

Centre for Finance, Innovation and Technology (CFIT)

Digital Company ID & Fighting Economic Crime: Market Opportunity Working Group

Meeting Minutes

Sprint Session 2

23 April 2025 | Meeting at Skadden, 22 Bishopsgate, London, EC2N 4BQ, and over Microsoft Teams

Attendees:

Name	Organisation
<i>Participating in person</i>	
Aysha Fernandes (Chair)	UK Finance
Leon Ifayemi	CFIT
James McGreevy	CFIT
Rob Haslingden	CFIT
Alexa Nightingale	Opinium
Cormac Mealey	EY
Daniel Jonas	Pay.UK
David Rennie	Orchestrating Identity
Glen Keller	CRIF
John Harrison	UCDx
Leighton Hughes	City of London Corporation
Louise Beaumont	Mastercard
Lorraine Salmond	LexisNexis Risk Solutions
Matthew Howlett	Opinium
Rafael Pontes	EY
Gaurav Sarin	Leading Point
Stella Tong	Opinium
Simon Toms (Secretariat)	Skadden, Arps, Slate, Meagher & Flom
Imad Mohammed Nazar (Secretariat)	Skadden, Arps, Slate, Meagher & Flom
Martin Katunar (Secretariat)	Skadden, Arps, Slate, Meagher & Flom
<i>Participating online</i>	
Cindy van Niekerk	Umazi
Elena Vasilica	Pay.UK
Emily Hyett	Yoti
Faith Reynolds	Devon Fields
Florian Chevoppe-Verdier	DSIT
Francis O'Neill	Lloyds Bank
Fraser Mitchell	SmartSearch
Ghela Boskovich	FDATA
James Deely	Umazi

John Abbott	Yoti
Joseph Kamyar (Secretariat)	Skadden, Arps, Slate, Meagher & Flom
Nicky Hickman	Digital Egret
Rajen Madan	Leading Point
Stuart Young	MyIdentity

Agenda:

1. Welcome
2. Deep Dive: SME Research Review
3. Open Discussion
4. Next Steps

1. Welcome

Speakers: Aysha Fernandes (AF) and Simon Toms (ST)

- 1.1. AF and ST opened the meeting by welcoming all attendees to the second sprint of the Market Opportunity Working Group.
- 1.2. The primary objective of this meeting was outlined: to review and discuss the SME research conducted by Opinium. The research aims to validate key assumptions and support the development of the business case. Opinium will present their findings, after which the floor will be open for discussion and questions.
- 1.3. AF reminded all members of the group about the importance of adhering to the guiding principles regarding the sharing of competitively sensitive information. AF emphasized the need for strict compliance with competition law. As a precaution, certain information from the SME research has been redacted pending the completion of the ongoing competition law review.

2. Deep Dive: SME Research Review

Speakers: Alexa Nightingale (AN), Matthew Howlett (MH), Rob Haslingden (RH) and Stella Tong (STT)

Introduction and context (RH)

- 2.1. RH provided an overview of the research, explaining that it was commissioned to understand the perspectives of SMEs regarding company identification (ID) and to determine the market size. The research aimed to assess the willingness of SMEs to create company IDs and identify the specific use cases in which they would be inclined to do so. The scope of the research was limited to four or five use cases, including engagement with public sector entities and financial services providers. Additionally, the

research explored whether SMEs would be willing to pay for the company ID and, if so, at what price points.

- 2.2. RH suggested that two potential avenues need to be explored to determine the market for company IDs. The first option is for the government to mandate the use of company IDs, for example, to access public services. The second option is for a commercial market to develop organically as the use cases become more apparent and organizations begin to adopt company IDs.
- 2.3. The Opinium research considered a financing model where SMEs would bear the cost of company ID services. However, some stakeholders have argued that this model could hinder widespread market adoption. An alternative model, which was not covered in the research but could be further explored by this working group, involves providing company IDs free of charge to SMEs. In this model, third-party users, such as banks or major marketplaces, would be charged on a transactional basis to use the company ID.

Research methodology (AN)

- 2.4. AN explained the methodology for the research and worked through their slide deck. Opinium conducted a study involving 1,000 UK SME decision-makers responsible for managing banking activities or opening/changing business bank accounts. The sample included an even distribution of sole traders, micro businesses, small businesses, and medium-sized businesses. Opinium administered a 15-minute online survey, which included detailed profiling of the businesses to ensure the correct target audience was reached. As part of the survey, respondents were shown a video explaining what a company ID is. Following the video, the survey assessed whether the concept of a company ID was appealing and relevant to businesses, how unique it was, and whether respondents understood its purpose.
- 2.5. The core focus of the questionnaire was the pricing exercise, which examined the different price points that SMEs are willing to pay. Opinium tested two pricing structures: a one-off annual fee model and a model that includes an annual fee plus transactional fees for each transaction. The results were then calibrated using a probability scale, where SMEs were asked how likely they would be to actually pay for a company ID at the price point they accepted.

