

# **Banks Keep Their Distance: Why Card Payments Remain Elusive for Legal Cannabis**

In the dynamic landscape of legal cannabis, payment processing has long been a significant challenge, with major banks steering clear of the sector due to federal regulations. While the industry continues to grapple with cash-only transactions, some smaller banks are venturing into the space, offering limited but vital alternatives for cannabis businesses.

## **Addressing Safety Concerns**

Ellis Soodak, the mind behind Verdi Cannabis dispensary in New York City, understands the safety risks associated with cash transactions in the cannabis industry. Drawing from his father's experiences in the liquor business, where cash transactions left him vulnerable to robberies, Soodak sought a safer approach for his dispensary. Verdi Cannabis now accepts credit cards, albeit with additional steps and a 4.20% transaction fee, providing customers with a more secure payment option.

## **Banking Hurdles Persist Despite Federal Moves**

Despite the historic move by the Biden administration to lower the federal classification of cannabis to Schedule III, major banks remain cautious, unwilling to engage with the cannabis sector due to federal regulations. Federal insurance and the continued federal prohibition of cannabis deter banks from transacting with cannabis companies, fearing regulatory repercussions.

## **Payment Options from Smaller Banks and Institutions**

While major banks maintain their distance, some smaller banks and credit unions have stepped in to fill the void, offering alternative payment solutions for legal dispensaries. These options, albeit more cumbersome and time-consuming than traditional credit card transactions, provide a lifeline for cannabis businesses navigating the payment landscape.

## **Innovation in Payment Services**

Payment service providers like CanPay have emerged as pioneers in the cannabis payment space, facilitating transactions through mobile apps linked to customers' bank accounts. Despite restrictions from major credit card companies like Mastercard and Visa, CanPay and similar providers have forged partnerships with credit unions and community banks, offering transparent and stable payment networks for cannabis businesses.

## **Challenges Persist Despite Progress**

While the availability of alternative payment solutions has improved in recent years, challenges remain for cannabis businesses seeking reliable and compliant payment options. Cashless ATM and Automated Clearing House (ACH) providers offer some relief but add complexity to transactions, requiring additional steps and

time at checkout.

## **Regulatory and Industry Shifts**

The proposed rescheduling of cannabis to Schedule III holds promise for the banking and payment landscape, potentially attracting big pharma and fostering a more regulated environment. While the journey towards comprehensive regulatory reform continues, innovations in payment services and partnerships with smaller banks offer hope for a safer and more efficient payment ecosystem in the cannabis industry.

Despite the persisting challenges, the evolution of payment solutions and the growing acceptance of cannabis at the federal level signal a promising future for the industry, where safety, compliance, and innovation intersect to meet the needs of businesses and consumers alike.

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