Unsplash © rupixec.com

How ‘Open Banking’ is hitting the mainstream via new innovations

Open Banking, which requires giving third parties access to your personal or business financial data, might well sound incredibly unpalatable on paper, but consumers are lapping it up. The concept was designed to disrupt traditional financial services and - because of new innovations - it is starting to be embraced by more and more individuals and businesses.

The number of customers using Open Banking in the UK rose by 100% this summer to more than two million, according to the Open Banking Implementation Entity (OBIE), the body set up to deliver open banking in the UK. It’s possible many of those customers don’t even fully appreciate that they are using Open Banking, but have signed up due to the benefits of the time and money saving technology that is built upon it.

Open Banking is really just a legislative change that compels financial companies to share data they hold on a customer when specifically asked to do so by that customer.

Only the very specific data required for the service is shared – and consent can be withdrawn at any time. It allows customers to access services such as those offered by comparison sites that alert them if they're paying too much for utilities or other bills.

People engage with Open Banking services because they provide value

Kieran Hines, Senior Banking Analyst at financial services technology research, advisory and consulting firm Celent, said: "Open Banking on the face of it is a quite alien concept. If you say to people 'there is this great new concept where third parties can access your bank account information,' people naturally are quite hesitant and tend to reject the concept.

> *"What we will see happening, and to some extent is already happening, is that people will engage with Open Banking services because they provide value. Customers will be less and less aware of the realities of what happens to power these services and more interested in taking advantage of what they can offer. In the same way that people don't need to know how an ATM works in order to use it. What we need to know with Open Banking is 'if I provide consent to this mobile app to see my data, they can give me something better than I have now.'"*

High street banks have embraced Open

Banking

Barclays was the first high street bank to embrace open banking by building in a function on its app to allow its customers to view balances and make payments from accounts held with other providers. Now, many others have followed.

When those customers click to give consent for their banking app to pull in information from their other accounts, they're signing up to Open Banking, but probably don't give that a second thought. With that click of consent their lives become instantly easier. No longer do they need to have multiple banking apps or to log in and out to see all of their balances. This is the key to open banking innovations that will take it to the masses: services that save time and money.

The legislation was brought in to try to open up the financial services market and increase the amount of companies able to break in and offer consumers better deals.

Best new Open Banking innovations

Innovation body Nesta Challenges listed what it believed to be the best new innovations in Open Banking in its Open 2020 initiative.

The list included:

- Canopy – Aiming to make it cheaper, faster and easier to rent a home, in part, by helping people to improve their credit score.
- Creditspring: Providing short term low interest loans in exchange for an annual membership fee.
- Mojo Mortgages: Matching individuals to mortgage providers.
- Moneyhub: Aiming to help people manage their money via spending analysis and goals.
- Kalgera: An app designed to help older and vulnerable people guard against fraud.

Some quarters still have their concerns about Open Banking, but even they agree it looks like it is here to stay.

The not-for-profit think tank the Financial Inclusion Centre has said regulation to manage the fast moving pace of new fintech Open Banking products is not yet up-to-speed.

> *“The fintech genie cannot be put back into the bottle but it should be contained. The challenge now is to harness the potential for good, and identify more precisely how risks will materialise in different sectors, the potential scale of the risks (which all depends on take up), and how to manage the risks.”*

Article by CHLOE MARCHBANK