



## **CMA Consultation on the future oversight of the CMA's open banking remedies: Funding Xchange response**

### **Introduction**

Funding Xchange is the only end-to-end digital intermediary in SME lending. Nobody else does what we do or influences the market like we do. Founded to deliver fast access to affordable finance for SMEs, our marketplace technology is market shifting having reduced loan approval time by 75% and saved SMEs on average £9,000 per loan (a 57% saving). Making alternative lenders more relevant and affordable, we have driven a market towards alternatives from traditional banks.

Funding Xchange believes open banking has been a key component in unlocking our ability to innovate and challenge incumbents. Small businesses in Britain have benefitted significantly through improved product choice and lower services friction. Open banking adoption has been widespread, with as many as half the UK's SMEs now using tools that employ open banking functionality. The stage is set for continued growth with the new option of open banking for tax payments offered by HMRC.

This document lays out the five key principles we believe should be considered by the CMA as part of its ongoing consultation into structuring the future oversight of open banking:

### **1. Independent Governance with appropriate SME representation**

To enable a successful transition to Open Finance, we believe there is a clear need for an independent governing body. This body should be tasked with both general open banking oversight as well as the promotion, growth and future development of Open Banking, fostering innovation and competition across financial services.

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 is our view that the proposed changes set out in the 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.

In addition, we do not believe that a single representative on the governing body can cover the needs of both SMEs and consumers. These two groups represent very different use cases within open banking, and to properly represent the viewpoints and needs of the UK SME community we believe a dedicated non-executive director with relevant expertise and background in small business finance is required.

### **2. A Funding Model That Fosters Independence**

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 provide 100% of the

initial funding) 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.

### **3. Ensuring sufficient competitiveness**

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.

### **4. Delivering a User Experience for SMEs**

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 SMEs are not at risk of facing excess costs due to barriers in sharing financial data.

### **5. Open Finance Timing Alignment**

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.