WHITE PAPER

Opportunity Knocks

The future of Open Banking

FINTECH FUTURES

TLT

Introduction

Year One: The shape of things to come?

On 13 January 2018, the introduction of the CMA's Open Banking reforms and the coming into force of the second Payment Services Directive (PSD2) opened a new chapter for the UK banking industry.

These changes come with bold and ambitious objectives about fostering innovation, increasing customer choice, empowering banking customers and safeguarding data security. If these objectives are even partially realised, the results will be transformative: we could be about to witness a revolution in banking services.

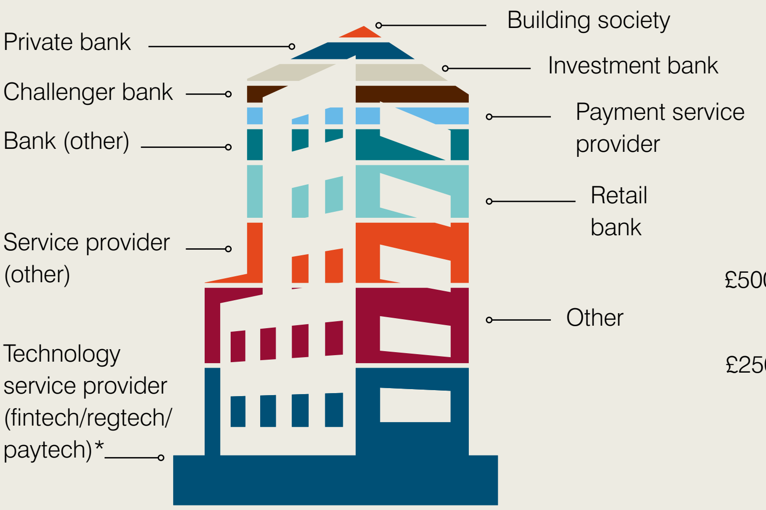
Before and after the January deadline, there has been a surge in activity as banks execute their implementation programmes, newly-regulated providers ready their products for launch and regulators process applications and produce detailed guidance on open APIs and technical requirements.

However, much of this activity has happened behind the scenes.

TLT has gathered and analysed comprehensive survey data to reflect upon the progress of Open Banking so far and, critically, to predict what happens next. We spoke to 130 experts at a range of financial services organisations including retail banks, private banks, investment banks, challenger banks, building societies, payment service providers and fintechs in August 2018.

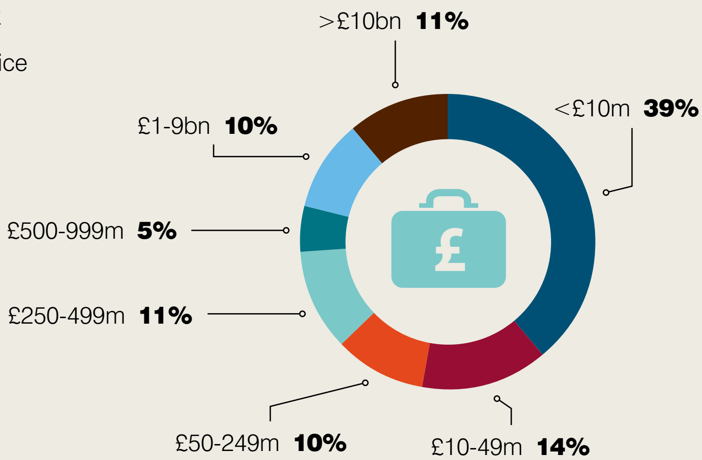
THE RESPONDENTS

Type of organisation



* including account information services & payment initiation services

Annual turnover



The range of respondents allows us to look at Open Banking from multiple perspectives. Where is investment being directed, what are the biggest perceived threats and challenges and where are the opportunities if those barriers can be overcome?

We hope you find the report interesting and encourage you to participate in the conversation by sharing your own thoughts and stories with us.

For more insights and expert commentary from our specialist lawyers, please visit our Open Banking hub at tltsolicitors.com/open-banking

AT A GLANCE

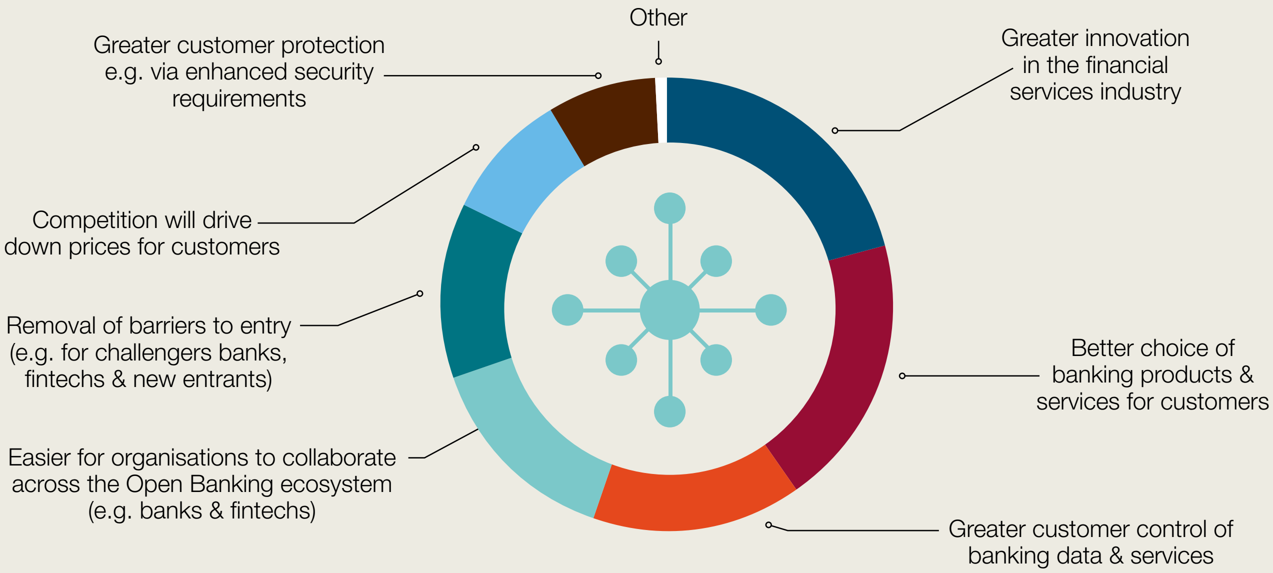
PSD2 & Open Banking is one of the most radical changes in recent history for financial services.

