



CFIT |

Centre for Finance,
Innovation and
Technology

Embracing the UK's Open Finance Opportunity

Inaugural CFIT Coalition Paper

February 2024

Coalition Partners



Working Group Members



ZOPABANK

Supporters and Contributors



Funders



CFIT's Open Finance Coalition

Foreword	03
Introduction to the Open Finance Coalition	05
Executive Summary	07
Key Findings	08
Recommendations.....	09
Introduction.....	11
Using Open Finance to Improve SME Lending.....	12
Using Open Finance to Help Vulnerable Consumers.....	18
Enablers of Open Finance	22
Next Steps – Continuing the Cross-Industry Momentum.....	26
Appendix 1: Data Prioritisation and Priority Use Cases	31
Appendix 2: Additional Case Studies from the Ecosystem Related to Access to Open Finance.....	34
Appendix 3: Additional Use Cases That Make a Strong Case for Open Finance	38
Appendix 4: A Potential Roadmap to Deliver Open Finance	42
Sources	44

Foreword

Charlotte Crosswell OBE,
Chair, CFIT



Opening up the next phase of financial innovation

When the Kalifa Review of UK Fintech (the Kalifa Review) recommended the formation of the Centre for Finance, Innovation and Technology (CFIT) in February 2021, it was as a result of a recognition that co-ordinated action, supported by government but led by the private sector, was needed to continue to scale and drive UK fintech and maintain the UK's global leadership, not just in fintech but in financial services.

As the Kalifa Review recognised, the UK leads the charge globally in fintech thought leadership, its own entrepreneurs driving through new products and services and the same large financial services institutions that the sector has disrupted reinventing their own products and services to keep up with an increasingly educated customer base. These same customers are looking for better outcomes and beginning to realise they have the market power collectively to push through change, whether that is more customer-friendly online accounts, seamless switching to higher savings rate accounts, automation of clunky out-of-date paper-based processes, better understanding of how they are saving for retirement or how to get on the mortgage ladder for the first time.

CFIT was created a year ago, on the second anniversary of the Kalifa Review, to bring industry, academia, regulators and policymakers together to unlock the next phase of financial innovation by taking on those difficult projects that deliver meaningful change.

We chose Open Finance* as our first project to do exactly that. Why? Because the UK is already the world leader in creating Open Banking, and we need to move now, and fast, to stay ahead. Many

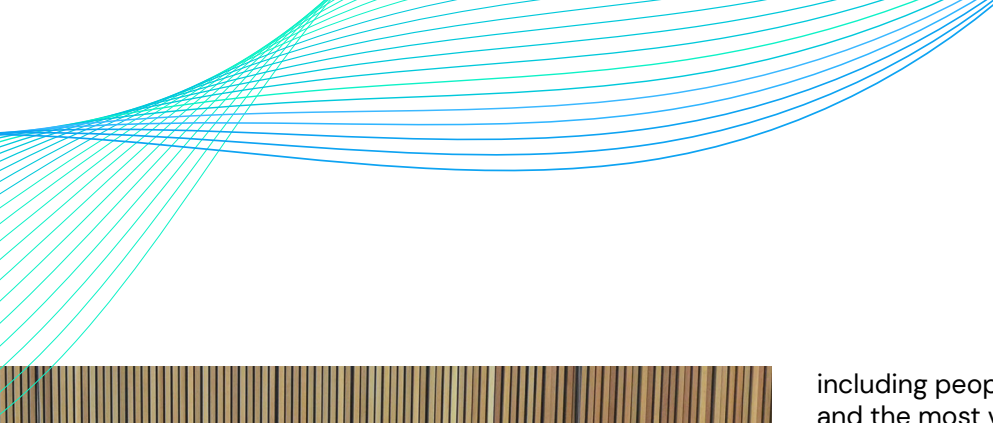
“ Better data access and use is at the heart of our mission to grow the economy...data is fundamental to economic growth, scientific research, innovation, and increasing productivity.¹ ”

Michelle Donelan, Secretary of State for Science, Innovation and Technology

countries are taking Open Finance forward at pace, often using UK Open Banking standards as their starting point and hiring UK talent to do so. For example, Brazil has made a quantum leap in developing a new payments system, Pix, alongside Open Finance and Open Insurance. Australia has extended its Consumer Data Right beyond banking into energy, and the Consumer Financial Protection Bureau has been consulting on a Proposed Rule to create a regulatory framework for Open Banking in the US. In the UK, the Joint Regulatory Oversight Committee (JROC) has an extensive programme that will move Open Banking forwards, and we have the opportunity to build on these foundations with Open Finance. We must be ambitious in our journey if we are to retain our leadership position.

We don't need to understand in detail what Open Finance is to use it, but we do need to understand the incredible potential it has to transform people's financial lives, personalising their own financial journeys, automating the complex world of data we now live in, preventing financial hardship and giving access to help when it's most needed. Importantly, we need to finance growth up and down the country to help local economies and find ways that fintech can improve outcomes for everyone,

* Open Finance allows consumers and small and medium-sized enterprises to access and share a wider range of their financial data with third-party providers based on the principle that financial services customers own and control both the data they supply and that which is created on their behalf.



including people less well-served by industry today and the most vulnerable in our society.

Let's embrace this next phase of financial innovation on our route to a smart data economy, bring together the best and brightest minds across fintech and financial services to take up this challenge, and deliver real change to consumers and businesses both large and small. Collectively we can advance and embrace technology and innovation and ensure that our fintech sector continues to be the shining star globally that it has always been.

Charlotte Crosswell

Charlotte Crosswell OBE,
Chair, CFIT

Introduction to the Open Finance Coalition

Ezechi Britton MBE,
CEO, CFIT



Open Finance will significantly improve the lives and financial well-being of individual people and small UK enterprises.

This is the primary reason Open Finance was chosen as CFIT's first innovative coalition theme to demonstrate our strategic leadership across the UK.

The results of our Open Finance coalition have been excellent, demonstrating that increasing access to data creates better outcomes for consumers and small businesses, which ultimately changes lives.

For example,

- **For small businesses, by accessing greater data sets and personalised information, our work suggested over 25% of SME loan applicants who had been referred for manual underwriting and would potentially have failed to receive an offer of credit, could justifiably be given access to finance.**
- Significantly improving their access to commercial finance which supports their growth and the wider British economy.
- Additionally, working alongside Citizens Advice, we have developed a personal financial data dashboard which enables its teams to service up to an additional **150,000** of the most financially vulnerable and, on average, helping people access an extra £1,000 in support per year.

We have demonstrated that Open Finance can unlock data to give consumers a digital world in which they gain from the best financial decisions on saving and borrowing and enables small businesses to optimise cash flow and automatically set up access to better financing.

Furthermore, our leadership on Open Finance innovation can create international best practices, setting the global standards and commercial models behind the financial data sharing that will drive the future of financial innovation.

We have proven the case for change, built scalable proofs of concept, and demonstrated there is a real market and opportunity for this to be taken forward.

Our next step is to continue to demonstrate strategic leadership by helping the UK regions embrace the innovation outcomes with a practical and deliverable roadmap which delivers for both consumers and small businesses.

My very great thanks to our 60-plus Coalition partners and supporters from across industry to create this first innovative Coalition. I look forward to both working with you all further in delivering Open Finance and CFIT's wider journey of driving forward finance, innovation, and technology.

Action not words, it's time to get a move on.

Ezechi Britton

Ezechi Britton MBE,
CEO, CFIT



“ I’m delighted to see the progress that CFIT has made in unlocking secure data-sharing across the financial services ecosystem, and excited by the transformational impact this could have over the coming years. It’s encouraging to see a broad cross-section of industry and the third sector come together to shape the future of Open Finance. The establishment of CFIT demonstrates this government’s commitment to innovation in financial services, and I look forward to working closely with them as they drive forward the next phase of their strategy.”

Bim Afolami MP, Economic Secretary to the Treasury of the United Kingdom

Executive Summary

Open Finance is about enabling small businesses and consumers to obtain better outcomes by being able to use services powered by their data that is currently held by financial and public sector institutions.

Open Finance will build on strong foundations. Over 1 in 9 UK consumers and around 1 in 5 small businesses are already using Open Banking enabled products and services, provided by around 150 fintechs. JROC is taking steps to move Open Banking to the next phase and has announced² its intention to create a long-term regulatory framework, based on the Data Protection and Digital Information Bill (DPDI), and establish a new body to take the work forwards. In addition, HM Treasury (HMT) is working on a National Payments Vision that will provide a response to the Garner Review recommendations, which included Open Banking.

Open Finance complements these workstreams, which are limited to payment account data and payment initiation, and provides a wealth of additional opportunity for UK fintech. Taken together, Open Finance, JROC's work on Open Banking, and the National Payments Vision have the potential to revolutionise the ways in which data is used and payments are made.

The range of data and number of institutions potentially in scope of Open Finance is substantial, encompassing savings, investments, lending, insurance, and pensions, making it necessary to prioritise. CFIT's Open Finance Coalition (the Coalition) decided to focus on two of the most significant potential opportunities: increasing lending to SMEs and helping vulnerable consumers.

The Coalition brought together people from over 60 plus organisations, representing industry, regulators, and representative groups, to develop proofs of concept to test the extent to which additional data sets could help deliver against those opportunities. In addition, it tested whether by working together solutions could be developed that, over time, could be implemented without requiring regulatory involvement.

Whilst there is clearly more work to be done to turn the proofs of concept into live prototypes, the Coalition has succeeded in its objectives, and we outline below our key findings, together with some recommended next steps.

Opportunity 1: Increasing SME Lending

SMEs regularly find it difficult to obtain timely and affordable finance, with research estimating a £22bn funding gap.³ This prevents SMEs from investing in their firms, improving productivity, and making a greater contribution to the UK economy.

The Coalition partnered with a major high street lender to prototype how aggregating currently available data with Open Banking and additional sources of data – such as VAT returns from HMRC – could impact lending volumes and SME outcomes.

Opportunity 2: Supporting Vulnerable Consumers

The provision of debt advice, in particular one-to-one support, is unable to keep pace with demand according to Citizens Advice, who has seen an increase of over 20% per annum. The challenge is to focus advisers' time on helping individual consumers, rather than obtaining and inputting data manually.

The Coalition worked with Citizens Advice to assess the benefits of streamlining the advice process by automating and integrating the input of data from a range of sources, such as Open Banking, credit reference agencies (CRAs) and HMRC.

Key Findings

1. More SME lending.

Substantially more lending would be made to small businesses if specific additional data sets were to be made widely available to CRAs and small business lenders (both established and new entrants). *Our work suggested over 25% of SME loan applicants who had been referred for manual underwriting and would potentially have failed to receive an offer of credit, could justifiably be given access to finance.*

2. More vulnerable consumers supported.

By increasing the automation of manual processes, debt advice agencies would be able to support more people in dealing with financial problems. Our proof of concept indicated that enhanced data sharing could provide up to an extra 150,000 consumers annually with tailored financial advice and help some of our most vulnerable citizens out of financial struggles and debt traps.

