



# Enhancing current account switching in the era of Open Banking







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01

# Foreword by Jo Kenrick

**Chair Of The Current Account Switch Service (CASS)**

**In our 2018 discussion paper on the challenges and opportunities for current account switching, we presented four consumer-focused use cases to illustrate how Open Banking could potentially change the dynamics of consumer choice and their approach to switching. We also presented CASS's views on what benefits might be possible to achieve for consumers through innovative thinking and coordinated action across the switch ecosystem.**

Our 2019 research program is influenced by our strategy and underpinned by our regulatory undertakings. This approach has contributed to our August 2019 discussion paper on switching in savings and our work to understand how the uptake of Open Banking functionality may impact on the switch service overall.

Every year CASS delivers workshops, called Strategy Days, to engage with the ecosystem and test our approach to meeting our objectives. At our April 2019 Strategy Day, we discussed our future scenarios for retail banking findings and considered the potential impact on consumer switching behaviours on CASS operations and objectives. One key question was how consumer switching behaviour would change with the take up of Open Banking-enabled services.

We are using this paper to explore the rapidly changing area of Open Banking in more detail and with a wider group of stakeholders. As with our 2018 discussion paper, we present views on what the future challenges to consumer choice and switching might be in relation to the use of Open Banking-enabled TPP services. I thank the Open Banking Implementation Entity for its support in developing this discussion paper.

I would be delighted if you engage with the Current Account Switch Service team with your views so we can support consumer choice and future proof the consumer switch journey. We welcome your feedback.



*Open Banking means consumers can share the banking and spending data from their current account with third party firms (TPPs) who can provide innovative products and services.*

*Such services could help consumers to find and fill in mortgage applications or provide budgeting tools that could help avoid unplanned overdrafts and reduce overall interest costs.*

*CASS is interested in the opportunities from Open Banking, as both initiatives are inextricably connected to a consumer's current account.*

**Jo Kenrick**

**Independent non-executive Chair,  
Current Account Switch Service**

## 02

# Executive Summary

**Switching to the right bank account and safely sharing data can give consumers<sup>1</sup> many benefits such as cost savings, rewards, better money management and a more tailored service.**

Those consumer benefits extend beyond banking to other regulated sectors – including utilities and communications – as was highlighted by the Government in its 2018 Green Paper on Modernising Consumer Markets.

The Government has made proposals to accelerate the development of innovative data-driven services in the Smart Data Review:

- Establishing a new cross-sectoral Smart Data Function to oversee the delivery of smart data initiatives across multiple markets;
- Introducing an Open Communications initiative for data sharing in the communications sector; and
- Proposing to use data and technology to help vulnerable consumers, including establishing a Vulnerable Consumer Challenge.<sup>2</sup>

CASS is interested in how smart data could be used to drive better consumer outcomes in financial services. Specifically, we want to consider the impacts of smart data on the switching journey and how to future proof the switch journey to ensure that it continues to support a stress-free service that consumers value and wish to use.

Enhanced current account switching, new price comparison tools and Open Banking are all part of the data-driven reforms required by the Competition and Markets Authority (CMA) under its 2017 Retail Banking Market Investigation Order. Given the emerging uptake of Open Banking and comparison tools' focus on motor and home insurance, it is important that we reduce the barriers to switching as far as possible – since this continues to be a key mechanism by which consumers exercise their choice and gain value.



**Barriers to switching** – Consumers who cannot freely move to the best value firm are harmed directly because they cannot access the product that best suits their needs. Additionally, if firms cannot win business by offering better value, they have less reason to cut prices, improve quality or innovate. Barriers to switching, such as exit fees, unwieldy or time-consuming processes, will prevent or deter consumers from taking their business elsewhere.

**Financial Conduct Authority**  
FCA Mission: Approach to Competition 2018

<sup>1</sup> In this paper 'consumers' refers to individual customers as well as small and medium sized enterprises (SMEs).

<sup>2</sup> <https://www.gov.uk/government/publications/smart-data-review/smart-data-review-proposals>.

This paper is part of our work to engage with the wider switch and Open Banking ecosystems. It builds on our September 2018 discussion paper<sup>3</sup> and related engagement and examines:

- **Today's switching journey** from a consumer perspective;
- The **future switching journey**; and
- The **management of data sharing as an important part of the future switching journey**.

#### Today's switching journey

From a consumer viewpoint, switching a current account involves several steps, many of which lie outside CASS's operational responsibility. It is only once a consumer has decided to switch current accounts that CASS (the UK's sole designated current account switch service) is involved.

CASS has used its research to design a switch process that addresses consumer concerns and needs which is:

- ✓ **Simple** – as once the consumer applies to switch current account, the actual switching is all done by the firms, not the consumer;
- ✓ **Short** – the switch is completed in seven working days; and
- ✓ **Guaranteed** – under the Current Account Switch Guarantee, all incoming or outgoing payment instructions (Direct Debits, bill payments and standing orders) are transferred, along with saved Payee details for internet and telephone banking. Any charges arising from a failure of the switching process (including interest paid or lost) will be refunded.

Since its launch in September 2013, CASS has helped over 6 million UK consumers securely switch their current account provider.



*The Competition and Markets Authority (CMA) believes the adoption of Open Banking technology and processes have the potential to benefit consumers by allowing new, innovative providers of services into the retail and small business banking market.*

*The early signs are extremely positive. Open Banking has already made huge strides in the initial stages of roll-out, with over 100 third parties providing a range of services to end users and businesses and incumbent providers also offering new services. But we are clear that there's more to be done to make sure that financial services give customers improved service, better choices and better prices. The threat of competition between providers that the Current Account Switch Service facilitates supports better choices for customers, both from existing and new providers.*

*So we are encouraged that CASS is continuing its dialogue with stakeholders on how to future proof current account switching in preparation for a changed marketplace under Open Banking.*

#### Colin Garland

Director, Remedies, Business and Financial Analysis  
Competition and Markets Authority

<sup>3</sup> Current Account Switch Service, *Challenges and opportunities for current account switching from the Competition and Markets Authority retail banking reform*, September 2018.

### Open Banking and the switching journey

Open Banking aims to bring benefits to consumers by adding innovative products to a consumer’s current account or providing a personalised comparison to make switching easier. Recent analysis estimates that the potential value to consumers from Open Banking-enabled services is £12 billion for individuals and £6 billion for small businesses.<sup>4</sup> Getting a better deal on your current account, for instance by way of a cheaper overdraft or a better return on credit balances, is equivalent to £3.7 billion for individual consumers and £0.4 billion for small businesses.

Open Banking benefits are built upon consumers consenting to securely share their current account data with Third Party Providers (TPPs). But Open Banking-enabled products and firms are not yet part of the current account switch journey. The challenge for CASS, therefore, is how to develop the current account switch journey to help support the continued use of Open Banking-enabled products so consumers can realise these potential gains before, during and after a current account switch.

CASS’s Future Scenarios research (part of the way CASS is developing its future strategy) explores the impact of developments in retail banking on current account switching. One of the future scenarios identified the need to consider the impact of Open Banking on consumer switching behaviour.

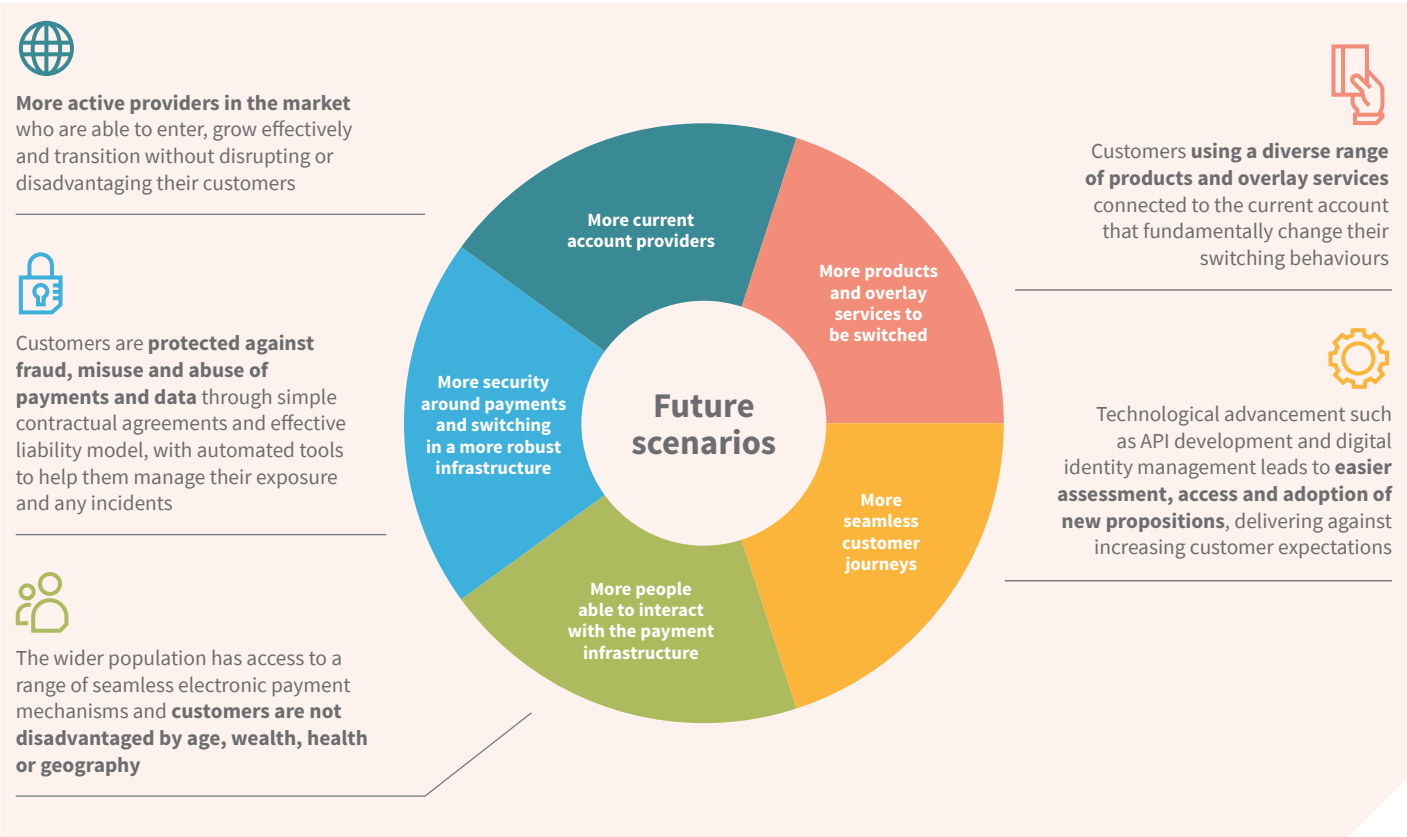


Figure 1: Five scenarios for the future of retail banking (Manifesto Growth Architects for Current Account Switch Service)

<sup>4</sup> Consumer Priorities for Open Banking, Faith Reynolds and Mark Chidley, June 2019.

