

# PLAID'S CORPORATE STRATEGY: 2026 OUTLOOK

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# FINTECH SECTOR OVERVIEW



Financial technology (FinTech) is revolutionizing the global market by driving innovation at the dynamic intersection of finance and technology. Once small disruptive startups, FinTech companies are now collaborating with traditional financial institutions to take control of the digital ecosystem. Despite decelerated revenue growth, companies such as Block, Stripe, and Affirm are on track for high company valuations. Plaid, a key player in the FinTech space, recently reported a revenue increase of 58%, totaling 250 million in revenue. Albeit experiencing slower growth than in previous years, Plaid has positioned itself for a 47% top-line growth overall and \$13.4 billion in funding for its last round [1].

## Constantly Evolving.

The FinTech landscape is constantly evolving, observable through geographical and macroeconomic factors, evidenced through research projecting North America's share of the global FinTech revenues will decrease from 48% to 41% by 2028 [3]. The shift in investor focus from cutthroat growth to profitability and sustainable business models is reflected in the FinTech funding decline by 57% from H2 2022 to H1 2023, according to KPMG reports [1] [4].

Standing at the forefront of this competitive landscape, Plaid provides essential APIs for financial data connectivity. Founded in 2013 by Zach Perret and William Hockey, Plaid connects over 11,000 financial institutions across the US, Canada, UK, and Europe, while serving more than 5,500 FinTech companies. Initially, Plaid started creating personal finance tools, but Perret and Hockey soon pivoted towards developing software that facilitated quick transfers between bank accounts and FinTech applications [2].



# WHAT DOES PLAID DO?

Currently, Plaid enables secure data sharing between financial institutions and FinTech apps, with over \$1.2 trillion in annual transaction volume [24]. One of Plaid's most significant initiatives was the launch of Plaid Exchange in 2020. This exchange enables financial institutions to build and manage API-based data sharing [23]. Plaid's revenue model revolves around a pay-by-bank, volume-based structure with tiered pricing for revenue. Hence, this structure is primarily volume-based for most of its products. However, Plaid does offer subscription models for enterprise clients including 2600 fintech customers who make up roughly 40% of the U.S. bank account landscape [25]. Additionally, the enterprise segment is growing at twice the rate of other business sectors due to strategic partnerships with major financial institutions like JPMorgan Chase and Goldman Sachs [2].

- **Data sharing**
- **Financial transactions**
- **API-based**

Plaid's technology connects via pay-by-bank methods first, falling back on direct deposit connections if necessary. This approach is particularly beneficial for small businesses, as it helps them avoid traditional interchange fees - charges typically ranging from 0.3% to 3% of the transaction value that merchants pay to card-issuing banks for processing credit or debit transactions.

According to recent data, small businesses can save up to 2-3% on transaction fees by using pay-by-bank solutions compared to credit card processing [26].

Moreover, Plaid's proprietary Signal technology uses machine learning to help businesses recognize fraudulent and "low risk of return" transactions. For example, Robinhood uses Plaid to connect users' bank accounts, facilitating seamless fund transfers and account verification. This application of Signal allows Robinhood to unlock roughly \$100 million in funds [28].





# STRATEGIC ADVANTAGES

Despite recent funding challenges, Plaid holds several strategic advantages in speed to market, cost efficiency, and user-centered design. Plaid's platform allows developers to integrate financial data into applications in as little as 3 weeks. Traditionally, financial services firms take 3-6 months to bring new products to market [5]. This rapid deployment enables FinTech companies to roll out products faster, a critical competitive edge that aligns with industry trends favoring agile development cycles.

In terms of cost efficiency, Plaid's automated, API-driven processes reduce operational expenses by handling critical functions like user verification, transaction categorization, and real-time balance checks. While Plaid does not publicly disclose its cost-to-income ratios, its infrastructure minimizes customer acquisition costs to \$10-\$20 per user compared to the \$150-\$250 range in legacy banks [6, 7].

## Data-Driven Efficiency.

Plaid's user-centric approach further drives adoption, with 1 in 3 U.S. adults now utilizing its platform to connect with financial apps [30]. Plaid's simple, secure onboarding experience has improved accessibility and ease of use, supporting 8,000+ apps across sectors such as personal finance, lending, and cryptocurrency [29].

A recent survey found that 71% of FinTech users prioritize ease of use, and Plaid's real-time data connectivity aligns closely with this trend. Plaid is helping to maintain high user satisfaction rates through seamless integration and dependable access to financial data, measured by a 92% positive rating from developers in their recent Developer Experience Survey [19].



# THE OPEN BANKING RULE

The Consumer Financial Protection Bureau (CFPB) passed the Personal Financial Data Rights Rule on October 22, 2024, implementing Section 1033 of the Consumer Financial Protection Act. This "open banking rule" aims to enhance consumer control over financial data and foster competition in financial services. It applies to "data providers," including financial institutions and card issuers, mandating them to share specific types of financial information electronically. Under this rule, data providers must make available transaction information, account balances, payment initiation details, terms and conditions, upcoming bill information, and basic account verification data. Third parties seeking access to this data must provide clear authorization disclosures, obtain explicit consent from consumers, and limit data collection to a maximum of one year [27]. Due to these new rules, Plaid's existing focus on modernizing bank-based payments puts the company in a strong position to capitalize on the shift towards open banking and pay-by-bank services.