3. Power of working together.

By bringing the right people together from industry, regulators and elsewhere under an umbrella such as CFIT, ideas can be turned into viable proofs of concept that could, if implemented, make a positive difference to the lives of consumers and businesspeople.

4. Positive impact on UK economy.

Research has found that delivering Open Finance and personal data mobility could boost UK GDP by £30.5bn.⁴

5. Making Open Finance simple.

By bringing customer consents and authentications together in one place, Open Finance-enabled solutions are more accessible to all potential users, reducing dropout rates and further delivering benefits to consumers and small businesses.

Recommendations

1. Develop SME proof of concept further.

Given the significant potential benefits to the SME sector and the UK economy, it is important that the industry builds on the work of the Coalition with respect to the opportunities, from enabling further data to be shared to improving credit decisioning. This should include two main deliverables: extending the proof of concept to more industry actors, in particular lenders, and developing plans for a full prototype, which would use actual data in a live or near-live environment.

CFIT believes that the benefits of Open Finance for small businesses can not only impact the UK economy positively but also help improve small business efficiency and productivity by building on the benefits already delivered through Open Banking, such as increased automation, improved accounts reconciliation, and better management of late payment.

2. Develop vulnerable customer proof of concept into a full working prototype.

We are exploring with Citizens Advice how to transform this proof of concept into a full working prototype. This could include automating the Standard Financial Statement (SFS) process for clients who are in contact with an adviser.

3. Identify a commercially viable approach to incentivise participants to share financial data.

Without a regulatory requirement to make data available, data sharing will only take place if incentives are aligned between the supply-side (or “data holders”) and the demand-side (“data users” or “data brokers”) of the Open Finance ecosystem. Usually, such alignment would take place using commercial contracts, either bilaterally or through a single multilateral agreement or “scheme”. CFIT is well positioned to bring people together and collaborate on developing principles that would underpin commercially viable data sharing arrangements.

4. Empower an accountable body to advance the Open Finance agenda.

Having an accountable body focused on managing the implementation of Open Banking has been a significant contributor to the UK’s success, compared to jurisdictions that have adopted a less coordinated approach. We consider that a suitably empowered accountable body will be needed to steward the development, implementation, and stewardship of UK Open Finance. CFIT stands ready to take this work forward with industry.

5. Set up Consent and Authentication working group.

The Coalition’s work has demonstrated the benefits of bringing an individual’s consents together into one place. However, people still need to sign in separately to multiple providers. We recognise that there is already significant work being undertaken in other government departments, and we do not want to duplicate effort. Therefore, we consider that the most appropriate way to move this forward is to create a working group which can provide coordinated input into existing initiatives.

6. Establish a task force to prioritise the development of Open Finance Application Programming Interfaces (APIs) to run in parallel to the current Open Banking JROC workstreams.

Open Finance can only be delivered if it is broken down into achievable pieces of work, such as those undertaken by the Coalition. The recommendations outlined above should be put together with other known deliverables, such as those emerging from JROC’s work, into a single multi-year Open Finance Roadmap.

During the course of our work, we have identified several use cases that could be developed with Open Finance. These included use cases such as retirement and pensions, savings and investments, Digital ID and cash flow management.

As part of this Open Finance Roadmap, we recommend the setting up of a task force to build on the foundational work in prioritising use cases and required data sets and to determine the APIs that will be needed to enable implementation.

“ As the world’s leading financial innovation hub, the City of London Corporation recognises the transformative potential of Open Finance for the UK economy. Through its inaugural coalition, CFIT is showcasing the power of leveraging financial data to deliver better financial outcomes for both consumers and SMEs.

We are committed to supporting smart data initiatives such as the one taken by CFIT to promote innovation, give consumers more choice, and build a resilient financial ecosystem. Overcoming barriers requires collaboration between regulators, financial institutions, fintech companies, and other stakeholders, making CFIT’s Open Finance Coalition a success.

”

Chris Hayward, Policy Chairman, City of London Corporation

“ Many small and medium-sized businesses are struggling with rising operating costs, difficulty managing cash flow, and lack of access to capital. CFIT’s Open Finance Coalition seeks to address these challenges and ultimately provide the building blocks for the industry to give small businesses the opportunities to flourish.

Mastercard’s Open Banking and SME divisions have been working closely with small businesses, providing them with sophisticated tools to improve their cash flow predictions. Open Finance is the natural next step in the right direction to unlock key datasets to improve the financial outcomes for SMEs.

”

Jane Prokop, Executive VP, Small and Medium Enterprises, Mastercard

Introduction

When CFIT was established, it was with the goal of tackling hard problems that were stopping the financial services and fintech industries moving forwards. Open Finance encapsulated one of these areas perfectly. It is a vast and highly complicated area, but one which could make a real difference to consumers, businesses, the UK economy and our international fintech presence. However, despite a desire from industry to support Open Finance, little progress had been made. CFIT decided to embrace this challenge. Taking an entrepreneurial approach, we built a coalition of over 60 partners, members, and supporters and engaged with over 100 experts from a cross section of 10 subsectors, including banks, CRAs, fintechs, payments providers, trade bodies, regulators, policymakers, academics, consumer representatives and SME representatives. We developed a common understanding on where our work should be focused and, for the first time using real-life use cases, demonstrated the tangible value and difference Open Finance could make. This was a complex task broken into many stages, which we have outlined below:

Stage 1 Candidate Selections. CFIT examined the various use cases where Open Finance could make a sustained difference, selecting two clear candidates after taking advice from industry partners:

- SME: Unlocking the SME lending gap.
- Consumer: The need to improve access to affordable credit for consumers.

Stage 2 Coalition Development. CFIT put together a coalition of over 60 organisations and engaged with over 100 industry experts who were subsequently divided into working groups to progress the use cases.

Stage 3 Building Proofs of Concept. Each working group set about building a working proof of concept that would demonstrate how Open Finance would solve their specific use case:

- **CFIT SME Proof of Concept:** Developing an SME credit data aggregator to obtain a clearer picture of small businesses and enable increased and better lending.
- **CFIT Consumer Proof of Concept:** Developing a Citizens Advice personal financial health data dashboard to enable Citizens Advice to support more financially vulnerable consumers.

Stage 4 Additional Case Studies. Coalition partners were tasked with exploring additional case studies based on initial proofs of concept and the wider Open Finance landscape to develop further understanding:

- Additional SME Case Study: iwoca analysis of the benefits of streamlining SME VAT data.
- Further case studies conducted by coalition partners can be found in Appendix 2.

Stage 5 Building Supporting Infrastructure. The Coalition developed supporting infrastructure to facilitate the proofs of concept and in the process furthered industry debate and understanding on the technical and legal challenges involved in data sharing.

Stage 6 Findings and Recommendations.

Using Open Finance to Improve SME Lending

The Opportunity

SMEs have a significant impact on our economy, with 50% of private sector turnover⁵ and 61% of private sector employment attributable to SMEs.⁶ However, the buoyant 20-year pattern of UK SME growth has seen a 7.1% decline between 2020 and 2023,⁷ and 18% of SMEs report financial struggles, as monthly revenues do not meet their needs.⁸

“ 53% of small businesses rate the availability and affordability of new finance as poor.”

Federation of Small Businesses⁹

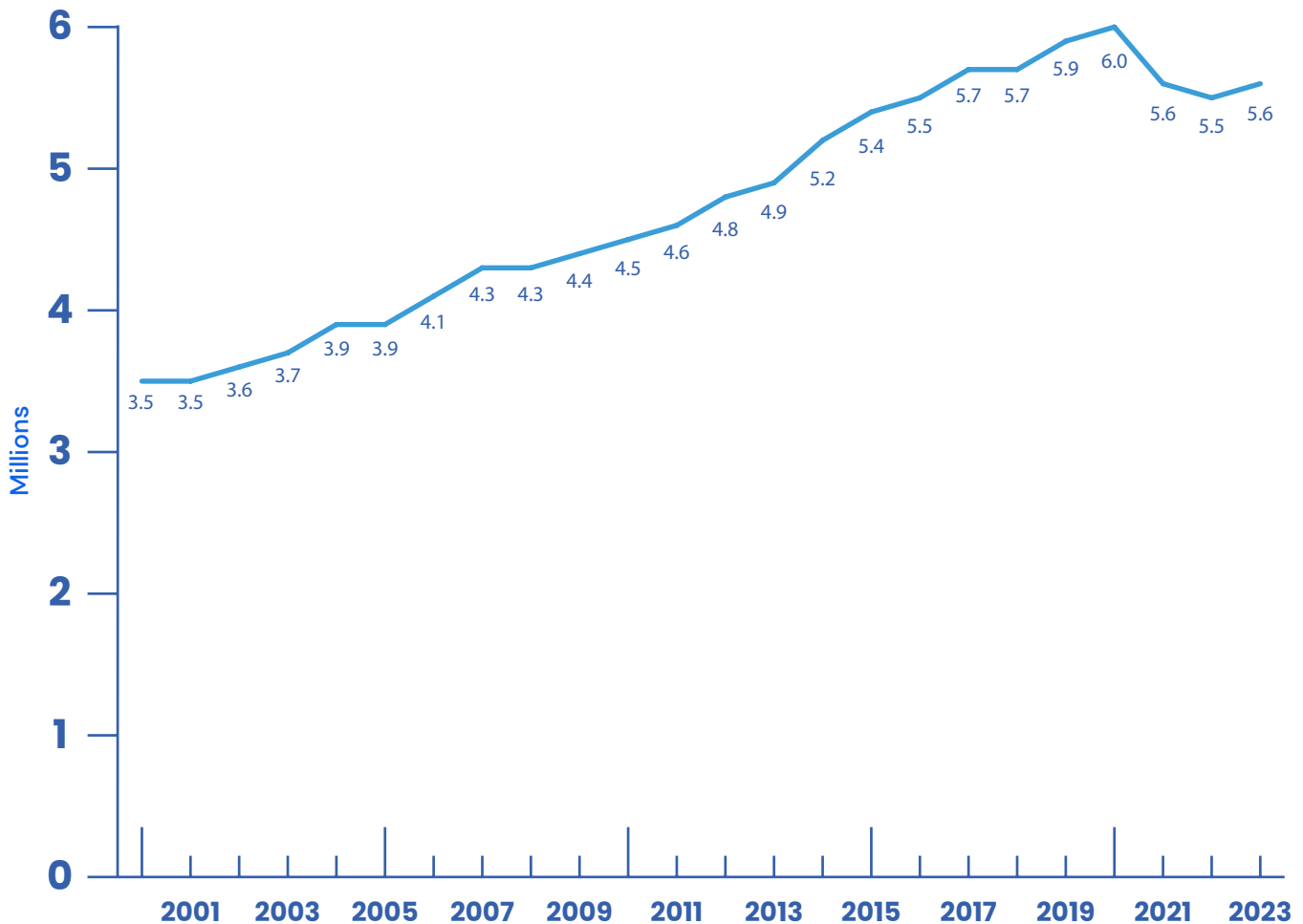


Figure: Number of private sector businesses in the UK 2000–2023¹⁰

SME lending had recently reached historic lows.¹¹ Research estimates that a £22bn funding gap prevents SMEs from being able to invest, innovate and improve their firms.¹² Compounding problems are at play: supply of loans is limited, and businesses are struggling with the affordability of credit.¹³ As a result, many SMEs have been pushed to seek ill-suited credit products or self-fund their business.¹⁴

The Bank of England concluded that SME lending historically has worse information asymmetries between the borrower and lender than elsewhere in the financial ecosystem.¹⁵ SME businesses, in particular start-ups, are often innovative in nature. The more innovative the business, the less able lenders are to benchmark and predict the riskiness of the business using traditional historical data. This problem is further exacerbated by the sheer diversity of SME business models and industries.¹⁶

There have already been several initiatives which have been successful in improving access to data to enable SME lending from a wider range of providers, including the Commercial Credit Data Sharing (CCDS) scheme and Open Banking.¹⁷ We believe that Open Finance based measures can augment these existing initiatives and reduce the funding gap, both by increasing the range of data sets available to both banks and CRAs, and to improve supply by raising awareness of the range of finance options available to improve demand.