Strongly agree	Agree	Neither	Disagree	Strongly disagree
35%	42%	20%	3%	0%

Do you feel Open Banking is a positive initiative?

Yes	Too soon to say	No	Don't know
71%	**20%**	**2%**	**7%**

Once fully implemented, the main advantages of Open Banking will be:



How effective has Open Banking been so far in achieving the aims of encouraging competition & innovation?

1 (not at all effective)	2	3	4	5 (very effective)
13%	37%	29%	14%	7%

Are you making good progress with the delivery of changes relating to Open Banking for the benefit of your business?

	Yes	No	Don't know
All	**58%**	**25%**	**17%**
Banks	**47%**	**33%**	**21%**
Non-banks	**62%**	**22%**	**16%**

Highlights

What issues has your organisation faced with Open Banking?

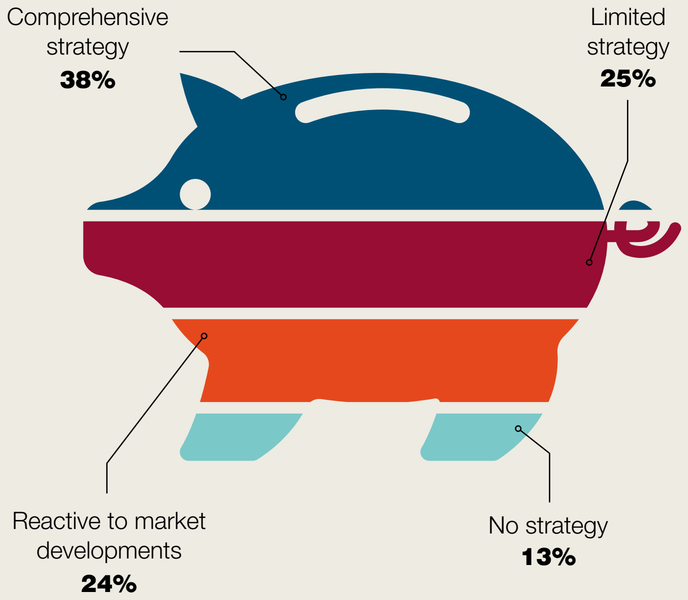
Non-banks

Customer concerns	**33%**
Determining strategy and understanding requirements	**33%**
Finding the right Open Banking partners	**33%**
Lack of collaboration in the industry	**31%**
IT issues	**25%**

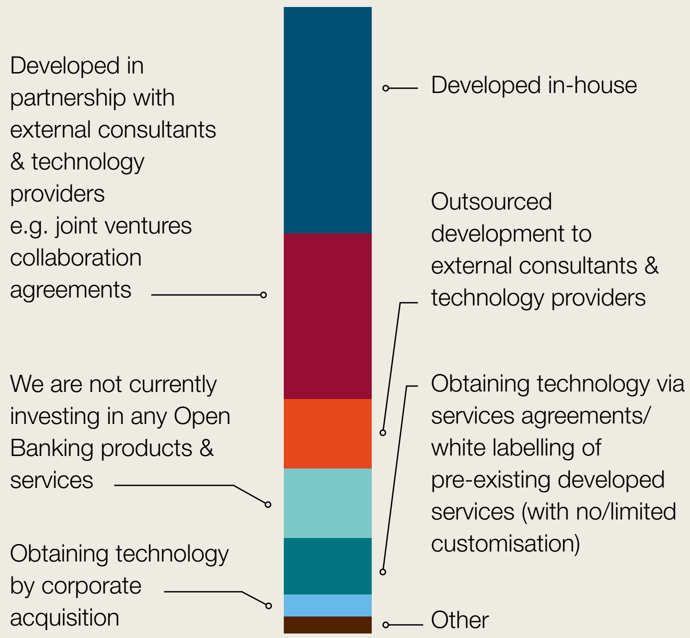
Banks

Determining strategy and understanding requirements	**51%**
Finding the right Open Banking partners	**37%**
IT issues	**35%**
Lack of collaboration in the industry	**28%**
Limited capacity to invest	**26%**

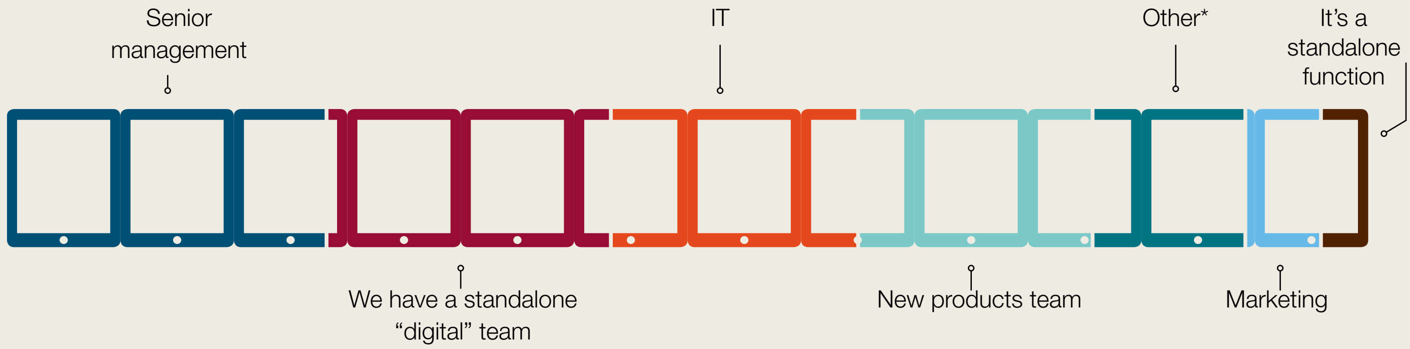
Approach to investing in Open Banking:



How are Open Banking products & services being developed?

