays

When receivables are denominated in a foreign currency, fluctuations between booking and settlement can shrink the real value of incoming funds, even when the nominal amount is unchanged. If the agency has extended matching credit to suppliers in a different currency, the resulting mismatch can lead to loss even without a default. Similarly, when PSPs impose rolling reserves or delayed settlements, agencies may struggle to meet supplier payment terms despite having "earned" the revenue.

Jurisdictional recovery challenges

Insolvency law heavily influences the ability to recover defaulted receivables. In the United Kingdom, creditors may receive partial payouts within a year, but in Southern Europe or parts of Asia, recovery can take years or be functionally impossible due to local liquidation priorities. Travel suppliers are typically treated as unsecured creditors, ranking behind employee wages, tax authorities, and secured lenders. In many cases, even when recovery is possible, legal costs erode the value of the payout, discouraging active pursuit.

Credit assessment in travel remains underdeveloped

Unlike financial institutions, most suppliers and intermediaries do not operate with formal credit scoring models. Credit limits are often set based on relationship history and booking volume rather than audited financials. While some large bedbanks have adopted tiered credit policies, requiring financial statements, references, or parent company guarantees for higher limits, these practices are far from universal. In fragmented markets, such as inbound DMC services in emerging destinations, credit is frequently extended on trust alone.

Risk mitigation practices vary in sophistication:

- **Provisions for bad debt**: Larger OTAs and hotel groups may provision 1–3% of receivables as a reserve for defaults, adjusting based on historic loss patterns and macroeconomic indicators. Many mid-sized agencies make no such provision, treating defaults as exceptional rather than recurring risks.
- **Credit insurance**: Available for certain high-volume trade relationships, credit insurance can cap exposure to specific agencies or geographies, but premiums are often prohibitive for smaller operators.
- **Diversification of counterparties**: Reducing reliance on a single large agency or supplier is an effective but often overlooked safeguard, particularly for hotels in markets where one intermediary accounts for a disproportionate share of bookings.
- **Payment on booking or prepayment models**: Moving higher-risk partners onto deposit or prepayment arrangements can preserve the relationship while limiting exposure.

The **intersection of credit and payment control** is clear: agencies and suppliers that cannot reconcile positions in real time, manage FX exposure, and enforce disciplined credit terms are structurally exposed to cascading defaults. In a sector where demand shocks, from pandemics to geopolitical events, are inevitable, credit management is not a back-office function. It is a core element of financial resilience, and for many operators, the single largest unhedged risk on their balance sheet.

9. Chargebacks, Refunds, and Cancellation Risk

Chargebacks and refunds in the travel industry are cash reversals with direct impacts on liquidity, margin, and supplier relationships. Cancellations, whether initiated by the customer or driven by operational disruption, trigger the same core question as credit defaults: who ultimately bears the financial loss? The answer depends on the payment structure, the Merchant of Record (MoR) status, and the contractual allocation of liability between intermediaries and suppliers.

Chargebacks in travel and volatility.

Under Visa, Mastercard, and American Express rules, a cardholder can dispute a transaction for up to 120 days from the date of service, not from the booking date. In practice, this means a booking made and paid for nine months before departure remains exposed to chargeback reversal for four months after travel. This window overlaps with the entire booking cycle in many sectors, creating persistent exposure for merchants and intermediaries alike.

When the agent is the **MoR**, the acquiring bank routes chargebacks directly to them. Even if the underlying supplier delivered the service, the MoR must either dispute the claim, and thus provide proof of fulfilment, or absorb the loss. Dispute resolution is resource-intensive: documentation must align booking data, proof of travel, and payment authorization logs, often across multiple systems. As examined in Section 5, data fragmentation makes this more difficult, increasing the likelihood of losing valid disputes due to incomplete evidence rather than merit.

When the agent is **not the MoR**, chargebacks typically hit the supplier's account. While this removes direct cash impact from the intermediary, it does not remove the operational risk. The supplier may withhold commission payments or claw back previously paid amounts, often without providing full dispute evidence to the intermediary. In fragmented markets, these clawbacks can occur months after the booking, distorting financial forecasts and creating reconciliation mismatches.

