Beyond Open Banking

2020 and the road to Open Finance

Introduction and methodology

Six months ago, we commissioned our first iteration of Beyond Open Banking. It set out to build an understanding around a single key question - what happens next after Open Banking? Six months on, we've repeated the process, giving us trend data for the first time. We'll do so again in six months' time as we move towards building the definitive barometer for Open Banking progress.

Our first report was based on two independent pieces of research, both of which have been replicated. We worked with YouGov to develop a consumer barometer, testing demand for 21 use-cases – hypothetical banking features. We asked users if they would use a feature or not and, as a proxy for their level of intent, we asked them if they would:

- Use the feature if their bank provided it
- Download a standalone app to use the feature
- Switch banks to a bank that offered it if theirs didn't

In order to provide a more granular level of insight, responders provided data on, amongst other things, their income bracket, age, gender, parental status, primary bank account provider, and any fintech products they had adopted.

In assessing the state of the industry response we worked with a number of fintech journalists to curate a sample of 50 leading UK fintechs.

We then interviewed tech leaders at each with a set of questions around their API capabilities and strategy, the importance of third party distributors in their economic models and their expectations of industry progress.

The consumer survey data shows that responding to the problems raised by people's natural inertia will require fintech APIs that can meet the minimum requirements necessary to deliver a connected experience. In order to assess readiness for this we broke down the APIs into one of five categories.

1. Read: API enables people to view data held on them in a third party application
2. Read + write: as above + the ability to edit that data
3. Read + write + create: As above + the ability to create new customer accounts
4. Read + write + create + fulfil: As above + the ability to acquire financial products
5. Read + write + create + fulfil + transact: As above + the ability to initiate transactions

APIs in stages 4 or 5 are considered marketplace ready

The results of both of these surveys were analysed by Bud's data and commercial teams alongside independent banking industry experts. The analysis forms the basis for the rest of this report.

Executive summary

The data that inform the findings in this second iteration of Beyond Open Banking shows steady, sustained movement towards a more open financial sector where intelligent systems are better able to address the needs of customers.

On the demand side, consumer appetite for the feature-set we selected shows a swing, across the board, from people saying “no” or “don’t know” to people wanting to see those features rolled out by their primary current account holder.

On the supply side we’ve seen data that suggests read APIs are becoming standard practice and that, whilst there is work to do on the write side, some sectors are moving towards a state that we’d describe as marketplace-ready.

Six months ago, when we asked fintech leaders how long they thought it would be before “marketplace-derived” revenue represented a significant part of their business, they told us it would take 2.3 years (on average), now that average is 2 years flat (1.96 if we’re allowed 2 decimal points).

There is reasonable grounds to expect that this pace of progress will continue through 2020. The Open Banking roadmap will,

at least, lead to significant improvements in API performance if not necessarily to some of the new functionality that the ecosystem needs if it is to truly thrive. More data portability work by the Government and regulators will keep the industry debate focussed on an open future and there will be market factors at play too. For one thing - we’ll be bringing our first collaborations with major banks out of pilot stages and into the mass market.

It’s shaping up to be an exciting year with more demand, more provision and better outcomes for people as a result. This report looks both at what you can expect to see in terms of industry developments in projects like Open Finance, and at the kind of use-cases that these changes will enable.

We hope you enjoy it.

The Team at Bud.

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Summary of findings

It will come as no surprise when we say that fintech has a demographic. Around 18% of our sample used either a digital bank, a finance app or both, and those users were overwhelmingly young, above averagely wealthy, time poor (young parents particularly so,) and trusting. (The group was considerably more likely to say that they trusted financial services organisations to look after their data).

For obvious reasons, this is a valuable demographic and one that institutions will be looking to target. 15 of the 21 use-cases in the survey received a “would use” answer from at least 70% of early adopters in our survey with loyalty, subscription management and energy switching ranking as the highest rated.

Be cautious though. With 34% of those 18 - 34 year-olds already using digital services to manage their money, the challenge for mainstream institutions is in winning back time and attention, not gaining huge market share. The remaining 66% were only slightly more inclined to use the featureset than the average respondent. The group has not grown in size over the last six months either and it has only grown in terms of appetite for the services at roughly the same speed as the rest of the population.

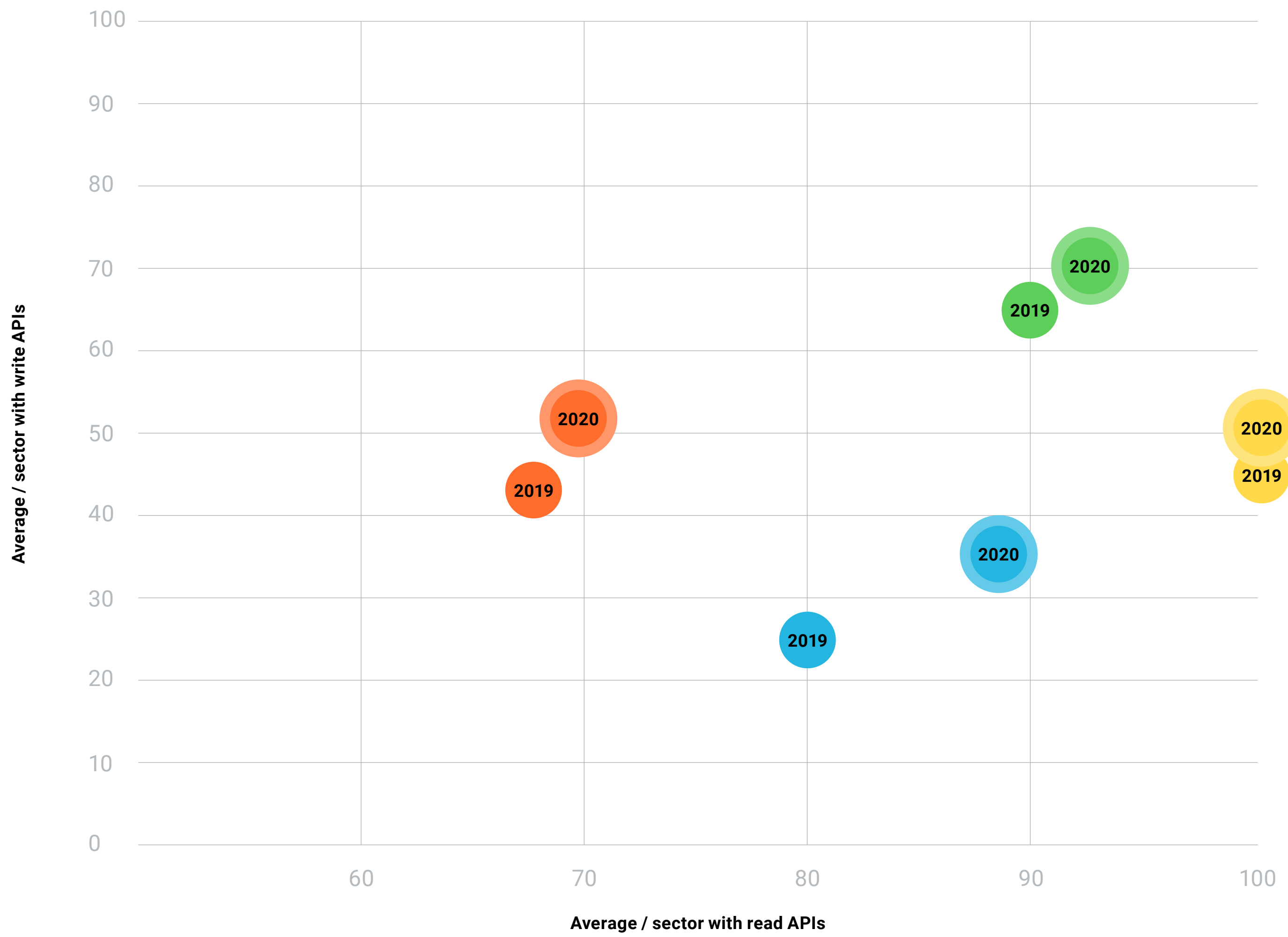
Outside of this demographic, however, there are many more targeted opportunities to help those customers who need it most. 69% of those young people who had not managed to save anything over the last 12 months said that they would use a “save the change” feature, and 81% wanted to have better visibility over how much they had left to spend. The majority of time-poor parents with three or more children said that they would use all 21 of the suggested features and even amongst the most reluctant 55yr + demographic, almost half (47%) wanted help with grudge-purchase tasks like managing insurance.