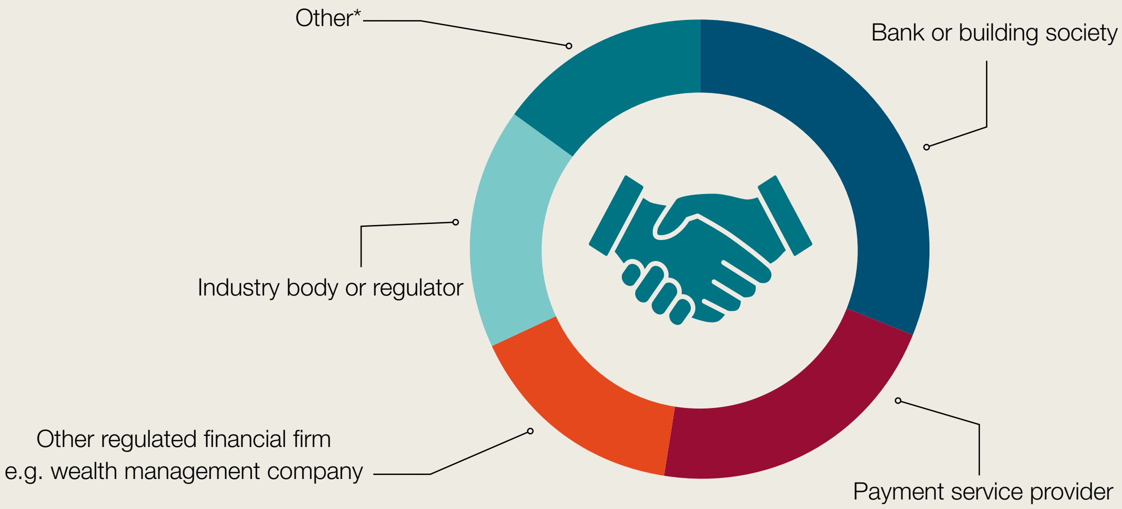


Who is responsible for digital innovation relating to Open Banking within your organisation?



*Open Banking team, innovation team, business development team, internal solutions team, stakeholders & product owners

Who are you collaborating with to develop Open Banking products & services?

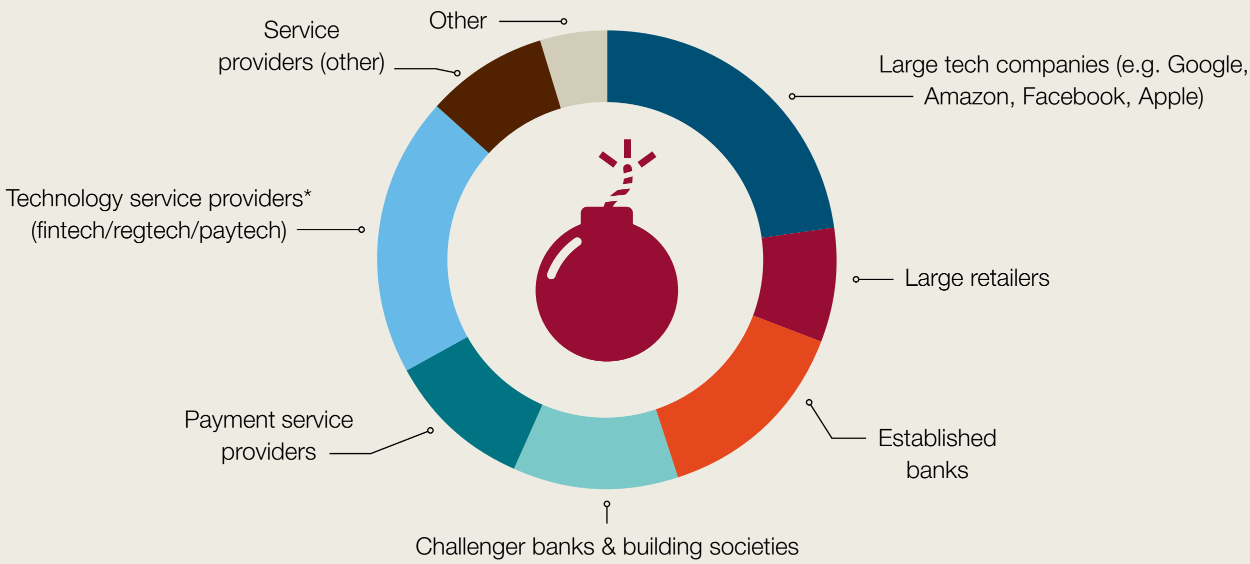


*Including fintech firms, consultancies, retailers, start-ups

The market will become more consolidated with larger banks buying fintechs & smaller banks to keep up with the level of innovation & speed of product development required.

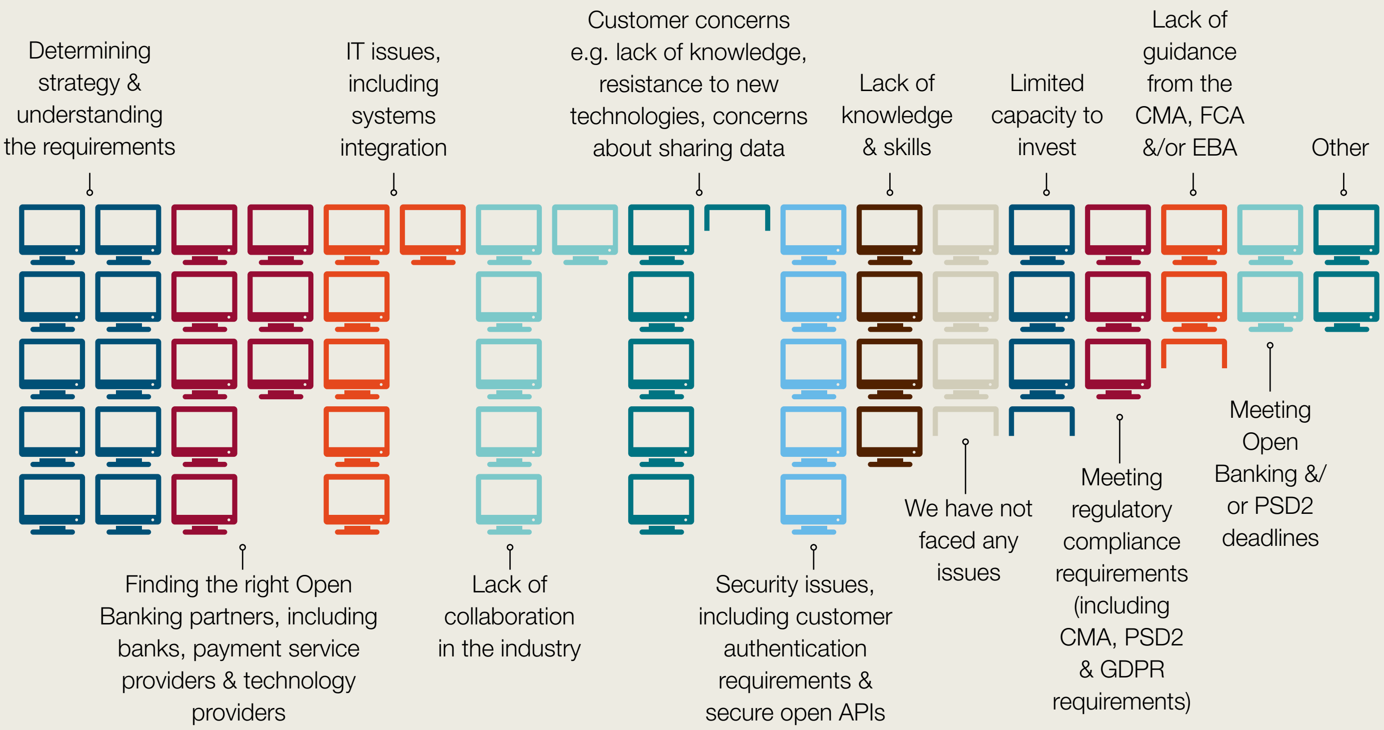
Strongly agree	Agree	Neither	Disagree	Strongly disagree
22%	45%	16%	16%	1%