**Our discussions within the switch ecosystem have identified some key ideas where CASS could support consumers in the future switch journey as people start to use more Open Banking-enabled products.**

Under the second Payment Services Directive (PSD2) and its related Regulatory Technical Standards on Strong Customer Authentication (RTS- SCA), consumers must give explicit consent for TPPs to connect with their current account provider in order to access their financial data in a secure manner.<sup>5</sup> In order to enable sharing of data, consumers must authenticate with their ASPSP (bank or building society). The TPP can then access the consumers' account data for up to 90 days, following which the consumer would need to reauthenticate with their bank ('90-day reauthentication') in order to allow further access. Without re-authenticating, the TPP will be unable to continue to access the consumer's data.

It is important to note the distinction. The consent agreed between the consumer and TPP remains valid, but in order to access the data the consumer must authenticate with the bank. There would not be a need to re-establish a valid consent but there would be a need to reauthenticate in order continue on-going access.

Regulators and market participants agree that some consumers find the 90-day reauthentication process cumbersome and so can 'drop off' TPP services.<sup>6</sup> The 'drop off' rate is material – recent analysis by Account Technologies estimates it to be 8%.

Switching current accounts is another event that would trigger consumer authentication. In this scenario the consumer would need to go through a fresh authentication journey with their New Bank for each TPP in order to establish access to their New Bank account. It is reasonable to assume that these new reauthentication journeys on a bank account switch may well experience a similar 'drop off' rate to the 90-day reauthentication rates.

Therefore, the consumer experience and sentiment towards 90-day reauthentication can be used as a *proxy* for the experience that consumers will have when trying to switch current account. Specifically, the additional hassle factor associated with re-establishing all their desired TPP consent relationships, as well as having to authenticate, could stop some consumers from choosing to switch current accounts in the first place. If this happens, Open Banking could have the unintended effect of making consumers less likely to switch current accounts.



*We appreciate AISPs [Account Information Service Provider's] concern about the impact of requirements to reauthenticate access to account information every 90-days. We note that the way this is implemented could dissuade customers from using AIS services because they will periodically need to input strong customer authentication for each of the accounts and providers they have aggregated.*

**FCA Policy Statement**  
18/24, December 2018

<sup>5</sup> PSD2 was transposed into UK law as The Payment Services Regulations 2017 ('PSR').

<sup>6</sup> See FCA, *Approach to final Regulatory Technical Standards and EBA guidelines under the revised Payment Services Directive (PSD2)*, Policy Statement 18/24, December 2018. <https://www.fca.org.uk/publication/policy/ps18-24.pdf>.

### Supporting Open Banking services in the future switch journey

Following extensive analysis and consultation with stakeholders, CASS has created a range of options for discussion and consideration by the switch ecosystem. Most of the options focus on closing the communication gaps for consumers and TPPs that can arise in the event of a current account switch. They vary by levels of complexity, budget requirements and delivery profiles (i.e. pre - or post-current account switch, short- or long-term delivery horizon).

While these options do not deliver the seamless consumer journey ‘moonshot’ proposed in our 2018 discussion paper (reproduced on page 15), implementing some or all these options could materially enhance the consumer journey. In this way, the ecosystem could help to reduce friction and stickiness and so support consumer choice in current accounts and Open Banking-enabled TPP services.

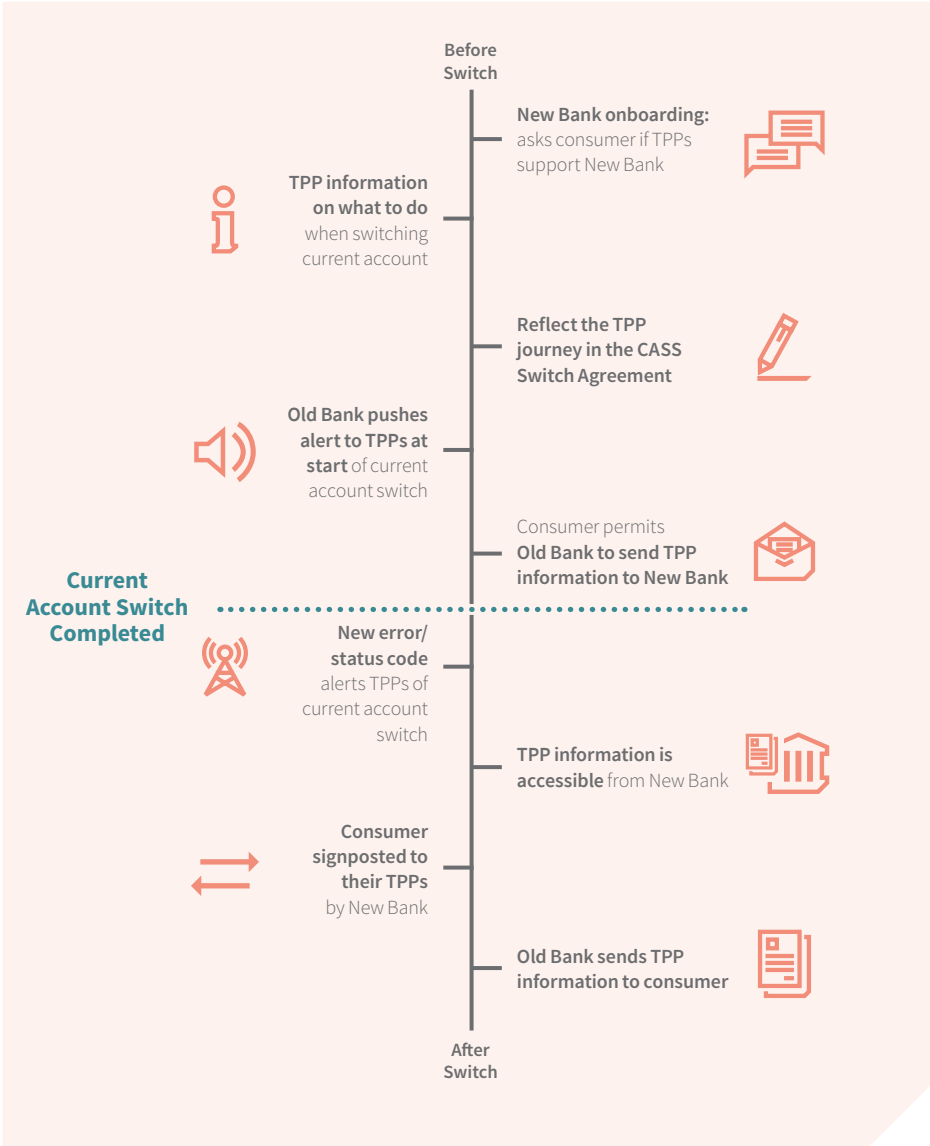


Figure 2: Possible measures to enhance the consumer switch journey



**Given the rapid pace of change in Open Banking and its growth potential, CASS will continue to monitor developments and engage across the switch ecosystem to understand the appropriate timing and design for enhancing the switch journey. CASS proposes to pursue such potential enhancements based on consumer need and value added under our Future Scenarios work. Consideration may include how switching can be updated to incorporate a more API-based structure as part of industry infrastructure renewal programmes under the New Payments Architecture Programme.**

**A bigger prize: other data sharing and switching opportunities**

Despite its complexity, the importance of a seamless consumer solution when switching supplier cannot be overstated. If the necessary regulatory, technological and investment conditions could be agreed for such an enhanced consumer journey in financial services, the benefits could be felt well beyond this sector.

This is because other regulated sectors such as utilities and communications are also investigating the opportunities from applying open data principles leading from the BEIS Smart Data Review. In order to make the most of the data portability envisaged by open data, consumers will need seamless ways to safely reconnect their open data-enabled products across their lives – whether they switch current accounts, savings accounts or electricity supplier. Enabling effective consent switching is essential in preventing the risk of smart data becoming a hurdle to switching rather than a pathway to improved consumer outcomes.



*The Government will therefore launch a 'Smart Data' review into how best to ensure data portability is implemented in a way which supports consumers to get better deals in regulated markets, building on the approach pioneered by Open Banking.*

**Modernising Consumer Markets**  
BEIS, April 2018

## 03

# Introduction

**With this paper, CASS wants to engage with stakeholders on what the future current account switch journey might look like as Open Banking-enabled data sharing between banks and TPPs becomes more commonplace and consumers expect to retain access to their TPP services.**

Open Banking brings benefits to consumers by *adding* innovative products to a consumer's current account, opening up the use of products that can help a consumer manage their money more easily. But Open Banking-enabled products are not yet included in the current account switch journey. At present, consumers face a manual and potentially time-consuming process to connect their new current account to their existing Open Banking products. This 'consent and authentication' hurdle may deter consumers from switching current accounts and reduce consumer desirability to choose and switch to financial products that are better at meeting their needs.

The challenge CASS faces is how Open Banking products relate to the CASS switch process in a way that adheres to the regulatory and technology requirements so consumers retain a simple and hassle-free switch journey when they move current account.

If successful, the prize for consumers from such coordinated action goes beyond realising the potential £18 billion of Open Banking-related benefits.

