

OPEN BANKING

SME lending Task Force Sprint Meeting 3 - 10/05/2024

Attendees:

Chair : Charlotte Croswell (CFIT)

Secretariat : Nick Davey, Richard Koch (Open Banking)

CFIT: Ezechi Britton; Leon Ifayemi; Teresa Lam; Tom Laing-Baker

Name	Organisation
Adam Jackson	Innovate Finance
Adrian Maguire	Experian
Alan Ainsworth	CCAF
Amanda Parmenter	Lloyds Group
Amber Boodt	Nationwide
Andrew Neeson	Visa
Aysha Fernandes	UK Finance
Celso Nogueira	TransUnion
Gary Parlett	Answer Digital
Gavin Starks	Icebreaker One
Glen Keller	CRIF
Hetal POPAT	HSBC
James Guy	Lloyds Group
Kim Jenkins	MoneyHub
Krystyna Biller	Iwoca
Leighton Hughes	CoLC
Leon Jayasinghe	Tide
Lynsey Rodger	Natwest
Mark Devlin	Lloyds Group
Mark Wilcocks	Visa
Markos Zachariadis	Academic
Martin McTague	Federation of Small Businesses
Neil Taylor	Mastercard
Nick Lee	OakNorth
Nicole Green	Yapily
Paul Wilson	Federation of Small Businesses
Phillip Mind	UK Finance
Rebecca Hickman	Addleshaw Goddard
Robert McKechnie	Equifax
Scott Harrison	Experian
Simone Plances	FCA
Stephen Wright	Natwest
Terence Trench	Sage
Thomas Robson-Kanu	SBC

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Apologies:

Name	Organisation
Conrad Ford	Allica Bank
Dame Jayne-Anne Ghadia	Ozone API
Dom Hallas	Startup Coalition
Francesco Simoneschi	Truelayer
Ghela Boskovich	Fdata
Hannah Gurga	ABI
Henk Van Hulle	Open Banking Limited
Jason Turner	Barclays
Linda McKensey	Santander
Nilixa Devlukia	OFA
Robert Pivoris	Intuit
Robert Sullivan	Token
Rory Tanner	Revolut

Actions Arising:

1. Participants to provide information on individual data items within data sets that should be prioritised.
2. Chair and Secretariat to explore whether data which is included in VAT returns is flagged in Accountancy packages once sent.
3. Secretariat to explore potential sources of Invoice data.
4. Secretariat to explore potential sources of Asset / Securities data.
5. Participants to continue provide information on commercial models in the financial Incentives survey by Wed 15th May.
6. Secretariat to summarise the findings from the survey at the next meeting.

Summary of meeting:

Agenda:

- 1) Welcome – relevant updates since the previous meeting
- 2) Data Workstream
 - a. Data item analysis
 - b. Data source analysis including alternative sources
 - c. Existing use of Open Banking and Smart Data
- 3) Background to the Financial Incentives survey (circulated 08/05)

Welcome and background

- The Chair welcomed attendees to the meeting and noted good progress had been made so far. A number of bilateral meetings had happened with more planned in to continue the momentum however there was still a lot of work to progress and welcomed TF members to discuss some details of the data proposals at the meeting.
- The secretariat mentioned that bilateral meetings had been with a variety of stakeholders including specialist lenders, tech suppliers, industry groups and others. That this information has been invaluable and that where relevant would be mentioned in discussions but also a summary of things learned will be expected at a later date.
- The secretariat also mentioned that in 2 sessions time the expectation is that we will focus on any lessons learned from international comparators, and ask if anyone on the task force had knowledge of external markets and could present. Volunteers have since come forward.
- The Chair also noted that TSC had published a report on SME finance which was much broader than the taskforce focus but had some relevant cross-over information.

Data Workstream

- The session primarily focussed on groups of data within the CFIT blueprint work and alternative sources for the data. Ahead of this the secretariat had draft principles for the data workstream. These principles were to focus the direction of the work and ultimate any proposals that would arise. These proposals were broadly summarised into – ensuring we identify credible sources of valuable information, trying to lessen any duplication of data unless there is a benefit of having one or more sources of the same data, choosing sources that could/would deliver Smart Data, and not choosing data and sources by virtue that they are easy if the data is of low value to SME lending.
- The taskforce agreed these principles which will be taken forward in guiding the data work stream and are likely to feature in the final report.
- The task force then discussed specific areas of data:

VAT Data

- HMRC VAT data had come out as the most valuable in the Blueprint work, and the secretariat sought to understand what attributes of this data were important and why it was so highly ranked. Taskforce members noted that the credibility of data having been submitted to HMRC was one area that made the data particularly valuable. The remaining reasons were that the data was a good aggregate snapshot of income and expenditure (not necessarily just sales and invoices paid). Multiple taskforce members from the lending side encompassing both large banks and fintech lenders agreed this was a key data source.
- There was a discussion about what alternative sources existing and the discussion returned to cloud accounting providers. While it was anticipated that broadly half of SMEs used one of these services, those that did often submitted from these to HMRC. At least one accounting provider had a flag in its system to say when a return had been submitted to HMRC. As such data associated with those flags could potentially be more accessible and easier to promote than a HMRC API for example. It was agreed that more work would be done to understand whether each of these providers had a flag for data submitted to HMRC or not? Also further work could be undertaken on the back of that to understand the complexities involved in opening up that data via automation.