Key questions covered by the survey (AN)

- 2.6. The survey set out to answer five key questions: (i) Which use cases resonate most with SMEs; (ii) How was the company ID received by SMEs; (iii) What percentage of businesses are willing to pay for the company ID; (iv) At what price point, and which pricing model will generate the maximum opportunity for the company ID; (v) What are the challenges and barriers for implementation of the company ID?

Executive summary (AN)

- 2.7. The research indicates a significant opportunity for the company ID. The demand and appeal for the product increase with the size of the business. Notably, eight out of ten SMEs expressed willingness to pay for the company ID, highlighting a robust opportunity within the UK SME market. Businesses rated the company ID highly in terms of relevance, appeal, uniqueness, and clarity. Larger SMEs, which encounter more challenges, also anticipate greater usage of the product and find it more appealing.
- 2.8. Despite the evident need for the product, the forecasted number of annual transactions remains relatively low across all business sizes. This factor is crucial to consider when assessing various pricing models.
- 2.9. The primary predicted use cases for the company ID include verifying identity when opening a bank account and simplifying regulatory compliance. Medium-sized SMEs view the company ID as a valuable tool for fraud prevention, given their higher susceptibility to fraud compared to smaller companies. Although authorizing everyday payments and authenticating vendors during transactions are common activities, the use of the company ID for these purposes is less compelling. This may be due to SMEs' confidence in their existing solutions, such as the security measures provided by their banks.
- 2.10. In relation to pricing, the annual fee model with tiered pricing based on business size emerged as the optimal model, generating the maximum opportunity for the company ID. Businesses are more inclined to pay a higher annual fee if it eliminates transactional fees, as the assurance of unlimited product use enhances its value and makes a higher price point more acceptable for SMEs. Given the relatively low predicted annual transaction volume, the transactional pricing model (which includes an annual base fee plus transaction fees) is expected to generate lower revenues compared to the annual fee model.

Use cases (MH)

- 2.11. MH reported that two primary use cases for the company ID have been identified. Firstly, nearly two-thirds of SMEs surveyed indicated they would use the company ID to verify identity when opening a bank account. Secondly, 59% of SMEs stated they would use the company ID for regulatory compliance purposes, such as filing tax returns, updating Companies House records, or meeting anti-money laundering requirements.
- 2.12. While authorising everyday payments is the most common use case currently undertaken by businesses, only 38% of SMEs could see themselves using the company ID for this purpose. This may be because many SMEs feel they already have adequate solutions in place for authorising payments.

How was the company ID received by SMEs? (AN)

- 2.13. The company ID was generally very well received by SMEs. The survey included questions assessing whether the company ID was appealing, relevant, unique, and clear.

Responses were highly positive across all four areas. Key reasons cited for the appeal of the company ID included enhanced security, improved compliance, and time savings.

Pricing (AN)

- 2.14. The research aimed to determine what proportion of businesses are willing to pay for the company ID, as well as the preferred price points. The Gabor-Granger method was used to assess demand at various price levels. However, specific price points have not yet been shared with working group members, pending confirmation that there are no competition law concerns.
- 2.15. Opinium tested two pricing models for the company ID: (i) a one-off annual flat fee with no transaction fees, and (ii) an annual flat fee combined with a nominal transaction fee for each use. The sample was split evenly, with half viewing the first pricing model and the other half the second.
- 2.16. The majority of SMEs expressed a willingness to pay for the company ID. There was little difference between the two pricing models: 85% of respondents were willing to pay under the annual fee model, compared to 80% under the annual fee plus transaction fee model. Willingness to pay increased with business size, reaching nearly 100% among medium-sized businesses.
- 2.17. The research also explored the price points at which SMEs would be willing to purchase the company ID and which pricing model would generate the greatest opportunity. Opinium found that a tiered pricing structure, tailored to different business sizes, would maximise opportunity under the one-off annual fee model. For the transactional pricing model, a single price point across all business sizes would generate slightly higher maximum revenue, as the optimal price point does not vary significantly and sole traders represent the largest segment of the market. Overall, the one-off annual fee model with a tiered pricing structure was found to generate the highest opportunity.

Challenges and barriers for implementation (STT)

- 2.18. The main barrier to implementation identified was perceived relevance. SMEs who were unlikely to adopt the product felt their organisations would not use it frequently enough to justify the cost, or did not see it as relevant to their business. The key challenge will therefore be to clearly demonstrate the benefits and practical usefulness of the company ID to drive uptake.
- 2.19. Some respondents also expressed concerns about storing sensitive information digitally. Addressing this barrier will require education to reassure SMEs that the company ID is designed to enhance, rather than compromise, security.