To set the scene for a consumer experience of current account switching, Chapter 4 outlines the present switch journey and how CASS has designed it to meet consumer needs and concerns.

Chapter 5 provides a brief overview of Open Banking and its potential consumer benefits. We explain the related challenges for CASS using our Future Scenarios work.

Chapter 6 describes the regulatory and technology framework underpinning data sharing in Open Banking. We explain how it may act as a hurdle for consumers wanting to switch their current account and present CASS's proposal to start addressing this hurdle. We also discuss how this proposal could be built upon by others in the Open Banking ecosystem to deliver an enhanced current account switch journey that makes sense from a consumer viewpoint.



**Barriers to switching** – Consumers who cannot freely move to the best value firm are harmed directly because they cannot access the product that best suits their needs. Additionally, if firms cannot win business by offering better value, they have less reason to cut prices, improve quality or innovate. Barriers to switching, such as exit fees, unwieldy or time-consuming processes, will prevent or deter consumers from taking their business elsewhere.

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Competition, 2018



## 04

# Today's switching journey

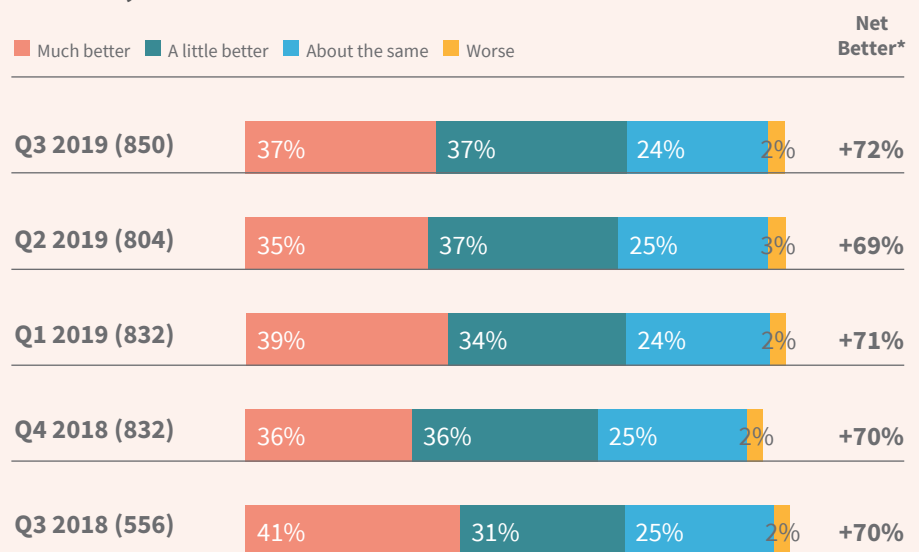
**CASS is the UK's sole designated current account switch service. It is used by over 99% of UK current accounts providers and manages the switch process to securely transfer the consumer's current account and all the related payment instructions (Direct Debits, bill payments and standing orders) to the new provider within seven working days. Since its launch in September 2013, CASS has helped over 6 million UK consumers (including SMEs) switch their current account.**

## Consumers switch current account for many reasons

CASS regularly undertakes market research to help understand what consumers need from a switch service. As well as mass market research, CASS investigates the challenges to switching experienced by specific segments: financially vulnerable consumers, younger consumers (18-34) and Small and Medium-sized Enterprises (SMEs).

CASS monthly KPI and switching behaviour research (shown in Figure 3) shows that after switching, 7 in 10 individual consumers (72%) say their new current account is better than their old one.<sup>7</sup>

## Would you say your new current account is better, worse or about the same?



Base: All switched current account in last 3 years excluding Don't Knows

\*Net better = All saying better – All saying worse

Figure 3: Individual consumer views of their new current account

<sup>7</sup> CASS Monthly KPI and Switching Behaviour Research.

The top two reasons consumers rate their new current account as better than their old one continue to be service related: online banking and customer service. Mobile banking also ranks consistently among the top answers. Interest rates is the most mentioned financial reason for rating the new account as better (cited by 31%) with account fees (25%) and cashback (19%) the next most mentioned financial reasons.<sup>7</sup>

Whatever a consumer's reason for switching their current account, CASS's purpose is to make the switch process secure, simple and as stress-free as possible. To do this, CASS has to consider what *prevents* consumers from switching.

### Consumers can have many reasons for not switching

As Figure 5 shows, switching a current account involves several steps from a consumer viewpoint. Consumers can use comparison websites to help research the options. It is only once a consumer has decided to switch current account that CASS, and its switch guarantee, is involved.

### In what ways is the new current account better than the old one?

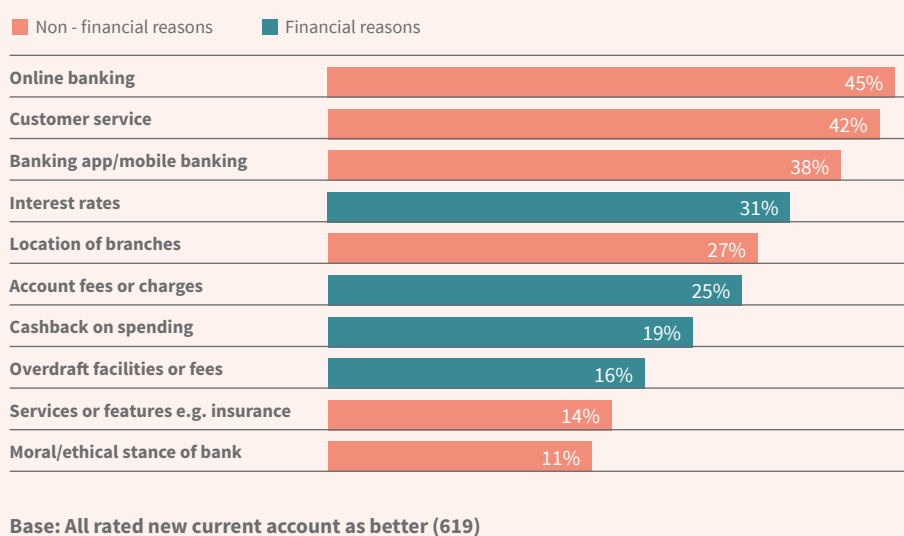


Figure 4: How individual consumers compare their new current account

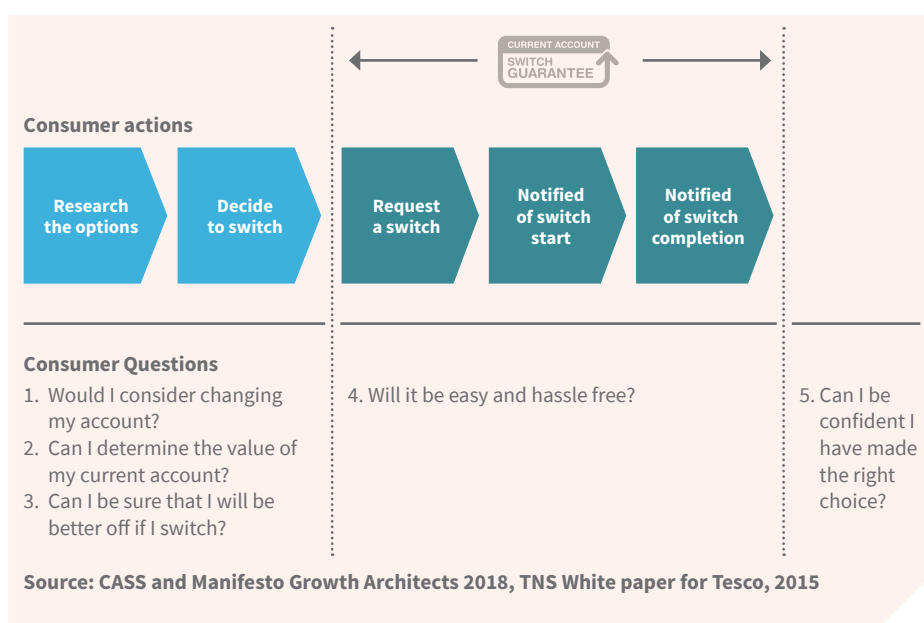


Figure 5: CASS responsibilities in the current account switch process

<sup>7</sup> CASS Monthly KPI and Switching Behaviour Research.



**Our research has shown that the hurdles consumers face before deciding to switch include concerns of how long and complicated it will be to find a new current account and how much will be gained from switching.**

**What CASS is doing to enhance today's switch journey**

While the pre-switch hurdles that consumers face lie outside CASS's area of responsibility, the contextual information it provides is very helpful. It confirmed that the actual switch process must be easy and hassle free to induce consumers to complete the switch. The table here lists the key concerns and shows how CASS designed the switch process to address them.

In summary, to support consumer choice, improve competition between providers and reduce 'stickiness' in current accounts, CASS has designed the current account switch process to be:

- ✔ **Simple** – as once the consumer applies to switch current account, the actual switching is all done by the firms, not the consumer;
- ✔ **Short** – seven working days; and
- ✔ **Guaranteed** – under the Current Account Switch Guarantee all payment instructions (direct debits, bill payments and standing orders) are transferred and any interest (paid or lost) and charges arising from a failure of the switching process will be refunded.

The next chapter discusses what the consumer-related hurdles for the *future* switch service might be, focusing on the challenges arising from Open Banking.