Open Finance can help by:

- ✓ Allowing diverse data to be united, providing a consolidated picture of an SME's financial health.
- ✓ Enabling lenders to provide more tailored credit solutions.
- ✓ Enabling SMEs to compare offers so they can select the best option for their business.
- ✓ Speeding up and simplifying the lending process, as many find the process complicated, difficult, and time consuming.¹⁸
- ✓ Providing additional support, tools, and guidance for SMEs to proactively plan their finances.

CFIT SME Proof of Concept: More Data and Single Dashboard

The scenario:

SMEs in the UK often find it difficult to receive positive finance decisions, and they cannot access credit easily. There are many factors which play a role in the process, but often the loan provider may not have a complete picture of the SME's credit worthiness and collecting additional financial information such as Financial Accounts for a credit application can create friction in the process.

CFIT's objectives:

- Provide a data aggregation tool that ensures the lender can make more accurate decisions around lending to SMEs.
 - Increase the number of SMEs who can be provided with credit when they had previously been declined.
 - Increase the accuracy of the decisions by leveraging broader financial data sharing and therefore allow the bank to make more personalised lending decisions.
-

What the Coalition did:

The Coalition built a prototype SME lending dashboard to assess how additional data sources can improve access to credit.

To pilot the initiative, HSBC selected a representative sample of SME lending applications from a wide range of sectors.

The Coalition developed a prototype solution for SME lending which auto-populates companies' lending applications with data from Open Banking, Companies House and HMRC data sets in order to provide a comprehensive financial picture of the SME.

More information on the prototype dashboard developed by the Coalition, as well as the associated data visualisation and integration, is available on our website.

The results:

- In a successful pilot analysis with HSBC UK, leveraging Open Finance data sets enabled over 25% of businesses from a representative sample of SMEs in HSBC's portfolio, who had been referred and potentially did not receive an offer for credit, to now receive a credit offer result.
 - The study also revealed that over half of the SME sample that dropped out of the application process could have received a credit offer decision if they completed the journey with enhanced data sets.
 - By leveraging Open Finance, both HSBC and its SME customers are able to benefit from a streamlined process that saves time in assessing lending applications and making credit decisions. The solution that the Coalition developed has demonstrated the ability to reduce manual processes and operational errors, saving time and cost for SMEs and lenders.
-

“ UK SMEs stand to significantly increase their access to lending if streamlined access to HMRC and Companies House data is implemented, as revealed by CFIT. In a successful pilot analysis with HSBC UK, leveraging Open Finance data sets allowed over a quarter of businesses from a representative sample of SMEs in HSBC’s portfolio, to now receive a credit offer without human referral. The study also revealed that over half of the SME sample that dropped out of the application process could have received a credit decision if they completed the journey with enhanced data sets.

With CFIT we set out to ensure small and medium-sized enterprises (SMEs) in the UK are set up for success. Thanks to this innovative pilot solution, businesses which might have faced difficulties when applying for loans were able to receive a positive credit decision.

Innovation is at the heart of HSBC and we are delighted to have collaborated with CFIT and the coalition partners on this initial project. Moving forward it should benefit thousands of businesses eligible for HSBC’s £15bn fund dedicated to financing SMEs across the country, including many of our 700,000 clients, which in turn

” employ millions of UK residents.

Will Turner, Head of Strategic Growth, Partnership and Innovation, UK Commercial Banking, HSBC

Additional SME Case Study: iwoca Analysis of the Benefits of Streamlining SME VAT Data

The scenario:

In the current lending process, acquiring VAT return data is pivotal before extending a loan offer, offering a real-time snapshot of a company's revenue and validating VAT payments. This data enhances the robustness of credit risk models and improves offer rates. However, the existing procedure requires customers to manually navigate the HMRC portal, posing challenges, especially for smaller businesses reliant on third-party accountants for HMRC matters. This additional step burdens customers and results in application opt-outs. Moreover, manual data submission increases error risks, leading to time-consuming exchanges to rectify discrepancies. Streamlining this process is imperative for enhancing customer experience and operational efficiency.

Objective:

To assess the benefits of automating the provision of government-held data in the SME lending process.

What CFIT and iwoca did:

iwoca conducted comprehensive desktop exercises to evaluate the positive impact of incremental data sets. Their team explored the feasibility and benefits of ingesting data (particularly VAT data) via API rather than manual PDF review processes. iwoca also reviewed CFIT's authentication model and consent hub to evaluate potential time gains in the data-sharing and SME onboarding process. With the new authentication model, users are required to authenticate with each data provider and give consent only once. Once this step has been completed, that dataset becomes shareable instantaneously for all future use-cases with this provider, within the consent period.

The results:

- The collaboration between CFIT and iwoca helped identify opportunities for reducing friction in the lending process.
- Based on the assessment of the CFIT's proposed authentication model, iwoca envisioned significant improvements. Estimating that seamless integration of HMRC VAT data without the need for customers to re-authenticate every time they share data, could potentially reduce application times by more than half and increase the number of offers by 20% to 40%.
- The length of consent period has an impact on the expected benefits for the customers and lenders.
- Giving small business owners greater control of their data through Open Finance will lead to a more personalised, accessible and pain-free finance journey for all.

“ Accessing finance shouldn't be as complicated a process as it is today. Currently, SMEs are required to furnish documents such as VAT statements and company accounts – a process often hindered by complexities, leading many small businesses to seek assistance from accountants. This additional step not only burdens customers but also introduces errors, doubling the time needed to complete the application.

The value of Open Finance is clear as the integration of HMRC VAT data not only validates revenues but also ensures the integrity of other data sources, including bank transactions, whether the SME adheres to tax requirements or not.

With CFIT's much-needed blueprint for Open Finance, we could reduce the current friction in the lending process for SMEs where VAT statements are required. We also predict we could reduce the time needed to process these applications by more than half and increase the number of offers we make by 20%–40%. Giving small business owners greater control of their data through Open Finance will undoubtedly lead to a more personalised, accessible, and pain-free finance journey for all.

”

Krystyna Biller, Head of UK Funnel Teams, iwoca

Using Open Finance to Help Vulnerable Consumers

The Opportunity

Whilst there are several potential benefits of Open Finance for consumers, including using more data sets to help develop more affordable credit solutions to consumers, the Coalition decided to focus on how it could support the provision of debt advice to consumers.

The cost of living challenge is having a significant effect on increasing numbers of UK households. The Money Advice Trust reported in June 2023¹⁹ that 22% of UK adults were behind on one or more household bills, and 25% worry about money every day.

These challenges are creating escalating demand for debt advice, which is primarily provided by the charity sector. One provider, Citizens Advice, reports annual website hits of 5.3 million on its debt-related pages and 370,000 clients receiving one-to-one support. Demand for debt support has been rising by 10–20% a year for the past 4 years. Capacity, however, is limited, meaning that it needs to innovate in the way it provides support, by reducing manual processes such as inputting data. This would allow it to focus its scarce resources on providing real value to those in need.

CFIT Consumer Proof of Concept: Supporting More Financially Vulnerable Consumers

CFIT's objectives:

- Revolutionise debt advice services through greater access to Open Finance data and supporting technology.
- Validate how technology can be used to improve the experience of providing tailored financial advice for both Citizens Advice's clients and advisors.

What the Coalition did:

The Coalition streamlined the process of financial assessment for both Citizens Advice's clients and advisors. Traditionally, the onboarding process necessitated manual data entry of 600 intricate data points, consuming valuable time and resources. Citizens Advice's clients found themselves navigating queues and presenting bills and statements while their advisors devoted nearly 30% of their time to data collection, analysis and recording.

The Coalition integrated data sets such as Open Banking, HMRC, and credit-oriented data sets provided by Experian and Direct ID. Leveraging these diverse sources, CFIT's solution automated 540 (90%) of the 600 data points required for financial assessment. This automation extends across income, expenditure and debt categories, providing immediate and real-time access to critical financial information.

After making the decision to seek assistance, a distressed customer contacts Citizens Advice...

In 2023 without Open Finance capability

Clients find themselves in queues compelled to gather bills and statements to manually input 600 data points in the Standard Financial Statement (SFS).



Citizens Advice advisers spend 30% of their time sorting through the data and

...some weeks later...

After multiple rounds of back and forth, the SFS is produced for the client and help is provided to find suitable products.

citizens advice

Citizens Advice were able to help **370k people** with their debt issues in the last year but demand for support far exceeds capacity.

Through our Open Finance Proof of Concept

Clients can consent to sharing their financial data directly with Citizens Advice in a safe and secure environment, saving time on manual input.



...A short time later...



A SFS is produced for the client. Data is up to date and accurate. Client receives tailored advice based on a more comprehensive financial picture and they are able to find suitable products.

citizens advice

Citizens Advice will now be able to help up to **520k people** (an increase of 40%) with their debt issues... and more with additional Open Finance data sources.

The results:

- Citizens Advice estimates that their advisers could assist up to **additional 150,000** clients annually. In turn, for those who Citizens Advice have helped, they stand to gain on average an additional £1,000 a year
- When advising a client on their problem debt, advisers also check what benefits clients could apply for. Innovation in Open Finance exhibited in this prototype could allow Citizens Advice to do that more accurately and for many more people.
- This proof of concept provides the foundational thinking to develop a separate self-help tool accessible via the website, which will complement the adviser support model. If just 20% of visitors to the Citizens Advice debt web pages made use of this automated and data driven self-help tool, that would mean one million more people a year getting help with their financial picture.

The potential for transformation is profound. Citizens Advice's clients in distress could now experience a streamlined journey, alleviating stress and enhancing engagement. With pre-populated data on income, including employment, benefits, and dividends, clients gain clarity on their financial standing. Likewise, detailed expenditure breakdowns encompass housing, utilities, groceries, childcare and more, empowering clients with comprehensive insights into their financial landscape. Debt assessment, once a cumbersome journey, can now be executed seamlessly, covering mortgage arrears, personal loans, credit card balances, and other outstanding debts. The integration also allows advisers to obtain a comprehensive understanding of the client's financial situation and spending patterns over a period of time (rather than a snapshot), enabling the provision of personalised debt advice based on behavioural insights and any changes in circumstances.