Biggest potential threats in the Open Banking marketplace:



*Including account information services & payment initiation services

Issues faced with Open Banking



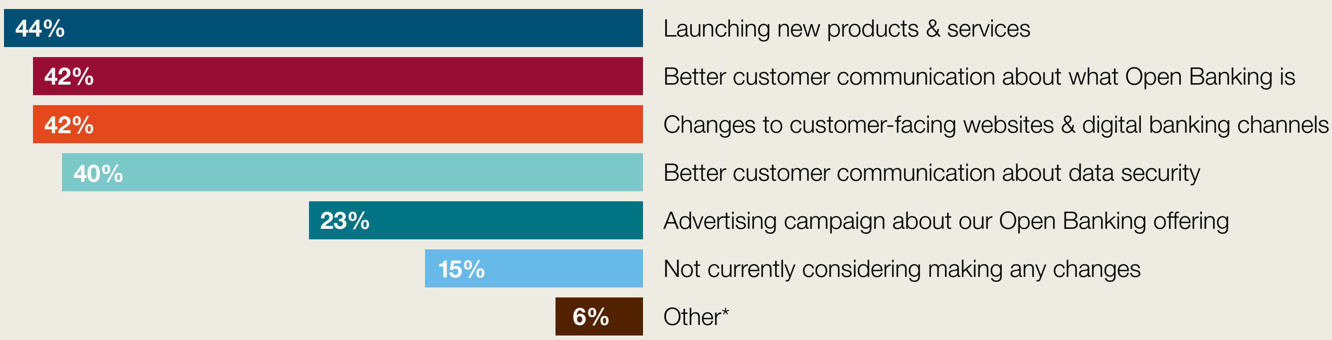
My organisation has found it difficult to adapt to the new regulations imposed by PSD2 & Open Banking.

Strongly agree	Agree	Neither	Disagree	Strongly disagree
8%	21%	36%	21%	14%

The financial services industry has found it difficult to adapt to the new regulations imposed by PSD2 & Open Banking.

Strongly agree	Agree	Neither	Disagree	Strongly disagree
16%	38%	34%	10%	2%

Changes being considered to improve the Open Banking experience for customers:



*E.g. internal education & communication

Customer trust & understanding of Open Banking was low when it first launched in January 2018.

Strongly agree	Agree	Neither	Disagree	Strongly disagree
47%	30%	19%	2%	2%

Customer trust & understanding of Open Banking has improved since January 2018.

Strongly agree	Agree	Neither	Disagree	Strongly disagree
9%	21%	38%	25%	7%

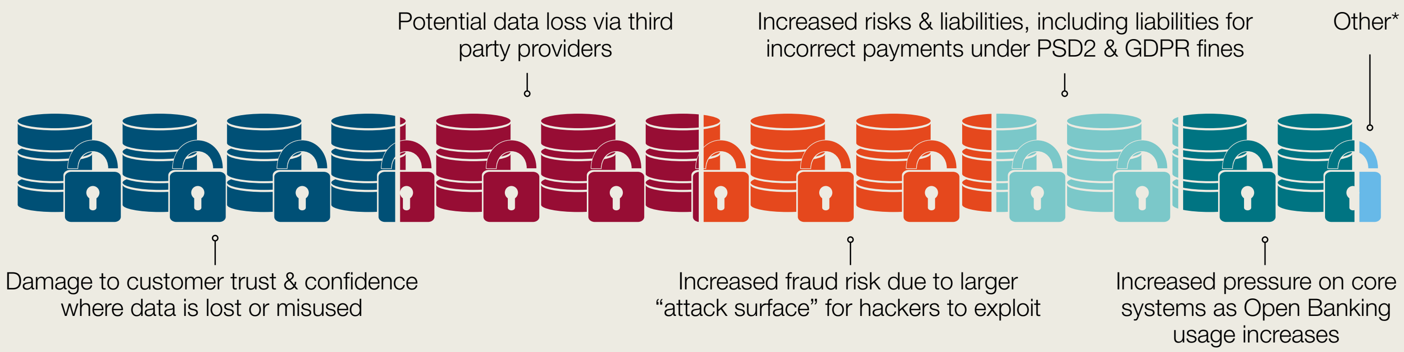
Customer engagement in Open Banking is increasing.

Strongly agree	Agree	Neither	Disagree	Strongly disagree
14%	23%	40%	19%	4%

How damaging do you think high profile data breaches (such as the recent Facebook & Cambridge Analytica scandal) have been to customer trust in Open Banking?