Consumer concern	How addressed by CASS	Consumer response
<b>Complexity</b> The switch process will be complex and consumers will have to do all the heavy lifting "Running a business takes a lot of time, and I don't want to have to decipher the messages" – SME	Consumers just need to open a new current account and pick a switch date. Under the CASS switch process, the bank or building society the consumer is switching to then takes care of everything else	"Good because before this, you had to move all the direct debits yourself" – SME
<b>Flexibility</b> Concern that the switch date might fall on an inconvenient date and there would be no choice	Consumers can agree the switch date with the New Bank	"I like the choosing switch date bit. It feels like they're fitting in around you" – Individual
<b>Duration</b> It will take a long time – weeks or months	The switch is done in seven working days	
<b>Cost</b> It will be expensive to switch	The switch service is free for consumers	
<b>Liability</b> Will I be liable if anything goes wrong with my payments during the switch process? "You've got your invoicing set up, and if something goes wrong it suddenly affects your cashflow, which could affect your relationship with clients" – SME	Current Account Switch Guarantee guarantees that any charges or interest incurred on the old or new account, as a result of a failure in the switching process, will be refunded when the consumer brings this to the attention of their New Bank or building society	"The word guarantee makes me feel more reassured" – SME "A guarantee is good. It's like a promise. It reassures you" – Individual
<b>Completeness</b> Not all my payments will get forwarded	There is a redirect service that forwards all payments to the new account. Each time an electronic payment is redirected an automatic message is sent back to the originator advising them of the customer's new account details so they can update their records	

**CASS audience and messaging research, The Nursery Research & Planning 2019 and ENGINE Research 2017**  
 Note: consumer comments noted where relevant

## 05

# The future of the journey

**A key objective of the CMA's 2016 package of reforms was to: "help customers to find and access better value services and enable them to take more control of their finances."<sup>8</sup>**

This package of reforms was based on consumers being able to do all of the following activities with ease:

- **Compare** products (via Price Comparison Websites – PCWs);
- **Add** new products to their portfolio (via Open Banking); and
- **Switch** current accounts.

This chapter sets out how the first two elements (compare and add) impact the switch journey that CASS has been supporting since 2013.

## Comparing products

Price Comparison Websites (PCWs) are used by many consumers to compare financial services products such as motor insurance and credit cards.<sup>9</sup> However, comparison can be focused on a relatively narrow range of features (such as renewal price, promotional offers or rewards),<sup>10</sup> leaving it difficult for consumers to make the informed assessments necessary to change provider with confidence. For other financial services products, effective comparison tools are less plentiful.

To support easier product comparison, regulators have required providers to set out the relevant information in a more standardised way – for example the FCA's reforms in June 2019 to make overdraft terms easier to understand and compare.<sup>11</sup> In addition, the CMA Order sought to improve access to personalised price comparison in the current account market by allowing consumers to share their current account data with PCWs, or other platforms, so they could understand how much they could have saved with alternative providers.

Whilst the data standardisation changes were expected to impact the comparison market, there has been little increased appetite to deliver current account comparison services. This is explained by limited consumer demand and the difficulties of monetizing such a solution. At present, the changes are not expected to have an impact on CASS by driving more switching. Therefore, CASS does not envisage any immediate actions in this area. In future, enabling consumers to initiate a switch directly from a PCW or similar TPP platform may help facilitate a more seamless switching journey. CASS will continue to monitor the wider comparison market for emerging trends that could impact current account switching in the medium to longer term.

## Potential value from Open Banking

# £6 billion

Small business total value

# £12 billion

Consumer total annual value

Source: Consumer Priorities for Open Banking

<sup>8</sup> Competition and Markets Authority, *Making banks work harder for you*, 9 August 2016.

<sup>9</sup> S&P research shows that PCWs account for around two thirds of motor insurance policies sold in the UK (<https://www.insurance-hub.eu/uk-motor-insurance/>). FCA stated that 66% of those who shopped around for credit cards used PCWs. <https://www.fca.org.uk/credit-card-market-study-interim-report/consumer-shopping-around-and-switching>.

<sup>10</sup> Source FCA: <https://www.fca.org.uk/credit-card-market-study-interim-report/consumer-shopping-around-and-switching> and p8 of <https://www.fca.org.uk/publication/thematic-reviews/tr14-11.pdf>

<sup>11</sup> <https://www.fca.org.uk/publication/policy/ps19-16.pdf>



### Adding products through Open Banking

Two key products envisaged by the CMA under Open Banking were credit products unbundled from current accounts (e.g. ‘unbundled’ or ‘third party’ overdrafts) and high balance sweeping.<sup>12</sup> Such innovative new products would connect to a consumer’s current account, either in terms of account information access or payment initiation, or both. Because of this, Open Banking-enabled products could increase the ‘hassle factor’ of switching current accounts and so adversely impact the effective choice in current accounts.

Adding such new products could raise the following issues for a future switch journey:

- **High balance sweeping** – if Variable Recurring Payments (VRPs) are required so that TPPs can execute high balance sweeping, how might these payment types be incorporated into the current account switch (along with direct debit and standing orders)?
- **Unbundled overdrafts** – TPPs must monitor the main current account to deliver that service. If a consumer switches current account they would sever the essential data connection

and effectively lose their unbundled overdraft facility. This could risk some payments bouncing or bills going unpaid until the consumer reconnects to the facility from their new current account. How should this be managed?

- **TPP connectivity** – the Open Banking ecosystem is expanding. But what if the new current account provider does not support some TPP services currently used by the consumer – how should this be communicated to the consumer?

	★ ★ ★ Limited availability	★ ★ ★ Emerging availability	★ ★ ★ Good availability
<b>Individual consumers</b> 	<ul style="list-style-type: none"> <li>• Current account comparison</li> <li>• High balance sweeping</li> <li>• Third part overdrafts</li> <li>• Maximise interest on savings</li> <li>• Better deals on household bills</li> <li>• International payments</li> <li>• Mortgage comparison</li> <li>• Balance transfer manager</li> <li>• Micro savings</li> <li>• Highly controlled payments</li> </ul>	<ul style="list-style-type: none"> <li>• E-commerce</li> <li>• Debt advice</li> </ul>	<ul style="list-style-type: none"> <li>• PFM platforms</li> <li>• Credit applications</li> </ul>
<b>Small businesses</b> 	<ul style="list-style-type: none"> <li>• Optimising cashflow</li> <li>• International payments</li> <li>• Domestic payments</li> <li>• Current account comparison</li> <li>• Insight and advice</li> </ul>	<ul style="list-style-type: none"> <li>• Credit applications</li> <li>• E-commerce</li> </ul>	<ul style="list-style-type: none"> <li>• Open Banking-enabled cloud accounting</li> <li>• Small business PFM platforms</li> </ul>

**Figure 6:** Availability of Open Banking-enabled products (Source: Reynolds and Chidley, *Consumer Priorities for Open Banking*, 2019)

At present, Open Banking products focus on Personal Financial Management (PFM) platforms and credit risk profiling services. As **Figure 6** shows, there is limited availability of several products for individual consumers and for SMEs. The product gaps of most relevance for current accounts are:

- For **individual consumers**: current account comparison products, high balance sweeping and third party overdrafts.
- For **SMEs**: business bank account comparison products and tools for optimising cashflow and payments (domestic and international).

Notwithstanding the gaps in today’s Open Banking product lines, CASS acknowledges that the potential impact of Open Banking could be profound for consumers wanting to switch current accounts.

Consequently, CASS uses a range of modeling approaches to determine the nature and potential scale of such impacts on the future switch journey. For example, ahead of Open Banking’s go-live date in January 2018, CASS used its Market Dynamics Model to explore its possible impacts,<sup>13</sup> and found that:

*“Whilst Open Banking will make it easier to search, customers will not switch unless there is a greater incentive to do so and it is down to the providers to drive that change by developing and marketing new products that are tailored to consumer need at the optimum price.”*

<sup>12</sup> CMA, *Retail banking market investigation – Provisional decision on remedies*, 17 May 2016.

<sup>13</sup> Bacs, *What constitutes an effective and competitive current account market?*, A Bacs research paper, April 2017.

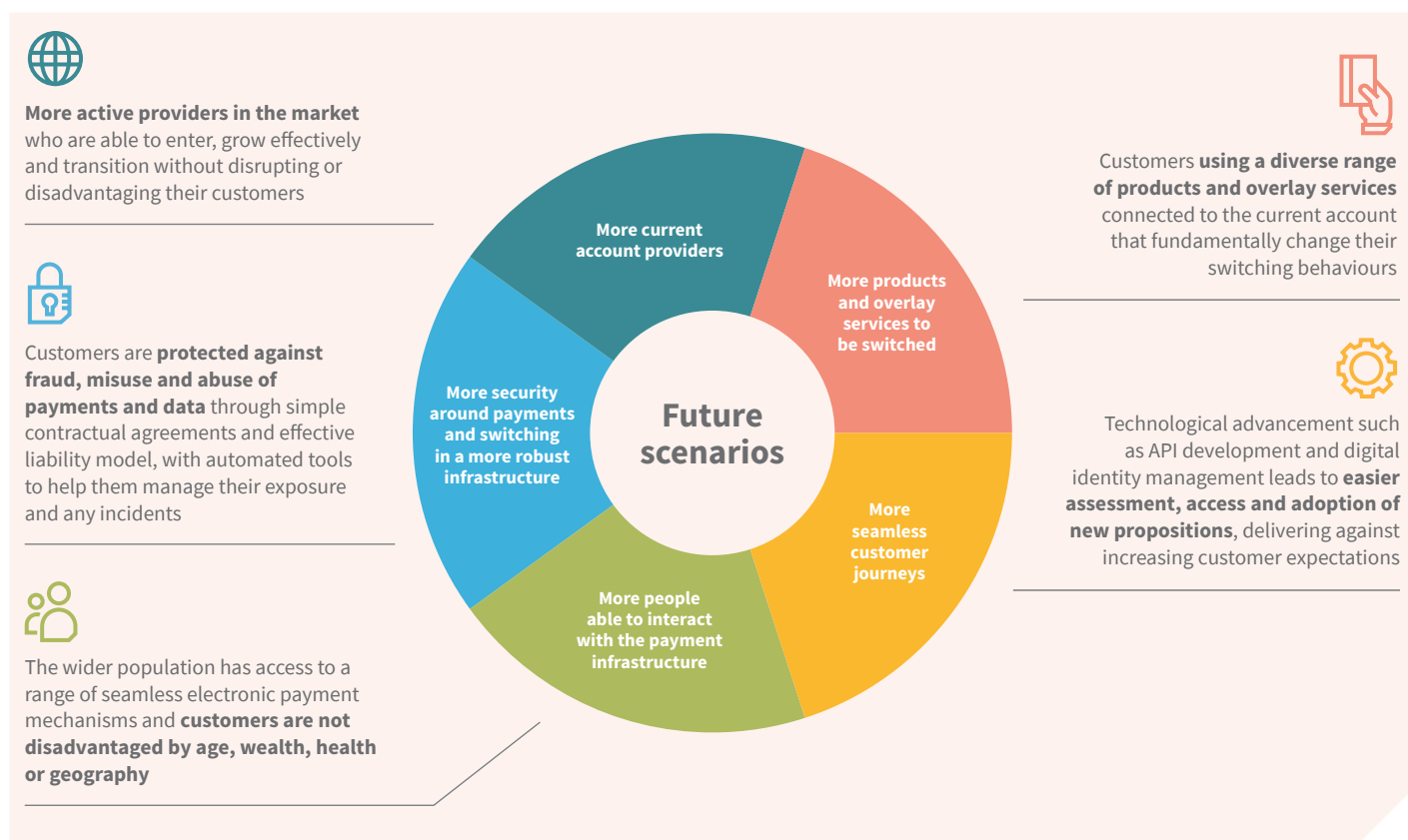


Figure 7: Five scenarios for the future of retail banking (Manifesto Growth Architects for Current Account Switch Service)

CASS discussed Open Banking at its stakeholder workshop (April 2019 CASS Strategy Day) and considered the impact that five scenarios for the future of retail banking could have on switching (shown in Figure 8).