The partnership between Citizens Advice and CFIT epitomises the transformative potential of technology in debt advisory services. By harnessing innovation, the Coalition has the potential to revolutionise the client experience, promoting financial inclusion and empowering individuals to navigate financial challenges with confidence.

“ With success rates for SME finance applications dropping below 50% during 2022, and interest rates at a 15-year high, it’s imperative that we see new ideas and greater competition in finance. It’s striking that FSB evidence shows just 37% of small businesses found it easy to apply for a traditional bank loan. Some of the challenges include the length of the application process and requests for information that small businesses simply do not hold.

Open Finance has the potential to be part of the answer, as demonstrated by the findings of CFIT’s inaugural coalition. Lending decisions cannot be made with only half the picture, and we support CFIT’s mission to improve the accuracy and efficiency of such decisions that will hugely benefit small businesses.

”

Tina McKenzie, MBE, Policy Chair, Federation of Small Businesses

“ The benefits of CFIT’s proof of concept to the quality of our advice are clear. It provides us with a more accurate view of our clients’ income and outgoings – a step change from the current manual process that is time consuming for the adviser, stressful for the client and often incomplete. In building the clients’ financial picture at the press of a button, we would no longer need clients to provide all this information themselves, saving time and stress for our clients. In addition, the data analysis would make it easier for our advisers to see how best to move the client forwards with their problem debt. Ultimately, we could make more meaningful recommendations in less time. We estimate that we could potentially help an additional 150,000 individuals in addition to the 370,000 we already serve. Over 10 years, this approach could free up advisers to help over a million more individuals.

”

Jake Beavan, Strategic Lead (Money & Debt), Citizens Advice

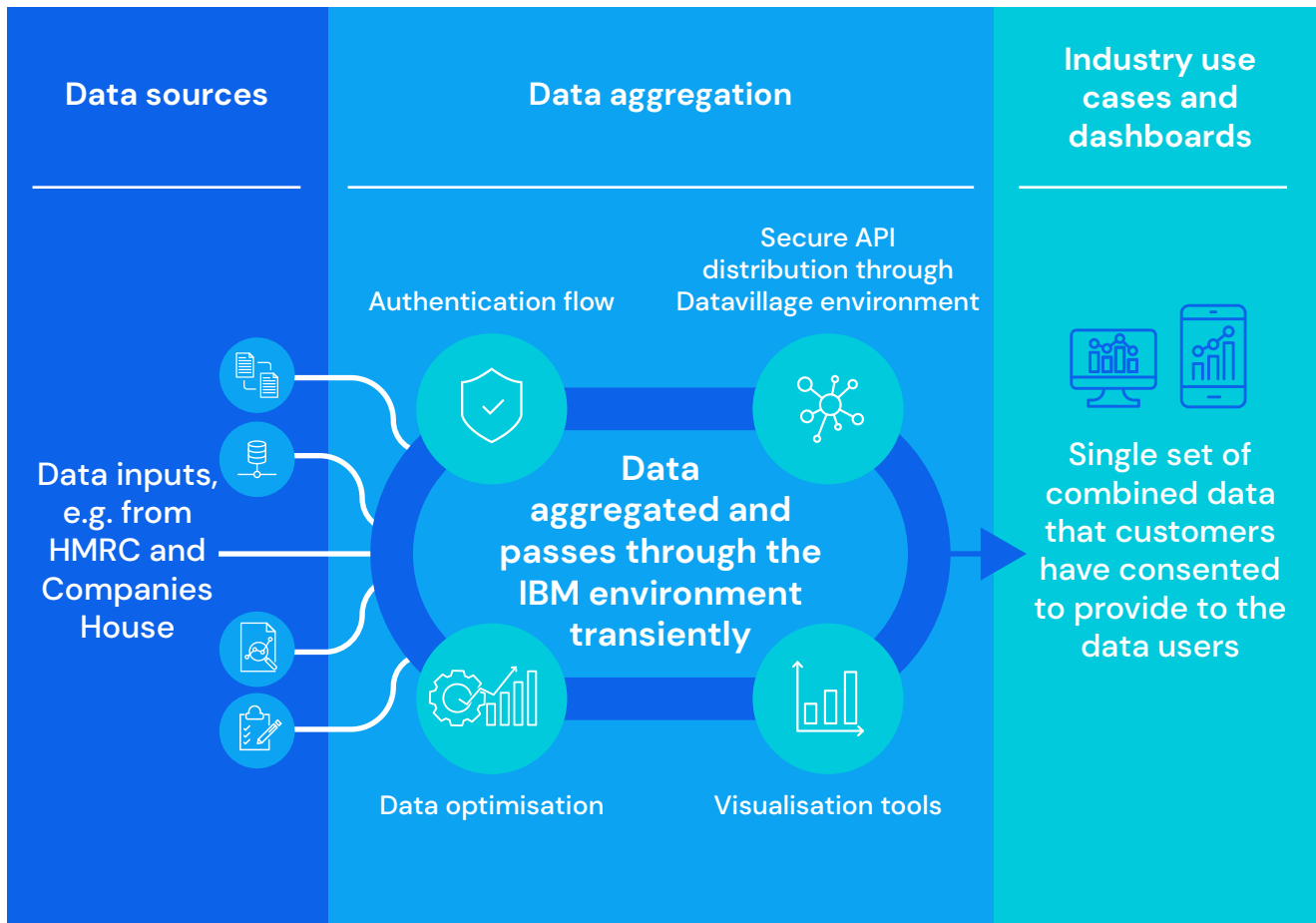
Enablers of Open Finance

As the Coalition worked on its proofs of concept, it became clear that there are some overarching issues that need addressing for Open Finance to deliver its potential. These include:

- How best to display a single picture of a consumer's finances; and
- The technical infrastructure needed to support multiple consents.

Single View of Consumer Data

With the support of IBM and Datavillage, we have built a demonstration infrastructure that consolidates diverse data sources into a single and comprehensive view that demonstrates the financial position of a consumer or a business. By consolidating and centralising diverse data sources, we've achieved a streamlined and more efficient data management process. This has significantly reduced the time and effort traditionally spent on gathering and organising information from multiple channels, enabling faster decision-making and financial planning. The infrastructure is potentially scalable to accommodate different use cases and enables a safe, secure exchange of data via API.



To ensure our prototype is aligned with best practices, our coalition partner Allen & Overy conducted extensive analysis on the current financial services and privacy legal environment as well as forthcoming reforms to the UK data protection regime. They also provided legal advice regarding the utilisation of synthetic data for our prototype. This work underscores our commitment to advance innovative solutions whilst upholding data privacy standards. However, this model will need vetting in a regulatory test environment.

Consent and Authentication

The Coalition recognised that managing consents, both in terms of the consent and authentication flow (i.e. how consent is obtained) and the consent dashboard (i.e. how consents are managed), is an important element of an Open Finance ecosystem.

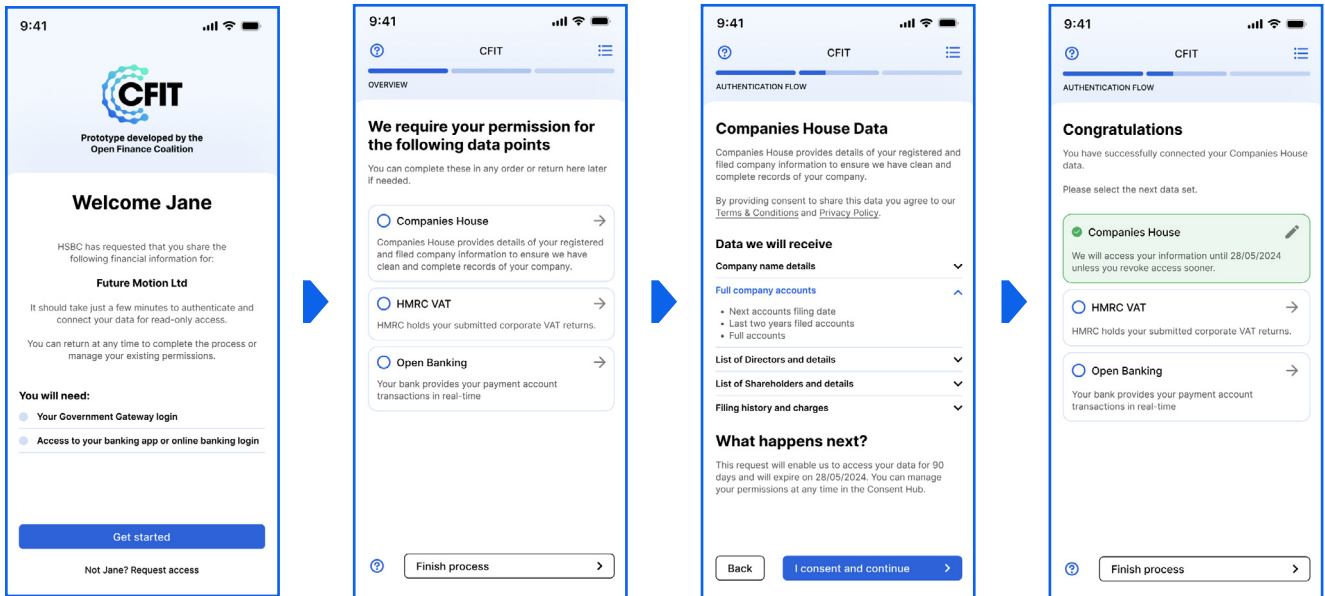
We built a prototype authentication flow and consent hub based on the established UK Open Banking Model, which ensures data security for the consumer or SME. However, Open Banking is based largely on a 1:1 basis where users are redirected to their bank to authenticate sharing a single data set for a particular product (such as a loan using bank transaction data for credit assessment), whereas Open Finance customer data may come from multiple institutions, such as a mortgage provider, a savings account or transactional data. This one-to-many relationship creates increasing complexity and additional challenges for consumers, such as:

- Completing authentication with several organisations and the complexity and user experience that sit alongside this.
- A potential for frustration or concern from users in understanding what data they are sharing, for how long, with whom and how they can revoke their consent easily.

