experian™
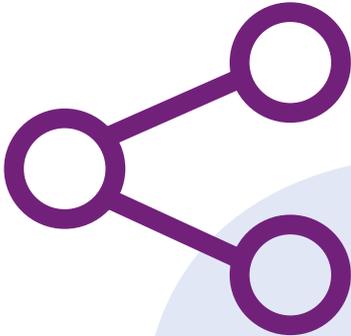
Navigating the components of Open Banking

How to create a suitable architecture

Creating value from your infrastructure

Open Banking will bring new challenges for lenders - their technology and IT infrastructure. In a data sharing world, security is paramount.

Banks that are mandated to share data are carrying the cost of bringing Open Banking to market. But, everyone involved in the Open Banking ecosystem, including Data Requestors, need to act responsibly to ensure that data is used and stored securely and compliantly.

We have outlined some of the key points that need to be considered to protect customers *and* deliver a great service.

1.Data sharing

Open Banking comprises of Data Disclosers – such as banks and credit card providers that must provide access to data, and Data Requestors – organisations that want access to data to fuel their services.

Data Requestors include banks and financial service providers, but also price comparison sites, Fintechs, technology suppliers and payment service providers (PSPs). Less obvious, but equally as interested, are retailers, property letting agents, insurers, utilities and telecoms providers.

Managing connectivity between this network of organisations, whilst achievable, is going to be complex and sophisticated. Whilst the objective might be access to data, many of these organisations see the management of data as peripheral to their business.

Open Banking mandates the real-time sharing of up to 12 months of transactional data for consumers and three years of data for businesses. Data can be exchanged four times a day, for 90 days, before a customer is required to re-confirm their consent to share.

## How can data sharing be managed securely and effectively?

For both the Data Requestor and the Data Discloser, accessing a data exchange hub which manages the flow of data using Application Programme Interfaces (APIs) is a good solution. These hubs are being brought to market by Account Information Service Providers (AISPs).

The AISPs source data from different providers, aggregate this information and share it with requesting organisations. AISPs can save time and money and allow organisations to focus on their core business. These hubs will be purpose built, with all the technical and security components in mind.

The sheer volume of data likely to be exchanged across the Open Banking network will put heavy demands on your IT resources. Using data orchestration hubs or middle-wear that can monitor the data exchange, cache data requests, manage volumes and reduce the risk of outage can be an efficient solution. Employing a hub means you can be consistent and efficient in how you manage data and use a single resource that can co-ordinate the information exchange for you.

The hubs that provide the best service will be those that add value to the data exchange through complementary services such as data. For example; customer demographics, credit scores or asset information can be added into an application, pre-populating application fields and reducing time to approve a loan. Real-time analysis of data such as automated categorisation of transactions can also be used to identify income and expenditure to help qualify a customer's suitability and capacity to afford the loan.

Organisations should use these value-added services to define which technology partners are best placed to help you benefit from Open Banking.

89%
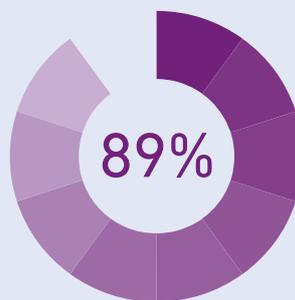
Nearly 9 out of 10 people don't trust companies with their data, or believe they will be spammed by them

Less than a quarter of people would share their data

with 67% seeing no benefit at all in sharing it

Less than a third of people have a positive association with companies about their personal data

2. Verifying identities

The need to acquire customer consent prior to sourcing data means that verifying a customer's identity is crucial. Aligned to Open Banking is Payment Services Directive 2 (PSD2). This outlines the criteria, process and governance for aggregating and initiating remote payments (known also as 'card not present' payments).

Subject to various parameters (such as the fraud levels of a payment provider or the transaction value), PSD2 introduces Strong Customer Authentication (SCA). This means you need to obtain two forms of identity verification. This could be something you:

The identity of a customer will be subject to further validation checks, with an expectation placed on payment providers and Data Requestors to check device and fraud databases as an extra measure of validation.

How can you build on your identity controls?
Agile, multi-layered fraud controls such as Experian's CrossCore can help. Developed around an API you can add new functionality to the platform as and when required. Integrating device recognition, document verification and payment checks can provide a seamless process that is embedded into the customer journey.

Read more on Experian's CrossCore solution >>

Know
for example a pin number
or password

******

Have
for example a security token or
a pin reader

6 7 8 9 10

Are
for example a fingerprint
or biometric

3. Consent – be your customer's best friend

Consent is at the heart of Open Banking and is mirrored in the EU's General Data Protection Regulation (GDPR).