The toolset that Open Banking provides is both flexible and powerful and the data makes it clear that it is not just there to solve problems for digital natives.

The industry too is showing that it recognises this as we move towards having a critical mass of API-enabled financial providers – particularly in savings and wealth managers. Here the advent of the new Payment Initiation Services (PIS) offers huge opportunities to help a generation that has so far had a patchy relationship with the idea of building for the future.

This process of delivering fintech-enabled use-cases to wider audiences (beyond a traditional fintech user-base,) is exactly what Open Banking was designed to facilitate and, as we progress through this report, it is an important fact to remember.

Shift in API readiness between Q3 2019 and Q1 2020



Insurance
Loans & Mortgages
Loyalty & Switching
Wealth

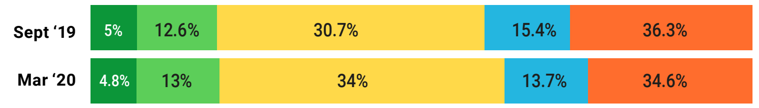
Graph shows the % of the companies in our sample that had either a read or a write API, and the changes in status between 2019 and 2020.

Overall willingness to use the features has increased

All responses

Mean average of all all use-casesfor both the 2019 and 2020 datasets

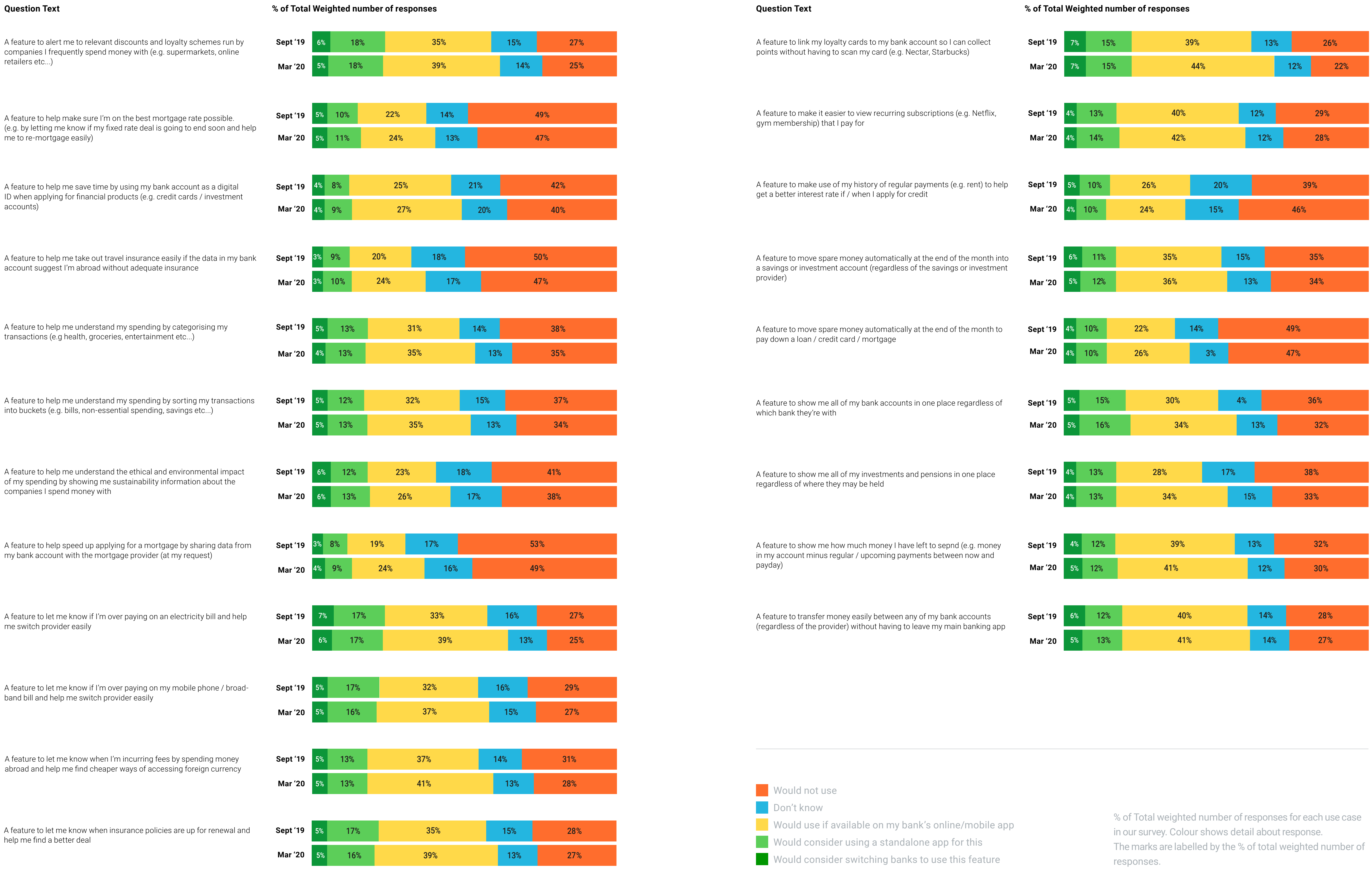
% of Total Weighted number of responses



N/A – I would not use this
Don't know
I would use this if my bank provided it in its app
I would download a standalone app to access this
I would switch banks to access this

Average of the % of Total weighted number of responses for all use-cases contained within both surveys

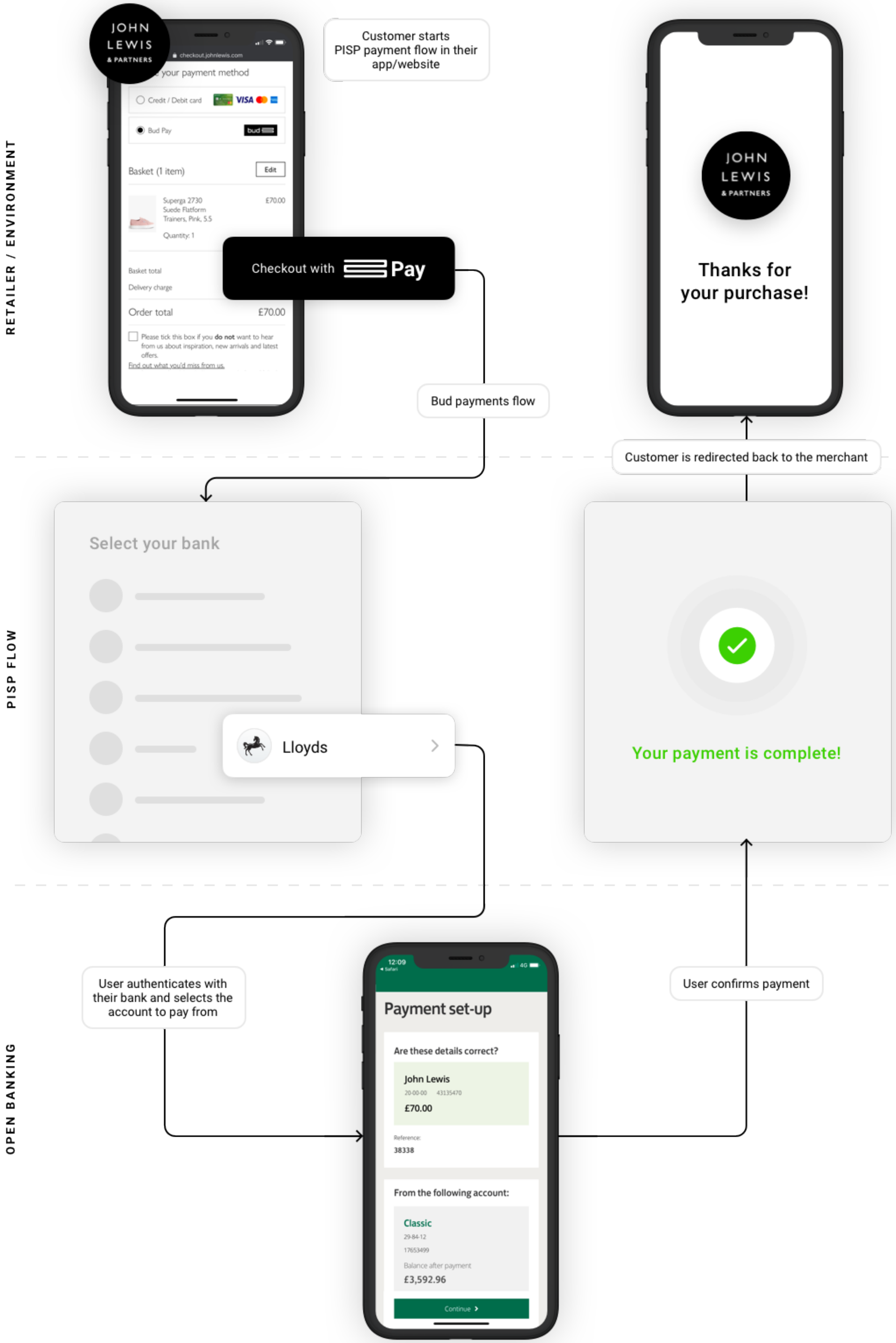
All use cases: full breakdown and changes vs 2019