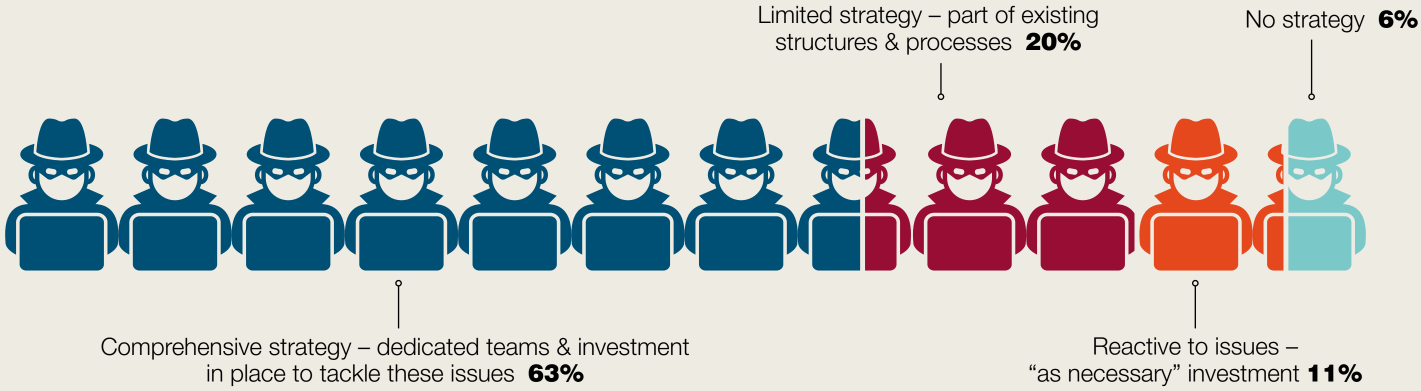
1 (not at all)	2	3	4	5 (very)
5%	20%	26%	30%	19%

The biggest risks in relation to sharing customer data under Open Banking:



*E.g. loss of customers, competition (third party ability to provide new products/services already offered by incumbents)

Approach to cybersecurity & fraud:



Executive summary

The story so far

Open Banking is widely seen as a positive initiative by the financial services industry (72%) – a game-changing development that will ultimately encourage greater innovation and deliver considerable benefits for customers. In the immediate term, the scale of disruption presents many challenges; principal among which is determining an Open Banking strategy and understanding the requirements (33%).

Innovation challenge

Companies are not resting on their laurels, however. 84% have new Open Banking products due to launch or in development. The question of how to innovate looms large. 44% of banks are pursuing in-house development, while 32% are working with external consultancies on a limited engagement basis. For non-banks, 54% are developing for themselves.

Just under half (47%) of banks are working on Open Banking-related projects with payment service providers, 16% are working with other regulated financial firms and 28% even have partnerships in place with their banking competition. Among non-banks, 62% are working with banks or building societies on Open Banking, 34% with payment service providers and 30% with other regulated financial firms.

The right partnerships are an essential component of a successful Open Banking strategy. It is vital to identify partners and structure collaborations to make the most of the diverse advantages that different players in the market possess.

Customer engagement

Every participant in Open Banking needs to raise awareness among customers and demonstrate the benefits of new services that require the sharing of important personal data. 45% of participants intend to improve customer communications, with more advertising on the agenda of a sizeable minority.

Trust in data sharing will also be vital to Open Banking's success, and the market is acutely aware of the risks of cyber attack and fraud, these being the second and third biggest perceived challenges under Open Banking. While the market is largely working hard at maintaining a "comprehensive" defence strategy (63%), companies must watch as these threats evolve, and respond effectively.

Competition

Open Banking looks like a market that's ripe for entry by the global tech giants like Google, Amazon, Facebook and Apple (GAFA), who have already made moves into payments. Respondents identify GAFA as the biggest threat in the Open Banking market, despite them not having any substantive Open Banking presence at the time of writing. Banks are more worried about GAFA (63%) than they are about their banking rivals (40%). For non-banks, 45% view GAFA as a threat, versus 41% who identify other fintech companies as a threat.

In the absence of a major, disruptive move so far, there are significant opportunities for those that identify the right strategic direction and offer a compelling Open Banking product to win customers' hearts and minds. At this point, it could be anyone's game.

This changes everything

Open Banking is so radical that determining strategy is the biggest issue

According to the vast majority of the financial services market, the magnitude of change that could be driven by Open Banking cannot be overstated. Over three quarters (77%) say PSD2 and Open Banking is one of the most radical changes in the recent history of financial services.

The potential benefits of Open Banking are as significant as they are varied. When asked what Open Banking will achieve when fully implemented, two thirds of respondents agree it will bring greater innovation to the industry (70%) and more choice for customers (65%). Half point to Open Banking's ability to give customers greater control of banking data and services (50%) and the opportunity for easier collaboration between market participants (48%).

The biggest benefits of Open Banking:

Greater innovation in the industry	***70%***
More choice for customers	***65%***
Greater customer control of data	***50%***
Easier collaboration between market participants	***48%***
Removal of barriers to entry	***42%***

In the immediate term, the picture is more nuanced. Half (53%) of respondents say the industry has found it difficult to adapt to the new regulations imposed by PSD2 and Open Banking.

When it comes to their own organisations, 44% of banks – which face the dual challenge of complying with new regulatory obligations and determining how to compete – admit they have found it difficult to adapt. They are not alone, with a quarter (25%) of non-bank respondents – many of whom are in the process of launching new Open Banking products and partnerships – also citing difficulties in keeping up with a rapidly changing environment.

For banks and non-banks alike, it is a challenge to determine the best strategy in a new market where practice, products and technical standards are still being created. In this context, it is not surprising that determining strategy and understanding requirements is the biggest issue that financial services companies point to with Open Banking (33%).

33% ***Determining strategy and understanding requirements*** *is the biggest issue with Open Banking*

The approach varies dramatically from one organisation to the next but in a market that will become increasingly competitive and segmented, developing an Open Banking strategy is a key step that many have not yet taken. Two thirds (62%) of respondents say they do not yet have a comprehensive strategy for investing in Open Banking. As many as a quarter admit they only have a limited strategy (25%) or that they are currently reactive to market developments (24%), while 13% have no investment strategy in place.

For larger banks and financial institutions, the first priority has been to ensure compliance and complete internal projects within the deadlines. This has meant a slower pace of engagement with customers and potential commercial partners. Challenger banks and fintechs generally have a clearer strategy and market position, but have less critical mass and generally modest adoption rates. In this context, potential banking customers are not yet hearing much about the benefits of Open Banking and mass adoption of Open Banking has not yet happened.

This picture is borne out by the research, where fewer than half (47%) of banks characterise their progress so far as good. 62% of non-bank respondents say the same.