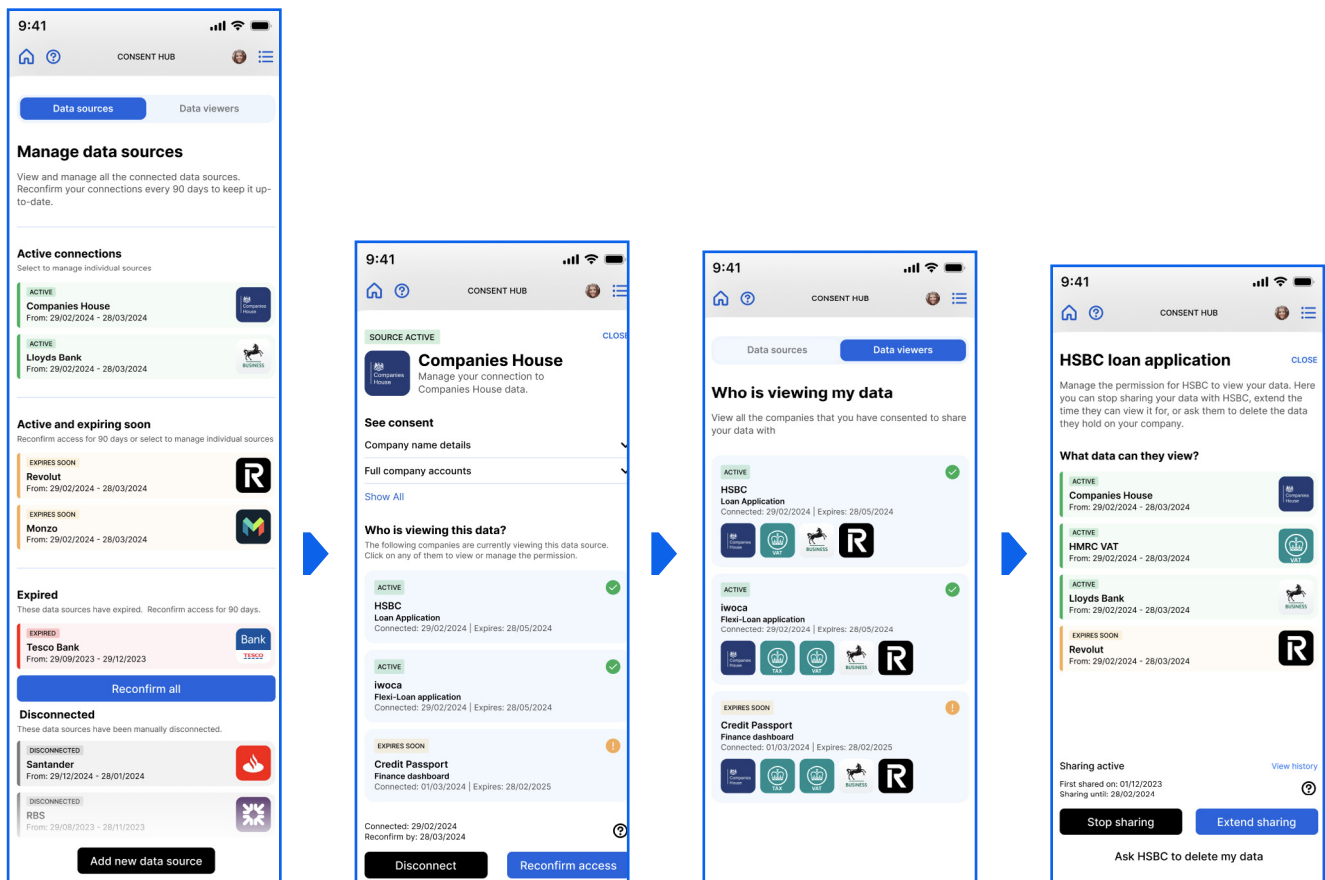
This prototype will organise the customer journey and put user consent and control at the heart of the proposed solution. As you will see in the wireframe below, consumers will be able to understand which organisations they need to authenticate or have already authenticated. It also enables consent revocation for a particular use case (e.g. credit), mitigating the need to revoke each individual consent for this data.

In the longer term, we believe that consumers and businesses would benefit from being able to authenticate with multiple data holders once. Whilst this is beyond the scope of the Coalition, there is merit in the Open Finance community engaging across government to ensure that it is considered as a possible use case for reusable digital IDs.

Sample Screens from Authentication Flow Wireframe:



Sample Screen from Consent Management Wireframe:



“ The CFIT Open Finance initiative is a highly promising and timely development. Academic research has consistently highlighted the informational challenges faced by SMEs, contrasting sharply with larger corporations which benefit from market-derived data and comprehensive financial reporting. This restricts lenders’ ability to provide credit. Empirical evidence suggests a direct correlation between the availability of information for risk evaluation and improved credit access, making the integration of extensive new data sources pertaining to SMEs crucial.

” Overall, CFIT’s initiative will democratise access to finance, fostering economic growth and innovation among a broader spectrum of SMEs.

Professor Galina Andreeva, Personal Chair in Societal Aspects of Credit, Co-Head of Management Science & Business Economics, Director, Credit Research Centre, University of Edinburgh Business School

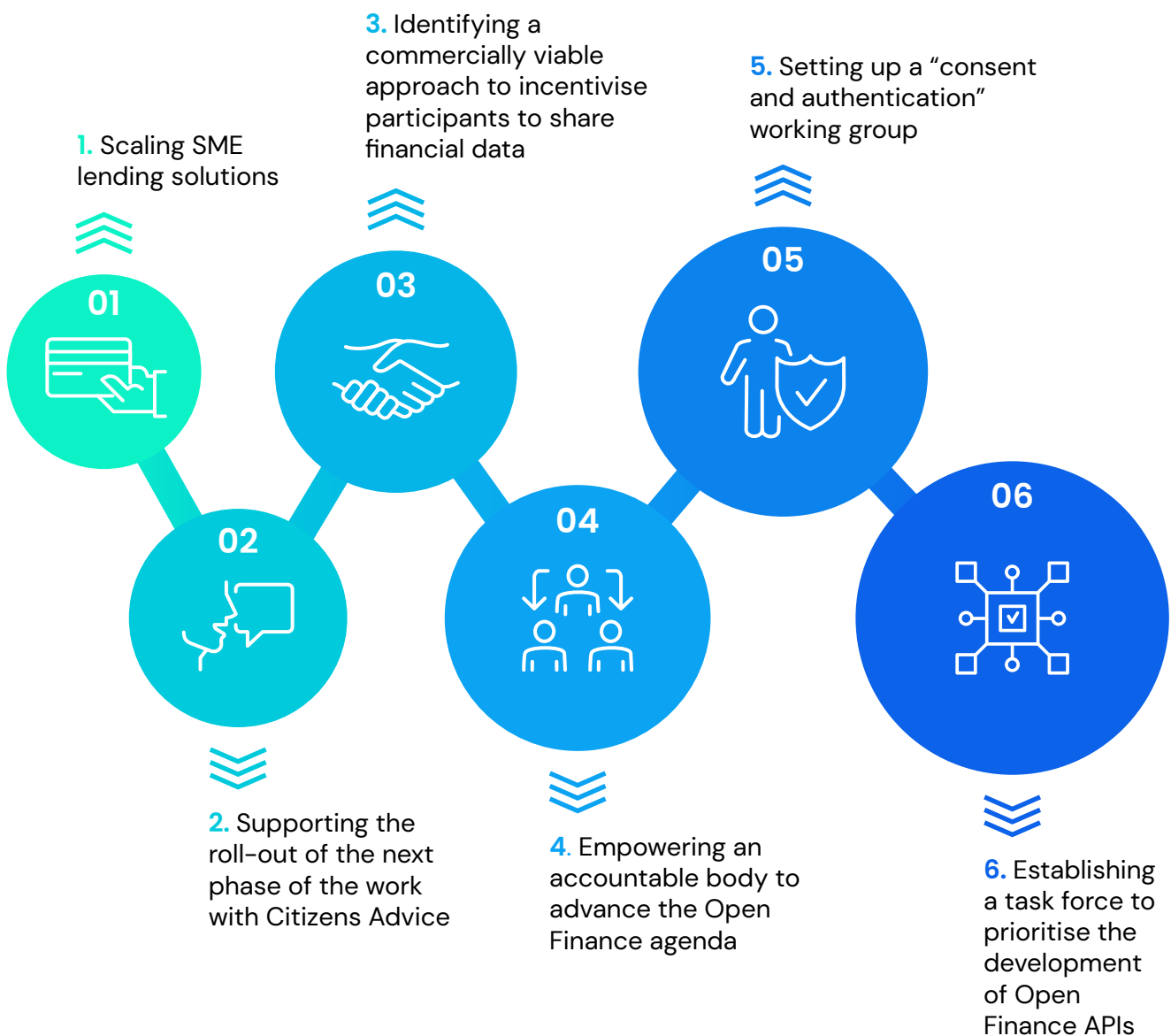
“ SMEs are the powerhouse behind the UK’s economy, and we can unlock even greater potential within them if they have better access to finance. CFIT’s Open Finance Coalition has identified, ranked and prioritised over 30 additional data sets that SMEs can use to improve their access to credit.

” Open Finance would allow SMEs better access to their data, such as Commercial Credit Data Sharing, giving companies like Sage the opportunity to combine it with SMEs’ financial data. This will give small businesses a deeper understanding of their borrowing options and improve their creditworthiness.

Paul Stuthers, Managing Director, Sage UKIA

Next Steps – Continuing the Cross-industry Momentum

Our work to date has shone a light on the potential of Open Finance. This section sets out how we can take the next steps to turn our proofs of concept into models that can be applied by organisations to realise the benefits of Open Finance for consumers and SMEs.



Scale SME Lending Solutions

The proof of concept work with HSBC, Experian, IBM, Datavillage, CRIF and others, provides a working example of how aggregating SME data, and by increasing the range of data sets available to lenders or CRAs, can enable better credit decisions.

Completing these proofs of concept is a marked step change; however, what is truly remarkable is the positive response from industry. Multiple parties across the ecosystem, including CRAs, high-street and challenger banks expressed a strong interest in taking this foundation of work forwards.

CFIT will continue to be a consultative partner on the next steps of this work. The proofs of concept helped define the areas of focus; built capability, including the consent and authentication model; showed how to optimise and combine data and built a working example infrastructure. However, there are two critical next steps:

- 1. Moving from proof of concept to prototype.** Ideally, the industry needs access to live data, in particular for the data sets that are typically from HMRC and Companies House. We believe that in the next phase of the work we can continue to work with coalition partners to look at how data that can act as a proxy for HMRC data, for example data from accounting platforms, can be accessed.
- 2. Scaling participation and solutions.** The potential benefits of wider data sharing to support lending to SMEs are so substantial that we should seek new ways in which to build on the work carried out so far. This could include potentially using the FCA Innovation Hub support services and the FCA Regulatory Sandbox, and developing new proofs of concept.

Support the Roll-out of the Next Phase of the Work with Citizens Advice

CFIT is delighted to report that the proof of concept work with Citizens Advice was successful. More specifically, it provided the data necessary to more efficiently and seamlessly help more individuals facing financial distress and vulnerability.

Citizens Advice is exploring how to transform this proof of concept into a full working prototype. Steps under consideration include:

- a) Automating the SFS process for clients who are in contact with an adviser.
- b) Providing a separate self-help tool accessible via their website to complement debt-advice support.

CFIT is looking forward to providing advice and support as the prototype plans progress and develop.

Identify a Commercially Viable Approach to Incentivise Participants to Share Financial Data

Without a regulatory requirement to make data available, data sharing will only take place if incentives are aligned between the supply-side (or “data holders”) and the demand-side (“data users” or “data brokers”) of the Open Finance ecosystem. Usually, such alignment would take place using commercial contracts, either bilaterally or through a single multilateral agreement or “scheme”.