Section 1

Industry developments in 2020

Pictured: Iana Vidal,
Head of Policy,
Innovate Finance



A guide to **PIS in 2020**

by Stephen Ellwood-Wade, Product Manager for Payments, Bud

If you walk around the City of London, the UK's original banking neighbourhood, today the most obvious architectural signifier of the often centuries old buildings is trust. Banks of years gone by wanted to instil trust and so made them look grand, strong and built to last. Trust that they were built on a solid financial footing. Trust that they'd be around for the long term. Trust they wouldn't lose your money.

Two years on from the launch of Open Banking and the foundations have been laid for a new citadel of financial innovation, but it has not been plain sailing. Trust and reliability are still key to the ongoing development of the ecosystem and 2019 has not seen the progress that many hoped.

Nowhere, is this more keenly felt in the budding Open Banking ecosystem than by Payment Initiation Service Providers (PISPs – companies that are authorised by the customer to initiate payments from their accounts.) It's been a much-hyped technology and, on the face of it, PISPs can do powerful things to help people. Half of the top 10 use-casesin our survey either fundamentally need a PIS feature or are made far more user-friendly by the presence of one. PIS's journey however, has not been an easy one. It's been plagued by historically unreliable APIs (though these are getting much better now) and a fragmented UX that still needs work before it can really claim to be trusted by consumers.

At the start of 2020 there is cause for optimism. PIS appears to offer a more flexible, potentially smoother, and definitely cheaper, route for customers using Open Banking. Whilst uptake has been relatively slow compared to aggregation, there is encouraging work underway to address the root cause of most of these issues. As we see it, there are four areas to track when analysing the disruptive potential of PIS.

1. Reliability is the biggest problem. When it works, it's impressive – but it doesn't work as often as it should. It's a complicated process and with failures fairly evenly distributed across the various stages, users can be left in confusing situations. Banks have been working hard on this and we've seen marked improvements over the last few weeks. It's also worth noting that a lot of the 2020 roadmap has been cleared to allow further focus on this element. Given the progress so far, we'd expect to see the APIs hitting critical levels of reliability towards the end of Q3 this year.

2. Speed is another issue – It doesn't matter how slow aggregation is, as you can use historical data and rely on your own performance. But it's not the same with a payment – It has to happen reliably in a critical moment so there's much less room for failure. Again, this is improving and with the clearer roadmap for Open Banking, we expect to see this pick up pace.

3. There is some work to do around harmonising the user experience from bank to bank in order to avoid confusing the end user. Currently, some banks go through quite an involved consent procedure where others simply bounce a user into the bank app and allow them to choose an account to pay from. Consistency will be key to building up trust and as the technology builds traction we're expecting to see some guidelines emerging.

4. Finally, there's the issue around functionality. Currently, the only really viable functionality is for single payments and, to an extent, standing orders. The ability to create Variable Recurring Payments, (VRP) that don't need to be

"As things stand, we'll have a useful alternative to the card rails by the end of the year. If variable payments, trusted beneficiaries and scheduled payments were to become viable, we'd have a world of new possibilities to create better customer outcomes."

continually re-authorised by the user, was originally part of the mandated roadmap. It has since been shifted into a testing phase in the Financial Conduct Authority's (FCA) sandbox. The tests could yield a breakthrough towards the end of the year – so anyone interested in the potential of PIS should watch that process carefully.

Other key levers for the reduction of friction are the "Trusted Beneficiaries" (whereby a 'whitelist' exists of firms' to which payments do not have to be continually re-authenticated) and "Scheduled Payments" items in the Open Banking roadmap. These would open up a lot of possibilities but it remains to be seen how the risk associated might be managed. Again, we expect to see this question resolved over the next 6 months.

The concept of PIS has a lot going for it. There is an abundantly clear route to-market, and its initial use-cases will become viable at scale in the very near future. There is more uncertainty around future functionality but there are grounds for optimism. The sweeping use-case (where a user sweeps money from one account to another in order create some user benefit like avoiding an overdraft fee), is mentioned at least three times in the original CMA report and there is consensus that it is a fundamental part of Open Banking – so it's very hard to see how Open Banking can be deemed to be complete without VRP being part of the mix.

There is also consensus around the immediate issues and their remedies. With progress so far looking encouraging, all eyes will be on the tail end of the year as we look to get a sense of the impact it will have.

The **Open Banking** roadmap

The priorities for 2020 – performance and availability

We tend to overestimate the effect of a technology in the short term and underestimate the effect over the long term. You may have heard this phrase, attributed to the futurist Roy Amara, before. Nowhere is it more keenly felt in fintech, however, than the evolution of data portability or Open Banking in financial services.

This fairly simple idea is still in its relative infancy (the legislation underpinning Open Banking came into effect two years ago,) in terms of being put to work. It has had a glacial but solid start with its full revolutionary possibilities just starting to crystalise.

A lot has changed, not least a new term 'Open Finance' (more on that later) in this relatively short space of time. Consumer adoption, however, is still some way from reaching a critical mass and regulations are still evolving.

Will the next year bring a tipping point? Alan Ainsworth, Head of Policy at the Open Banking Implementation Entity (OBIE), says it could well do as banks continue to improve their APIs, reliability increases and – most crucially – consumers take note.

The way consumers interact with banking and payment firms is certainly changing. Customers want instant and seamless digital services and are showing a growing willingness to share their financial data through Open Banking products and services.

New innovations, enabled by Payments Services Directive 2 (PSD2) and Open Banking, are beginning to embed themselves into the market, and slowly, things are starting to take shape.

The FCA has registered or authorised over 135 new firms offering account information and payment initiation services since the introduction of PSD2, it says, and, with more than a million customers now accessing Open Banking, it is now mulling the broader benefits of Open Finance through a consultation period in 2020.

"We are now seeing increasing numbers of customers using Open Banking-enabled services. This is because more third party providers are in the market giving customers services they value," Ainsworth said.

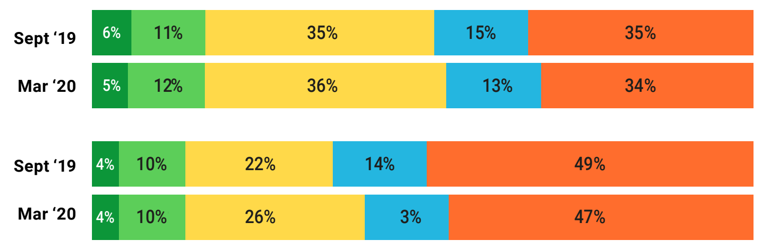
The first three months of 2020 are driving to what extent this is true. The OBIE is set to update its roadmap on Open Banking Standards for 2020 in this period, delivering a document that outlines what banks have to do to be compliant with the regulations, and holding them accountable. This will contain key points of interest regarding the delivery of features and functionality.

Sweeping: Appetite for the features envisioned in the CMA report

Question Text | **% of Total Weighted number of responses**

A feature to move spare money automatically at the end of the month into a savings or investment account (regardless of the savings or investment provider)

A feature to move spare money automatically at the end of the month to pay down a loan / credit card / mortgage



- Would not use
- Don't know
- Would use if available on my bank's online/mobile app
- Would consider using a standalone app for this
- Would consider switching banks to use this feature

% of Total weighted number of responses. Colour shows detail of response.. The marks are labelled by the % of total weighted number of responses.