Refund dynamics are equally dependent on payment structure

- **Full MoR model**: The agent controls the refund decision and execution but also bears the funding burden. In the event of supplier insolvency or non-performance, the agent may be forced to refund the customer without the ability to recover funds upstream.
- **Pass-through model**: The supplier processes the refund, but the agent remains the customer-facing contact. If the supplier delays or refuses the refund, the agent absorbs reputational damage and may lose the customer permanently.
- **Split-payment models**: Refunds are complex, often requiring proportional repayment from both the agent and supplier. Differences in processing speed can result in customers receiving partial refunds for weeks, triggering complaints and, in some cases, chargebacks for the entire amount.

Cancellable vs non-cancellable bookings

Cancellable vs non-cancellable bookings add another layer of risk. Many hotels and bedbanks sell at lower rates in exchange for non-refundable terms, but chargeback rules do not always respect this commercial arrangement. If a customer disputes a non-refundable charge citing service quality or misrepresentation, the card network may still side with the cardholder unless the merchant can produce detailed, time-stamped evidence of fulfillment. This is particularly challenging for hotels that rely on property management system logs as their primary proof, as these are often insufficient for card scheme dispute standards.

Travel disruption events magnify refund and chargeback exposure

Pandemic lockdowns, airspace closures, or natural disasters create mass cancellation events, forcing intermediaries to process refunds at scale. During the COVID-19 outbreak, some OTAs reported refund volumes exceeding 300% of normal daily processing capacity for weeks at a time. PSP settlement delays and rolling reserves further constrained liquidity, leaving some intermediaries unable to process refunds until they had received funds back from suppliers, a process that, in some cases, took months. This delay led to reputational damage, regulatory complaints, and permanent customer attrition.

PSP terms and reserves shape the operational burden.

- **Rolling reserves**: PSPs such as Stripe or Adyen may increase reserve percentages during high-dispute periods, reducing available cash exactly when refund obligations peak.
- **Chargeback ratio thresholds**: Exceeding network thresholds (often 0.9–1% of transactions) can trigger account reviews, higher fees, or even termination of processing agreements.
- **Refund fees**: Some PSPs charge transaction fees on refunds in addition to chargeback fees, compounding costs in high-volume cancellation periods.

Risk mitigation in chargeback and refund management requires both contractual and operational controls:

- **Upstream protection**: Contracts with suppliers should define refund timelines, documentation requirements, and financial responsibility for chargebacks where the supplier is at fault.
- **Evidence readiness**: Maintaining booking confirmations, customer communication logs, and proof of service delivery in formats accepted by card schemes reduces losses in disputes.
- **Policy clarity**: Transparent cancellation and refund policies, disclosed at booking and in post-purchase communications, improve dispute outcomes and reduce reputational risk.
- **Liquidity buffers**: Maintaining sufficient cash reserves or credit facilities to handle refund spikes prevents operational paralysis during disruption events.

Chargebacks, refunds, and cancellations intersect directly with credit risk and reconciliation. Unreconciled positions can lead to overpayment in refunds, while credit reliance on suppliers can leave intermediaries unable to meet refund obligations if upstream funds are delayed or withheld. In a sector where reputational trust drives repeat business, mishandling these events can cause damage that extends far beyond the immediate financial loss.

10. Emerging Payment Models in Travel

While card-based acquiring remains the dominant method for processing travel payments, a set of alternative models is reshaping the economics, compliance obligations, and operational complexity of payment control. Real-time bank-to-bank transfers, Open Banking APIs, Buy Now Pay Later (BNPL) products, and certain crypto applications are no longer experimental but are actively being used in the industry. In specific geographies, adoption levels are such that both intermediaries and suppliers must reconsider how they collect, settle, and refund funds.