In order for you to receive data, you need the customer's consent. You need to understand and store the caveats associated with that consent, such as the length of time you'll store the data and the purpose for which the data is being used. Freedom and control must be given to the data owner so they can manage (or withdraw) consent easily, at any point in time.

Data sharing is a sensitive subject. Ask anyone if they are happy to share their personal data and you're likely get a 'no'. Why? Because many customers don't fully understand what they have agreed to share and data requestors have not always been open about the purpose for which the data is being used.

Transparency on the use of data, security and control is paramount in Open Banking if customers are going to share their personal information and for you to build trust.

How can you manage consent?
Tools such as providing consent receipts or a consent dashboard can help. These tools can allow customers to check what consent has been given. This provides greater transparency and can help you to build customer confidence too.

Watch our video on how a consent dashboard will help the customer >>
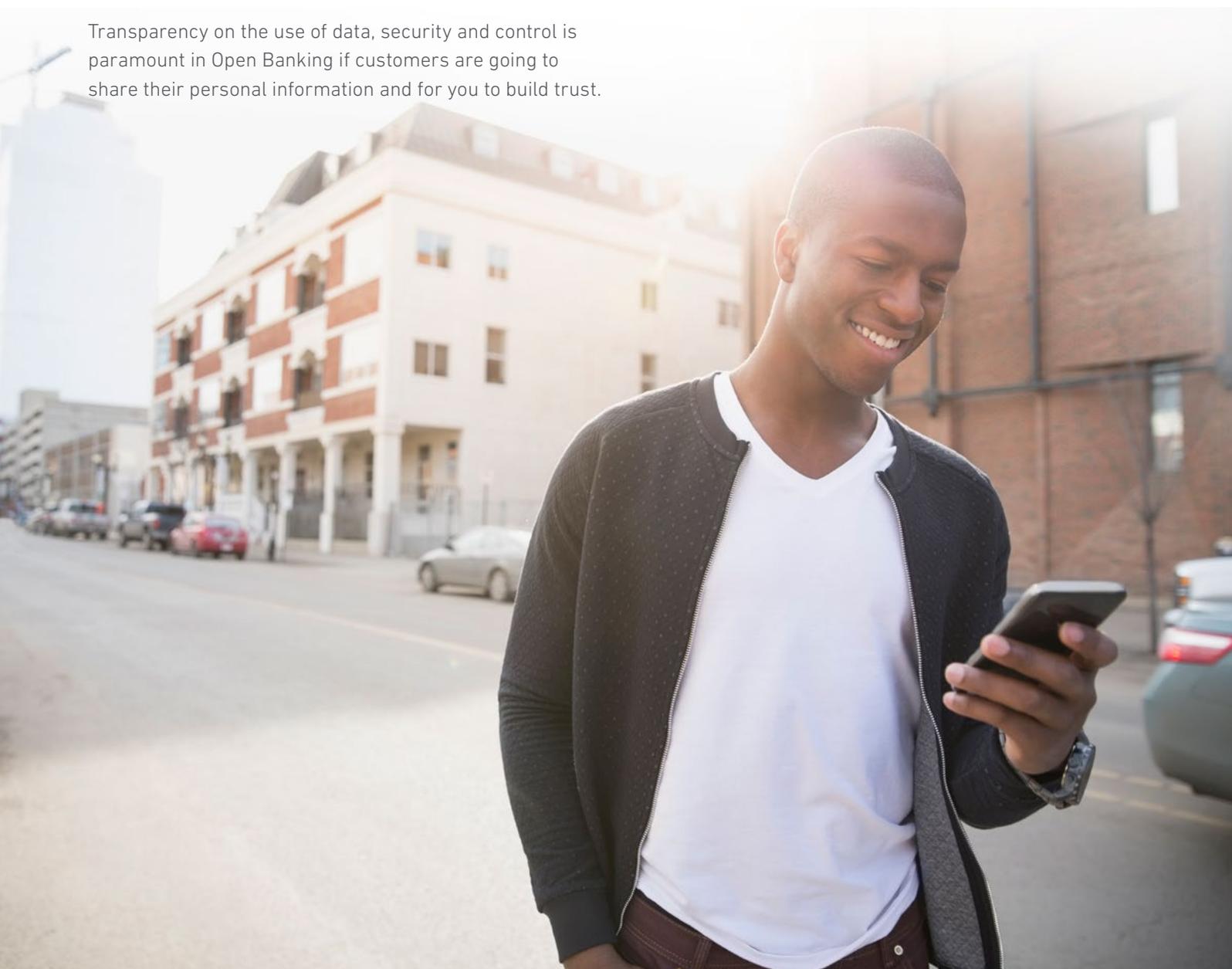
4. Make every interaction count

People's financial lives are often complex and sophisticated. With nearly 7 out of 10 people using different companies to provide their financial products, getting a complete understanding of someone's financial status can be challenging.