The most likely outcome is that banks will have a bit more 'breathing space' this year. The CMA 9 – the top nine banks obliged to implement Open Banking – argue that 2020 should see a period in which no new features are mandated so that they can spend the time on stabilising and improving performance. TPPs, on the other hand, have argued that this is just a question of resource and that the objectives of the CMA Order (section 14) are still far from met.

"What the CMA9 are asking for is time to focus on getting the basics right," Ainsworth said.

"Whilst it's important that the CMA9 banks stabilise performance and fix the basics, TPPs will want to make sure that they quickly deliver high performance, high availability and APIs that meet PSD2's requirements," he added.

Here, the state of the mandate around variable recurring payments will be an early indicator around which viewpoint is winning out. The Retail Banking Market Investigation – the report that kicked off the current Open Banking regime in the UK – specifically calls out the ability for users to sweep money between their accounts.

However, there has been a tussle between TPPs and the CMA9 banks over whether this should be classed as a mandatory feature.

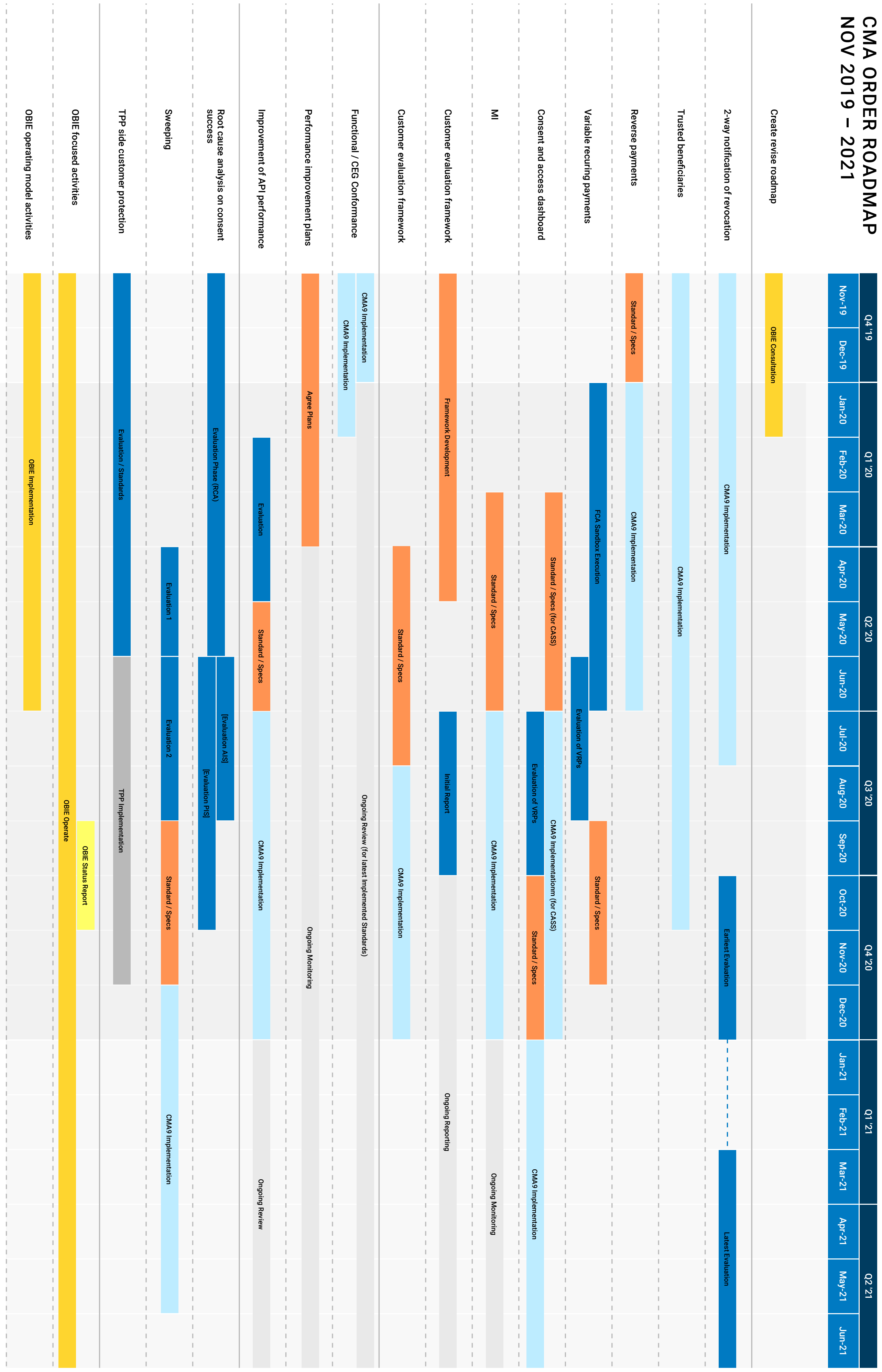
If the roadmap consultation process concludes with the implementation mandate removed it will be a clear sign that the banks are winning the argument and that we can expect slower progress in 2020.

One of the biggest dates for the diary is when the cut-off period for the new rules around Strong Customer Authentication come fully into effect. This date was originally in September 2019 but the SCA regime is hitting a hard deadline in March 2020, following an extra adjustment period to help them comply with the new regulations and avoid interrupting services provided by third-party providers (TPPs).

This will change how banks or payment providers authenticate the person requesting access to their account or making a payment and should reduce fraud.

SCA is core to PSD2, strengthening payment safety across all sectors, but it's also an ambitious challenge.

It is likely that 2020 will become a 'breather' year for Open Banking regulation, albeit one that sees gains in customer adoption and the improvement of the quality and reliability of APIs. Nonetheless, one that straddles initial overestimation and long term underestimation.



Pictured: Romi Savova, CEO, PensionBee

The **Pensions** Dashboard

Data portability and its impact on retirement

The chief idea behind Open Finance is that Open Banking can be broadened out to new areas of financial services, with data portability becoming normal beyond payments. Romi Savova, CEO of PensionBee, says in terms of the sequencing of its development, pensions should be first on such an agenda despite the huge challenge involved.

"The use-casesfor pensions go from the moment you get your first pension until the moment you die. The power of Open Finance [in pensions] is enormous," Savova said.

How many people have pension entitlements? Excluding the state pension, about 40 million in the UK. The latest statistics show that 75 per cent of all workers have at least some private pension provision. "It's huge," as Savova puts it.

She says Open Finance can help on many pension fronts. It can help people to find old pensions, which can get lost over time. It can help people to forecast for their retirement because, if your pensions are scattered everywhere, you don't know how much you've saved in total (and therefore, how much you need to add). You can help people become more engaged around what's actually in their pension, from ethical or asset allocation standpoints and how much they're paying. You can also enable automatic top-ups into a pension, which could help with the chronic under-provisioning in pensions.

"If you have banking data and you have pension data you can also see within someone's bank statement that they have a surplus of income every month that could be moved into a pension. And you can help people make better drawdown decisions," Savova added.

"Once they start accessing their pension and putting it into a bank account you can start to see what they spend their money on and help them improve the way that they withdraw money [from the pension] so they can spend."

Savova, aside from leading PensionBee, which helps combine legacy pension pots, sits on the Pensions Dashboard steering committee, a long term project to create a digital interface that will enable people to see all their lifetime pension savings in one place.

It was first mentioned in the early 2000s, she says, and had been rolling on as a voluntary initiative (rather slowly) until the Department for Work & Pensions recently became involved and is now wrapped up in the government's flagship Pensions Bill, currently being debated in the House of Lords.

"The Pensions Dashboard project is being designed to be a little bit of a microcosm of the Open Finance ecosystem."

Savova says – speaking independently and not for the project – that the Pensions Dashboard will be a very limited service with basic information as the Department of Work and Pensions has said it needs no more than what is already on your annual statement but will still take some time to go live.

"Our (PensionBee's) baseline forecast is that there will be a working dashboard in 2024. However, I would not be surprised if that is extended to 2028," she said.