This analysis showed that potential impact on current account switching is driven mainly by the legal and technology framework for data sharing under Open Banking. Therefore, the next chapter explores these data sharing requirements in more detail and outlines our proposal to address the challenges they raise for the current account switch journey.

### Enhancing a switch journey that includes other financial services products

Consumers need simple, hassle-free ways of exercising their choice and switching providers in other financial services products.

CASS already supports switching for current accounts and for Cash ISAs.

To help drive a discussion around hassle-free switching for consumers in other financial services products, CASS has published a Savings Switching paper:

#### Switching Savings: How could consumers benefit?

Pay.UK, August 2019

## 06

# Management of data sharing in the future switch journey

The CASS September 2018 discussion paper proposed a ‘moonshot’ for the future current account switch journey.<sup>14</sup> Reproduced below, this moonshot was grounded in the consumer’s ability to securely and seamlessly share their data with all parties during the switch process for any financial product.

However, seamless data sharing with TPPs is not yet part of the current account switch journey. As our Future Scenarios work showed, while Open Banking-enabled products become commonplace in consumers’ lives there is a risk that excluding TPP products from the switch journey could fundamentally change consumers’ switching behaviour.

CASS wants to contribute to a constructive discussion with the switch ecosystem on how best to address this risk. So, this chapter discusses:

- The customer journey for data sharing under Open Banking;
- Why data sharing matters for the current account switch journey; and
- Some options for the future switch journey.

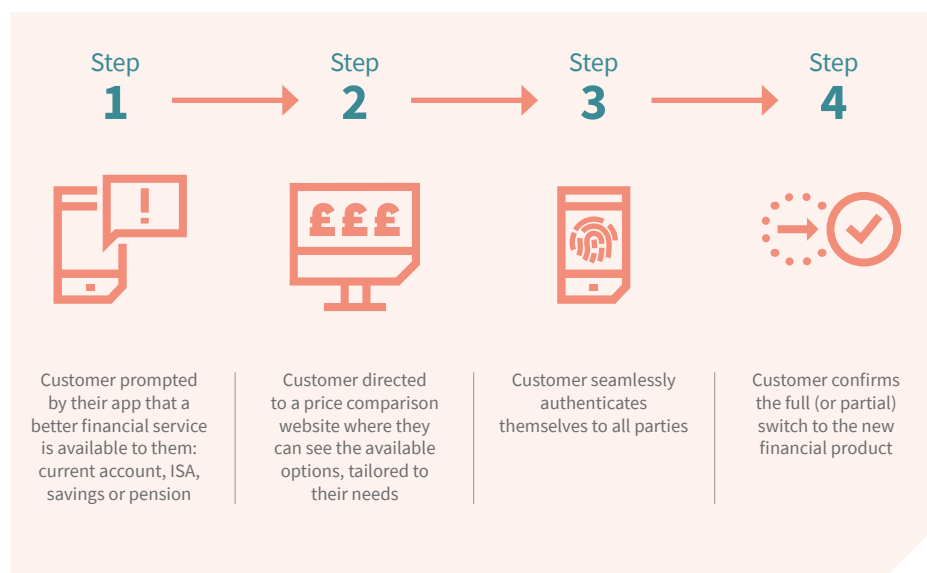


Figure 8: ‘Moonshot’ – how consumers could switch in the future

<sup>14</sup> [https://www.bacs.co.uk/documentlibrary/Current\\_Account\\_Switch\\_Service\\_discussion\\_paper\\_consumer\\_switching.pdf](https://www.bacs.co.uk/documentlibrary/Current_Account_Switch_Service_discussion_paper_consumer_switching.pdf).

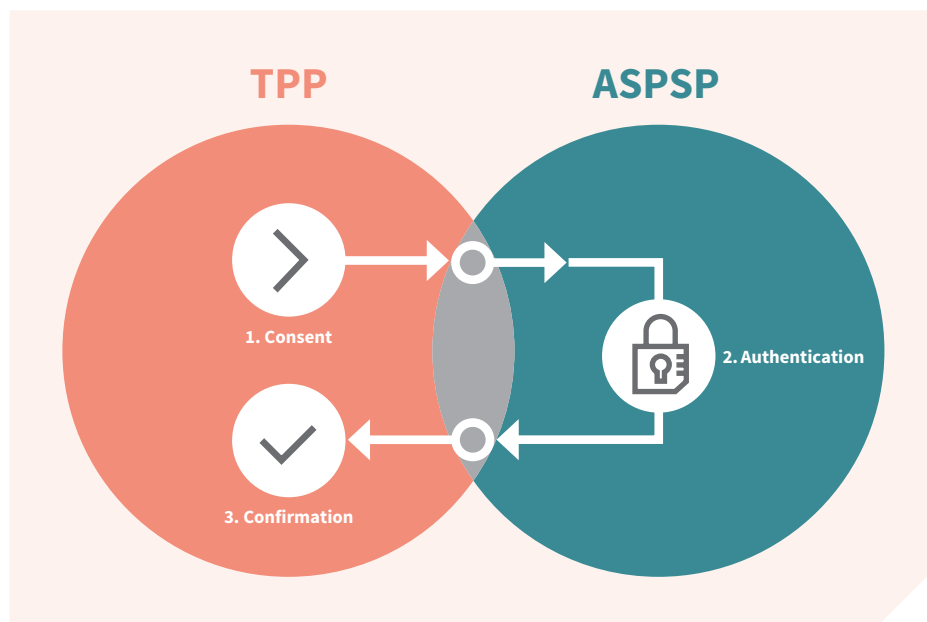


Figure 9: Consumer journey for data sharing in Open Banking<sup>15</sup>

### What is the customer journey for data sharing under Open Banking?

At the core of Open Banking is the secure data sharing mechanism by which the Consumer (the ‘PSU’) gives consent to a TPP to initiate payments, submit confirmation of funds requests or access account information held at their ASPSP (or ‘bank’), or to initiate payments from their bank account. The TPP could be an AISP (Account Information Service Provider), or PISP (Payments Initiation Service Provider) or CBPII (Card Based Payment Instrument Issuer).

As Figure 9 from OBIE shows, the consumer journey for using TPP services and sharing data has three key stages. First, a **consent request** is initiated in the TPP domain – for example the TPP mobile app or website.

Second, the consumer is directed to the domain of its ASPSP for **authentication** – to confirm the consumer’s identity and details. Once the authentication stage is complete, the ASPSP will be able to respond to the TPP’s account information or payment initiation request and redirect the consumer back to the TPP for **confirmation** and completion of this data sharing journey.

As a recent review of Open Banking confirmed, initially the effort needed to complete the consumer journeys varied considerably.<sup>16</sup> Such variation may decline as the market more closely observes the OBIE *Customer Experience Guidelines* published in September 2018.

The disparity matters because, for the long-lived consents underpinning AISP services,<sup>17</sup> completing the authentication step at the ASPSP (bank) is not necessarily a one-off event. Under the regulations governing Open Banking, for products where a long-lived consent is required the consumer must **reauthenticate** at least every 90 days, to continue TPP access.<sup>18</sup>

TPPs have voiced concerns that the associated disturbance experienced by consumers from the 90-day reauthentication may be a blunt tool in its aim to protect consumers. It could also result in consumers being disconnected from important services if they do not reauthenticate.

*“It will drive poor customer outcomes. Customers will either get frustrated at constant prompting to login (Bank by Bank, for payment accounts and non-payment accounts, every 90 days), or forget to login and be disconnected from potentially critical services that are protecting their financial health.”<sup>19</sup>*

<sup>15</sup> OBIE, *Open Banking Standards – Customer Experience Guidelines*.

<sup>16</sup> “Some banks required that customers navigate as many as twelve screens and tap through repeated warning messages. These screens complicated the journey and overemphasised the risks.” Open Banking, *Preparing for lift off*, ODI and Fingleton, July 2019. <https://www.openbanking.org.uk/wp-content/uploads/open-banking-report-150719.pdf>.

<sup>17</sup> Long-lived consents are currently attached to AISP and CBPII services only.

<sup>18</sup> The relevant regulations are the Payment Services Directive (PSD2) and the related Regulatory Technical Standards on Strong Customer Authentication (RTS-SCA). Under these, SCA must be performed each time the consumer accesses its online payment account either directly or using the services of a TPP. The frequency of authentication can be reduced (to every 90 days) if the consumer’s bank applies the SCA-RTS Article 10 exemption.

<sup>19</sup> *The Unintended Consequences of PSD2 RTS*, FDATA, May 2019.



