

From Open Banking to Open Finance

Open Banking has been a transformative success in the UK. Driven by a strong regulatory framework and a dedicated independent body overseeing the delivery of a government mandate, for several years the UK led the world in Open Banking, giving consumers access to a wider range of financial services, increasing control and security of their financial data, and fostering innovation and competition in the banking industry.

Quite rightly, eyes are now turning to Open Finance - the recent [CFIT Open Finance coalition](#) demonstrated that increasing access to financial data creates better outcomes for consumers and small businesses through the development of the Open Finance Blueprint, and following this the newly convened Open Finance Taskforce has been tasked with proposing recommendations to improve accessibility through enhanced use of data and automation.

However, in order to create a strong framework for Open Finance, **it is critical that the foundations laid in Open Banking are completed prior to attempting to build on them further.** Despite significant initial progress, the journey towards fully realised Open Banking has stalled and remains incomplete. Several key issues need addressing prior to the evolution into Open Finance, which is a much broader framework encompassing disparate financial datasets and providers, and which will dramatically amplify any existing problems of data consistency across account types and providers.

Several issues persist in Open Banking despite it having been live in the UK since 2018. Some big-name UK high street banks, in defiance of the FCA's [November 2021 Policy Statement](#), have yet to go live with freely accessible dedicated interfaces. Among the banks that do have Open Banking APIs, many struggle with the simple task of providing consistent and accurate data, such as immutable transaction IDs, descriptions and running balances, or are unable to accurately differentiate between pending and booked transactions. Even with a prescribed set of Open Banking Standards, different banks have chosen to interpret them differently, necessitating substantial bespoke work to standardise data across institutions. Significant discrepancies exist between banks regarding historical data availability and account types (for example some banks provide only 12 months of historical data for their current accounts, and most provide only limited data for credit cards despite these being in scope of open banking access requirements. Whilst some go beyond the current regulatory mandate and provide access to savings accounts or ISAs, others do not, resulting in poor customer outcomes).

This lack of consistency leads to several problems:

- **Consumer confusion and frustration** - varying levels of data quality and detail lead to a fragmented and inconsistent user experience, which over time erodes consumer trust in the open banking ecosystem.
- **Inaccurate and incomplete data** – the inability to accurately combine datasets leads to inconsistencies in financial management tools that rely on the data, undermining user trust and satisfaction.

- **Limited product innovation** – inconsistent data availability and quality limit the ability of TPPs to offer comprehensive and reliable financial products and services.
- **Unnecessary complexity and resource drain** – a lack of standardisation requires TPPs to invest significant resources in customising their solutions for each bank, diverting focus and resources from innovation and improving consumer products.

It's also worth noting that despite much initial hype around so-called "Premium APIs" that would allow banks to offer additional functionality above that required by open banking, since its inception 6 years ago very few banks have developed any non-mandatory functionality. Whilst we would welcome a market led approach to expanding the ecosystem, it seems clear that only by imposing mandatory requirements can progress be achieved in line with consistent standards.

It is OFA's view that the transition from Open Banking to Open Finance could best be initiated through several incremental steps that start by fixing existing issues before widening the scope of Open Banking to cover other products and entities:

1. Mandate and Enforce Comprehensive Open Banking:

The mandate on ASPSPs to provide freely accessible dedicated interfaces, to fix data accuracy issues and to ensure uniformity across historical data ranges and account types should be enforced. The UK should follow the approach developed in the EU of imposing financial penalties for non compliance with access requirements. Once done, other bank account types (such as savings accounts & ISAs) that fit easily into the existing open banking standards, should quickly be mandated.

Following this, a requirement should be introduced to make additional user data available, including addresses, dates of birth, and account opening dates, to provide further building blocks for wider Open Finance initiatives.

2. Expand to Other Financial Products:

Extend Open Banking to include other products offered by existing ASPSPs (such as mortgages, loans, pensions, and investments) that do not fit as readily into the existing Open Banking Standards. Leverage and enforce Open Banking Standards to create Open Finance Standards, ensuring that APIs behave consistently across providers and products.

3. Add Additional Mandates:

As Open Finance Standards are established, include other financial organisations, starting with the largest ones like NS&I and pension funds, to the mandate to provide freely accessible dedicated interfaces.

The transition from Open Banking to Open Finance will be a transformative leap. Completing the existing Open Banking framework and expanding its scope to include a variety of financial products would unlock unprecedented opportunities for innovation, competition, and consumer empowerment in the financial sector. In our opinion regulatory

mandates and consistent implementation across all financial institutions will be crucial to realising the full potential of Open Finance, and only by ensuring the foundations are solid can we build a framework that will support the UK Financial industry for years to come.