She says that, with a very limited use-case, it's critical that Open Finance develops alongside the dashboard to fully capture the opportunities.

"I'm currently considering how we can achieve Open Pensions before pension dashboards. Because the problems are the same and pension dashboards are a route to resolving those problems and testing them in the limited use case of finding pensions – we will need a whole new approach if we are to achieve Open Pensions anytime soon.."

A lot of the issues with the pensions dashboards, as well as pushing pensions more generally toward Open Finance, is that a lot of groundwork has to be done before allowing connectivity (more on this in the next article).

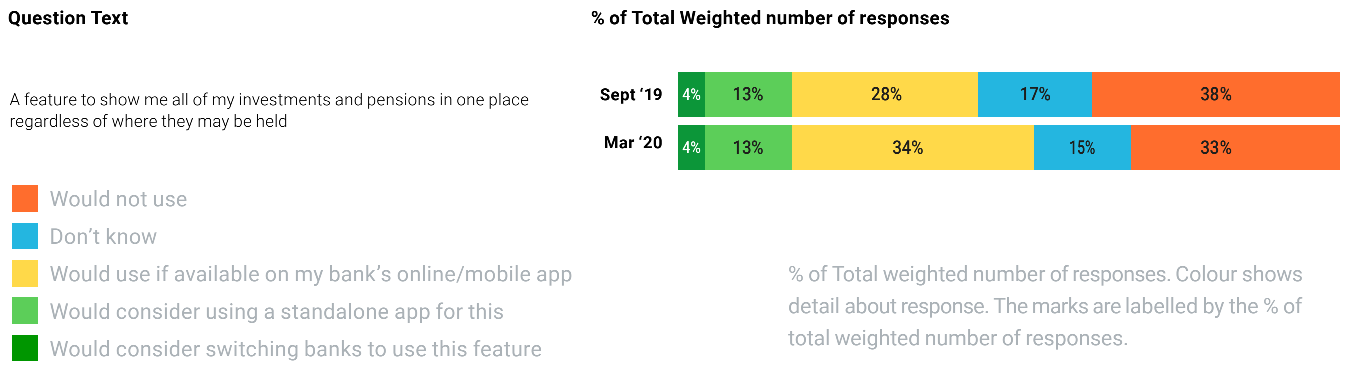
"You need clean data. You need to digitise data and you need identity verification in order to be able to get in."

So, does more regulation need to happen? Yes, it is not going to happen as a voluntary initiative, Savova says – which is evidenced by the slow progress in 20 years for the Pensions Dashboard project.

The pensions issue could also be a big win for Open Finance. Once people get to the ages of 50, or 60, actually, the money they have in their pension is a much bigger component of total aggregate wealth than their bank account. Pensions are usually, if you own a home, your second largest asset. If you don't own a home, they're probably your largest asset.

With 40 million potential advocates, the potential to shift behaviours towards Open Finance normality is clearly huge.

Pension visibility: appetite for data portability around long term assets



% of Total weighted number of responses. Colour shows detail about response. The marks are labelled by the % of total weighted number of responses.

Open Finance and what it can do for people

Financial **inclusion**

The role of Open Finance in creating a more inclusive sector

Within the fintech sphere, financial inclusion is a hot topic for debate with firms like M-Pesa in Kenya proving how a good idea that broadens access to financial services can be both incredibly disruptive and valuable.

Financial inclusion too probably suffers a bit from meaning different things to different people but it could become one of the most exciting areas for new entrants, as well as innovative incumbents, in the era of Open Finance.

In this article, we take a look at two firms that are putting this at the core of their long term strategies. Whilst it is still early days for Open Finance, as discussed in previous articles, solutions to several existing problems are already being re-thought by start-ups.

The Big Exchange is a fintech company aiming to help everyday people invest whilst making a difference. It also has broader plans to integrate data from other areas such as payments and credit to help serve customers looking to leverage financial inclusion.

Open Banking principles, says Jill Jackson, managing director of The Big Exchange, can be brought together in an ecosystem where you have a marketplace for other products all very much with a focus on "people and planet".

"It's quite a big ambition. And it's quite hard to achieve when you look at the current framework that you've got. We're very much focused on what we can offer in that ecosystem that will help with financial inclusion," she said.

A central part of this is making a level playing field where everybody can access services that are relevant to them. Jackson says the data portability inherent in Open Banking and Finance will be key to helping this move forward.

"It's something that we're really very keen to work on with government, public sector and private sector. Trying to really understand what are the needs of these customers? And how do we help them become, in the long term, more financially resilient?"

"I think we can combine the data available with nudges to open up a world to them that they are currently excluded from," she said.

This could potentially also evolve into helping climate change with data from bank accounts, savings and investment and pensions all being brought together to help people understand their environmental impact.

"One thing that I'm interested in within this Open Finance ecosystem and marketplace is that traditionally how somebody spends their money and how they invest it are two completely different things," Jackson said.

"You may spend your money in a really green way. But then your pension money in the default funds in your company, has the older stinky stuff in it that you are actively trying to avoid when spending your money. How do those two things square?"

A new Open Finance ecosystem could unlock some of that full potential so users are able to see the real impacts of everything they do.

Monevo, a progressive loan marketplace and platform with an eye on financial inclusion, also sees itself as a potential beneficiary of Open Finance, this time from the point of using the transparency it creates to widen access to more favourable lending.

"Open Banking hasn't been far-reaching enough by only allowing firms to access information on savings and current accounts. We're excited to see how Open Finance develops, we've got a very keen interest," said Will Hurst, Head of Commercial Development at Monevo.Part of this for Monevo is using this data via its distribution partners who plug in directly to its panel of API driven lenders, Their

aim is to improve and ,streamline customer experience for consumers by utilising this ported-in data and pass it through the supply chain.

"We have started to see Open Banking be adopted by a host of the lenders that we're working with, but that's really where we start to see the limitations. What we've seen with Open Banking so far is that it's only really addressed and used from a risk perspective by lenders in judging applications. It's being used to access further data on consumers, to understand more about them before making lending decisions, but it has much more to offer."

He says Monevo now wants to use Open Banking data to streamline application processes further.

"Open Finance seems to be the next logical evolution of Open Banking. When you look back and read through the call for input from the FCA, you kind of scratch your head and think, why didn't we do this all at once and make any credit products included in the initial release?"

On either side of the financial services equation, Open Finance has the ability to radically shift business models and solve age-old problems. The key question is whether regulation will be bold enough.

"

You may spend your money in a green way. But the biggest pot of your money (your pension) is normally invested in those companies that you've actively been trying to avoid when spending your money. We need to address this imbalance

Jill Jackson - MD, The Big Exchange

How to help **young people deal with** financial stress

Don't market to "millennials" – they don't all want the same thing

The data makes it clear that it is far too simplistic to treat millennials as a single block when it comes to looking at potential uptake of Open Banking features. Whilst the group was significantly more likely to be digitally banked and, as a whole, demonstrated an above average appetite to adopt the features we mentioned in the survey, there is a stark demarcation between those young people who are tech savvy, financially engaged and comparatively well off; and those who are dealing with financial stress.

We classified those experiencing stress by looking at respondents' capacity to deal with unexpected changes, specifically those who are on low incomes with a recent change in life circumstances e.g with a young child in the house; or those who have been unable to set aside money in savings over the last 12 months. This group was less concerned than the average user about the privacy and security of their data whilst being either equally enthusiastic or more so than their peers for the majority of relevant use cases.

The group significantly over-indexed on their enthusiasm for features that make basic budgeting simple, such as a "left to spend" feature and features that help them use their life-circumstances to get ahead (e.g. Rent Recognition).