We propose working with a number of potential partners, starting with data holders that have been identified through our proofs of concept, to develop principles that would underpin such a commercial arrangement, drawing on the work already undertaken by the Payment Systems Regulator in the UK and organisations in other jurisdictions.

Empower an Accountable Body to Advance the Open Finance Agenda

Having an accountable body focused on managing the implementation of Open Banking has been a significant contributor to the UK’s success, compared to jurisdictions that have adopted a less coordinated approach. We consider that a suitably empowered accountable body will be needed to coordinate and manage the development, implementation, and stewardship of UK Open Finance, working together with the industry and other stakeholders.

Set Up Consent and Authentication Working Group

The Coalition’s work has demonstrated the benefits of bringing an individual’s consents together into one place. However, people still need to sign in separately to multiple providers. We recognise that there is already significant work being undertaken in other government departments, and we do not want to duplicate effort. Therefore, we consider that the most appropriate way to move this forward is to create a working group which can provide coordinated input into existing initiatives.

Establish a Task Force to Prioritise the Development of Open Finance APIs

Open Finance can only be delivered if it is broken down into achievable pieces of work, such as those undertaken by the Coalition. The next steps outlined above should be put together with other known deliverables, such as those emerging from the JROC work, into a single multi-year Open Finance Roadmap.

During the course of our work, we have identified several use cases that could be developed with Open Finance. These included use cases such as retirement and pensions, savings and investments, Digital ID and cash flow management. We recommend that a task force is set up to build on the foundational work in prioritising use cases and required data sets, with a view to subsequent specification of APIs enabling implementation.



“ Revolut’s vision is to become one app for all things money, and Open Banking and Open Finance is vital to achieving this. Of our 7.5 million UK customers, 32% have made at least one Open Banking transaction, with the UK leading the way in using Open Banking.

Revolut has been working with CFIT to extend the principles of Open Banking into other areas of finance because we believe in the transformative power of transparent data and technological innovation. As part of CFIT’s first coalition, we helped outline the regulatory barriers to Open Finance and evaluated potential pathways forward, in particular for SMEs.

” If the UK is to remain at the forefront of innovation in Open Banking, we see CFIT as a vital engine to deliver the innovations that are going to define the next 10 years of fintech and financial services here and beyond.

Rory Tanner, Head of UK Government Affairs and Public Policy, Revolut



Appendix 1: Data Prioritisation and Priority Use Cases

Open Finance is vast – it could include many data sources across multiple sectors, each of which could be used in numerous ways. Knowing where to start, how to build critical mass, and identifying where there is the most potential, and simply defining the scope in a way that unites stakeholders, users, and regulators, moving us away from isolated innovations that traverse separate paths, have been insurmountable to date.

The Coalition collectively ranked potential data sources based on the data sets that are of greatest value (on a use-case basis). In addition, the Coalition factored and prioritised those that required less effort to open (based on the number of gatekeepers, the consent needed, and the current availability and standardisation of data fields) and weighed the trustworthiness of the data (its reliability, accuracy, and integrity of the underlying data). The below picture depicts the ranked data sets and showcases their applicability to each of our high priority consumers and SME use cases.

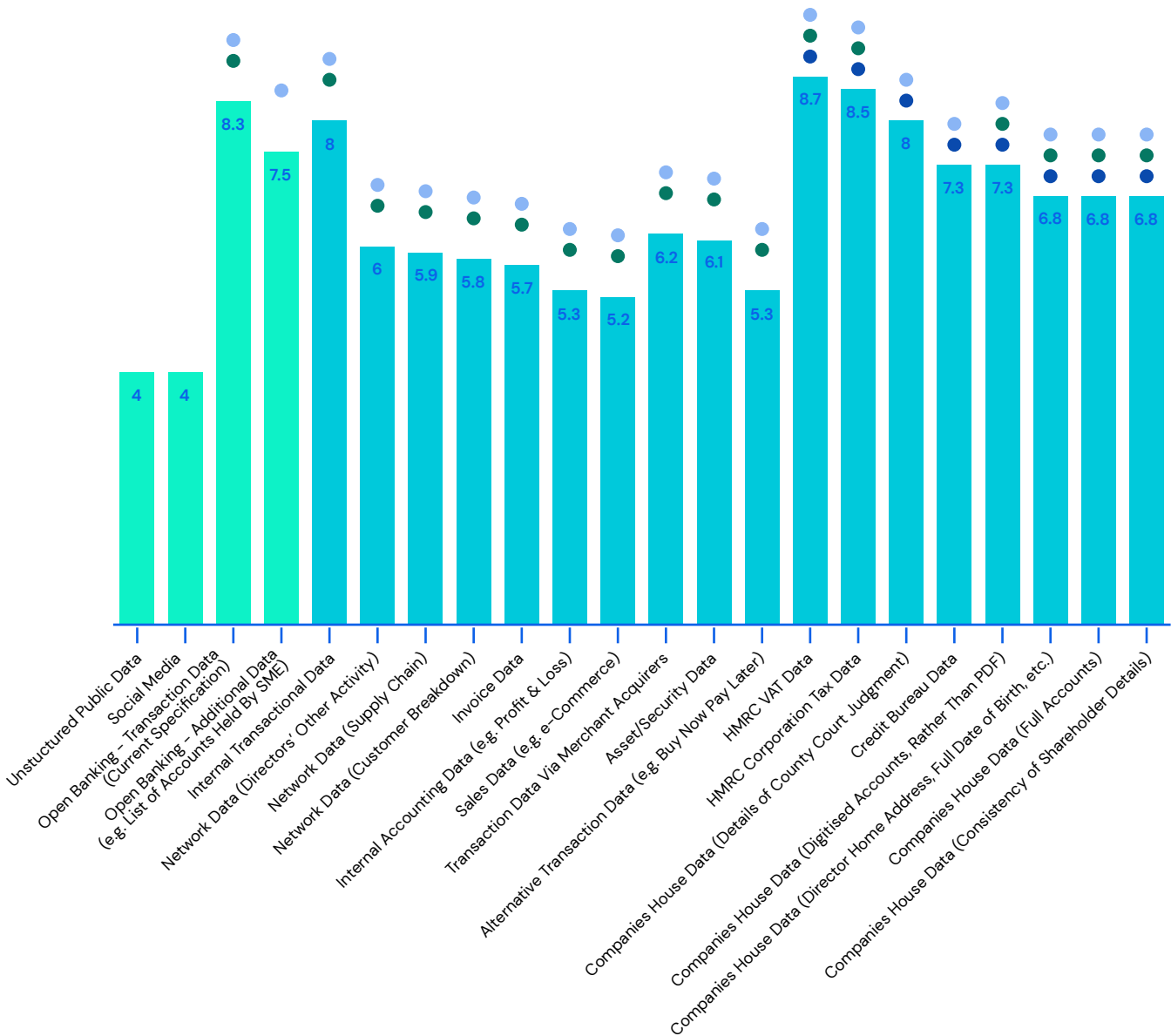
Data Prioritisation:

Perceived value of Open Finance data sets

■ SMEs

SME priority use cases

- Access to credit and closing the funding gap
- Overall financial health and cash flow reconciliation
- Easier Know Your Customer (KYC) and onboarding



Currently available or early access

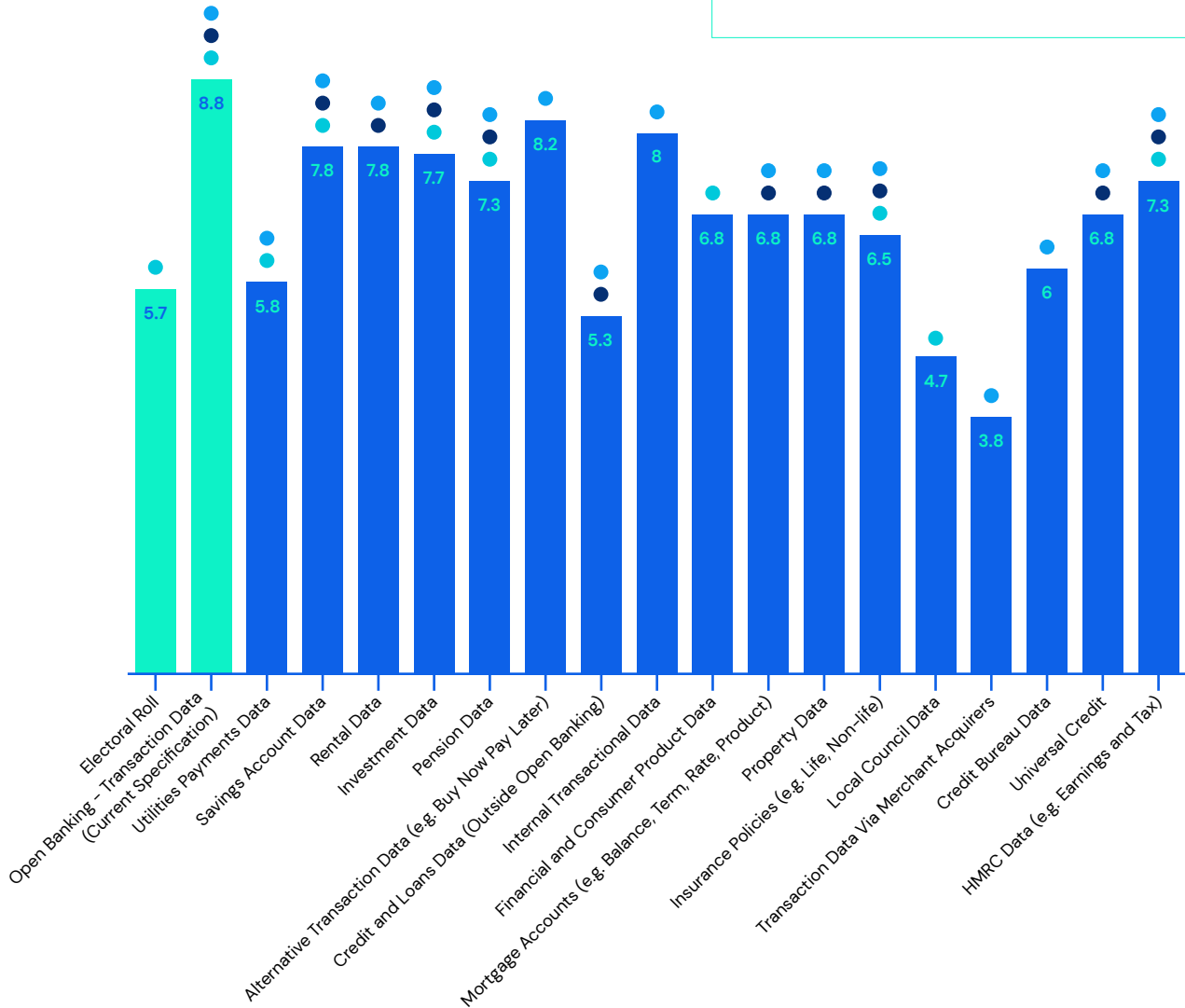
Require bilateral agreements or gatekeeper to provide access

Perceived value of Open Finance data sets

Consumer

Consumer priority use cases

- Access to affordable credit
- Savings plan for life stages
- Easier account switching



Currently available or early access | Require bilateral agreements or gatekeeper to provide access

Appendix 2: Additional Case Studies from the Ecosystem Related to Access to Open Finance

In this appendix, we've gathered case studies and secondary research from our coalition partners. These materials support and expand on the findings of our primary proofs of concept. Together, they provide a deeper understanding of the potential impact of Open Finance.