Regulators agree that some consumers find the reauthentication process cumbersome.<sup>20</sup> Analysis in October 2019 by Account Technologies quantifies the impact – with a loss of 8% of active consumers at the 90-day reauthentication point.<sup>21</sup> In a separate analysis, Account Technologies found that nearly a third of respondents found the reauthentication journey to be too long and obstructive to complete every 90 days (see Figure 10).

### Why data sharing matters for current account switch journey

As explained overleaf, legal and technological requirements mean that consumers must authenticate to re-establish the data sharing relationships with their desired TPPs from their new current account to retain access to their services. Consumers cannot simply

‘switch’ their TPPs along with their current account.

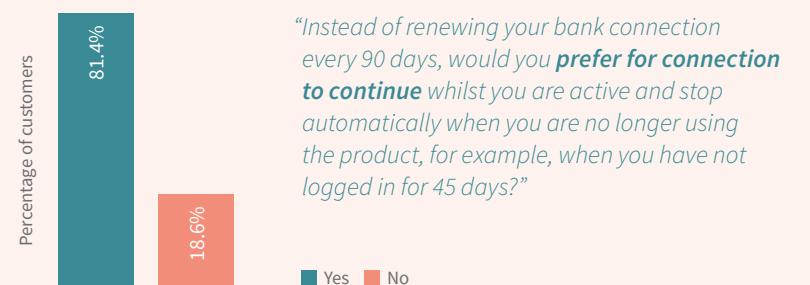
In practice, consumers will need to re-establish relationships with several TPPs in one go after a current account switch. Using the consumer sentiment and experience towards 90-day reauthentication as a *proxy* for that experience, there is a risk that consumers will perceive the amount of authentication required after a current account switch as too cumbersome. This additional hassle factor could deter consumers from switching current accounts or reconnecting with certain TPP services, or both – to the detriment of consumer choice and benefits.



*We appreciate AISP’s [Account Information Service Providers] concern about the impact of requirements to reauthenticate access to account information every 90-days. We note that the way this is implemented could dissuade customers from using AIS services because they will periodically need to input strong customer authentication for each of the accounts and providers they have aggregated.*

**FCA Policy Statement 18/24**  
December 2018

## Consumer views of 90-day reauthentication



**30.4% of customers** “The journey is **too long** and too obstructive for me to complete every 90 days”

**15.4% of customers** “The journey is **confusing**. I don’t understand why this is needed every 90 days. What security features does this provide me?”

**12.9% of customers** “The journey is **off-putting**. I would be less likely to use a service that ask me to renew my bank connection every 90 days”

**Figure 10:** Consumer views of 90-day reauthentication<sup>22</sup>

<sup>20</sup> See FCA, *Approach to final Regulatory Technical Standards and EBA guidelines under the revised Payment Services Directive (PSD2)*, Policy Statement 18/24, December 2018.

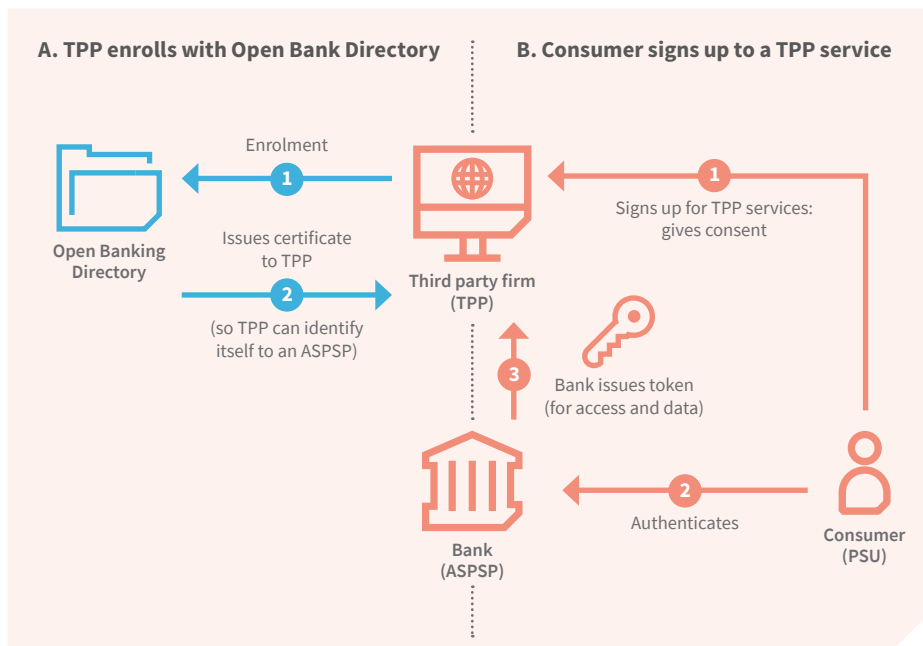
<sup>21</sup> The 8% drop off rate was calculated by Account Technologies in October 2019 using active consumers initially booked through Open Banking channels (a sample of 104,000 consumers). If the sample is expanded to include the 58,000 consumers migrated from screen scraping to Open Banking channels (total sample size of 162,000 consumers), the combined drop off rate falls to 4.7% at day 90 rising to 7.6% at day 104.

<sup>22</sup> Source: Account Technologies, based on 1,115 responses from 3,727 customers.

### How Open Banking services work

In the UK, the OBIE has developed the Open Banking Directory and associated standards. Together this system supports secure identification of TPPs and access to payment accounts in the context of PSRs. (PSD2 was transposed into UK law as The Payment Services Regulations 2017).

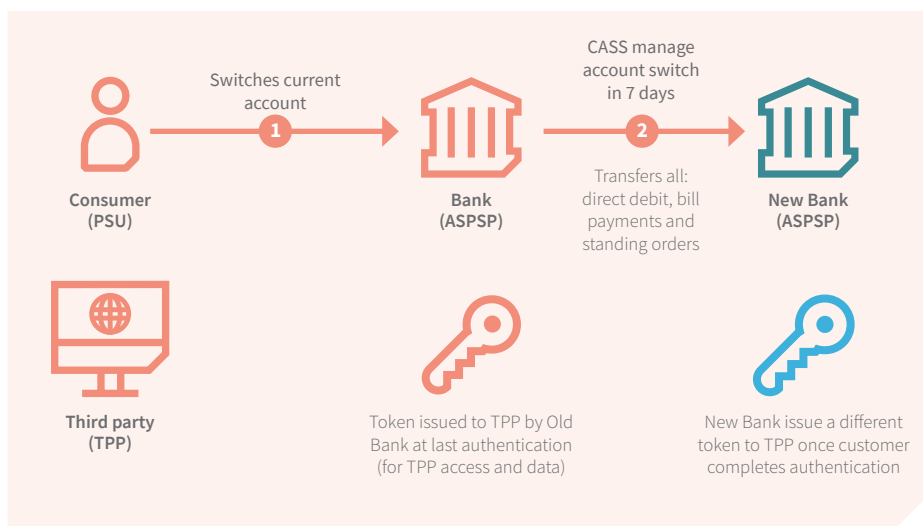
At its most basic, the system facilitates the use of 'certificates' and 'tokens' to enable regulated TPPs to identify themselves to banks in order to access bank account information and/or to initiate payments, provided the TPP has the consumer's explicit consent (see the simplified diagram **Figure 11**).



**Figure 11:** How Open Banking services work

To support consumer security and service integrity, the token a bank issues a TPP will be unique and will reflect the bank itself, the consumer's consent and the specific authentication event. The token is not transferable.

So when a consumer switches their current account, they cannot simply 'switch' their TPP services in the same process. Legal and technology requirements (token and certificate, as shown in **Figure 12**) mean that consumers need to authenticate each TPP from the New Bank account so that the TPP can receive a new, unique token.



**Figure 12:** Token and certificate

**See the Open Banking Standards for more details on the use of tokens and certificates:**

<https://standards.openbanking.org.uk/api-specifications/red-write-specs/latest/>

### Future options for data sharing in the current account switch journey

Whilst the consent and authentication hurdle is undeniably complex, CASS is exploring ways of enhancing the consumer switch experience that will involve TPP overlay services whilst respecting the legal requirements and technology framework for Open Banking.

In 2019, CASS undertook an extensive analysis to generate options to support Open Banking services in the switch journey. The options varied by complexity, budget requirements and delivery profile (i.e. pre – or post-current account switch, short – or long-term delivery horizon). Generally, the options focus on closing the communication gaps for consumers and TPPs that can arise in the event of a current account switch.

After discussions with stakeholders, some of the initial ideas were refined and others discarded to generate a set of options that CASS could share in this paper for discussion with the wider ecosystem.

Figure 13 provides a summary of the potential options along a timeline before and after the current account switch date. Details on each option are shown in the following table. As the area of Open Banking is changing rapidly, the options provided here are necessarily high level and with several queries outstanding. To aid debate and coordinated action, CASS highlights these queries as well as the potential benefits of each option. As always, the intention is to focus on the ‘art of the possible’ and to encourage debate among the switch and Open Banking ecosystems to help drive forward a pragmatic solution that supports consumer choice.