Despite the challenges, 72% of financial services companies say Open Banking is a positive initiative while 20% say it is too soon to tell.

Tim Waller, partner at TLT ***"For established banks and building societies, PSD2 implementation processes have involved a wholescale review of the business including T&Cs and business processes. Businesses have been caught up in not just PSD2 compliance, but other general historic issues that needed to be fixed or looked into prior to PSD2 implementation going live, including end to end product and data mapping exercises, which can be significant."***

David Gardner, partner at TLT ***"Organisations are still identifying their business models, their partners and their strategies for Open Banking. The markets and the regulatory position is still developing, so clients are reaching out to us with a broad spectrum of issues and questions. These range from fledgling fintech startups looking for advice on working with banks or obtaining the appropriate authorisations, to major banks working out how to leverage their customer relationships, APIs and data more effectively using Opening Banking channels… and everything in between."***

Compliance vs innovation

Balancing priorities

For the CMA9 banks, establishing compliant Open Banking connections prior to 13 January 2018 (or their extended deadline) was the first priority. Any bank or other entity looking to benefit from Open Banking channels or account information/payment initiation services under PSD2 must ensure compliance with the relevant technical standards which are, to some extent, a moving target. The difficulties of achieving compliance in this context cannot be underestimated.

However, the greater challenge is to progress beyond inward-looking compliance-driven projects to consider market-facing strategy, including market positioning, product roadmaps and customer communications and engagement.

"Some seemed to treat Open Banking as a compliance obligation, which isn't the right mindset to act on what's been unlocked," notes one research respondent. Echoing one of the CMA's objectives to increase financial inclusion via Open Banking, another respondent refers to a "democratising" force that should be welcomed by organisations and consumers, but says confidence around security is a big hurdle until good products provide early proof to consumers of the benefit of Open Banking (but only if no data breaches occur).

"It's great for consumers to control their own data," another enthuses but, at the same time, "we have to make sure Open Banking isn't lost in the weeds of European compliance."

The calm before the storm

Investment, collaboration and the shape of things to come

Investment

Even though the market is not yet mature and long-term strategies are not yet fully developed, companies are not resting on their laurels. There is a lot happening behind the scenes and important decisions are being made.

The vast majority (84%) of financial services companies are investing in Open Banking products and services. 44% are also considering launching new products or services to improve the Open Banking experience for customers.

84%

Financial services companies investing in Open Banking ***products and services***

One of the first questions when it comes to deciding how to approach Open Banking investment and product development is whether to work alone or with third parties, which may include banks, service providers and consultancies – including commercial competitors. There is a range of models for collaboration, from outright acquisition of a new company to complement your existing offering, through joint ventures and white-labelling to commoditised purchases of SaaS services and off-the-shelf solutions. The research reflects that all available models are being utilised to a greater or lesser extent.

For banks, in-house development is a popular option, but not overwhelmingly – 44% are currently going it alone, while 32% are working on a limited basis with external consultancies and technology providers. A further 28% have outsourced services to the same external consultancies and technology players, while 16% are effectively buying in what they need via service agreements and white-labelled off-the-shelf services. The inward-looking nature of most developments to date is not surprising in the context of compliance-led projects, which have been the focus of many banks. This mix is likely to change in the future, if banks become more outward looking and look to conclude more strategic investments and partnership deals as the Open Banking market matures.

The picture is slightly different for non-banks. More than half (54%) are developing Open Banking products and services for themselves, but partnerships of different flavours (39%) and buying in certain functionality (23% are outsourcing or buying off-the-shelf) is also happening.

Only 7% of banks and 4% of non-banks say they have used corporate acquisitions to obtain technology as part of their investment in Open Banking. Our anecdotal view from comments made by research participants and conversations with clients is that this needs to change to make a success of Open Banking. The research also bears out that collaboration is key – finding the right partner(s) was ranked the second biggest issue respondents have faced with Open Banking (34%).

34%

Finding the right partner(s) *was ranked the second biggest issue respondents have faced with Open Banking*

Tim Waller, partner at TLT ***"There is industry-wide recognition that collaboration is key to success, so it is interesting to see that the majority of development is currently taking place in-house or with limited input from external consultants. While there are advantages to conducting R&D in-house, for example from an intellectual property ownership perspective, a key disadvantage is that it is harder to rigorously test products in-house without a huge amount of investment. This appears to be symptomatic of the lack of clarity around opportunities and sense of direction, and further demonstrates that we are in the early stages of achieving the objectives of Open Banking."***

Collaboration

Collaboration will be crucial to deliver the opportunities promised by Open Banking. Few individual businesses can say they possess all the elements to succeed on their own. Each market participant has a range of strengths and weaknesses and finding the right partner can unlock access to customers, regulatory permissions, skills and technology that they currently lack.

While collaboration in the market is still at an early stage, it is starting to happen in a number of ways. 47% of banks are currently working on Open Banking-related projects with payment service providers, 16% are partnering with other sorts of regulated financial firms and 28% have partnerships in place with their banking competition.

Among the non-banks, 62% are working with banks or building societies on Open Banking, while 34% are working with payment service providers and 30% are partnering with another regulated financial firm.

The research makes it clear that greater collaboration across the industry would be welcome. 28% of all respondents highlight a lack of collaboration as one of the biggest issues they face.

There are public examples of partnerships in the marketplace already, like the cashback rewards platform Flux, which went live on Barclays Launchpad in July 2018. Launchpad is the bank's project for testing new features with real customers. Flux is a graduate of Barclays' 2017 start-up accelerator programme and if it works in trial it will be rolled out to five million customers using the Barclays mobile banking app.

This is part of a broader approach to collaboration among the larger banks who have set up or sponsored fintech accelerators to promote innovation in Open Banking while looking for opportunities to invest and potentially partner with their residents. Nationwide recently launched its *Open Banking for Good* initiative, focussing on the acceleration of products that promote financial inclusion.

David Gardner, partner at TLT ***"Partnerships and collaboration will be critical to driving Open Banking forward. Once clients have determined their optimum market position and strategy, it's very likely that some form of third party collaboration will be needed to deliver on this. In order to manage risk and reward between the parties, it's vital to choose the right legal and commercial model. Think carefully about the right legal vehicle – licence, contract, joint venture, acquisition? This should clearly document the parties' responsibilities, particularly in key areas such as data management and regulatory permissions."***

Predictions

One of the biggest indicators of the scale of disruption to come is the market's views on who their biggest competitors will be in the future. Large technology companies like Google, Amazon, Facebook and Apple (GAFA) are seen as the biggest potential Open Banking competitors by banks (63%) and non-banks (45%).

