PayPal: a very personal issue
Susanna Arasa

Development of reliable and widespread accepted payment systems is still one of the major obstacles to e-commerce deployment. To create a trustworthy environment, systems providers have tested formulae that guarantee the authentication and authorisation of the parties implicated in the transaction, the privacy and integrity of the communications, and the non-repudiation from the payer. Not only are these concepts technically complex, but they are also difficult for users to adopt.

PayPal has overcome these obstacles with an innovative formula: taking advantage of the trust among known people to send each other money through e-mails. The system transfers money from some users to others. That turns it into an ubiquitous system (specially indicated for long distances and to certain users without access to funds) and independent of the financial operator (who works through interbanking networks and traditional payment systems).

But the real force of these person-to-person payment systems -a new meaning of the P2P concept- lies in the users network. To receive a loan or a bank transfer in cash, the payee must subscribe to the system, hence the network grows at the same rate as the economic relations of its members. So it is especially useful to online auctions, where the website acts as a meeting point, while logistic and economic exchanges are agreed to by the users. This acquisition provides PayPal with the ideal travelling companion. However, the system is in danger of losing its appeal to friends and restricting itself to the auction market.