

CMA retail banking investigation

Nationwide note on APIs and the Open Banking Working Group

Introduction

1. We understand that the CMA is looking at the comparison tools available to customers, and the role of APIs within these tools. The CMA is interested in developments that will improve a customers' ability to access, assess and act on information that will help them find the best Personal Current Account for them. The Open Banking Working Group (OBWG) published a framework on 8 February 2016, intended to enable the accelerated building of an Open Banking Standard (OBS).¹ In this submission we highlight some of the key points arising from that publication.
2. When considering the design and delivery of the OBS, and particularly the timetable for achieving it, one of the fundamental points is ensuring that, at launch, all of the participants have complete trust in the standard. The OBWG acknowledges the significant technical considerations involved but it also considers issues of governance, security, liability, standards, communications, regulations and law to be equally important, because of their role in helping consumers to fully understand what is happening and in helping them feel confident that their data are secure.
3. Nationwide is a strong supporter of the Open Banking initiative. As outlined in our response to the Provisional Findings and Notice of Possible Remedies, Nationwide believes that many of the issues that consumers face in comparing current accounts on Price Comparison Websites (PCWs) could be overcome if banks adopted a common standard for application programme interfaces (APIs), to which PCWs can have access.² This would provide customers with access to tailored comparisons that would accurately identify the best product to address their banking needs. However, it is important not to lose sight of the fact that the OBS and APIs cover much more than comparison.
4. As we mentioned in earlier submissions, we consider that further accelerating the API process and, in particular, accelerating its adoption in one area only, could have unintended negative consequences.³ Nationwide has concerns in two areas:
 - Efficacy and customer confidence could be jeopardised if the industry does not deliver a fully functional product; and,
 - Synergies with other regulatory initiatives may be lost.
5. Each of these concerns is considered in more detail below.

¹ *The Open Banking Standard, Unlocking the potential of open banking to improve competition, efficiency and stimulate innovation*, accessed through <http://www.scribd.com/doc/298569302/The-Open-Banking-Standard>

² Nationwide response to Provisional Findings, Annex, paragraph 3.15.

³ Nationwide response to Provisional Findings, Annex, paragraph 3.16.

Efficacy and customer confidence could be jeopardised if the industry does not deliver a fully functional product

6. As evidence produced on behalf of the CMA highlights,⁴ trust in PCWs is particularly low, and usage of PCW in banking is also low as compared to other industries⁵.
7. Trust is a point emphasised by the OBWG in its latest publication, where it talks of the importance of ensuring that:
 - OBS provides the highest quality of service for individuals and businesses; and
 - all of the participants have complete trust in the standard.
8. Nationwide believes that in order to maximise customer take-up of the API-enhanced service, and therefore ensure customers fully benefit from its implementation, a fully functional product that is smoothly integrated into the current banking websites and PCWs and provides the best possible customer experience should be delivered. Any intermediate solution that is conceived in haste will only lower consumer expectations that a good product with smooth functionality will ever be delivered. Once lost, consumer confidence in the service will be hard, if not impossible, to regain. Nationwide believes the delivery of a fully functioning system can only be achieved through careful development over time, according to a timetable that is discussed and agreed with all relevant industry participants.

Synergies with other regulatory initiatives may be lost

9. Nationwide believes that moving forward with APIs focused solely on comparison out of step with the other elements covered by the work of the OBWG carries the risk of significant rework and cost to incorporate the subsequent standards that will be required to deliver these other initiatives. This will destabilise the considerable benefits of taking forward an integrated solution from the beginning both in terms of improving customer experience and delivering a robust, safe and secure infrastructure.
10. Nationwide also notes that any requirement to accelerate implementation could result in significant diversion of resources from other committed projects and innovations to the detriment of customers.

Conclusion and next steps

11. We would like the CMA to take these concerns into consideration when evaluating the proportionality and efficacy of any remedy relating to the accelerated development of comparison APIs over a shorter period. Nationwide strongly believes that any remedy considered by the CMA in relation to APIs will only be successful in improving customer outcomes if it draws on the substantial body of work already undertaken by the OBWG in this area.
12. Further, Nationwide notes that the OBWG was formed in 2015 at the request of HM Treasury. Following OBWG's February 2016 publication, any next steps and decisions are now with HM Treasury, and the OBWG has been disbanded. Should the CMA conclude that additional safeguards are required to prevent unnecessary delays to the adoption of open APIs, Nationwide believes that

⁴ See for example figures quoted in the Deloitte Report *The Impact of Innovation in the UK retail banking market*, that 26% of customers do not trust price comparison websites at all. (ibid, p23).

⁵ See for example evidence provided by the CMA in Appendix 7.3 of Provisional Findings, that points to PCA customers visiting PCWs less frequently than energy and motor insurance customers.

these remedies should therefore be directed at HM Treasury, as the decision maker, to drive the process forward.