63%

45%

Large technology companies like Google, Amazon, Facebook and Apple (GAFA)

are seen as the biggest potential Open Banking competitors by banks and non-banks

Dave Gardner, partner at TLT ***"Tech giants like GAFA have already shown an appetite to disrupt the market and gain a foothold in the payments space, via products like ApplePay and GooglePay. However, historically, they have also shown reluctance to shoulder the regulatory burdens of a full banking licence. The alternative routes to market opened up by Open Banking and PSD2 may encourage them to make further inroads; they have a substantial tech-savvy customer base, powerful data analytics and a relentless focus on good user experience, along with a significant capacity to invest. For existing players in the market, this presents a considerable threat given the proven track record of these companies to revolutionise other industries."***

Fintechs are seen as the second largest group of Open Banking competitors for banks (47%) and non-banks (41%). Fintechs and non-bank technology service providers could position themselves as the new face of banking for customers, leveraging their strengths in user experience design to conceive apps that redefine customer banking behaviours, expectations and demands.

These results show a healthy awareness and caution among companies about the breadth of the threat landscape, and point to the fact that the world is waiting on a major, disruptive move. The reality is that Open Banking opens the market to a broader range of participants, each of which is a potential competitor and collaborator. There are important choices to be made about positioning and partnerships, particularly for more established, regulated entities who face the challenge of holding onto hard-won customer relationships in a more open and competitive market.

With so much innovation and competition on the horizon, market consolidation is expected. Two thirds (66%) of respondents believe the market will become more consolidated, with larger banks acquiring fintechs and smaller banks to keep up with the level of innovation and speed of product development required.

66%

The market will become more consolidated

Tim Waller, partner at TLT ***"The challenge with large banks or companies acquiring smaller technology companies will always be how to successfully integrate that business and its culture. The success of a fintech is often related to it being small, agile and responsive. There needs to be considerable focus on how a fintech target can continue to operate successfully within a large financial institution. Incubator/accelerator models are currently popular and can help to facilitate this."***

Trust in data

High profile data breaches hamper customer trust

The CMA and banking industry is putting its trust in customer data to spark innovation and provide greater control and choice in banking services. However, half (49%) of respondents believe high profile data breaches like the Cambridge Analytica scandal have damaged customer trust in Open Banking.

Damage to customer trust and confidence from data loss or misuse is considered the biggest risk with regards to data sharing under Open Banking (67%) – higher than the risk of loss itself – highlighting the importance of winning customer trust in order make a success of Open Banking.

Trust and understanding

Aside from the technical and compliance challenges Open Banking poses for the industry, there is a crucial question of how to get the message out effectively to consumers.

With the current lack of products on the market, and banking communications generally limited to changes in account T&Cs, customer awareness of Open Banking is generally low. More than three-quarters (77%) of respondents agree that customer trust and understanding of Open Banking was low when it launched, and only 29% believe that this has improved.

Most financial services companies are aware of the communications challenge. Nearly half (45%) intend to focus on improved customer communications around Open Banking. More than half (53%) are making or plan to make changes to customer-facing websites and digital banking channels to improve the Open Banking experience for customers. In doing so, banks have the opportunity to highlight the security safeguards that are built into these services, given the regulatory protections and significant investments in security standards.

45%

Financial services companies intend to focus on ***improved customer communications*** *around Open Banking*

Non-banks agree that better communications is a must. 44% want to up their game about the big-picture opportunity, and 41% think they should talk about security in a more compelling way.

49%

High profile data breaches *like the Cambridge Analytica scandal have damaged customer trust in Open Banking*

Meeting the communications challenge will be important to increase customer exposure to Open Banking and persuade customers of the strength of the security protections against the background of data breaches and warnings about data sharing.

Data security

Data sharing is at the heart of Open Banking, so it's no surprise that potential data loss via a third party is the second biggest data-related concern for financial services companies under Open Banking (52%).

This is closely followed by increased fraud risk due to a larger 'attack surface' for hackers (50%), with a third (32%) also worrying about increased risks and liabilities more generally, including liabilities for incorrect payments under PSD2 and GDPR fines.

63%

Financial services companies have a ***"comprehensive" approach to cybersecurity and fraud*** *(dedicated teams and investment)*

While the majority (63%) of financial services companies define their approach to cybersecurity and fraud as "comprehensive" (with dedicated teams and investment), the nature of these threats will continue to evolve over time. All providers will be best advised to actively monitor the threat landscape and respond quickly and comprehensively to ensure that they are maintaining a strong enough barrier to hacks and complying with their obligations to keep customer banking data secure.

The rate of cyber security breaches today is such that it is now a case of not if, but when a company will be hacked, and a pre-emptive cyber security plan will go hand in hand with the smooth transition into Open Banking in its fullest sense.

Conclusion

Open Banking has the potential to be a game-changer for financial services businesses and their customers. There are significant levels of investment and interest taking place across the industry and thus far, much of the development has taken place behind the scenes as part of the race to comply in time for launch deadlines.

As the year has unfolded, predictions of a data-driven, customer-empowering revolution from the outset have proved premature. The industry has grappled with complex compliance requirements and the difficulties of navigating a new market and identifying the best partners to work with. In turn, many customers have not yet been won over and "killer apps" are in short supply from major players.

Looking forward, much of the ground work for Open Banking is now well progressed – 72% of financial services companies can already see its value. Products and services using the open APIs that underpin Open Banking and PSD2 are live and gaining traction. Account aggregation services via banks and third party providers are already available for free on app stores. A range of complementary services that allow instant price comparison, payment initiation, customer ID and credit decision provide the tools to create new and better services for customers.

While the challenges should not be underestimated, innovation will start to flow more freely as technical standards are finalised, partnerships evolve, collaboration takes off and there are more good-news stories to communicate to customers, building greater trust and confidence in the benefits of Open Banking.