Real-Time Payments (RTP)

Schemes such as the UK's Faster Payments, the EU's SEPA Instant Credit Transfer, and the U.S. RTP® Network move funds within seconds, 24/7. In 2023, Faster Payments processed over 4.3 billion transactions worth £3.5 trillion, with a growing share linked to commercial payments rather than only peer-to-peer transfers. For travel merchants, the main advantages are immediate cleared funds and elimination of interchange. Liquidity benefits are offset by the absence of chargeback rights: a disputed RTP transaction is resolved entirely through contractual refund terms. In a corporate travel example, a hotel group in Sweden used RTP to settle €250,000 in block bookings from a multinational client within one hour of confirmation, avoiding both FX spread and card fees. However, when that client cancelled half the allocation, manual bank detail verification delayed refunds for weeks, frustrating the corporate buyer and introducing compliance exposure under Sweden's consumer refund timelines.

Open Banking

Mandated by PSD2 in the EU and similar frameworks in the UK, Open Banking enables authorised payment initiation directly from the customer's account via API. The European Banking Authority reported 11.5 million monthly active Open Banking users in 2023, up 63 percent year-on-year, with travel emerging as a high-value use case for transactions exceeding typical card limits. For an OTA selling long-haul packages averaging €5,800, Open Banking reduced card declines by 19 percent in its first year. The trade-off is the absence of built-in dispute rights: in a supplier insolvency, the customer's only recourse is through the merchant's refund policy or local consumer law. Cross-border payments also remain fragmented; SEPA Instant coverage reaches 29 countries, but outside the Eurozone, settlement may revert to slower correspondent banking rails, undermining the "instant" value proposition.

Buy Now Pay Later (BNPL)

BNPL adoption in travel surged post-pandemic as households sought to spread high-ticket leisure costs. In Australia, BNPL accounted for 7 percent of total online travel bookings by value in 2023, according to Roy Morgan. Providers such as Uplift, Klarna, and Affirm assume credit risk in exchange for merchant fees of 3–8 percent, compared with 1–3 percent for cards. The operational advantage is accelerated revenue recognition as most BNPL providers pay merchants in full within 48 hours of booking. The risk lies in product complexity: for multi-supplier itineraries, partial cancellations require recalculation of customer repayment schedules, often triggering over- or under-refunds that must be reconciled manually. Regulation is also tightening; the UK's Financial Conduct Authority is moving to bring BNPL under the same affordability and disclosure rules as other consumer credit, which could reduce approval rates for marginal borrowers.

Crypto and Digital Currencies

Crypto acceptance remains niche but persistent in luxury and long-haul travel, where asset diversification, anonymity, or capital control avoidance are relevant. In 2023, global OTA crypto payment volume exceeded $2 billion, according to TripleA, though over 80 percent was immediately converted to fiat to avoid volatility risk. PSPs such as BitPay and Coinbase Commerce handle AML/KYC screening, but “push” payment irreversibility and inconsistent tax treatment remain concerns. A Seychelles-based dive resort reported a $42,000 crypto booking paid in USDC stablecoin, settled to USD in under 15 minutes, saving an estimated $900 in card fees. However, in jurisdictions such as the U.S., IRS guidance treats crypto receipts as property for tax purposes, requiring basis tracking even when funds are converted instantly. Central Bank Digital Currencies (CBDCs) may address volatility and tax classification issues, but with most still in pilot stage (e.g., e-CNY in China, digital euro trials), their relevance to cross-border leisure travel is years away.

Implications for Payment Control

These models alter more than processing cost. Card acquiring consolidates settlement through a single acquirer relationship; RTP and Open Banking fragment settlement flows across multiple banks and PSPs, each with distinct reconciliation formats and timelines. BNPL and crypto insert third parties with their own funding schedules, refund rules, and compliance obligations into the payment chain. The decision to deploy any of these methods should follow a total-cost-of-acceptance analysis that factors in processing fees, settlement lag, FX conversion, refund execution cost, regulatory obligations, and dispute handling framework.

Travel companies that integrate these models strategically such as mapping them to customer segments, booking values, and supplier agreements, can extract liquidity gains, reduce cost of acceptance, and differentiate their offering. Those that bolt them on without adjusting reconciliation processes, contractual structures, and cash-flow planning will add operational burden without securing measurable advantage.