## ■ Financial Data Rights

## ■ Data Providers

## ■ Clear Disclosures

The CFPB's Personal Financial Data Rights Rule presents Plaid with both significant opportunities and challenges. The mandate for standardized data sharing aligns with Plaid's API-driven model, potentially streamlining integrations with financial institutions and reducing operational costs. This could enhance Plaid's pay-by-bank services, facilitating easier consumer access to financial data and expanding its market reach.

However, the rule also imposes new compliance requirements, necessitating updates to Plaid's consent mechanisms to meet enhanced disclosure standards and enforce a one-year limit on data retention.

Plaid must tread carefully in adapting its fraud prevention tools to comply with the new regulations while offering consumer security, which it can do by expanding its real-time monitoring and integrating multi-factor authentication and machine learning techniques to identify suspicious activities.





# OPPORTUNITIES

The implementation of the CFPB 1033 rule is expected to occur in phases over the next few years, giving companies like Plaid time to adjust their strategies and technologies. As a result, the projected growth of open banking users in the US is expected to increase to 132.2 million by 2026 [26]. As the rule takes effect, it could potentially expand Plaid's market by making it easier for consumers to share their financial data with FinTech apps, while also requiring Plaid to enhance its data security and privacy measures. While this rule provides a favorable framework for Plaid's business model, it simultaneously opens the door for increased competition in the data aggregation space.

## Streamlined Service.

As there are now lower barriers to accessing financial data, financial institutions and startups that previously relied on Plaid's services may now be able to develop their own aggregation solutions, challenging the aggregation solutions that Plaid has offered.

However, this is not to say that Plaid is unable to use this new competition to its advantage. Plaid now has the opportunity to position itself as a safe and compliant data aggregator, which it has already started to do with the release of Plaid Layer, a service that allows Plaid users who have opted in for their information to be remembered to easily sign up for new financial services by simply using their phone number, reducing the stress and friction of typical financial onboarding processes. Layer has a robust security system, with authentication measures at every step such as silent network authentication and passkeys, and even incorporating a real-time risk analysis through device identification and mobile carrier checks to minimize threats. After user authentication, Layer then specifies what information the financial institution needs from the user, so users know what information is necessary for them to give and what information is optional.

By adding this streamlined service which heavily simplifies onboarding processes, the time it takes to sign up for a new financial service can be reduced by as much as 90%. Working as a complement to their extensive API, Plaid Layer transforms the platform into an entirely new financial identity. Plaid now owns the entire financial onboarding process from start to finish, as opposed to its original model which had users connect their bank accounts manually using Plaid Link. As data aggregation will be scrutinized more closely under the new CFPB 1033 rule, Plaid Layer's risk analysis and data authentication tools allows Plaid to stay one step ahead in complying to these regulations, positioning themselves as a trustworthy and user-friendly platform to current and new users.



# CHALLENGES

Despite its successes, Plaid faces several challenges within the broader FinTech landscape:

- **Regulations:** 93% of FinTech companies find it challenging to meet compliance requirements, with over 60% paying at least \$250,000 in compliance fines in the past year [18].
- **Security Risks:** Approximately 77% of financial services firms have experienced cyberattacks in recent years. The average cost of a data breach in the financial sector is \$5.72 million [16, 17].
- **Consumer Acquisition:** Consumer trust in traditional banks (66%) and credit unions (65%) remains significantly higher than trust in digital banks (43%) and FinTechs (37%), indicating that FinTech companies still have ground to cover in building consumer confidence [15].
- **Competition:** According to the International Data Corporation, investments in the digital banking experience are expected to grow at a phenomenal 29.3% CAGR, and tech giants like Apple and Google are also entering financial services. With user bases like 500 million users for Apple Pay, it will be increasingly hard for financial specialization companies to exponentially increase revenues [13, 14].
- **Scalability:** Only about 5% of FinTech startups achieve profitability within their first three years due to rising customer acquisition costs (25% annually), and 3 in 4 fail despite being backed [11, 12].

■ Competition

■ Scalability Concerns

■ Security Risks





# PAY BY BANK STRATEGY

While challenges persist within the FinTech landscape, Plaid's future looks promising as it continues to innovate in emerging technologies such as AI and blockchain. In response to the widespread FinTech regulatory challenges, Plaid has developed user-permissioned data-sharing protocols aligned with open banking initiatives while complying with regulations such as GDPR in Europe and CCPA in California. Moreover, mergers and acquisitions within the FinTech sector were valued at \$149.8 billion and upwards of 45%, indicating a shift toward partnerships between traditional banks and FinTech firms [9]. Plaid is well-positioned to capitalize on these emerging investments and opportunities. Under CEO Zach Perret, Plaid will continue to innovate and adapt to changing market conditions by expanding into credit-risk analytics, fraud prevention, and pay-by-bank services.