Corporation Tax Data

- Corporation Tax data was the second highest rated data in the Blueprint work. The Secretariat also sought to understand why this was so highly rated.
- The discussion generally concluded that this data is not as timely as other sources or as usable as other information in the round. While some of the data was beneficial, on the basis of the principles that had been set out the taskforce agreed to deprioritise corporation tax data in lieu of focussing on VAT data and better availability of data from Companies House.

Companies House Data

- The Blueprint work identified five different data items that companies house could improve upon; improvements were – digital accessibility; data consistency; and data quality. The taskforce agreed that companies house data was key and a good source that exists today but that is difficult or expensive to use in an automated way currently.
- The focal points were: looking at more than simply PDF downloads and moving to more digital formats especially accounts information; SMEs moving to Full rather than Abridged accounts; consistency of names e.g Full first name rather than in some places initials; Full date of birth rather than just month and year.
- The taskforce agreed to keep focussed on Companies House and find out more on Companies House transformation programme and other changes because of the Economic Crime and Corporate Transparency Act to understand if any of these changes were already being action or needed further input.

Transactional Data

- The Secretariat noted that the Blueprint data held 7 items of transactional data with the hypothesis that many of the different data items were duplicate in some manner. The data items included sales data, Open Banking data, Internal transactional data, invoice data, data from card acquirers, BNPL and credit providers data. The taskforce was asked whether any of these sources should be prioritised?
- The discussion concluded that Invoice data was a particularly good source because it showed the customer base for an SME as well as patterns in terms of sales of what and when. Also this could have applications such as SME invoice financing. It was agreed to keep the data as a key item, but there were reservations as to the source of such data. While some SMEs could use cloud accounting software for invoicing, and there are other E-invoice providers there is also the expectation that a relatively large number of SMEs use

paper or standalone electronic solutions. This will be needed to be taken into consideration.

- The taskforce noted that Open Banking data was already accessible so didn't need to be included in the Smart Data proposals. It was noted however that for larger and more complex SMEs Open Banking data was less useful because it was by its nature large and complex. Invoice payments may come through late from customers, it may also provider supplier payments early and late; some suppliers would be regular others one off and so forth. Therefore, generally the smaller the SME the more useful the Open Banking data was likely to be; the larger the SME the more likely Open Banking data could be used to double check other sources of information.
- Some taskforce members also liked the idea of access to acquiring information; while this primarily covered card sales there was additional information in terms of any merchant credit supplied by the acquirer as well as other measures e.g. refunds, chargebacks.
- All other measures from the transactional set were agreed to be deprioritised from the data exercise.

Other Data

- There were other data items listed in the Blueprint work such as Credit Bureau data, Assets & Security registers, Network level data and Social Media data.
- Credit Bureau data has its own suppliers and economic model, it is also a different nature to the work that the taskforce is progressing in that there is no effective consent in the manner we are taking forward. As such we agreed to de-scope this data from the data work.
- Asset & Security registers however were considered very important for understanding how much assets a SME owned and could be posted as collateral. Land registry was given as one example but other also exist. This is considered a key data source for the work.
- Network level data had low scores in the blueprint and it was felt that this data was not as important for SME lending and it was agreed to be de-scoped.
- Social media data was also considered less important for SME lending (although important for other uses) and de-scoped from the data work.
- The taskforce within a short period had refined the key data items to take forward and have a more in-depth look at data sources, quality, consistency and availability.

Government Gateway

- The taskforce was made aware that there were commercial providers that gained some of the data discussed via Government Gateway having been given access by the SME. This would be more helpful for the VAT and Corporation Tax data primarily.
- Members of the taskforce noted that some of this data was indeed available from Government gateway, and once access was granted there are some standardised and automated things that could be done, however getting access even when set up by the SME was complex with frictions that worked against automation.
- Some taskforce members suggested that while alternative sources were worth progressing, better consented access to existing government digital sources is something that may be worth considering.

Financial incentives survey

- The taskforce had been sent a survey looking at different conceptual / stylised models of how a data sharing ecosystem could evolve. None of the models were mutually exclusive and all could develop and be operated alongside each other. The questionnaire asks how financial incentives could be used to establish and operate each model, as well as where liabilities would sit, and any other barriers.
- Taskforce participants were asked to respond to the survey ahead of the next session where financial incentives would start to be discussed.

AOB

- There was no AOB so the secretariat thanked the taskforce members for attending and looked forward to the next meeting on 17th May to start to discuss financial incentives.

[End Summary]