11. Case Studies in Payment Control

Case Study 1 – Global OTA Transition to Merchant of Record

A global online travel intermediary specialising in multi-supplier dynamic packaging operated for over a decade as a non-Merchant of Record (non-MoR) in most markets, passing customer payments directly to hotels and airlines while collecting commission post-stay. This model minimised direct dispute liability but left the OTA dependent on supplier-led refund timelines and exposed to commission clawbacks.

As the business expanded into high-growth Asia-Pacific markets, major hotel chains demanded faster settlement and consolidated reporting, which the OTA could not deliver under its non-MoR structure. In 2021, it transitioned to full MoR status in 14 jurisdictions, integrating a multi-acquirer strategy through two global PSPs. The shift improved net settlement timing by an average of 11 days and allowed unified customer refund handling. However, it also increased working capital requirements by €48 million annually and required the posting of rolling reserves averaging 6 percent of monthly processing volume. The transition succeeded commercially but only after the company secured additional credit facilities and invested in automated reconciliation linking PSP transaction IDs to booking records.

Case Study 2 – Luxury DMC Credit Collapse Exposure

A destination management company (DMC) handling high-value FIT and group itineraries in the Indian Ocean extended 60-day credit terms to a European tour operator group that represented 22 percent of annual revenue. The arrangement supported strong booking volumes during shoulder seasons but was based on unaudited financials and informal guarantees. When the operator entered insolvency following a failed capital raise, the DMC's receivables exposure was USD 5.3 million. Recovery after 28 months was 14 cents on the dollar. The loss forced the DMC to secure short-term loans at 9.5 percent interest to fund supplier settlements, as many hotels demanded immediate payment to preserve contract rates. Post-incident, the DMC overhauled credit governance, introducing tiered limits based on verified financials, insurance-backed guarantees for exposures above USD 1 million, and a requirement for partial prepayment during high-demand periods. The operational lesson: supplier goodwill erodes quickly when their own payment timelines are threatened, even if the root cause is an intermediary's client failure.

Case Study 3 – Regional Hotel Group Adoption of BNPL

A mid-sized hotel group operating in Southern Europe introduced Buy Now Pay Later (BNPL) as a direct booking option in 2022, targeting domestic millennials and younger international travellers. The BNPL provider paid the hotel in full within 48 hours of booking, less a 5.2 percent merchant fee which was significantly higher than the group's blended card rate of 1.9 percent. Early results showed a 17 percent uplift in booking conversion for stays priced above €800, with most growth in off-peak months. However, the model introduced unexpected reconciliation complexity: partial cancellations and booking modifications often misaligned with the BNPL provider's repayment schedule, leading to over-refunds or delayed customer credits. Additionally, because the provider's funding agreement classified payments as factoring, the hotel was required by its auditors to recognise the gross booking amount and BNPL fee separately, affecting revenue presentation. Despite these issues, the group retained BNPL as an option but restricted its use to refundable rates and implemented an internal review for bookings over €2,000 to pre-empt adjustment errors.

12. Conclusion and Recommendations

Payment control in travel is not just a question of which platform processes a card or whether a merchant of record model is in place. It is also the model through which liquidity, liability, and trust flow across the distribution chain. The decisions travel businesses make about who collects funds, when they are settled, and how disputes are handled are strategic levers that can protect or erode profitability.

Across this paper, several themes emerge:

- **Merchant model choice defines control and liability.** Merchant of Record status delivers settlement control and a unified customer experience but increases working capital requirements, compliance burden, and dispute exposure. Non-MoR models reduce direct risk but often sacrifice settlement speed, refund control, and negotiating leverage with suppliers. Hybrid structures offer flexibility but add reconciliation complexity and fragmented compliance oversight.
- **Reconciliation and data integration are non-negotiable foundations.** Inaccurate or delayed matching of payment records to bookings undermines credit control, dispute handling, and supplier trust. Fragmentation across PSPs, acquirers, and payment methods compounds the challenge; automation and unique transaction IDs are essential to scaling without leakage.
- **Credit risk management is as critical as revenue growth.** Extending credit to large partners without rigorous underwriting can turn a single client failure into a liquidity crisis. Tiered limits, insurance-backed guarantees, and periodic financial reviews are not optional in a high-volume, low-margin sector.
- **Chargebacks, refunds, and cancellation policies are financial instruments.** Poorly designed refund processes or weak dispute evidence protocols directly impact acquirer relationships, reserve requirements, and cash flow. The contractual, evidential, and liquidity dimensions must be addressed together.
- **Emerging payment models shift the control map.** Real-time payments, Open Banking, BNPL, and crypto acceptance each offer opportunities to improve cost of acceptance and liquidity, but each alters reconciliation flows, dispute mechanisms, and regulatory obligations. Without structural adjustments, they add operational burden without delivering margin gains.

To translate these themes into actionable strategy, travel businesses should:

1. **Map payment flows against contractual risk.** For each payment method, document who holds funds, when, and under what liability. Adjust contracts to align liability with the party best able to manage it.
2. **Invest in reconciliation automation before payment diversification.** New payment methods should only be added if reconciliation systems can handle them at scale, with transaction-level linkage to booking and supplier records.

3. **Formalise credit governance.** Implement documented criteria for extending and reviewing credit terms, supported by third-party financial checks and, where feasible, trade credit insurance.
4. **Embed dispute readiness in booking processes.** Capture evidence at booking (e.g., IP address, customer acceptance of terms) and at service delivery (e.g., check-in confirmation) to strengthen chargeback defence.
5. **Adopt emerging models selectively.** Deploy RTP, Open Banking, BNPL, or crypto where they deliver a measurable cost or conversion advantage for a specific segment, and ensure contractual and operational frameworks are adapted accordingly.
6. **Review payment architecture annually.** Changes in regulation, supplier expectations, and PSP capabilities can make previously optimal structures obsolete. Annual review prevents lock-in to inefficient or risky models.

Travel companies that treat payment control as a core strategic discipline, integrated into finance, commercial, and operations, will be more resilient in downturns, more agile in expansion, and better positioned to capture margin in a competitive, low-tolerance industry.

13. Appendix A – Glossary of Terms

FX Acquirer (Acquiring Bank) – A financial institution that processes credit or debit card payments on behalf of a merchant, settling funds from card networks into the merchant's account. In travel, acquirer relationships are critical for MoR operators handling high-value or cross-border bookings.

Buy Now Pay Later (BNPL) – A payment model in which a third-party provider extends credit to the customer for the full booking amount, paying the merchant upfront and collecting repayments from the customer over time. BNPL is widely used in high-ticket travel bookings but carries reconciliation and regulatory considerations.

Chargeback – A card network-initiated reversal of a transaction, typically at the request of the cardholder. In travel, chargebacks often arise from service disputes, cancellations, or fraud claims, and can directly impact merchant fees, reserve requirements, and acquirer relationships.

Credit Risk – The potential loss a business faces if a counterparty fails to meet its payment obligations. For travel intermediaries, this may arise when extending post-service credit to tour operators, OTAs, or corporate clients.

Crypto Payments – The acceptance of cryptocurrency (e.g., Bitcoin, Ethereum, USDC stablecoin) for travel services. Payments are often converted to fiat at the point of sale to avoid volatility but may carry additional AML/KYC and tax compliance requirements.

Factoring – A financing arrangement in which a merchant sells receivables to a third party (often a BNPL provider) at a discount in exchange for immediate cash flow. In travel, factoring may affect revenue recognition and audit classification.

Foreign Exchange (FX) Risk – The potential for losses due to fluctuations in currency exchange rates between the time of booking and the time of settlement.

Merchant of Record (MoR) – The entity legally responsible for processing a customer's payment, handling chargebacks, and ensuring compliance with card network rules and payment regulations. In travel, MoR status often dictates control over settlement timing, refund handling, and brand perception.

Non-Merchant of Record (Non-MoR) – A model in which the supplier (e.g., hotel, airline) processes the payment directly from the customer, with the intermediary receiving commission or net rates post-service. This reduces direct dispute liability but limits control over funds and settlement timing.

