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Response to CMA Call for Input:

*Retail banking market investigation  
Provisional decision on remedies*

**Contact details**

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# Competition & Markets Authority

## Retail Banking Market Investigation

### MOGO Response

#### Summary

1. We welcome the initiative of the Competition & Markets Authority to review the level of competition in the UK banking industry;
2. We would encourage the CMA to be more ambitious in the vision it has for customer data and for the goals they have in both time frames and solutions to achieve the vision;
3. With the current solutions that exist or that are emerging in the FinTech world, we submit that any changes to the UK Banking industry should have as its singular focus the increase in wealth through true goal based advice, not a narrower vision of product and price comparison;
4. We believe that to meet this goal, the CMA should be focusing on:
  - a. Liberation of customer transaction data for use by any business or organisation that has the permission of the customer;
  - b. Embracing multiple technologies that liberate, analyse and deliver value added data to disruptive technologies;
  - c. Supporting technologies that go beyond 'comparison' and focus on the deliver of wealth goals and needs based solutions, instantly and unconditionally, which are now coming to market;
  - d. Providing policy to create disruption in the design and delivery of financial products and services.
5. Competition will be the result of the focus on these core goals;
6. As a global disruptive FinTech provider, who specifically deals with the capture, categorisation and analysis of customer transaction data, we have seen new technologies emerging that go well beyond product and price comparison, and truly create competition in the market;
7. We believe that by partnering with an existing FinTech like MOGO, the CMA can be far more ambitious both in terms of the solutions that are available to consumers and the time frames within which they are available, whilst delivering the solution to customers and providers in a far more cost effective manner;
8. In meeting the goals of driving innovation and building an informed and engaged customer base, the CMA should have a greater focus on consumer wealth, the goals formulated by professionals to increase wealth, the needs that arise out of the goals and the automated comparison and decisioning of the products and services that support these goals and needs.
9. This will ensure that the solutions eventually delivered to the customer do not begin and end at the product and service level, but rather start and grow from the true needs of the customer.

#### Suggestions

##### MOGO

10. MOGO is interested in presenting to the CMA the current state of play on FinTech solutions that are highly disruptive, are in market or close to in market, and can assist in resolving some of the problems identified;
11. MOGO is interested in being a member of the new Identified Entity, as a key technology resource, and to assist in the formulation and execution of the recommendations of CMA

#### Foundation Measures

##### The Real Focus - Customer Wealth

12. We respectfully submit that the true focus of the CMA should be the attainment of wealth by customers;
13. We respectfully submit that attainment of wealth goals by consumers and business must start with the setting of wealth objectives, then understanding the wealth needs that meet these objectives and then researching financial products and services that are suitable in satisfying those needs;

14. The process of goal setting, needs identification and solution selection should be adequately supported by 'professional advice', whether electronic, over the phone or in person;
15. That professional should have to hand all of the customers income, expense, asset and liability information, a great deal of which is in the form of customer transaction data;
16. The focus on providing the consumer with 'product comparison', based simply on price and features, fails to ensure the customer is truly focused on wealth goals at best, and provides products and services that fail to meet the customers needs at worst;
17. Changing customer behaviour is best served by providing them with innovative ways to set wealth goals, identify needs and then providing the customer with constant feedback on how they are tracking to those goals;
18. Competition will come by the entrance of new competitors who are enabled through the liberation of customer data and the integration of new technologies;
19. These new competitors and technologies will emerge faster than the CMA timetable, using data capture technologies that already exist and will far outpace the advancements in the API standard.

#### **Foundation Measures - Objectives**

20. We respectfully believe that the objectives of the Foundation Measures fall short of what is required to focus on customer needs;
21. We believe the first focus of the CMA should be ensuring the customer is provided with adequate advice in relation to the formulation of wealth goals and the identification of product and service needs;
22. We believe the CMA should actively discourage the continuing development of 'price comparison' technologies, that focus on price and features, in favour of technologies that focus on customer wealth goals and needs, and the tracking of the customers behaviour to those goals and needs;
23. We believe the CMA should actively discourage the ongoing singular emphasis on customer service as the only basis for customer satisfaction, in favour of also including customer outcome based indicators such as wealth growth;
24. Technologies already exist for the secure and private collection of customer data, technologies already exist that allow for the development of customer wealth goals, and technologies already exist for the instant and unconditional approval of products and services that meet customer need (not price and feature);
25. We don't believe the CMA report makes use of all the available technologies to meet its goals;
- 26. *The reality is that current FinTech businesses in the transaction data capture market, the product comparison market and the true wealth advice markets, will deliver fully integrated solutions within the next 12 months that will far exceed the goals proposed to be delivered in 2019;***
27. We don't believe that the facilitation of financial intermediaries in itself will bring competition as there is no recommendation on how to use data and technology to drive product innovation;
28. We believe the empowerment of customers should come through understanding the impact of the selection of products and services on their long term wealth goals;
29. The CMA should ensure it fully understands the existing and emerging data and technology solutions before making recommendations that have a multi generational impact on customer wealth.