How to help this group

Feature: Rent Recognition:

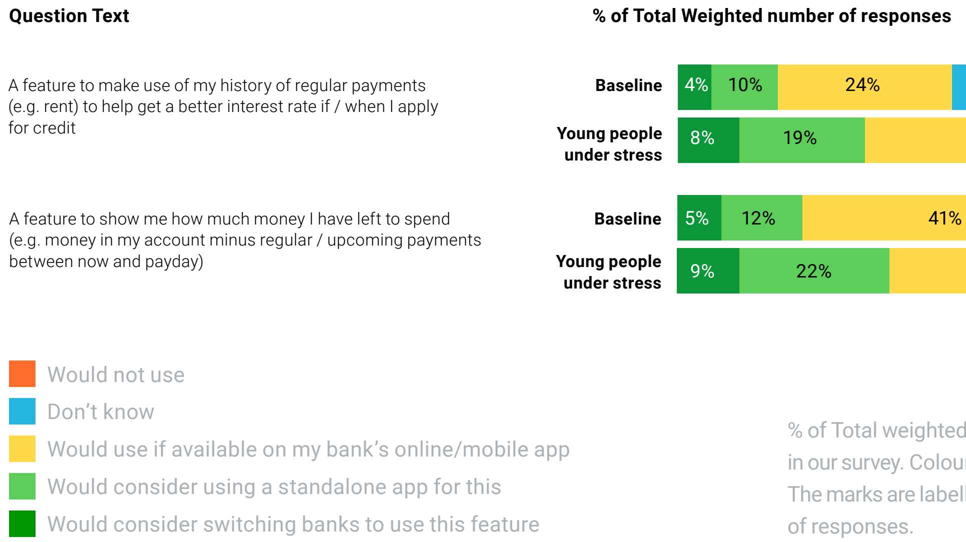
What is it?: Developed alongside HMTreasury, rent recognition allows a user to use their history of making rent payments to build a better credit history.

How it works:

1. Our data intelligence services identify likely rent payments
2. The user confirms and consents to the data being shared
3. Bud verifies the rent payment
4. Bud then shares the payment with Experian

Who's involved: Bud, HMT, Experian + more CRAs coming soon

Financial stress and its effect on uptake



% of Total weighted number of responses for each use case in our survey. Colour shows detail about response. The marks are labelled by the % of total weighted number of responses.

Financial **wellbeing**

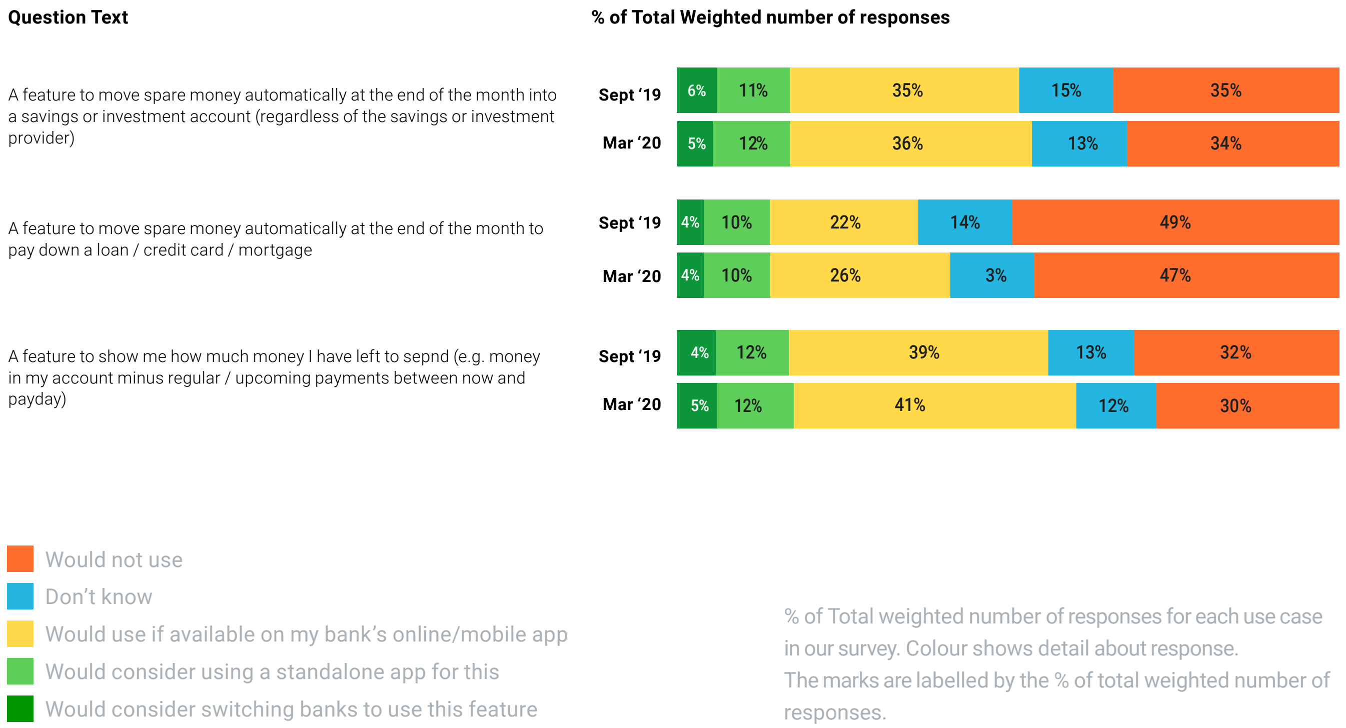
For a generation that struggles to plan effectively for the long-term, Open Finance provides the necessary tools to help.

Christopher Woolard, Executive Director of Strategy & Competition at the FCA said recently "competition is not currently working well for many of the 40 million consumers with easy access savings accounts and we want that to change." Over the course of this year it seems likely that we'll start to see how the industry is addressing that.

Like so many terms within financial innovation, the term "financial wellbeing" can mean different things to different people. Having too much money doesn't always look like fun, but then again one in three workers say they worry about money to the point that it is the leading cause of stress in their lives, according to Salary Finance's last annual survey. Balance and agency are the keys but why do so few people find themselves able to achieve them.

For younger people, the brightly coloured fintech boom has brought a huge range of new financial services providers that, for some has created a trend of adopting

The potential of "nudges" to help in the long-term



financial wellbeing as another area of life to dedicate time to working at, like exercise. There is however little evidence within the survey of this trend spreading beyond that core group, and whilst many of the early movers into the fintech space have garnered legions of fans, some of whom even pay for their services, the advent of a new period of disruption heralds an even bigger opportunity for personalisation from the portability of data through Open Finance.

"Since Open Banking regulation came into effect, we've seen a host of innovative products launch to help people improve their finances – whether that's through better budgeting, automating savings, comparing products, or finding ways to clear debt," said Imran Gulamhuseinwala OBE, Trustee of the Open Banking Implementation Entity, at the start of 2020.

"While some people are already using these products, in 2020 we want to see even more people take control of their data and, ultimately, their finances," he added. Monevo's Will Hurst, says some of the potential outcomes of Open Finance, that help with financial inclusion (see the previous article) can also help financial wellbeing.

"Once we open it up to Open Finance we'll be able to make it much easier for people to find the right products. The vision is hosting cumstomer data and then constantly stress testing the market to find better products. For me, that's where Open Finance needs to get us to," he added.

Toby Triebel, CEO Europe for digital wealth manager WealthSimple is expecting that Open Banking across the financial services spectrum will help consumers plug into investment services too.

"It should definitely help the investing market. Savings - it will even help before then," he told Bud last year.

It was a point of view that was echoed when we spoke to MoneyBox, a company which helps users to save and invest for their future by setting money aside in a range of savings products through round-ups or regular deposits and has also recently moved into pensions.

"We're trying to help a new generation save for their future and we need all the nudges and flexibility we can get to make that happen. We want to be the place where people come to help grow their money and invest or save," said Ashleigh Petrie, Head of Product at Moneybox. "And that becomes far more powerful when people have access to their own data and are able to decide how they want to use it"

Tamaz Georgadze, CEO and co-founder of Raisin, which operates across Europe, is another proponent of the idea that data portability and the ability to help people find financial wellbeing go hand in hand. He says open API-led services provide at the most fundamental level a degree of transparency that "gives you a better understanding of what is out there in the marketplace".

"The traditional way of doing this via comparison sites can sometimes be skewed and confusing. A more holistic overview of what is available from the market makes it much better for the customer, helping their overall financial wellbeing", he added.

Like several European markets, the UK has a gigantic but famously inefficient market for deposit savings that offer, for the most part, paltry returns. Such an opportunity could present a huge opportunity for fintech disruption particularly for those leading the charge with an open-API strategy and help end the complicated process of switching services.