Experian's Impact Analysis of Open Finance on "Credit Invisibles"

The provision of credit relies heavily on high-quality data to facilitate informed lending decisions. Additionally, the manual verification of shared information often leads to significant inefficiencies and delays. By integrating various unlocked Open Data sources into credit decisioning processes, there is an opportunity to enhance financial inclusion and broaden access to credit. For instance, access to HMRC's real-time information and monthly PAYE (Pay As You Earn) submissions, together with Open Banking-enabled data, can mitigate fraud risks and improve predictability. Experian collaborated with a bank to scrutinise existing scorecards and credit assessment processes.

By analysing existing scorecards, their objective was to identify factors contributing to high rates of declines, particularly among customers under the age of 25.

They also investigated the root causes of credit declines, focusing on factors beyond adverse credit history, such as limited credit history.

The results:

Experian uncovered trends revealing elevated rates of score declines among customers under 25, primarily due to insufficient credit history.

The team also identified a significant proportion of customers in this demographic with two or fewer active accounts and default information resulting from trivial balances. New Open Banking data was utilised and made available through Experian Boost to devise tailored credit criteria.

By applying the new customised credit assessment processes, Experian found that 63% of 1.9 million customers improved their credit scores, and 23.7% more customers expanded their credit access.

Credit Canary and NEFirst Collaboration for At-Risk Borrowers

Credit Canary is a data platform enabling consumer lenders to proactively identify, engage, and assist borrowers at risk of missing future payments. NEFirst is a leading credit union providing ethical and affordable financial services to consumers across the North East.

NEFirst faced several key challenges:

- Manual loan application processing using disconnected data delayed decisions.
- Inability to appropriately triage members based on lending needs and manage risk exposure over time.
- Lack of capabilities to proactively identify borrowers at risk of non-payment and position solutions to get them on track.
- Well-capitalised lenders threatened market share by rapidly leveraging technology to serve members.

NEFirst partnered with Credit Canary to help address these challenges. Credit Canary combined credit, performance, and Open Banking data to provide a full financial footprint of the customer, delivered within the Standard Financial Statement format. Credit Canary's treatment engine identified borrowers at risk and provided personalised treatment strategies designed to keep them on track with future payments.

The results:

NEFirst could provide significantly faster lending servicing with an 89% cut in application review times (a reduction from 45 to 5 minutes). Credit Canary's solution also delivered a 60% auto-decline rate, which improved efficiency in dealing with applications. The credit union also experienced a 75% drop in missed payments.

The case study shows how implementing an advanced data solution enabled a leading lender to boost efficiency, manage risk, and meet changing customer demands – facilitating continued competitiveness and ethical financial services.

Woodhurst and the Introduction of an Open Banking-Enabled Consumer Mobile App

Woodhurst was working with a bank wanting to better serve the millennial market in the UK. The bank had determined that an innovative personal financial management tool would best support that aim. Woodhurst lent its Open Banking expertise to help, along with providing a support model that would ensure the app would be technically supported in production.

The results:

The bank's five million digitally enabled customers would receive an exceptional service experience. As a result of Woodhurst's efforts, the bank was the first in the market to introduce an Open Banking enabled mobile app providing account aggregation and detailed spend analysis. By December 2019, the core features had been activated by one million customers – the highest activation rate of any non-core feature.

University of Edinburgh's Early Warning System for Loan Defaults (Maitena Pineiro, Prof Galina Andreeva, Dr Belen Martin Barragan)

The University of Edinburgh's academic research targets the difficulties SMEs face in accessing credit due to the scarcity of relevant data to assess their creditworthiness. The academic team incorporated trade credit and supply chain data into traditional risk assessment through leveraging Moody's Analytics Pulse data set on B2B spending data.

The results:

The researchers were able to create an early warning system for loan defaults based on tradeline credit data. This research illustrates the importance of alternative data, such as supply chain data, in risk calculations.

Future Outlook:

As SMEs digitise their invoice systems and financial processes, a surge in alternative data is expected. This growth in data presents an opportunity to gain deeper insights into SME operations and credit risk and enhance their access to credit. However, identifying relevant data among this vast pool and devising the appropriate methodology for its processing will be crucial, requiring careful analysis and understanding of the SME sector.

Sage's Collaboration with Satago

Financial management software, such as accounting solutions, holds great potential in offering personalised insights to empower SMEs in their journey to become more attractive to lenders. Sage is collaborating with partners to facilitate new avenues for small businesses to secure funding. A prime example is their partnership with Satago, an initiative designed to bolster their customers' cash flow management.

The results:

This groundbreaking innovation equips their customers with real-time credit ratings on their clients, enabling them to establish risk-based payment terms (e.g. 90, 60, 30 days or upfront), as well as identifying clients with a potential risk of late or non-payment. Additionally, it streamlines credit collection processes, ensuring prompt payment and subsequently reducing the overall demand for working capital. Furthermore, it extends the opportunity for SMEs

to obtain flexible working capital in the form of either traditional invoice finance or the selective financing of individual invoices – as and when the borrower needs. Single-invoice finance is a promising innovation made possible by digitising banking and invoicing processes. This type of flexible finance is useful, as it can be more cost-effective and faster to arrange compared with conventional options like credit cards, overdrafts, or loans.

Mastercard Collaboration with SME Accounting Providers such as Visma Dinero

In the world of accounting and bookkeeping, financial data has always held a pivotal role. Yet, creating automated accounting solutions based on this data has historically proven to be a complex challenge. However, with the advent of Open Banking, the landscape is rapidly transforming, offering new possibilities for innovation and efficiency.

To this end, Mastercard collaborated with several accounting platforms and auditors to help pull banking data and verify accounts, perform reconciliations, and bill payments. One example of this is with its customer, Visma Dinero – a pioneer in accounting software for small businesses and entrepreneurs.

Dinero eliminated manual processes from the accounting methods and provided clients with a “virtual CFO”. This virtual CFO would handle 90% of clients’ financial transactions automatically, leaving no need for manual reconciliation of invoice payments.

The results:

Dinero harnessed the power of Open Banking to automate accounting processes. It was an accounting software solution that enabled users to create electronic invoices, manage purchase orders, and handle VAT accounts with ease.

In the era of Open Banking and innovative solutions, Mastercard and Visma Dinero’s collaboration stands as a testament to how data and technology can reshape an industry, simplifying and streamlining processes, offering businesses newfound freedom to thrive.

Appendix 3: Additional Use Cases that Make a Strong Case for Open Finance

Below we have highlighted other key use cases that we explored outside of access to credit and supporting vulnerable consumers.

For Consumers – Saving to plan for life stages, including retirement savings, through Open Finance

The UK population, and particularly its ageing population, is confronted with a harsh reality – insufficient retirement savings. The Social Market Foundation has stated there is an average gap of nearly £250,000 in the pension pots of the ageing population, or a staggering £132bn at an aggregate level.²¹ Moreover, 21% of UK adults have no

pension savings for retirement other than state pension,²² and this tends to persist, as nearly 1 out of 4 (24%) of those aged between 40 and 75 do not have a private pension according to the Department of Work and Pensions.²³ This looming crisis poses profound implications for the financial well-being of the elderly, necessitating urgent attention and action. Beyond retirement, there are consumer pain points that have been identified in our coalition work at various life stages, such as education, homeownership, and healthcare expenses.

“ There is a staggering £132bn retirement savings by those nearing retirement.

Social Market Foundation²⁰

Open Finance Can Encourage Savings and Long-Term Planning

- 1. Open Finance empowers consumers with visibility of their financial health.** By consolidating disparate data across financial accounts and providers into a single platform, consumers gain a comprehensive financial overview, can plan holistically, and they can take systematic measures to save for the future. For example, individuals can track income, expenses, investments, savings and debt more efficiently with a consolidated view. In turn, individuals can more quickly identify where to reduce unnecessary expenditure and put these funds towards savings.²⁴
- 2. Open Finance provides financial insights and recommendations without the embarrassment of needing to talk to an adviser.** Four in five people struggle to discuss their financial situation openly,²⁵ fearing shame, judgment, and worry. Through Open Finance, individuals can be provided with tailored advice. For example, budget adjustments can be suggested, savings and investment strategies recommended, and consumers can be

alerted to more suitable financial products or offers. These personalised recommendations empower individuals to make more financially sound choices and overcome the fear of needing to seek advice face-to-face.

3. Open Finance can automate savings. For example, users can set up automatic transfers from their current savings and investment accounts based on their financial goals and income levels. These can be set to trigger movements to a savings account when they have appropriate funds, rather than relying on the user to make transfers.

For Consumers – Increased Account Switching Enabled by Open Finance

Around 10 million adults have already benefitted from the Current Account Switch Service.²⁶ However, half of savings account holders have no intention of switching to a higher yield account despite an additional £1,655 of potential earnings if they switched.²⁷

According to the FCA, a much smaller proportion of adults (44%) report switching accounts and shopping around for other financial products, such as current accounts, savings accounts, and ISAs relative to other products.²⁸ It is estimated that about 14.7 million people continue to use ISAs while a further three-fifths (62%) do not know enough to have an opinion about their relative performance.²⁹ According to Hargreaves, an estimated £25bn to £35bn is also left in fixed-rate accounts.³⁰

Open Finance could:

- ✓ Facilitate seamless comparisons to help consumers identify saving products with better rates of interest, lower account fees, or provide cashback.³¹
- ✓ Enable swifter and easier switching by providing customers with access to their complete financial data and reducing the requirement for manual data entry.
- ✓ Ensure accurate account switching by automating the switching of outgoing and incoming payments.

For SME Businesses – Using Open Finance to Forecast Cash Flow and Manage Cash Flow Reconciliation

In today's pressing economic environment, cash flow management and forecasting has become imperative for SMEs facing rising costs and shorter runways.

“ On average in 2022,
| 52% of small businesses
” experienced late payment.

Federation of Small Businesses³²

According to a recent survey, almost three-quarters of SMEs have experienced late payments from customers, and a third experience late payments at least monthly.³³ Furthermore, 67% of SMEs report that their late payments were worth up to £50,000.³⁴ Amid a backdrop where lending has increasingly been taken on to overcome cash flow problems rather than new investments into the business, the benefits of Open Finance for cash flow management and forecasting are evident.