#### **Foundation Measures – Data Collection**

30. We support the recommendation for the development and implementation of an open API banking standard;
31. We support the recommendation for a banking industry schema to allow for the efficient exchange of transactional data;
32. However the singular focus on API's as the remedy for data collection will not ultimately meet the goals we have suggested for customers and that should be the focus of the CMA;
33. The CMA should be seen as supporting multiple methods for the collection of transaction data to meet customer wealth goals, not just from selected banks, as long as the dual objectives of customer data privacy and security are met;
- 34. *MOGO currently provides the only global solution for the collection of customer transaction data, that meets security and privacy policies of banks and governments in Australia, New Zealand, UK and Canada;***

35. ***MOGO currently provides the only global solution for the collection of customer transaction data without the need for the customer to provide their online banking login details to a third party;***
36. ***MOGO's current product roadmap ensures we will be able to capture, categorise, analyse and deliver data to transformative technologies in time frames that are far quicker than the proposed timetable;***
37. Having now undertaken significant work in Australia and the United Kingdom in collecting customer transaction data, we understand better than most that the challenge is not only in the collection of the data, but in the accurate and timely categorisation of that data for use in any technology;
38. ***MOGO currently provides a global solution for the categorisation of customer transaction data, allowing for the synchronous categorisation of data to match rates over 90%, and the delivery into truly disruptive technologies focused on customer needs;***
39. We believe the CMA should inform itself as to these potential challenges of data collection and categorisation and the current available solutions before delivering commentary on the suitability and availability of non-API based data collection methods;
40. We recommend the CMA inform itself as to the challenges with data categorisation before delivering commentary and recommendations of the types of entities that are best suited to this task.

#### **Foundation Measures – Quality Measures**

41. We support the recommendation for the development and exposure of service quality measures for the banking industry in the UK;
42. However we submit that the customer is best served by measure that address both attainment of wealth goals alongside the attainment of satisfaction in service standards;
43. There are Fintech companies now, that are using technology like MOGO, to develop and deliver bank quality analysis and reporting based on actual customer outcomes, not just operational effectiveness;
44. The timelines that the CMA have offered for the development of an API will stifle the disruption currently underway as businesses and investors delay important decisions based on the timetable of the delivery of the API;
45. Alternatively, they will simply get on with development of innovative solutions, based on solutions developed by businesses like MOGO, and will not adopt the new API, as it simply won't deliver the data in the timeframe or format required for disruption.

#### **Foundation Measures – Customer Prompts**

46. We support concept of customer prompts to ensure the regular review of the suitability of their current financial solutions;
47. However we submit that the customer is best served with 'intelligent' prompts;
48. Intelligent prompts are those which provide the customer with instant feedback on how their actual behaviour is tracking to their wealth goals;
49. They will provide feedback as to how their behaviour is impacting short term goals around budgeting, profitability and asset management as well as feedback as to how their behaviour is impacting their longer term goals of wealth accumulation and security;
50. Prompts suggested by the CMA report give the customer some information that may lead the customer in choosing a provider based on 'hygiene' factors, but no information on how to choose a provider that will assist them meet their long term wealth needs and goals.

### **Current Account Switching Measures**

#### **Current Account Switching Measures – CASS Governance**

51. From the outset, the current challenges that the CMA sees with the CASS failure to have a customer perspective and to aid innovation will also beset the new entity it intends to put in place to build the API;



52. No amount of corporate governance, legislative oversight or forced transparency will improve these institutions to the point where they will operate with the market focus, speed and innovation of a commercially motivated and viable private enterprise;
53. Besides, there are already alternatives to CASS now, which are more highly motivated to provide Consumer and Business Outcomes because they are required to provide a commercial outcome;
54. Encouraging and supporting independent and commercial alternatives to CASS will ensure constant innovation in the Account Switching Space;
- 55. *The MOGO 'Switch' product is an example of a commercially available and viable solution that assists Consumer and Business Customers to automatically switch banking providers;***
56. There is no need to implement the ANP process, as it assumes that the Account Number is an important 'cog' and the issue with customer portability;
57. The real issue with customer portability is in the 'switching' of incoming and outgoing payments from the 'old' account to the 'new' account;
58. There are now commercial solutions to this problem that do not require the implementation of a ANP regime and the exorbitant costs associated with it;
- 59. *The MOGO 'Switch' product is an example of a commercially available and viable solution that assists Consumer and Business Customers to switch banking providers instantly and automatically.***

#### **Current Account Switching Measures – Extended Redirection**

60. The suggestion of an extended redirection solution by the CMA fails to deal with the actual issue: How to change the direction of the payment from an old account to a new account?
61. The MOGO 'Switch' product relies neither on any redirection time period at all, nor account number portability;
62. Our comments about ANP are noted above;
63. Our comments about there being a commercially available and viable solution are noted here again;
- 64. *The MOGO 'Switch' product is an example of a commercially available and viable solution that assists Consumer and Business Customers to switch banking providers instantly and automatically.***

