

# OPEN BANKING

## SME lending Task Force Sprint Meeting 8 - 14/06/2024

### Attendees:

Chair : Charlotte Crosswell (CFIT)

Secretariat : Nick Davey, Richard Koch (Open Banking)

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

Name	Company
Alan Ainsworth	Onniva
Andrew Neeson	Visa
Archi Schrimpton	Lloyds Banking Group Ltd
Aysha Fernandes	UK Finance
Ghela Boskovich	FDATA
Glen Keller	CRIF
Hetal Popat	HSBC
Jason Turner	Barclaycard
Krystyna Biller	iwoca
Leighton Hughes	CoLC
Lynsey Rodger	NatWest
Markos Zachariadis	Alliance Manchester Business school
Martin McTague	FSB
Neil Taylor	Mastercard
Nick Lee	OakNorth
Nicole Green	Yapily
Owen Heeley	TransUnion
Philip Mind	UK Finance
Rajesh Kapoor	FCA
Rob Pivoris	Intuit
Scott Harrison	Experian
Shrey Agarwal	Revolut
Terence Trench	Sage
Tom Williams	MoneyHub

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## Apologies:

Name	Organisation
Adam Jackson	Innovate Finance
Agnieszka Scott	DBT
Amber Boodt	Nationwide
Celso Nogueira	TransUnion
Conrad Ford	Allica Bank
Dame Jayne-Anne Ghadia	Ozone API
Dom Hallas	Startup Coalition
Francesco Simoneschi	Truelayer
Gary Parlett	Answer Digital
Hannah Gurga	ABI
Henk Van Hulle	Open Banking Limited
Leon Jayasinghe	Tide
Linda McKensey	Santander
Nilixa Devlukia	OFA
Rebecca Hickman	Addleshaw Goddard
Robert McKechnie	Equifax
Robert Sullivan	Token
Rory Tanner	Revolut

## New Actions Arising:

- Top cover recommendations at the last meeting on 21/06
- To circulate draft report when ready

## Actions carried forward

1. Chair and secretariat to provide feedback to the TF on proposals that have arisen and are being considered for the final report.
2. Chair and Secretariat to look at suggested international comparisons where data sharing models work currently and the conditions that allowed them to come to market.

## Summary of meeting:

### Agenda:

- 1) Welcome
- 2) Short update Survey 2
- 3) Emerging proposals
- 4) Discussion
- 5) AOB

### Welcome and background

- The Chair welcomed attendees to the meeting. This is the penultimate meeting and it felt like we are getting close to now having solutions and recommendations to address the problem statement.
- This week's meeting, meeting 8, was to look at how we intend to discuss getting towards the final proposals and how we start to think about landing those messages.
- It is clear that there is momentum from industry and taskforce members to continue to the next phases on this.
- The Chair and secretariat had also had bilateral calls with industry participants which had been extremely helpful in understanding some key dynamics and issues that individuals organisations had.

### Taskforce Survey 2

- There had been additional survey submissions since last week which meant that submissions were more than third of taskforce members, heading towards 50% of members within scope.
- New responses had given more comfort that the answers to the data questions were robust as they had similar findings to those from before.
- There was a wider range of views on whether a Multilateral agreement or a bilateral agreement were preferable, although the vast majority still preferred a multilateral agreement.

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- There was now more SME representation in survey responses, so it now represented both demand and supply sides. This had provided good input on some SME focussed issues.

## SME education

- More recent findings were that SMEs didn't really have the time or knowledge to submit a loan application so they often paid an accountant or an independent financial advisor / broker to undertake applications on their behalf. This was a fee based service that SMEs seemed willing to pay.
- Newer models such as marketplaces were not often the first port of call for SMEs. This was based on limited knowledge of financial service providers. Typically if they were looking beyond their own bank for finance, they were probably using a broker on their behalf.
- The services of a marketplace has been considered much like that of a digital broker. The difference here is that, by consenting to share data, it is much more automated process and it can be less costly. The lenders can supply offers rather than a broker looking through different loan T&Cs to see which ones may fit.
- It was felt that trust was an important factor in SMEs approaching a specific new lender or marketplace, and to share their data with them. Trust can be gained by their bank or a Cloud Accounting provider making an introduction to the lender or marketplace. Or else a trade organisation providing information and help. It is also possible that SMEs may hear good things by word of mouth, and/or rely on social media ratings and scores. All these ways of bring trust in are achievable.
- Evidence also suggests there will always be a sceptical element of SMEs that won't trust data sharing or new suppliers that use it. We have to be mindful that not everyone will sign up to new smart data products and services. In these situations we have to be alert to the risk of leaving SMEs behind, but our work so far suggests it is unlikely that any SMEs will be left behind because traditional application processes will continue to exist.

## Other aspects of the emerging proposals that we haven't looked at

- Ability of SME data sharing models to combat financial fraud; avoiding issues such as applicants creating fake information e.g. false invoices or altering financial statements, to look more beneficial for loans. There are also fake companies, and previously good companies that have been taken over by criminals; and it is important to detect these in the process.
- Smart data providing tailored insights on the financial health of a company well before any loans are required, and giving SMEs the ability to understand their 'credit score' and hints and tips for improvements. Much like individuals can access their credit score SMEs should be able to access one (or more) even though they may not be applying for a credit card or a loan.

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- Reforms to the Commercial Credit Data Sharing (CCDS) system, which is how lenders get information on business accounts and other financial data as part of a Government mandated scheme. We have heard that reforms to increase the number of lenders sharing data as well as the ability of data aggregators to get access to the information would be incredibly beneficial.

## Discussion

- The taskforce discussed the coverage of the report; starting with the state of the market and problem statements; running through the task force findings and ultimately providing concrete proposals. It was considered essential to position the proposals between shorter-term through to longer term, and what was essential through to helpful but non-essential asks.
- In terms of headlines the taskforce has confirmed that industry can solve the issues. This doesn't appear to need a lot of intervention from government, although there are asks for government in improving data from Companies House and to unlock VAT data. It was felt that it needed to be made clear, the underpinning for smart data schemes through the DPDI bill was essential.
- Also discussed was how adoption through aggregators could mean a modular approach to building up more and more data sources over time but starting with key data sources that still unlocked better outcomes. Essentially you can start relatively small and gain momentum and still get better outcomes than currently.
- Finally, the taskforce discussed whether any proof of concept or prototyping was required to gain more confidence in any proposal or solution. The taskforce suggested that prototyping had already been done as part of the CFIT blueprint work and was less applicable. However a fintech challenge may be of use later on, depending on the proposals and what could be beneficial, but it was not considered integral to the work.

## AOB

- There was no AOB so the Chair thanked the taskforce members for attending and looked forward to the last meeting on 21 June to discuss final proposals and next steps in producing the report.

[End Summary]