## Real-time Payment Solutions.

Plaid is actively positioning itself as a leader in Pay by Bank, a direct account-to-account (A2A) payment solution that allows consumers to make payments straight from their bank accounts without relying on traditional card networks. This shift marks a critical expansion of Plaid's core services, leveraging its existing financial data infrastructure to provide businesses and consumers with a cost-efficient, secure, and real-time payment alternative.

Plaid's Pay by Bank service builds on its bank authentication and data connectivity capabilities. By integrating directly with a consumer's bank, Plaid can authenticate accounts instantly and facilitate direct transfers without requiring credit or debit card credentials. This technology is designed for merchants, billers, and fintech platforms that want to lower transaction fees and improve payment security.

Plaid's Pay by Bank solution operates through:

- **Instant Bank Authentication:** Consumers can securely link their bank accounts in seconds using Plaid's API, eliminating the need for manual entry or verification delays.
- **Real-Time Payment Processing:** Transactions are initiated directly from the customer's bank account, avoiding the processing times associated with card payments or ACH transfers.







# CONTINUED

- Enhanced Payment Security: Since the payment is authorized through the user's bank and does not involve card details, it reduces fraud risks such as chargebacks and unauthorized transactions.
- Lower Transaction Costs: Compared to card networks that charge 1.5% to 3% per transaction, Pay by Bank operates with significantly lower fees, making it attractive for merchants and financial platforms.

Plaid has already integrated this service into its network, and companies across industries—including e-commerce, subscription billing, and financial services—are testing adoption. This solution is particularly beneficial for high-volume merchants and fintech platforms seeking to reduce payment friction while cutting costs.

Plaid is uniquely positioned to succeed in Pay by Bank due to its wide-reaching banking network and established API integrations with thousands of financial institutions. Unlike newer entrants in the space that must negotiate individual bank partnerships, Plaid's pre-existing infrastructure allows it to offer seamless coverage across U.S. banks and credit unions.

Additionally, Plaid's extensive experience in financial data aggregation gives it an edge in payment intelligence and fraud detection.

By analyzing historical transaction data and real-time behavioral signals, Plaid can provide dynamic risk assessments for Pay by Bank transactions, further reducing fraud exposure for merchants.

■ **Payment Security**

■ **Lower Cost**

■ **Cross-Industry**





# PRIORITIES

Plaid is rolling out Pay by Bank to businesses that prioritize cost efficiency, security, and speed in payment processing. Current adoption is focused on:

- **Large-scale e-commerce and online marketplaces:** Merchants looking to reduce card processing fees can integrate Pay by Bank into their checkout flows, especially for high-ticket transactions.
- **Recurring billers and subscription platforms:** Businesses offering digital subscriptions or recurring billing models can leverage direct bank payments to eliminate declined transactions and reduce churn caused by card expirations.
- **Wealth management and investment platforms:** Fintech companies dealing with instant deposits and withdrawals are integrating Pay by Bank to enable fast funding without ACH delays.
- **BNPL (Buy Now, Pay Later) and lending platforms:** Pay by Bank serves as a direct funding mechanism for loan disbursements and repayments, lowering reliance on card transactions.

## Infrastructure Advantages.

While Plaid has a strong advantage in infrastructure and financial data connectivity, the Pay by Bank model still faces adoption challenges in the U.S. due to consumer behavior and merchant integration concerns. Many businesses have long standing relationships with card networks and payment processors like Visa, Mastercard, and PayPal, requiring stronger incentives to switch to bank payments.

Additionally, Visa and Mastercard have been investing heavily in open banking and real-time payment solutions, such as Visa Direct and Mastercard Open Banking Payments, aiming to retain control over transaction flows. To compete effectively, Plaid will need to accelerate merchant onboarding, improve consumer education on Pay by Bank, and enhance transaction incentives such as rewards or instant refunds.





# CURRENT STRATEGY

■ Partnerships

■ Fraud Detection

■ Real-time Integrations

Plaid's Pay by Bank strategy represents a direct challenge to traditional payment processing models. The company's ability to leverage its API-based financial data infrastructure while delivering cost savings and fraud prevention gives it an edge in driving adoption. Over the next few years, Plaid will likely focus on:

- Expanding its partnerships with merchants and fintech platforms to increase Pay by Bank adoption.
- Enhancing real-time payment capabilities through integrations with The Clearing House's RTP network and the FedNow system.
- Developing AI-driven fraud detection models to ensure secure transactions and lower risk for businesses.
- Improving consumer trust and familiarity with Pay by Bank as a secure and convenient payment method.

Plaid's success in Pay by Bank will depend on how quickly it can scale adoption and convince businesses to integrate direct bank payments as a viable alternative to traditional credit and debit card transactions. If executed effectively, this strategy could redefine the digital payment ecosystem and position Plaid as a dominant force in real-time financial transactions.

Ultimately, while regulatory scrutiny and competition present ongoing challenges, Plaid's robust technological infrastructure, compliance-focused approach, and strategic partnerships position it for sustained growth in

By continuously innovating in real-time financial data exchange, Plaid is poised to drive the next phase of financial connectivity and digital transformation.





# THANK YOU

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