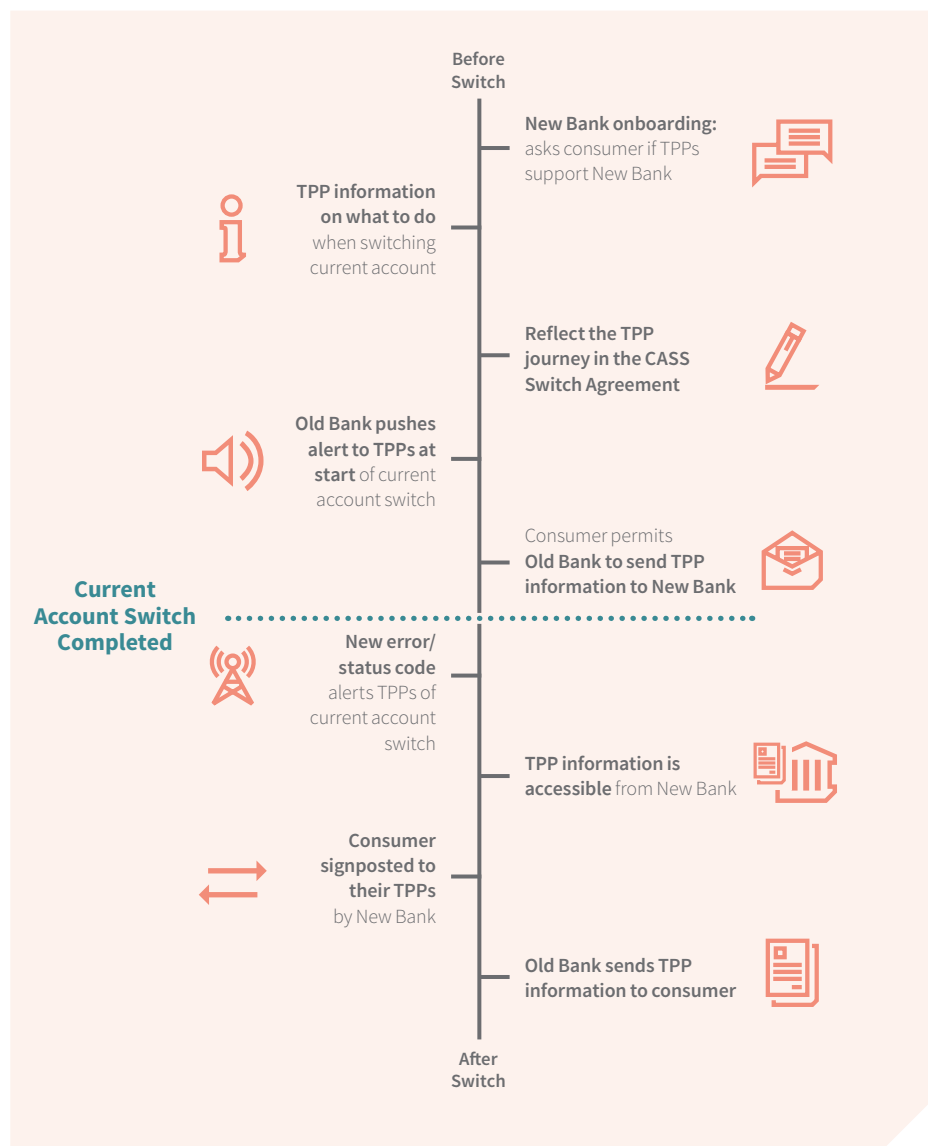


Figure 13: Possible options to enhance the consumer switch journey

**CASS acknowledges that this does not deliver the seamless consumer journey shown in the switching ‘moonshot’ of the 2018 paper. But these could significantly enhance the switch journey – reducing friction and stickiness and supporting consumer choice in current accounts and Open Banking-enabled services.**

	Concept	Comments
	<b>New Bank onboarding:</b> asks consumer if TPPs support New Bank	<ul style="list-style-type: none"> <li>• Timing: a pre-switch activity</li> <li>• As part of the initial onboarding process and before the switch is initiated, the New Bank could:               <ul style="list-style-type: none"> <li>– ask the consumer to check if their TPPs support access permissions with the New Bank</li> <li>– alert consumers that they will need to reauthenticate with their TPPs once the new current account is open. The New Bank could provide information via leaflets, web pages or videos</li> </ul> </li> <li>• <b>Benefits:</b> consumers will know to check TPP access permissions before they agree to switch and so are less likely to be disconnected from valued TPP services. Consumers will know how to reconnect with valued TPP services after a current account switch</li> <li>• <b>Query:</b> how can the switch and Open Banking ecosystems make it simple and hassle free for consumers to check access permissions for all their TPPs?</li> <li>• <b>Query:</b> will there be any adverse impact on consumers' willingness to switch where a New Bank does not support an existing TPP? Or, conversely, will consumers be more likely to switch to those banks that make it easy for a wide range of TPPs to connect?</li> </ul>
	<b>TPP information on what to do</b> when switching current account	<ul style="list-style-type: none"> <li>• Timing: a pre-switch activity</li> <li>• TPPs create and share information for consumers on:               <ul style="list-style-type: none"> <li>– what happens to TPP services when a consumer switches their current account</li> <li>– how to check if their TPP supports access permissions with a New Bank</li> <li>– how to authenticate with TPPs from their new current account</li> </ul> </li> <li>• <b>Benefits:</b> consumers are informed about the different journeys for TPPs and current account switching. Consumers learn how to reconnect with valued TPP services after a current account switch</li> <li>• <b>Query:</b> Who should enable the generation of this information for consumers. For example, should it be individual banks or TPPs – or should it be provided centrally by OBIE or CASS? Should there be industry guidelines for TPPs on how to provide this information. Should there be a regulations requiring it?</li> </ul>
	<b>Reflect the TPP journey in the CASS Switch Agreement</b>	<ul style="list-style-type: none"> <li>• Timing: a pre-switch activity</li> <li>• The Current Account Switch Agreement explains to consumers that TPP services are not incorporated into the current account switch process</li> <li>• CASS could also explore how best to link consumers from the Switch Agreement to sources of practical consumer information on the TPP journey, TPP access permissions and their New Bank and how to reconnect with their TPP from the new current account. Information could include leaflets or videos for use on TV, websites (CASS, bank or TPP websites) or social media platforms (including YouTube, Instagram, Facebook etc.). It could be tailored for the needs of specific consumer groups such as SMEs, vulnerable consumers and young consumers</li> <li>• <b>Benefits:</b> the Switch Agreement reflects the reality of the separate journeys for current account switching and TPP services. The Switch Agreement links consumers with practical information to clarify the process of reconnecting with their TPP services</li> <li>• <b>Query:</b> are we able to identify those consumers who consider Open Banking-enabled TPP services in their decision on whether (or not) to switch current account?</li> </ul>



Due to the pace of change in Open Banking and its growth potential, CASS will continue to monitor developments and engage across the switch ecosystem as to how and when to enhance the current account switch journey. CASS proposes to pursue such potential enhancements based on consumer need and value added under our Future Scenarios work. Consideration may include how switching can be updated to incorporate a more API-based structure as part of the industry infrastructure renewal programmes under the New Payments Architecture Programme (NPA).

	Concept	Comments
	<b>Old Bank pushes alert to TPPs at start of current account switch</b>	<ul style="list-style-type: none"> <li>Timing: a pre-switch activity, at the beginning of the 7-day process</li> <li>With permission from the consumer, the Old Bank could send a <b>proactive 'push alert'</b> to all TPPs connected to the consumer's account that a current account switch has been initiated</li> <li>The push alert could be distinct from a closed current account error message</li> <li><b>Benefits:</b> could allow a TPP to contact the consumer before the final switch takes place to: <ul style="list-style-type: none"> <li>confirm the TPP supports access permissions with the New Bank</li> <li>allow the consumer to cancel the switch if they really don't want to lose the TPP service or cannot reintegrate</li> <li>remind the consumer to authenticate promptly from the New Bank to help minimise the break in TPP services</li> </ul> </li> <li><b>Query:</b> could such a status/error code be made consistent across different standards for implementing PSD2 (e.g. Open Banking Standard, Berlin Standard, proprietary APIs)</li> </ul>
	<b>Consumer permits Old Bank to send TPP information to New Bank</b>	<ul style="list-style-type: none"> <li>Timing: could be pre-switch, at the point of initiating the switch or post-switch (i.e. sent with the final statement)</li> <li>Old Bank pushes to New Bank information on the TPP services that were authenticated by the consumer from their old current account during the 7 day switch process</li> <li>Old Bank would require explicit permission from the consumer to send the TPP information to New Bank. This permission could be included in an amended CASS Switch Agreement or a separate process</li> <li>Alternatively, the New Bank, acting as a TPP, could request the list of accesses via the API with explicit consumer consent</li> <li><b>Benefits:</b> consumers do not lose information on their TPP services when the old current account is closed. TPP services information is available from New Bank during the switch journey</li> <li><b>Query:</b> what if the Old Bank does not provide a list of TPP accesses to the consumer on their platform?</li> <li><b>Query:</b> how to ensure the TPP names provided to New Bank are meaningful to the consumer? What work is needed to ensure the ASPSP's Access Dashboard data reflects the TPP's brand name and who the TPP may be working for?</li> <li><b>Query:</b> does there need to be an industry standard for the format of the access information provided and the timeline in which it is transferred and shared with other parties?</li> </ul>
	<b>New error/status code alerts TPPs of current account switch</b>	<ul style="list-style-type: none"> <li>Timing: post-switch</li> <li>A new reactive error/status code could be created for all ASPSPs to inform relevant TPPs that a consumer has switched current account</li> <li>The code could be sent in response to an API call by the TPP to the Old Bank</li> <li><b>Benefits:</b> a clearer 'switch' status code could allow a TPP to contact the consumer in a more tailored way, for instance to remind the consumer of the authentication process from the New Bank. This may help minimise the break in service for the consumer from valued TPP services</li> <li><b>Query:</b> how can the error/status code be best developed to work across a variety of standards ASPSPs may choose to use (e.g. Open Banking, Berlin Group, proprietary)</li> </ul>

Some of these concepts may only be possible in the medium or long term, and with investment by participants in the Open Banking and switch ecosystems. But together they could significantly enhance the consumer switch journey – reducing friction and stickiness and supporting consumer choice in current accounts and Open Banking-enabled services and meeting consumer expectations.