Open Banking – A regulatory framework and technology standard enabling authorised third parties to initiate payments or access bank account information with customer consent, typically via APIs. Enables account-to-account (A2A) payments as an alternative to card transactions.

Payment Service Provider (PSP) – A company that enables merchants to accept various forms of payment by connecting them to acquiring banks, card networks, and alternative payment methods. Examples in travel include Adyen, Stripe, and Worldpay.

Real-Time Payments (RTP) – Instant bank-to-bank payment systems operating 24/7, providing immediate settlement without card network involvement. Examples include the UK's Faster Payments, the EU's SEPA Instant, and the U.S. RTP® Network.

Reconciliation – The process of matching incoming payments to booking records and supplier obligations to ensure accuracy in accounting, commission payment, and dispute handling.

Rolling Reserve – A portion of merchant funds withheld by an acquirer or PSP as a safeguard against future chargebacks or disputes. Common in high-risk verticals such as online travel.

Split Settlement – A payment process in which transaction value is automatically divided at the point of processing between multiple parties (e.g., part to the supplier, part to the intermediary). Often used in hybrid MoR models.

14. Appendix B –Regulatory Framework Summary

The following regulatory frameworks and guidelines influence how travel businesses design and operate their payment control architecture. They shape settlement timing, compliance obligations, dispute handling, and risk allocation.

Payment Services Directive 2 (PSD2) – European Union

- Mandates Strong Customer Authentication (SCA) for most electronic payments and creates the legal foundation for Open Banking across EU member states.
- Implications for travel: additional authentication steps for card payments may increase booking friction; Open Banking APIs allow lower-cost account-to-account payments but require PSD2-compliant authorisation and data handling.

SEPA Instant Credit Transfer (SCT Inst) – European Payments Council

- Facilitates euro-denominated real-time payments within the Single Euro Payments Area (SEPA).
- Implications for travel: enables instant settlement between EU-based customer and supplier accounts; adoption varies by bank and member state, affecting coverage and reconciliation timelines.

UK Open Banking Standards

- Enforced by the UK's Competition and Markets Authority (CMA), requiring the nine largest UK banks to provide API access for authorised third-party providers.
- Implications for travel: reduces card decline rates for high-value UK-origin bookings; however, no built-in chargeback rights mean refund handling must be contractual.

Financial Conduct Authority (FCA) – BNPL Regulation (UK)

- Proposed framework to bring BNPL under consumer credit regulation, including affordability checks, clear disclosure of terms, and complaint escalation pathways.
- Implications for travel: could reduce approval rates for certain segments; increased compliance costs for intermediaries offering BNPL directly.

The Clearing House RTP® Network – United States

- Enables instant clearing and settlement of payments 24/7/365 between participating U.S. banks.
- Implications for travel: accelerates liquidity for U.S.-based bookings; funds are final and irrevocable, shifting refund execution responsibility fully to the merchant.

Internal Revenue Service (IRS) – Virtual Currency Guidance (U.S.)

- Treats virtual currency as property for federal tax purposes.
- Implications for travel: merchants accepting crypto must track basis and recognise gains or losses on disposal, even if converting instantly to USD.

PCI DSS (Payment Card Industry Data Security Standard)

- Global standard for securing cardholder data in payment processing.
- Implications for travel: applies to all MoR entities processing card payments, including OTAs, DMCs, and hotel groups; non-compliance can result in fines or loss of processing capability.

Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) Laws

- Jurisdiction-specific frameworks requiring customer due diligence, suspicious transaction reporting, and monitoring of high-risk payment flows.
- Implications for travel: cross-border transactions, especially involving high-value leisure or corporate bookings, may trigger enhanced KYC obligations for both MoR and PSP partners.

15. Appendix C – References

For full transparency and further reference, we've included all our source materials below. These are drawn from official provider sites, industry publications, and regulatory filings.