#### **Current Account Switching Measures – Access To Transaction History**

65. We support the automatic provision of account transaction data on the closure of an account;
66. Our comments about there being a commercially available and viable solution to do this are noted here again;
- 67. *The MOGO 'Switch' product is an example of a commercially available and viable solution that assists Consumer and Business Customers to compare and switch banking providers instantly and automatically;***
- 68. *MOGO is currently able to obtain bank transaction data of a bank account for as long as is able to be obtained through the customers on-line banking portal;***
69. The real issue here is how that transaction data will be provided to the customer?
70. We strongly recommend that the CMA promotes the automatic set up of online statements on all transaction accounts;
71. We strongly recommend that the CMA promotes the requirement that bank customers are able to retrieve up to three years transaction history at any point in time on any transaction account;
72. MOGO would then be able to guarantee to all customers and their professional advisors that we could:
  - a. Automatically set up a new transaction account for any customer (consumer or business);
  - b. Automatically retrieve in data and report format all transaction history from the old transaction account;
  - c. Automatically redirect all incoming and outgoing direct credits and direct debits from the old account to the new account; and
  - d. Automatically close the old transaction account.
73. The remedy provided by MOGO also satisfies the security and privacy aspects of transaction data, significantly reduces the costs and ensures that the solution covers all providers and customers regardless of size, time in business or revenue expectations;

74. Employing a solution like MOGO also allows the CMA to implement some or all of the solutions they have chosen not to take forward or makes them redundant e.g. payment switching.

#### **Current Account Switching Measures – Customer Awareness & Confidence**

75. The best way to raise customer awareness and confidence in account switching measures is to put this in the hands of the new service provider;
76. A service provider who is seeking to obtain the business of a customer is suitably motivated to both inform the customer of the automated account switching option and to provide them with the information to have the confidence to do so;
77. The new service provider is also ideally positioned as they will have had the training and a higher level of knowledge of these processes than a customer ever will being informed by a government body through a traditional advertising campaign;
78. Finally it comes at little or no cost to the CMA or the customer, as these costs will be borne as part of the prospecting, educating and on-boarding of a customer by the provider and their data transaction partners;
79. The best chance of the broad education of those entrusted to assist the customer, i.e. the professional, is by the institutions that employ and remunerate them.

#### **PCA Overdraft Measures**

80. We support the introduction of Overdraft Alerts, Grace Periods and Monthly Maximum Charge (MMC)
81. We support the CMA's recommendation that the FCA consider requiring overdraft providers to provide online overdraft eligibility tools;
82. However we submit that the tools exist now to supply the data inputs required for an automatic eligibility assessment and therefore switch of PCA and BCA overdrafts.
83. The MOGO 'Switch' product combined with the MOGO affordability data categorisation product is already in commercial use in the Australian banking sector.
84. We are happy to assist the CMA to further explore the possibilities that exist via the combination of account switch and transaction derived affordability data.

#### **Additional SME Banking Measures – Loan Rate Transparency / Loan Eligibility Indicator**

85. Loan Rate Transparency can be achieved through publishing of APR's and EAR, but the real remedy is in removing the barriers to switching, which includes:
- a. Ability to compare the Product Fees & Services
  - b. Ability to quickly and easily obtain transaction data
  - c. Ability to quickly and easily apply for a BCA
  - d. Low costs to achieve such a switch
86. Loan Eligibility Indicator is also a good idea, but falls short of the new standard, which is instant, unconditional finance, which is now possible due to:
- e. Transaction data capture technologies like MOGO
  - f. Integration with current consumer and business identification and credit history bureau's
  - g. Integration with business rules engines, that go beyond eligibility criteria to actual loan approval processes
87. We encourage the CMA to seek out more information on these solutions when finalising its recommendations as to loan rate transparency and loan eligibility;
88. We encourage the CMA to seek out more information on the instant approval tools that should replace comparison tools that provide no indication to the customer as to whether they will be approved for a loan or not.
89. We are happy to assist the CMA in the exploration of these solutions.

#### **Additional SME Banking Measures – SME Comparison Tool**

90. We agree with the recommendations in relation to the release of product and pricing information
91. However we think that even after release of this information, customers are unlikely to find value in a pure comparison tool, or likely to find it confusing, and are likely to resort to their existing provider;

92. So in finalising the nature and extent of the data required for comparison, we also believe that providers should be required to publish their decision data sets to enable the automatic approval of such products;
93. ***MOGO currently has the products to extract the transactional data and most of the product and pricing information, it also has the system to automatically and unconditionally approve products for customers***

**Additional SME Banking Measures – Standard BCA Opening Procedures**

94. Standard BCA Opening Procedures
- a. Forms should be considered the anathema to good business practice, both in terms of the complexity of the forms and also the absence of electronic options
  - b. The temptation is to try to reduce these forms, thus reducing the nature and extent of the decision data available to lending institutions in arriving at lending decisions, this is to be discouraged
  - c. With the advent of availability of data and the advances in technology, these 'forms' can be reduced to a very simple electronic process for customers
  - d. What is required is Government intervention, by way of legislation, to support these new technologies
  - e. Working groups are notoriously slow, self serving and rarely consumer focused
  - f. ***The MOGO 'Greenlight' product is an example of a commercially available and viable solution that assists Consumer and Business Customers quickly and easily apply for and obtain approval for Personal and Business products***