3. Open Discussion

Participants: Aysha Fernandes (AF), Daniel Jonas (DJ), David Rennie (DR), Francis O'Neill (FO), Glen Keller (GK), Gaurav Sarin (GS), John Harrison (JH), Leon Ifayemi (LI), Louise Beaumont (LB), Nicky Hickman (NH), and Rob Haslingden (RH)

- 3.1. Companies House integration: JH highlighted that integration with Companies House is a key consideration for SMEs. It was agreed that this topic will be addressed in detail during one of the upcoming sprints.
- 3.2. Use cases: LB raised concerns about respondents' ability to envision practical uses for the company ID. Currently, there are limited alternatives, though some respondents indicated they have existing solutions. This lack of clarity may result in a significant underestimation of the projected annual transaction volume.
- 3.3. Uptake maximisation: GK emphasised that the primary focus should be on maximising uptake and reducing economic crime, rather than prioritising providers' revenues. He questioned what the optimal price point would be to encourage widespread adoption. The group discussed how lower pricing could drive uptake among different SME categories. LB added that a seamless customer journey is crucial for maximising adoption; the easier the product is to use, the more likely it will be widely embraced. John Harrison stressed the importance of creating a compelling user experience at this stage, noting that the product must save time and offer convenience.
- 3.4. Market penetration: NH commended the research and noted its focus on the business model of company ID providers. She inquired whether there is data on the level of market penetration required to meaningfully reduce economic crime. Combining such data with findings from Opinium's research could help determine the optimal price point to foster an ecosystem that effectively combats fraud. AF pointed out that several variables influence market penetration, including the specific use cases for company ID. RH added that most fraud occurs not at the onboarding stage, but during business transactions. Since the current focus has been on onboarding, further exploration is needed into use cases for company ID after businesses begin transacting, such as ongoing identity validation and monitoring for suspicious behaviour.
- 3.5. Micro businesses: GS shared that, based on his experience at a major digital bank, most fraud occurs within the micro trader segment, which comprises approximately 4.1 million SMEs. To ensure the credibility of the company ID product, efforts should prioritise achieving maximum penetration within this segment.
- 3.6. Who should pay for the company ID?: GS questioned whether the burden of implementing company IDs belongs to SMEs or to other parties such as banks or large marketplaces and therefore who should bear the cost of implementing company IDs. Liability assumptions were discussed as they may impact pricing. One option is to charge SMEs, however, an alternative model would be to allow SMEs to create their company ID free of charge, with users of the ID paying for access (e.g. banks and market places). This approach would also eliminate barriers to entry for SMEs.

- 3.7. Portability: JH observed that each bank currently creates a company ID when onboarding a new client, and questioned why this could not be portable. A consistent dataset could be developed to verify company identity, making it usable across various organisations and use cases. Such an identity could be linked to a company's reputation, for example, based on its ability to meet liabilities. Achieving portability may require government intervention, as was the case with the introduction of the current account switching service. DR and RH argued that there is market demand for company ID, cautioning that certain forms of government intervention could distort the market. FO noted that banks have differing business models and risk appetites, which may make them reluctant to accept other banks' onboarding processes. A centralised, high-standard solution accepted by all could address this challenge from the banks' perspective.
- 3.8. Network effect: LB underscored the importance of stimulating network effects, noting that a wide range of parties could benefit from the adoption of company ID. Ultimately, broad adoption would enhance the UK's reputation as a safe place to do business.
- 3.9. Value proposition: RH stated that the primary value proposition of the company ID is saving time and money. Once created, companies would also be able to repurpose their ID for multiple uses.
- 3.10. Regulating liability: DR used the regulation of the right to work as an example of how companies could be incentivised to use company ID. Previously, employers faced fines of around £12,000 for hiring individuals without the right to work in the UK, which was later increased to £45,000. However, businesses are exempt from fines if they use a service certified to government standards. Given the relatively low cost of such services compared to the penalties, adoption becomes an obvious choice. A similar incentive model could be considered for company ID.
- 3.11. Survey data: DJ inquired whether the underlying survey data would be made available to working group members. RH responded that specific data requests should be directed to CFIT, who will consult with Opinium regarding data sharing. DR added that viewing the animation used in the survey would be beneficial, and RH confirmed this can be shared.
- 3.12. Bank survey: JH asked if similar research would be conducted with banks. LI replied that no such research is currently planned, but it could be considered in the future. RH added that if there is sufficient interest, the working group could consider collectively funding such research. Alternatively, since several financial institutions are already represented in the group, an informal exercise could be conducted to gather insights into banks' perspectives on company ID.

4. Next steps

- 4.1. The third sprint is scheduled for 7 May 2025. The primary focus of this sprint will be on the market structure and the go-to-market strategy for Company ID. The decision to bring this session forward was made in response to feedback received from the working group members.

5. Action points

Reference	Actions
2.14	If clearance is obtained following completion of the competition law review, CFIT to share results of the research (including price points) with the working group members.
3.11	Opinium/CFIT to share the animation used as part of the survey with the interested working group members.