There are, of course, challenges. Iana Vidal, Head of Policy & Government Affairs at industry trade body Innovate Finance, points to a lack of awareness around lots of fintech innovations that can help with financial wellbeing highlighting how Open Finance may prove to be a force that brings services to the masses, for example, through pensions (see the previous article). She focuses particularly on the industry reaction in the aftermath of the Government pensions bill (that will likely pass sometime around Q3 this year) as an indicator for the pace of progress we should expect to see.

"Once the legislation to enable pensions dashboards has been passed, it will be telling to see how quickly industry can seize the opportunity. It is clearly ripe for disruption" she said.

The huge benefits that Open Finance could bring should start to become more evident in the second half of the year with incumbent companies, fintechs and even banks beginning to show what kind of value the new use-casescan create. This will in-turn give us the strongest signal yet regarding the power of data portability to re-shape our financial wellbeing.

"Once the legislation to enable pensions dashboards has been passed, it will be telling to see how quickly industry can seize the opportunity. It is clearly ripe for disruption."

— Iana Vidal, Head of Policy, Innovate Finance

How to help the **young affluent** build a financial future

Shifting saving from a planning-lead to an experience-lead activity

The data in our most recent survey paints a picture of a group for whom adoption of new tools comes easily. Overall appetite for Open Banking features has grown by 13% amongst the younger, more affluent segment in the last 6 months. (Overall 73% would use the features in the latest survey vs 60% 6 months ago). They are adopting new challenger banks at a similar rate – 33% reported using at least one digital challenger bank in this survey vs 28% 6 months ago.

The group displays a pronounced ability to think long-term about their finances with more than 80% wanting to access information around their pensions via third parties (vs a baseline of 51%) and 73% wanting help ensuring they were on a competitive mortgage (vs 36%).

A long term viewpoint however, does not detract from short term problems. This group is considerably (though less markedly) more engaged with their day to day finances and is more focussed on use-cases around time-saving. Both categorisation and segmentation of their spending habits were more popular amongst this group vs the average for the survey, with 29% more people saying that they wanted access to the features. Time-saving features such as the use of financial data as digital ID and the ability to easily manage subscriptions were similarly over-represented.

How to help this group

Sweeping for savings & investments

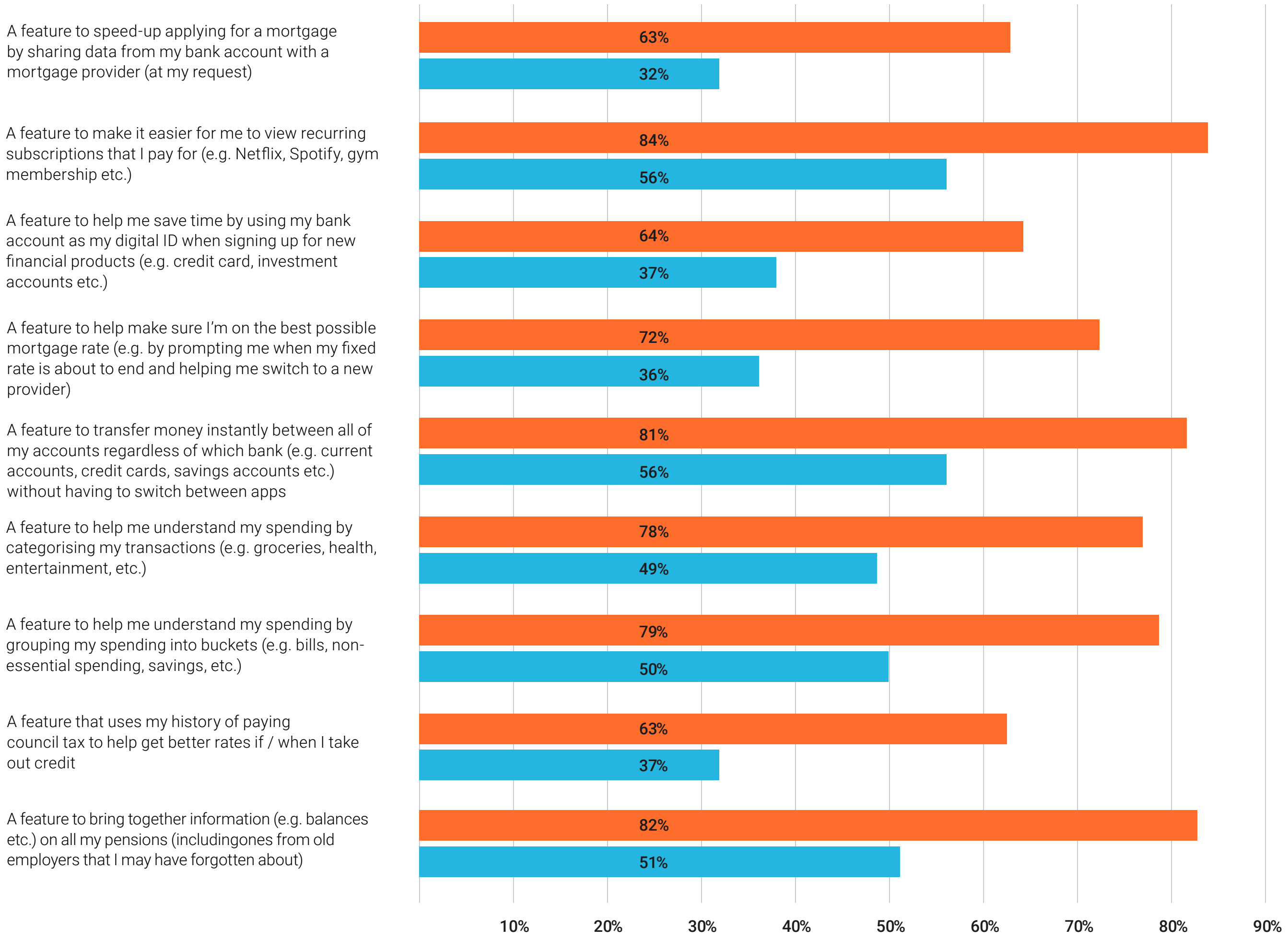
What is it?: A feature that brings savings and investment account balances into one place, sweeps spare cash into a chosen account and shows the user the impact of their saving activity

How it works:

1. Bud's "left to spend" API identifies balances that can be safely swept (including the ability to set a buffer to avoid over-sweeping and leaving a user short on cash)
2. Bud's salary finder API identifies when a user's salary has just landed in their bank account
3. Bud's payments API sweeps the amount that was showing in left to spend immediately prior to the salary landing
4. Bud's aggregation services update the balance of the aggregated investment or savings account

Who's involved: Bud, Wealthsimple, Wealthify

Use-cases where **young affluent** people significantly over-index



HENRY: Defined as all users aged 25 - 44 with income of more than £50k
Baseline for all users surveyed

Graph shows net "would use" answers from a YouGov survey of 2170 people in Feb 2020. Respondents were presented with a series of Open Banking use cases and questioned on their appetite for the features.

Rewarding loyalty

How portable data will kill the loyalty card

Harnessing the power of 'loyalty' was one of the causal factors behind one of the biggest UK corporate success stories of the 1990s and early 2000s: The Tesco Clubcard. Thanks to the insights garnered by the data it created the supermarket supercharged its growth .

Today, harnessing loyalty in the Open Finance era is one of the more ambitious but hugely powerful ideas that a number of disruptive fintech firms are re-imagining. Two use-cases; card linked loyalty (collecting loyalty points when you spend,) and "lost loyalty" (helping users to understand where their spending habits could be earning loyalty points), have ranked as the highest performers in both of our consumer surveys.

In our last Beyond Open Banking report, we covered the loyalty penalty, a phenomenon whereby consumers can lose out by being loyal to an energy or broadband supplier, for example. We also covered in the report firms such as Flux that are looking to provide loyalty services to users whilst also leveraging unstructured data such as receipts.

The crazy thing is that you have all this valuable data and then it just doesn't go anywhere. It's not available to you as a customer or your bank," said Flux's Chief Technology Officer Tom Reay.