Every interaction, and every action, needs to consider the individual behind the transaction. You need to be timely, transparent and fair in your engagement and it needs to be effortless for the consumer. You need to be quick, efficient and streamlined. A single customer view helps to facilitate this.

How can you utilise the data you have to inform your decisions? Can you understand a person's needs and wants through their financial habits? This is where transactional data sharing comes into its own.

A key differentiator will be your ability to achieve a consolidated view to inform the right action.

How can you achieve a single customer view?
Pinning can help you stitch together multiple data sources into a single, consolidated view. It can also help you better understand your customers' finances by consuming and rationalising multiple complex feeds of information. Experian's pinning tool ExPin enables you to integrate the information you've gathered on your customers with external data sources such as credit scores, bank statements, savings or the value of an asset to create a more complete picture of an individual.

Read more on ExPin >>

> Experian's Expin enables companies that hold consumer information across multiple databases to link together this disparate data into a single, integrated view. In addition, it can match external data to a customer record to enhance your understanding of an individual.

5. Make the most of technology

Artificial intelligence, machine learning and data science are being applied throughout the industry to generate significant value. These techniques allow you to analyse large datasets and generate actionable insight quickly. This insight is being used to enrich customer experiences.

Data is being used in financial services to categorise transactional data from bank and credit card statements. This automated analysis can be used to confirm a person's income and expenditure. It can then be used to personalise and inform a lending decision. The result is more accurate as it is trained to use the most relevant data, but it is also more efficient as it is less dependent on the manual interpretation of data.

How can you take advantage of technology?
Dynamic decision strategies aren't new. Software can be used to help you automate and make decisions. It can also be adapted to accommodate any future changes in lending rules or customer behaviour. By its very nature it provides an open, intuitive and flexible way to improve and optimise your decision making. By using purpose built technology you can enhance your decision-making across the entire business and make sure every decision is personalised and appropriate for the customer.

Learn more about PowerCurve >>

6. Lend responsibly throughout the relationship

Data sharing isn't limited to supporting a product application at the point-of-sale. Using data throughout the lifetime of a loan can help inform you of any changes to a person's financial circumstances. For example, are they showing signs of financial strain? If they are, and you can see this (proactively rather than reactively), then, with their consent, you can review a customer's transactional data and obtain a more detailed assessment of their ability to meet their repayment schedule.

Should you need to, you can review their credit terms, amend payments in response and help them to regain control. On the flip side, for those customers who are showing an up-turn in their financial status you can use this insight to pre-qualify them for additional products, or re-calibrate their current ones by changing their credit limit or interest rate.

This will help ensure you lend responsibly. It will also help you build trust with the customer and add value to your brand.

How can you respond to the right needs of your customers?
Pre-qualification can be very useful to pre-empt an individual's financial status and ascertain their eligibility for a product at the start of a customer journey. You can increase conversion, improve satisfaction and reduce the risk of delinquency in the life of a loan by using insight generated from their transactional data to identify the products that best match their financial circumstances.

Learn how pre-qualification can help you >>

Anticipate the future needs of your customers with FutureView >>

About Experian

Experian unlocks the power of data to create opportunities for consumers, businesses and society. At life's big moments – from buying a home or car, to sending a child to college, to growing a business exponentially by connecting it with new customers – we empower consumers and our clients to manage their data with confidence so they can maximise every opportunity.

We gather, analyse and process data in ways others can't. We help individuals take financial control and access financial services, businesses make smarter decisions and thrive, lenders lend more responsibly and organisations prevent identity fraud and crime.

About the author

Rob has spent most of his working life associated with the commercial use of consumer and business information, helping organisations understand more about their customers to optimise their engagement.

His latest projects include co-ordinating the implementation of a new insolvency score to monitor the financial health of UK pension providers and establishing a real-time data sharing network for banks in the UK and abroad. This includes use of Open Banking Standards (OBS) and employing transactional data to provide a better measure of affordability for consumers and businesses.

Rob Haslingden
Head of Product and Propositions, Experian

Connect with me:

Linked **in**®

Open Banking

changing lending as we know it

The advent of Open Banking in 2018 brings new payment services and transactional data sharing to the forefront of lenders operations.