For example, half of UK SMEs reported using Open Banking enabled products such as cloud accounting software or cash flow-forecasting tools during the COVID-19 lockdowns, given increased worries around working capital and liquidity.³⁵ Likewise, 37% of those who had applied for loans in 2022 were increasingly using credit for cash flow reasons.³⁶

Open Finance can help SMEs avoid these unfortunate scenarios by:

- ✓ Allowing SMEs to understand their financial liquidity and working capital better.
- ✓ Facilitating a better understanding of whether the business has adequate cash supply to cover operational expenses.
- ✓ Assisting SMEs in better understanding their financial relationships – helping them manage dependencies and risks in advance.
- ✓ Supporting SMEs' ability to paint a more accurate and representative view of their risk profile to lenders.

For SME Businesses – Easier KYC and Onboarding Through Open Finance

Central to any SME Open Finance use case is the ability to verify an SME's identity and allow it to be onboarded to a financial product more quickly. One of the biggest deterrents to SMEs pursuing loans is that many find the process of verifying their information cumbersome and full of friction. Many SMEs avoid using a business account because of the hassle.

“ Only 37% of businesses find the loan application process easy.”

Federation of Small Businesses³⁷

As such, the Coalition saw this enabling use case as particularly important to improving financial products for SMEs, given that there is still more potential for financial innovation for SMEs. For example, there are significantly fewer Open Banking solutions focused on SMEs. It is estimated only 35% of solutions are catered to SMEs.³⁸

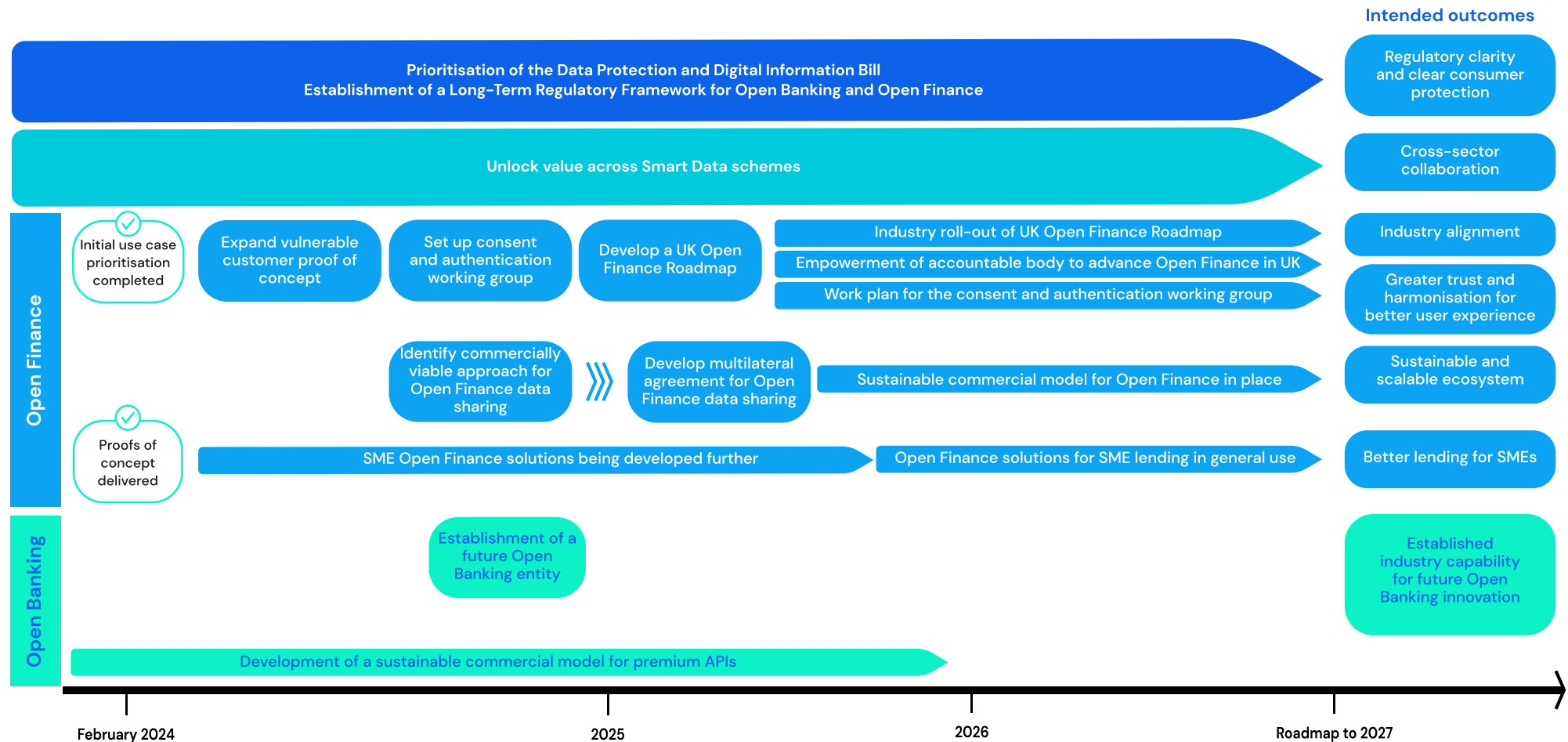
Prioritising easier onboarding and verification processes can help fill the gap.

Open Finance can help by:

- ✓ Providing a more efficient way to verify an SME's identity through reducing the dependency on manual intervention.
- ✓ Generating cost savings for both the SME and for the financial service provider.
- ✓ Ensuring regulatory compliance and helping reduce fraud.

Appendix 4: A Potential Roadmap to Deliver Open Finance

This indicative roadmap highlights the need for collaborative effort between industry stakeholders, regulators, and other sectors. By outlining key milestones and strategies, we aim to provide a guide to a structured path towards implementing Open Finance and fostering broader financial inclusion and innovation in the UK.



“ CFIT’s mission to create an Open Finance ecosystem in the UK resonated with us. We believe that data should be reusable while always remaining under the control of organisations and individuals. Capitalising on our experience in this area, we worked with CFIT and other working group members of the Open Finance Coalition to analyse how untapped data can be streamlined and built a prototype dashboard for SME lending. As revealed by CFIT, trusted data sharing and collaboration will have a huge impact on both consumers’ and SMEs’ financial wellbeing, especially in accessing credit, which is why we continue to be part of this mission.”

Quentin Felice, Co-founder & COO, Datavillage

“ As a company focused on delivering value and innovation across the public sector and financial services organisations, esynergy is closely aligned with CFIT’s goals and ambitions.

We have been very excited to support CFIT in demonstrating the incredible benefits that Open Finance can bring. Data, and its lifecycle, is at the heart of Open Finance – across strategy, access, management, governance and consent. CFIT’s working groups have recognised these learnings and the opportunity for Open Finance to deliver immense value to consumers, SMEs, local and central

” government, and service providers.

Patrick Crompton, Founder & CEO, esynergy

Sources

- 1 Source: [Written statements – Written questions, answers and statements – UK Parliament](#)
- 2 Source: [JROC Progress Report, December 2023](#)
- 3 Source: [Credit Where Credit's Due | FSB, The Federation of Small Businesses](#)
- 4 Source: [Final_stage_Impact_Assessment_Smart_Data_primary_legislation.pdf \(publishing.service.gov.uk\)](#)
- 5 Source: [UK Small Business Statistics | FSB, The Federation of Small Businesses](#)
- 6 Source: [BEIS Small and Medium Enterprises \(SMEs\) Action Plan: 2022–2025 \(publishing.service.gov.uk\)](#)
- 7 Source: [Business population estimates for the UK and regions 2023: statistical release – GOV.UK \(www.gov.uk\)](#)
- 8 Source: [SME Finance Monitor, Q2 2023 by BVA BDRC: PowerPoint Presentation \(bva-bdrc.com\)](#)
- 9 Source: [Small Business Index, Quarter 3, 2023 | FSB, The Federation of Small Businesses](#)
- 10 Source: [Business population estimates for the UK and regions 2023: statistical release – GOV.UK \(www.gov.uk\)](#)
- 11 Source: [Small Business Index, Quarter 3, 2023 | FSB, The Federation of Small Businesses](#)
- 12 Source: [Credit Where Credit's Due | FSB, The Federation of Small Businesses](#)
- 13 Source: [Small Business Index, Quarter 3, 2023 | FSB, The Federation of Small Businesses](#)
- 14 Source: [Credit Where Credit's Due | FSB, The Federation of Small Businesses and SMEFM-Q2-2023-Chart-pack.pdf \(bva-bdrc.com\)](#)
- 15 Source: [Open data for SME finance \(bankofengland.co.uk\)](#)
- 16 Source: [Open data for SME finance \(bankofengland.co.uk\)](#)
- 17 Source: [Open data for SME finance \(bankofengland.co.uk\)](#)
- 18 Source: [The five-step journey to SME banking transformation | EY – Global](#)
- 19 Source: [Under Pressure, Money Advice Trust, June 2023 Money Advice Trust – Under Pressure report – June 2023.pdf \(moneyadvicetrust.org\)](#)
- 20 Source: [Pensions guidance gap fuels £132bn savings shortfall – Social Market Foundation. \(smf.co.uk\)](#)
- 21 Source: [Pensions guidance gap fuels £132bn savings shortfall – Social Market Foundation. \(smf.co.uk\)](#)
- 22 Source: [One in six over-55s have no pension savings yet \(unbiased.co.uk\)](#)
- 23 Source: [Nearly 1 in 4 over 40s without private pension – FTAdviser](#)
- 24 90% of consumers indicated a willingness to use APIs to share savings, investment and pension data to give them a consolidated dashboard. Source: [TISA-EY Open Finance Report – TISA](#)
- 25 Source: [One in six UK adults have no savings | Money and Pensions Service \(maps.org.uk\)](#)
- 26 Source: [The future of the UK current account switching market – entering a period of transition \(wearepay.uk\)](#)
- 27 Source: [Savers who don't switch for better rates could be £1,655 worse off over two years | This is Money](#)
- 28 Source: [Financial Lives 2022: Key findings from the FCA's Financial Lives May 2022 survey](#)
- 29 Source: [Financial Lives 2022: Key findings from the FCA's Financial Lives May 2022 survey](#)
- 30 Source: [Savers who don't switch for better rates could be £1,655 worse off over two years | This is Money](#)
- 31 Source: [Financial Lives 2022: Key findings from the FCA's Financial Lives May 2022 survey](#)
- 32 Source: [Late payments advice and support | FSB, The Federation of Small Businesses](#)
- 33 Source: [Tackling the cash flow catastrophe – SME Today](#)
- 34 Source: [Tackling the cash flow catastrophe – SME Today](#)
- 35 Source: [Financial services unchained: The ongoing rise of Open Banking | McKinsey](#)
- 36 Source: [Time is Money: Late payments 'stifle' small businesses, report shows | FSB, The Federation of Small Businesses](#)
- 37 Source: [Credit Where Credit's Due | FSB, The Federation of Small Businesses](#)
- 38 Source: [Financial services unchained: The ongoing rise of Open Banking | McKinsey](#)



cfit.org.uk



twitter.com/CFIT_UK



linkedin.com/company/cfituk