Merchant of Record and Legal Structure

- Visa Merchant Data Standards Manual – Defines Merchant of Record responsibilities and obligations in card schemes.
  https://usa.visa.com/dam/VCOM/download/about-visa/visa-rules-public.pdf
- Mastercard Transaction Processing Rules – Identifies MoR obligations, refund, and dispute handling.
  https://www.mastercard.us/en-us/business/overview/support/rules.html
- PSD2 Regulatory Technical Standards (EU) – Establishes secure payment and liability structures for intermediaries and MoRs.
  https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018R0389
- Trust Payments – The Role of the Merchant of Record
  https://www.trustpayments.com/merchant-of-record/

Payment Structures, Pass-Through Risk, and Commission Models

- Host Agency Reviews – Commission Payment Timing
  Insight into when and how agents get paid when not acting as MoR.
  https://hostagencyreviews.com/blog/travel-agent-commission
- Skift Research: The Travel Agent's Role in Modern Distribution
  Discusses evolving payment models in B2B2C agency structures.
  https://research.skift.com *(search "travel agents payments")*
- Worldpay from FIS – Travel Sector Payments Insight Report
  On complexity of hybrid structures and refund liabilities.
  https://www.fisglobal.com/en/insights/what-we-think/2022/december/why-payment-complexity-in-travel-must-be-simplified
- PayPal for Travel Businesses – Payment Flow Setup
  Technical overview of platform limitations in hybrid structures.
  https://www.paypal.com/us/brc/article/accept-payments-for-your-travel-business

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Reconciliation, Risk, and Tax Implications

- KPMG – VAT on Travel Services under TOMS and Non-TOMS Models
  Detailed guidance on agency vs principal for tax purposes.
  https://home.kpmg/xx/en/home/insights/2020/01/toms-in-the-travel-sector.html

- EY – Global Travel & Hospitality Tax Outlook
  On VAT, principal-agent distinctions, and economic nexus trends.
  https://www.ey.com/en_gl/tax *(search "travel agency VAT" or "economic nexus")*

- Stripe Docs – Payment Flow and Dispute Handling
  Technical detail on when refund authority and chargeback liability shift.
  https://stripe.com/docs/disputes

- Marqeta – Embedded Finance and Travel Payments Infrastructure
  Insights into hybrid models and where platform responsibility breaks.
  https://www.marqeta.com/resources/ *(search "travel payments")*

Payment Platform Documentation and Capabilities

- Adyen – Global acquiring, settlement timelines, and reconciliation limitations.
  https://www.adyen.com/platforms
  https://docs.adyen.com/reporting/settlement-details/

- Stripe – Cross-border fees, reserves, and reporting.
  https://stripe.com/pricing
  https://stripe.com/docs/connect/reserve-balance
  https://stripe.com/docs/reports

- PayPal – Cross-border FX spreads and dispute resolution rules.
  https://www.paypal.com/us/webapps/mpp/merchant-fees
  https://www.paypal.com/us/legalhub/useragreement-full

- Worldpay from FIS – Dynamic currency conversion, settlement, and travel insights.
  https://www.fisglobal.com/en/insights/what-we-think/2022/december/why-payment-complexity-in-travel-must-be-simplified
  https://www.worldpay.com/global/support

- Trust My Travel – Escrow-style payment flows and risk management.
  https://www.trustmytravel.com/

- WeTravel – Settlement timing and multi-currency support.
  https://help.wetravel.com/en/articles/3278724-payouts-and-currencies

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Regulatory and Compliance Sources

- EU Package Travel Directive – Consumer protection obligations regardless of PSP role.
  https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015L2302

- UK Civil Aviation Authority (ATOL) – Rules on package organizers and financial protection.
  https://www.caa.co.uk/atol-protection/atol-licences/atol-guidance-material/
- PSD2 Regulatory Technical Standards (SCA and strong customer authentication).
  https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018R0389
- PCI DSS 4.0 – Standards for payment security (PSPs vs merchants).
  https://www.pcisecuritystandards.org/pci_security/

Industry and Fee Insights

- Mastercard Transaction Processing Rules – Cross-border interchange and scheme fees.
  https://www.mastercard.us/en-us/business/overview/support/rules.html
- Visa International Fees Overview – Cross-border and assessment fees.
  https://usa.visa.com/support/small-business/regulations-fees.html
- Skift Research – Travel industry payment friction and PSP suitability.
  https://research.skift.com *(search "travel payments")*