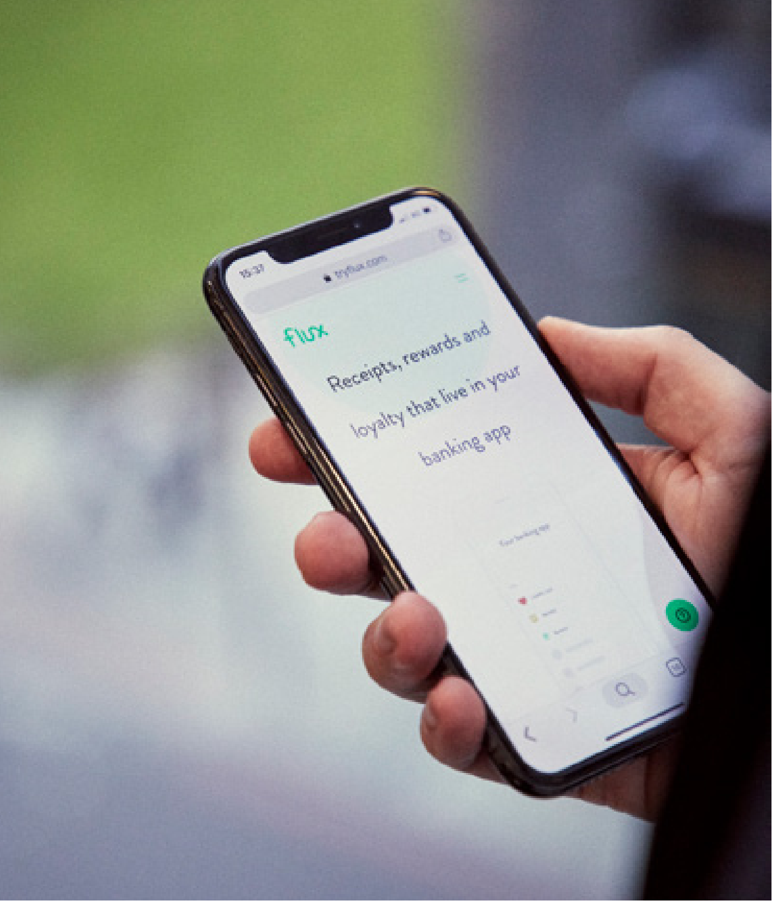
Henry Ludlam, co-founder of Percent, says the advent of Open Finance will unleash the potential of this data for delivering social good, allowing banks, people and businesses to make a lot more social impact. This is a huge opportunity to also harness 'loyalty'.

"We use fintech to drive loyalty programmes built around giving. When you spend using your card at any of our 1400 retail partners across the UK, a percent of the bill is donated to the cause of your choice," Ludlam said.

He says the firm's long term mission is to build charitable goods into every financial transaction worldwide. When raising money for charity, the London Marathon, for example, you have made the payments through payments processors, meaning not all the money gets to the cause.

"Our mission from a fundraising perspective is to try and get these down to zero just as Transferwise is trying to get their fees down to zero by integrating into banking apps directly."

He started Percent to fundraise for his football team at university, realising that bringing



“We tried Just Giving and bake sales, and it was all failing miserably. And so we got a local restaurant to agree to give us 10% back on whatever we spent there,”

together ‘doing good’, loyalty and open APIs was a powerful force.

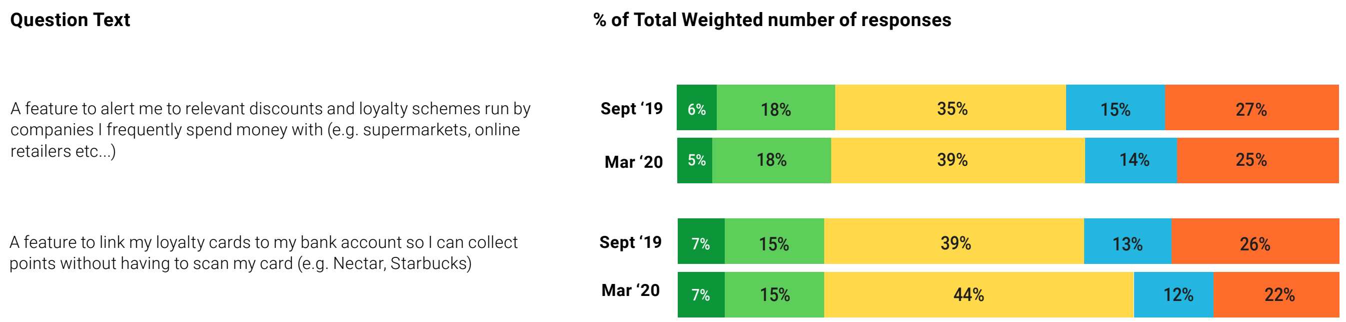
“We tried Just Giving and bake sales, and it was all failing miserably. And so we got a local restaurant to agree to give us 10% back on whatever we spent there,” he said.

“And then that just grew from there. So we started supporting local charities and local retailers where it was win-win because local people could support local causes by spending in local places. So it drove loyalty and in turn, the retailers got to do good.” Later this prompted partnerships with payments processors via Fidel to make a card linked version.

Dev Subrata, founder of Fidel, sees such an opportunity in being a financial data API. Fidel provides the plumbing that connects the card networks with financial insutitutions and other businesses, addressing the problem of data access for developers.

“We’re all about making it super easy for developers to build applications and actually, more specifically user experiences, on top of the payments infrastructure, and making that process really, really easy,” he said.

Loyalty and rewards: Consistently amongst the highest ranked features



Would not use
Don’t know
Would use if available on my bank’s online/mobile app
Would consider using a standalone app for this
Would consider switching banks to use this feature

% of Total weighted number of responses for each use case in our survey. Colour shows detail about response. The marks are labelled by the % of total weighted number of responses.

“You’re talking about a two, sometimes three-year process, which now takes 15 minutes. That’s the efficiency that we provide to our customers in terms of speed of integration. You’re simply copy-pasting seven lines of code,” he added.

Fidel’s API is built on top of Visa, MasterCard and AMEX’s card networks. Through Fidel’s API, businesses can get access to consenting customers’ card payment data in real-time, without having to build complex and expensive integrations with each individual network.

Fidel differs from Open Banking Aggregators in that it gathers data from the payment card rather than the bank account. This means that granualar transaction data can be delivered in real-time – a key value driver for loyalty, Subrata says.

“Although we’re still capturing transactional data, it’s captured in a very different place. So the data exists in a very different state and also benefits different use cases,” Subrata said.
“By using the card as the data source, we’re able to see a lot of information that isn’t available at the account level – such as merchant ID and location – in real-time”.

“With that data, businesses are able to attribute spend to a specific location and ping their customers at the moment they purchase. It’s perfect for loyalty – you want to be able to give your users that instant gratification.”

Unlocking new financial data and improving existing connectivity looks set to be hugely disruptive for loyalty, who knows perhaps it could also create the next Tesco.

People think differently about financial and non-financial products when it comes to switching.

How to **help customers** switch to the right services for them

The data from the latest survey highlights a divergence between the way that people think about switching between financial and non-financial products.

Non-financial products such as energy and telecoms rate roughly equally highly in terms of the respondents' appetite for switching use-cases when compared with financial products like insurance. 58% of people selected at least one of the "would use" answers when quizzed on features around energy switching. This is vs 57% who answered similarly around insurance.

The headline figures however, mask a marked split in the contributing factors. In both cases, younger people are more likely to take up switching features with uptake amongst those in the 24-35 age group reaching between 67 and 72%; and, as with most of the use-cases mentioned in the survey, an increased income also leads to higher adoption. For example, 78% of 25-34 year-olds with an income of more than £50k p/a would use features around energy switching.

The role of income though is a defining factor. For financial products, selecting for high income targets produced a much higher uplift than it does for their non-financial counterparts. Across non-financial products high income respondents were around 8.5% more likely to use the features than the baseline whereas with financial products, this number was around 16.5%.

With affluence a clear driver, the question becomes "how do we help the less affluent to access the same services?" on this too the data is clear. Those less affluent users who were interested in non-financial switching were more than 1.6x as likely to be open to switching financial products. Even when correcting for people who are simply more open to the kinds of features we asked about, there is clearly a link between the two that is not reciprocal.

Businesses rolling out switching services should take note – if you aren't targeting an affluent demographic, focus on non-financial products first and familiarise your users with the concept of in-app switching before you start to offer financial products.

Income, age and their effect on switching behaviour

% of Total weighted number of responses for each use case in our survey. Colour shows detail about response. The marks are labelled by the % of total weighted number of responses.

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