The market is already changing and the competition for market positions and market share will only intensify as time passes. There are major opportunities for those that choose wisely and adapt quickly to changes in the market. As David Gardner, partner at TLT says: "From the customer's perspective, Open Banking is still waiting for a killer application. No-one knows what it will look like yet – nothing has quite caught fire – but plenty of companies are hard at work exploring, developing and promoting new offerings, so we should be expectant. For banks, fintechs and any other aspiring participants in the Open Banking ecosystem, the market is more open to disruption than ever before. Companies need to consider their position, their partners and their strategy carefully, but make sure they can act and react quickly enough to take full advantage, before someone else does."

Five ways to take action

Act quickly. Define your (niche?) opportunity and then move on it quickly.

Be proactive about partnerships. It could be challenging, but collaboration is key to success.

Communicate your message long and loud. Customers need to know what your offer is and how they will benefit.

Innovate innovate innovate. Open Banking is disruptive and competitive – innovation will be vital to stay in the game.

Engage with regulators and government. Greater consensus on technical standards and the roadmap for the future will accelerate the progress of Open Banking.

Interviews

Megan Caywood
chief platform officer at
Starling Bank

Starling Bank is a tech startup with a banking licence: we get called a challenger bank. We deliver a consumer current account and a business account exclusively via a mobile app.

For Starling, the exciting part about Open Banking is how it will increase competition and innovation throughout the market, and give customers better choices and better prices.

What we have seen here in London, as the fintech capital of Europe, is that a lot of fintechs have been founded and funded with a vision of solving one thing really well. Open Banking helps with this because it shifts the ownership of data from banks to customers. It means that if a customer wants to access a third-party product, like insurance or a mortgage, they can do so, and that's revolutionary.

APIs are the key to the revolution that's still taking shape. We have seen the way that APIs have fundamentally changed the way software is created and brought to market in the tech world, but those same advances haven't reached the banking world yet. Open Banking has pushed that forward and gives customers the potential to have the same kind of intuitive experience in their banking services that you get with a tech platform like Facebook or Google or Apple.

When Starling launched with a banking licence in 2016, we did so with a full, open API. That's already enabled some public integrations with fintech companies and third parties. The Open Banking initiative is crucial because an industry like this needs standards – standards shaped, in this instance, by the Open Banking working group. A stable ecosystem and sensible, secure standards can help to build customer trust, and that trust is vital to ensure customers are willing to take advantage of the new opportunities presented by Open Banking.

Christer Holloman
CEO and co-founder at
Divido

Divido is a retail finance platform that lets customers spread the cost of a purchase over several months, while the merchant gets paid in full straightaway.

It was launched four years ago and the offer occupies a particular space in relation to Open Banking in that it offers a service – online loan origination to enable point of sale finance – that supports banks in providing an improved service to consumers. In other words, we aren't in competition with the banks but delivering a benefit, in the form of paperless and near-frictionless point-of-sale financing, that helps them compete. It means banks can provide a service, through us, to their multinational retailer merchants (and their customers).

When we started out in 2014, many fintechs were setting out to go head-to-head with the banks. I'm thinking of the likes of PayPal Credit, for example. That kind of dynamic naturally made some banks apprehensive about this new band of businesses, but since then most have learned that there are different dynamics at play with the fintechs and third-party providers – and it's not all about competition. Divido actually helps the banks to de-risk by delivering an integrated and proven service that works.

In terms of Open Banking, at this stage the main benefit it brings is a change in attitude. I do think some financial institutions were wary of Open Banking and PSD2 when it landed, but these new regulations have helped to move the dial in the right direction for us and for customers.

In practical terms, the open APIs released by the banks are not really useful to us yet. They don't fully address what we need and for the most part they are imperfect. One of the reasons that's the case is the way regulators framed the APIs, leaving scope for interpretation. Open Banking may have pinned that down compared with PSD2 but there is still work to be done.

In a sense, that doesn't really matter to us. We understand even now that it will be years before we have the kind of truly plug-and-play APIs that make things easier for us, in part because none of the banks have APIs for our use case as yet – point-of-purchase loan origination. But the direction of travel of Open Banking is still useful and much-needed, and we will keep a close eye on developments.

Simon Rabin
CEO at
Get Chip

At Get Chip we are trying to develop the best savings account in the world, and Open Banking is part of our journey.

Our product, Chip, is a savings account controlled through an app that connects on top of any mainstream UK current account. It uses artificial intelligence and clever algorithms to analyse an individual's income and spending behaviour and to identify what they can save. It then automatically moves small amounts into the Chip savings account, which is an instant-access pot. It empowers users to save smarter and more efficiently, and to instil a good saving habit without much effort.

We built and launched our app in 2017, before Open Banking came through, and today we have 75,000 customers and counting. We use data-scraping software to examine the account transactions the app needs to go to work, and it all fits together beautifully because the technology is now very mature.

The promise of Open Banking is that it will sweep away the need for data-scraping and give extra legitimacy to the whole process of examining account data – but the reality is still some way behind. The APIs the banks have developed don't yet quite work consistently enough for us to phase out data-scraping with confidence. It's a relatively pressing issue, because under Open Banking data-scraping won't be permitted from September 2019. So for our needs, and for others, the APIs need to work beautifully in good time for that deadline.

We are a member of FDATA, the Financial Data and Technology Association, which is a trade association coordinating a campaign for the delivery of Open Banking. It's working hard lobbying to ensure that the third-party payment operators are being heard, and we get where we need to be in good time.

If we had to adopt Open Banking APIs right now, that would actually limit us because the data-scraping gives us more functionality. But we are still looking forward to using the regulated APIs when they are ready, because they will give the customer a far higher sense of security and familiarity.

Open Banking needs to spread its message better. I would like to see those driving Open Banking invest in a public-facing brand, such as the Financial Service Compensation Scheme has. If Open Banking had a logo or badge that providers could use to easily show their service was Open Banking-approved it would be a big step forward.

Chip is a mobile app, and there are things we could do, if the environment was right, to make it work even more seamlessly. The Open Banking roadmap could include some of the functionality we and others need to make more things possible. That's an exciting prospect for us. We aspire to make seamless connections from inside the app, but it's messier than that right now. Users have to go outside of the Chip app and into other banking apps to get some things done. The day that changes will be good news for us.

I do think there is a gap right now between the vision for Open Banking and the functionality it delivers. That's probably to be expected, but for Open Banking to have the profound impact it should have long-term it needs to keep improving. It's a big challenge but it's exciting, too.

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