PSP FX Handling and Settlement Practices

- Adyen – Multi-currency settlement, FX spreads, and settlement mechanics.
  https://docs.adyen.com/finance/settlement-currency/
  https://www.adyen.com/platforms
- Stripe – Currency conversion and cross-border fee details, reserves, and settlement structures.
  https://stripe.com/docs/payouts/currencies
  https://stripe.com/docs/connect/reserve-balance
  https://stripe.com/pricing
- PayPal – FX conversion rates, auto-conversion policies, and dispute resolution.
  https://www.paypal.com/us/webapps/mpp/merchant-fees
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- Worldpay – DCC mechanics and multi-currency settlement for travel.
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Regulatory and Consumer Protection

- EU Package Travel Directive (customer fund protection and currency obligations).
  https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015L2302
- UK ATOL (Air Travel Organiser's Licence) – Package organizer liability and fund segregation.
  https://www.caa.co.uk/atol-protection/atol-licences/atol-guidance-material/
- California Seller of Travel Trust Account Rules (U.S. state-level protections impacting FX handling).
  https://oag.ca.gov/travel

Volatility and FX Market Context

- European Central Bank – Historical EUR/USD reference rates (volatility context for 2022).
  https://www.ecb.europa.eu/stats/eurofxref/eurofxref-hist.zip
- Bank for International Settlements – FX turnover and spread benchmarks (cost context).
  https://www.bis.org/statistics/rpfx22.htm

Card Network and Bank-Level Fees

- Mastercard Transaction Processing Rules – Cross-border interchange and international assessment fees.
  https://www.mastercard.us/en-us/business/overview/support/rules.html
- Visa International Fee Schedule – Cross-border and assessment fees.
  https://usa.visa.com/support/small-business/regulations-fees.html
- HSBC Global Banking – Typical bank FX spreads for corporate clients.
  https://www.gbm.hsbc.com/en-gb/solutions/global-payments-solutions/foreign-exchange

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  https://docs.adyen.com/reporting/settlement-details/
  https://www.adyen.com/platforms
- Stripe – Metadata tagging and reconciliation challenges in split settlements.
  https://stripe.com/docs/reports
  https://stripe.com/docs/payments/metadata
- Worldpay – Transactional data structure and reconciliation requirements for travel merchants.

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https://www.fisglobal.com/en/insights/what-we-think/2022/december/why-payment-complexity-in-travel-must-be-simplified

- Trust My Travel – Escrow-style settlement and reconciliation implications for small operators.
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Regulatory and Audit Requirements

- EU Package Travel Directive – Insolvency protection and segregation of funds.
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015L2302
- UK ATOL Scheme – Booking-level reconciliation standards for protected bookings.
https://www.caa.co.uk/atol-protection/atol-licences/atol-guidance-material/
- California Seller of Travel Law – Daily reconciliation requirements for trust accounts.
https://oag.ca.gov/travel
- Florida Seller of Travel Statute (Section 559) – Segregated account and reconciliation rules.
https://www.fdacs.gov/Business-Services/Seller-of-Travel
- PCAOB (Public Company Accounting Oversight Board) – Material weakness standards and financial control evaluation.
https://pcaobus.org/oversight/standards/auditing-standards/details/AS2201

Sector-Specific Examples and Industry Insights

- Skift Research – Travel industry reconciliation inefficiencies and commission leakage.
https://research.skift.com *(search "reconciliation" or "travel commissions")*
- Marqeta – Payment metadata gaps and reconciliation friction for travel platforms.
https://www.marqeta.com/resources/ *(search "travel payments")*
- Hotelbeds (HBX Group) – Supplier portal commission reporting practices (for general context).
https://www.hotelbeds.com/en/suppliers
- Phocuswright – Reports on OTA and hotel payment flows and reconciliation costs.
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  https://www.worldpay.com/

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  https://www.allianz-trade.com/

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