

CMA Consultation on the future oversight of the CMA's Open Banking remedies:

Response from LendInvest (which is also a member of the Fintech Founders group)

This submission is being made on behalf of LendInvest.

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Introduction

Open banking has been a critical part of the real success story that is UK Fintech. Consumers and SMEs have already started to feel the benefits through better products and with Open Banking payments, significantly lower costs. Exciting companies have been founded and entrepreneurial talent has been drawn to the UK to build on the platform Open Banking provides. However there is significant further work to be done, to ensure that Open Banking is a success for consumers in the UK, and to ensure that the UK remains a world leader in fintech.

The journey has just started but the potential is huge: Open Banking already has around 3 million users. As many as half the UK's SMEs now use tools employing Open Banking functionality and this level of adoption is likely to be reinforced as HMRC begins using Open Banking for tax payments.

LendInvest is one of the founding members of the Fintech Founders group, and has actively been working with the wider group membership, with regards to putting together this submission. LendInvest is one of the UK's leading fintech companies, having lent almost £3.5 billion in the specialist mortgage market, and has investment from a range of investors including Atomico (Europe's leading VC), the European Investment Fund, Citibank, JP Morgan and HSBC. Fintech Founders is a network of the UK's leading Fintech entrepreneurs that provides an opportunity for real conversations and better collaboration with government, regulators and other influencers across the financial services landscape.

The purpose of this document is to set out our key principles that we believe should be taken into account as the CMA considers its next steps in response to the [ongoing consultation](#) about how to structure the future oversight of Open Banking.

Priorities for Consultation

- For the transition to Open Finance to be successful, we believe that an **independent governing body** needs to be established not just to oversee Open Banking and its standards, but, just as importantly, to promote the growth and future development of Open Banking, fostering innovation and competition across the wider Financial Services sector. We are concerned at the prospect of UK Finance overseeing the implementation of Open Banking, and the risk that this leads to larger incumbent banks becoming more entrenched in the system and stifling innovation. It should be an obvious point, that the lobbying group for the big banks in the UK, should not be put as the responsible entity that is to hold those banks to account over Open Banking.

- Open Banking is part of the wider progression towards Open Finance: we believe that any future Open Banking entity should not be formed until after the Government and FCA have developed the Open Finance legislative framework.
- It is important to ensure that the funding model for any future entity does not risk undermining its ability to act independently. We note that UK Finance's proposed model could create tension between the interests of the CMA9 (who will be providing all of the funding initially) and the objectives of the independent Chair.
- There should be greater clarity around proposals to make start-ups driving innovation such as TPPs share the future cost of Open Banking. Such fee requirements can be prohibitive to early-stage start-ups who have limited funding.
- Open Banking and, more broadly, Open Finance exist to empower consumer choice and transparency. Any new model for an Open Banking entity must cover in detail how user experience will be captured, and ensure that consumers are not continuing to face excess costs due to barriers in sharing financial data.
- The CMA must ensure there is **sufficient competitiveness** in the framework for a new Open Banking entity. Many of the larger incumbent banks see Open Banking as a challenge; too much control over the future of Open Banking in the hands of a small number of incumbents would therefore naturally risk weakening its competitiveness.
- A stronger role for the CMA, HM Treasury and/or the Bank of England should be included in the governance of the Future Entity – with a clear brief to address lack of innovation, higher prices and reduced competition.
- The proposed changes set out in this consultation would have a significant impact on the wider Fintech ecosystem. It is vital that the CMA ensures that it has considered all views, taken the time to consult widely, and ensure that a **robust and independent governing body** is established that has the confidence of all parts of the financial services community.

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