To implement this new infrastructure, certain steps and certain components need to be considered. Let's look at what's changed and what's reinforced:

What's changing?

Competition

Open Banking will bring competition to the forefront of banking

Transparency

• Clear, fair and transparent communications are essential
• Customers will need to see the value of any product they own, or want

Data sharing

• Customers will now be able to share their transactional data with accredited organisations. To do this, you require their consent.
• To get their consent you need their trust
• To store and manage their consent you need a dashboard
• To facilitate this you need flexible, secure APIs linked to strong customer authentication and a single customer view

Credit risk

• Transactional data along with credit scores will help lenders conduct more accurate affordability assessments.
• Lending rules such as credit limits and interest rates will be personalised based on the analysis of an individual's transactional data
• Transactional data and credit scores can be assessed throughout the lifetime of a loan, pre-empting any changes in a customer's personal circumstance

Value

Providers will analyse a customer's financial behaviour and find the best value products that meet their individual needs

What's reinforced?

Customer value
- Timely, relevant and personalised communications are important
- Fair and appropriate lending, based on an individual, is critical

Customer support
- Managing data responsibly and resolving customer problems quickly are key to building trust and confidence
- Building cross-divisional infrastructures that enable any customer facing team to access a succinct set of data will better support the customer and their outcomes
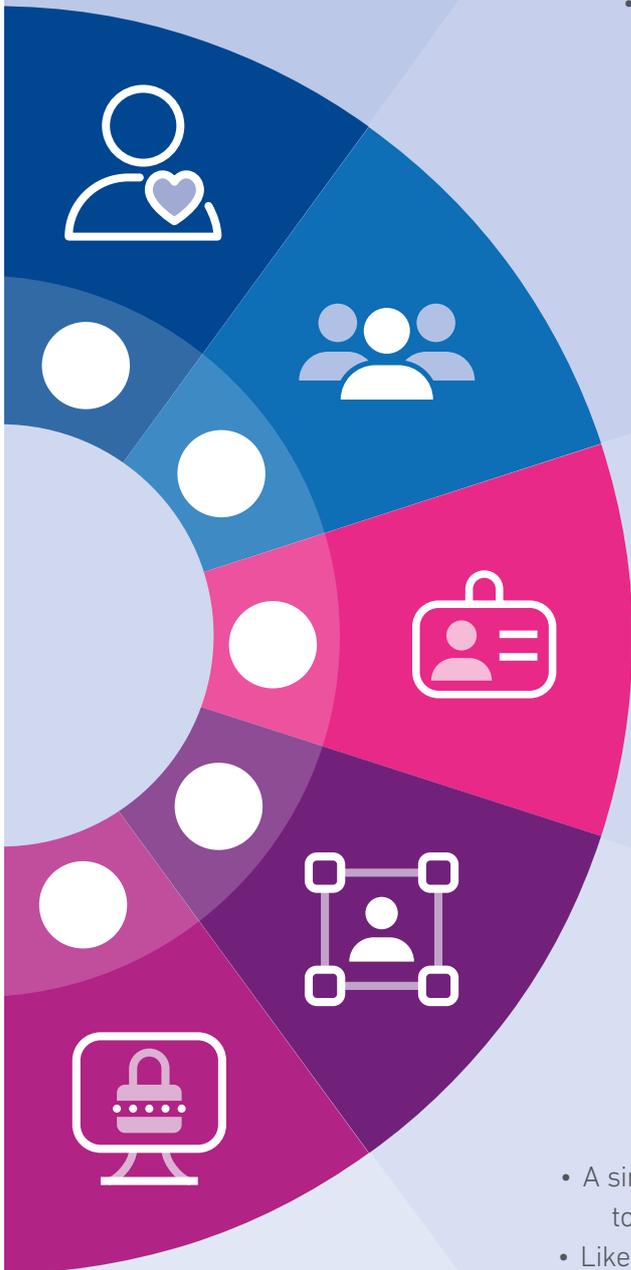
Identity verification
- When making remote purchases (such as online shopping), payment providers will need to authenticate using multiple factors. This is strong customer authentication
- When requesting or sending customer data, being able to verify the request is legitimate will be essential.

Data management
- A single customer view is now essential. You need to be able to send ALL data on an individual
- Likewise, the receiver of this data needs to be able to integrate it into existing data to create a complete, single customer profile

Security
- Storing and sharing data needs to be done so with the utmost protection.
- Everyone involved in the Open Banking ecosystem has a responsibility to secure data and comply with regulations