	Concept	Comments
	<b>TPP information is accessible</b> from New Bank	<ul style="list-style-type: none"> <li>Timing: post-switch</li> <li>If the information regarding accesses is sent from Old Bank to New Bank, the New Bank could make the TPP information accessible to the consumer by:               <ul style="list-style-type: none"> <li>– a separate drop down list heading in the consumer's account menu; or</li> <li>– a notice board/dashboard listing the consumer's TPPs, perhaps with the text changing colour as the consumer authenticates each TPP</li> </ul> </li> <li>Benefits: making the TPP list accessible to the consumer could be an opportunity for New Bank to show practical support in managing consumers' financial lives. This may help reinforce a positive brand message for the New Bank</li> <li>Query: how to ensure the TPP names provided by New Bank are meaningful to the consumer? What work is needed to ensure the ASPSP's Access Dashboard data reflects the TPP's brand name and who the TPP may be working for?</li> </ul>
	<b>Consumer signposted to their TPPs</b> by New Bank	<ul style="list-style-type: none"> <li>Timing: post-switch</li> <li>If the information regarding accesses is sent from Old Bank to New Bank, the New Bank could create a process to redirect the consumer to all TPPs on their list, or a subset of the list selected by the consumer</li> <li>Redirection could simply be providing the consumer with the URL to the TPP's homepage</li> <li><b>Benefits:</b> TPP data sharing may feel more connected to the switch process from a consumer viewpoint; consumer time and effort to authenticate TPPs is reduced; and it may be an opportunity to reinforce a positive brand message for the New Bank</li> <li><b>Query:</b> how to ensure the TPP names provided by New Bank are meaningful to the consumer? What work is needed to ensure the ASPSP's Access Dashboard data reflects the TPP's brand name and who the TPP may be working for?</li> </ul>
	<b>Old Bank sends TPP information to consumer</b>	<ul style="list-style-type: none"> <li>Timing: could be pre-switch, at the point of initiating the switch or post-switch (i.e. sent with a closure communication or final statement)</li> <li>Old Bank sends the consumer information on the TPP services that were authenticated by the consumer from their old current account. As the TPP information is part of the old current account dataset, it should not need an additional permission step to send it to the consumer</li> <li><b>Benefits:</b> consumers do not lose their list of TPPs on account closure</li> <li><b>Query:</b> how to ensure the TPP names provided are meaningful to the consumer? What work is needed to ensure the ASPSP's Access Dashboard data reflects the TPP's brand name and who the TPP may be working for?</li> </ul>

The growth potential of Open Banking means that CASS must continue to monitor market developments and engage across the switch ecosystem to understand any appropriate timing and design for possible solutions. CASS proposes to scope out potential enhancements to the switch service based on consumer need and value added under our Future Scenarios work. Such consideration may include how switching can be updated to incorporate a more API-based structure as part of industry infrastructure renewal programmes under the New Payments Architecture Programme (NPAP). CASS will continue to engage with the switch ecosystem to discuss and refine any future proposals.

### **A bigger prize: other data sharing and switching opportunities**

Consumers are likely to expect a solution that seamlessly delivers product switching (e.g. current account switching) as well as the third party overlay services that connect to the underlying product. It is inevitable, in the future, that consumers will need similar integrated solutions for more than current account switching. This is because other regulated markets such as utilities and communications are also investigating the opportunities from open data included under the BEIS Smart Data Review.

In order to make the most of the data portability envisaged by open data, consumers will need seamless ways to safely reconnect their open data-enabled products across their lives – whether they switch current accounts, savings accounts or electricity supplier. Only then can we mitigate the risk of open data becoming a hurdle to switching rather than a pathway to improved consumer outcomes.



*The Government will therefore launch a 'Smart Data' review into how best to ensure data portability is implemented in a way which supports consumers to get better deals in regulated markets, building on the approach pioneered by Open Banking.*

### **Modernising Consumer Markets**

BEIS, April 2018

## **New Payments Architecture**

The NPA is a new conceptual model for the future development of the UK's shared retail payment infrastructure. It will be the biggest change to the way payments are processed in the UK since the 1960s.

Since taking on the NPA Blueprint, Pay.UK has been testing the NPA conceptual architecture. The NPA Blueprint will be delivered in stages. The core clearing and settlement layer, which will process more than

# **£6.7 trillion**

worth of payments every year, is forecast for implementation after 2021.

Pay.UK expects end users will start to see improvements to their payment services throughout 2020 as a result of projects like Confirmation of Payee and Request to Pay.

We have also been driving the development and the release of standards to enable the market to develop these propositions.

See <https://www.wearepay.uk/new-payments-architecture-programme/>

## 07

# Conclusions

**This paper updates CASS's thinking on how the UK's current account switch journey could evolve in order to support consumer choice in an era of Open Banking.**

Whilst Open Banking has the potential to bring up to £18 billion of annual benefits, consumers that use Open Banking-enabled services face several hurdles before attaining this prize. The required TPP authentication process could introduce enough friction to deter consumers from switching current account to get their best financial deal or leave them temporarily disconnected from essential TPP services.

As Open Banking is still in the early phases of implementation, this paper includes a set of practical options that CASS believes is achievable with coordinated action.

CASS acknowledges that these options will not address all the hurdles that consumers may face. However, taken individually or as a whole, they form an 'Open Banking use case' that could improve the experience for consumers using TPP services when switching their current account.

If successful, this Open Banking use case could also support more effective consumer choice under Open Finance, Open Communications and the other initiatives under consideration by the BEIS Smart Data Review. The reason being, these are all sectors where a consumer may want to reconnect Open Data-enabled services after switching their current account, savings account or utility provider. Achieving this seamless consumer experience could push consumer benefits above the £18 billion per year estimated for Open Banking, but it will take detailed discussion and coordinated action to achieve.

CASS puts forward this paper as a contribution to the wider discussion on supporting consumer choice in an era of Open Data. We look forward to your feedback.



## 08

# Acknowledgements

**In developing the evidence and completing this discussion document CASS wishes to thank our stakeholders, including the following individuals and organisations for their knowledge, expertise and advice, without which this paper would not have been possible.**

The CASS team, in particular: Simon Hanson, Anupama Mundollikalam, Faith Reynolds, Jo Ainsley and David Piper.

Galina Carroll from SFE Consulting.

David Core, Hannah Crossman and Clive Stevenson from Manifesto Growth Architects.

The Open Banking team.

**Disclaimer**

This document is the overall responsibility of Pay.UK. PwC has contributed to the contents of this document by conducting qualitative and quantitative research, and PwC's contribution has been prepared only for Pay.UK and solely for the purpose and on the terms agreed with Pay.UK in our agreement dated 24th July, 2018. PwC accepts no liability (including for negligence) to anyone else in connection with the PwC contents of this document.

## 09

# Glossary

### **AISP (Account Information Service Provider)**

provides consolidated information to a consumer about their various payment accounts.

### **API (Application Programming Interface)**

programmes and tools that enable computer programmes and software to directly communicate with each other.

### **ASPSP (Account Servicing Payment Service Provider)**

provide and maintain a payment account for a consumer – a bank or building society.

### **Bacs Payment Schemes Limited**

has responsibility for the schemes behind the clearing and settlement of UK automated payment methods (direct debit and Bacs direct credit) as well as the provision of managed services for third parties (such as the Cash ISA Transfer Service) and the development, management and subsequent ownership of CASS. Bacs became a wholly-owned subsidiary of Pay.UK in May 2018.

### **CASS (Current Account Switch Service)**

the organization that makes the current account switches happen in the UK. It is operated by Bacs.

### **CBII (Card Based Payment Instrument Issuer)**

issues card-based payment instruments that can be used to initiate a payment transaction from a payment account held with another payment service provider.

### **CMA (Competition and Markets Authority)**

is the UK regulator responsible for strengthening business competition and preventing and reducing anti-competitive activities.

### **Consent**

under Open Banking and the EU's second Payment Services Directive (PSD2), consent is the explicit permission given by the customer to a regulated third party provider (TPP) to access the customer's payment account held at the bank (ASPSP).

### **Direct Debit**

this is an instruction from a customer to their bank or building society authorising an organisation to collect varying amounts from their account, normally for regular payments for everything from household bills to charitable donations. More than 4.3 billion Direct Debits were processed in 2018.<sup>28</sup>

### **New Payments Architecture (NPA)**

managed by Pay.UK, the NPA is a new conceptual model for the future development of the UK's shared retail payment infrastructure.

### **Pay.UK**

is the UK's leading retail payments authority. Incorporated on 18 July 2018, it includes six subsidiaries: Bacs Payment Schemes, Cheque and Credit Clearing Company, Faster Payments Scheme, Mobile Payments Services Company, UK Payments Administration and USTP.

### **Open Banking**

is a mandate in the UK that requires banks to build APIs to allow consumers to securely share their banking data with third parties, should they choose to do so. The sharing of this data enables new innovative services to be built that could benefit consumers.

### **Open Finance**

the rollout of Open Banking APIs to more financial products, such as savings accounts and mortgages.

### **OBIE (Open Banking Implementation Entity)**

set up by the CMA on behalf of the UK Government to bring more competition and innovation to financial services. OBIE is working with the nine largest banks and building societies that were the subject of the CMA review, and other stakeholders, to define and develop the required APIs, security and messaging standards that underpin Open Banking.

### **PSD2 the Second Payment Services Directive**

was adopted by the European Parliament in October 2015. Its purpose is to better protect consumers when making online payments and to promote the development of innovative and safe online and mobile payments. Note that PSD2 was transposed into UK Law as the Payment Services Regulations (PSRs) 2017. In the UK, PSD2 is being implemented by the Open Banking initiative.

### **SCA (Strong Customer Authentication)**

is a PSD2 requirement to reduce fraud and make online payments more secure. It came into force on 14 September 2019. Under Article 4(30), SCA requires consumer authentication to use at least two of the following three elements:

- Knowledge (i.e. something only the consumer knows, such as password or PIN);
- Possession (i.e. something the consumer has, such as phone or hardware token); or
- Inherence (i.e. something the consumer is, such as fingerprint or face recognition)

### **SME (Small and Medium-sized Enterprises)**

a business that has annual sales revenues (exclusive of VAT and other turnover-related taxes) not exceeding £25 million.

### **TPP (Third Party Provider)**

organisations or natural persons that use APIs developed to Standards to access customer's accounts, in order to provide account information services and/or to initiate payments. Third Party Providers can be Account Information Service Providers (AISPs), Card Based Payment Instrument Issuer (CBIIs) and/or Payment Initiation Service Providers (PISPs).

<sup>28</sup> 2018 TOTAL DIRECT DEBIT VOLUMES - 4,356,618 <https://www.bacs.co.uk/Resources/FactsAndFigures/Pages/AnnualProcessingStatistics.aspx>.





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