



CMA Retail Banking Market Investigation: Provisional Decision on Remedies

Response by Funding Options

7th June 2016



Introduction

About our company

Funding Options is the UK's leading specialist SME finance comparison site:

- *Established model* – Our proven combination of online finance matchmaking technology with real experts achieves the highest possible rating of “Excellent” on independent reviews site Trustpilot.
- *Lender coverage* – Last year we referred SMEs to more than fifty finance providers, ranging from challenger banks, to niche asset specialists, to innovative direct lenders and marketplace lenders.
- *SME reach* – We've raised £ tens in millions in SME finance from small asset purchases through to major property developments, and from Devon to Skye, and from Norfolk to Northern Ireland.
- *Enterprise infrastructure* – Our platform has been penetration tested by a ‘big 4’ audit firm, our data partnership used by 100k+ UK SMEs; operations are guided by Treating Customers Fairly.
- *Innovation roadmap* – We support emerging data-driven SME financing journeys, for example our live API integrations feature in HM Treasury's report “Data Sharing and Open Data for Banks”¹.
- *Thought leadership* – We're an authoritative voice on the high profile issue of SME finance, regularly featuring in major national press such as the Times, Mail, Telegraph and BBC.

Following a rigorous assessment process, Funding Options is one of three *Finance Platforms* recommended to be designated for the bank referral scheme by HM Treasury in the 2016 Budget².

Summary of our feedback

Funding Options believe that the Competition and Markets Authority (CMA) has delivered a practical set of remedies to improve choice and availability in UK retail and SME banking, balancing immediate actions able to deliver positive short-term impact, whilst laying the groundwork for longer-term structural shifts such as the emergence of bank application program interfaces (APIs). Given the Funding Options model, our response focuses on SME banking where we can add useful feedback, although some comments regarding bank APIs may also have relevance to retail banking.

Funding Options previously responded at length to the CMA's working paper on SME comparison sites³, and are satisfied that the issues we raised have been responded to in these remedies. As such, unless otherwise stated below we *endorse* the CMA's remedies in relation to SME banking.

Our short response here focusses on areas that CMA should consider to ensure that *implementation* of the remedies is fast and effective. History has shown that this is critical to actual success, notably the 2002 Portable Credit Histories remedy largely sank without trace because there was minimal in-built leverage to ensure that the banks set the scheme up for success by a simple and prominent customer proposition. Given competitive dynamics, with hindsight ultimate failure was predictable.



Responses

3.13: *“propose to the CMA for its approval a suitably qualified, independent person (the Implementation Trustee), whose services will be paid for by providers and with a mandate, approved by the CMA, to act as chair of the Implementation Entity”*

It is vital that this individual has requisite technical skills: recent failed exercises such as Midata have shown little understanding of the capabilities of modern APIs, which are far more fast and simple to implement than Open Banking Working Group (OBWG) progress and timelines would suggest. It is vital that this individual has both financial *and* technology (fintech) expertise, gained in a modern environment (e.g. as opposed to technology experience gained with outdated bank legacy systems).

3.13: *“adopt and maintain open standards for APIs with full read and write functionality on PCA and BCA transaction data sets within a timetable agreed with the CMA”*

Read-only Business Current Account (BCA) APIs do not carry the fraud and anti-money laundering (AML) risks of full read-write APIs, and most dominant banks already offer read-only BCA APIs for services such as integration with SME accounting software⁴; timelines for delivery of read-only BCA APIs, vital to shop around for financial services such as SME loans, should be months not years.

6.229: *“build on the OBWG work by ensuring the timely development and adoption of open API standards together with appropriate data and security standards”*

There is correctly a lot of focus on creating open standards for the provision of bank account APIs. However, a neglected implementation risk (of similar magnitude) is that banks may set arbitrary rules to govern which organisations have access to develop on the bank account APIs. For example, most recent financial technology (fintech) companies use modern cloud hosting services (such as Amazon) and cloud software services (such as Salesforce), whereas major UK banks often have information security policies based on outdated technology paradigms reflecting internal systems.

There is a simple answer here, which is that the UK government has made strong progress in recent years towards consistent and pragmatic standards, notably the G-Cloud Digital Marketplace and the Cyber Essentials Plus information security standard⁵. Therefore, we advocate that access to bank



account APIs, certainly for low risk read-only access, is subject to meeting *government procurement standards* to ensure that access is not arbitrary, and entry barriers for challengers are kept low.

6.122: “as a transitional measure, that existing supporters of Business Banking Insight (BBI) ensure that BBI continues to collect and publish survey information which permits comparisons between providers on the basis of their service quality, by continuing its funding”

We reiterate the observation in our prior submission regarding SME comparison sites that this valuable data should be made available via API to *all* interested comparison services, to increase its market reach and impact. Note that the Business Banking Insight website currently receives barely sufficient traffic to even register on recognised traffic benchmarks such as Amazon’s Alexa service.

6.134: “require the specified banks to make details of their BCAs, standard tariff overdrafts and unsecured small business loans available to two or more designated finance platforms... and prominently display hyperlinks on their websites to the platforms on which their products are listed”

The display and positioning of such hyperlinks will be crucial to the practical success of this remedy, and we suggest that the Behavioural Insights Team (BIT), which the CMA correctly notes is a social purpose company jointly owned by the government and Nesta, be engaged by the banks to provide independent guidance on how to make this remedy effective in stimulating choice and availability.

6.122: “make available through two or more of the finance platforms designated under the SBEE Act, details of their BCAs, standard tariff overdrafts and unsecured small business loan products including prices, fees, terms, conditions and eligibility criteria”

Noting the time that it taking to deliver common bank account API standards through the collaborative Open Banking Working Group, a relatively simple technical task, we suggest that standard setting for the provision of this data be put in the hands of a suitably qualified third-party (such as a professional consulting firm), tasked with delivery within a defined timeline of weeks.

ENDS

(supporting reference overleaf)



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References

¹ Sep 2014: "Data Sharing & Open Data for Banks: A report for HM Treasury & Cabinet Office" (p 34):

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382273/141202_A_PI_Report_FINAL.PDF

² Mar 2016: SME finance bank referral scheme Spring Budget 2016 announcement:

<http://british-business-bank.co.uk/budget-2016-announces-increased-support-for-british-business-bank-programmes-to-enable-up-to-an-additional-1bn-of-funding-for-smaller-businesses/>

³ Mar 2016: CMA working paper on SME comparison sites: response by Funding Options

https://assets.publishing.service.gov.uk/media/56f3b5b1ed915d117d000023/Funding_Options_response_to_role_of_PCWs_WP.pdf

⁴ June 2016: Example of currently live read-only UK bank account APIs:

[https://help.xero.com/uk/Payments_PartnerFeeds\\$BK_BankFeedsUK](https://help.xero.com/uk/Payments_PartnerFeeds$BK_BankFeedsUK)

⁵ June 2016: Government G-Cloud and Cyber Essentials Plus:

<https://www.digitalmarketplace.service.gov.uk/g-cloud>

<https://www.gov.uk/government/publications/cyber-essentials-scheme-overview>

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