

29th March 2021

The future oversight of the CMA's open banking remedies

OneBanks welcomes the opportunity to respond to this open consultation on what arrangements would be appropriate to put in place to ensure the effective oversight and governance of the Competition and Markets Authority's open banking remedies following the delivery of the implementation requirements of the Retail Banking Market Investigation Order 2017, and how the CMA should manage the transition process towards this new governance model.

Since its inception in 2016, open banking has been heralded as a new age for banking and financial services. It's a truly radical innovation and represents the change needed to ensure a more competitive and adaptable marketplace. If open banking is able to fulfil its potential, it will represent a massive shift towards greater levels of financial inclusion and provide the UK with our own 'M-Pesa moment'.

There is however a long way to go; three million open banking users is a good start but it's a small proportion of the population. We must ensure that open banking is truly open and does not discriminate against age, type of employment, income level or digital capability.

Open banking presents the infrastructure and collaboration necessary for the next step in financial services, as people reassess and rebuild their lives after months of lockdown and hardship caused by the pandemic. Putting in place the correct oversight and governance structure is crucial to enable open banking to take this next step and fulfill its potential.

We would be delighted to discuss our comments in more detail.

Yours faithfully,

A solid black rectangular box used to redact the signature of Duncan Cockburn.

Duncan Cockburn, CEO, OneBanks

Response to the open consultation

- We agree that the Open Banking Implementation Entity (OBIE) has served its purpose of implementing PSD2. We agree with the Trustee's assertion that for the open banking ecosystem to evolve and flourish, an industry-supported successor organisation will be required.
- Financial services has seen an explosion in open banking, with UK users now exceeding three million.¹ OBIE data shows consumers are using open banking-enabled products to simplify their finances, to better understand income and expenditure, how to spend, save and access cheaper credit. The Trustee commented recently, 'Open Banking used to be the best-kept secret in financial services...users are now able to engage more with their finances and get access to better products.'²
- We agree with this sentiment, however open banking remains in the very early stages of its life cycle. There is a long way to go before open banking can fulfil its potential and transform financial services for everyone, and provide workable and affordable solutions to financial inclusion, digital skills and eliminating the poverty premium.
- Open banking provides the infrastructure and collaboration necessary for the next step in financial services. It's crucial that the open banking ecosystem continues to grow and sustains momentum. We agree with the CMA that this cannot be slowed down by the large banks if it conflicts with their commercial objectives.
- It is unanimous that open finance will benefit consumers but as with open banking, the potential will only be fulfilled if there is a body drive the movement, ensure banks meet deadlines and make sure the appropriate level of security, resilience and controls are in place.
- We therefore wholeheartedly agree with the CMA's assertion that future arrangements for the governance of open banking results in a framework that is:
 - independently-led and accountable
 - adequately resourced to perform the functions required
 - dedicated to serving the interests of consumers and SMEs
 - sustainable and adaptable to future needs of the ecosystem.

¹ <https://insights.openbanking.org.uk/annual-report-2020/trustee-review/>

²

<https://www.openbanking.org.uk/about-us/latest-news/real-demand-for-open-banking-as-user-numbers-grow-to-more-than-two-million/>

- The future oversight of open banking and open finance should have a primary focus on eradicating financial exclusion, improving digital skills and eliminating the poverty premium. In order for this to happen, it is imperative that the independent non-executive directors understand the needs of all consumers, in particular the digitally excluded and most vulnerable in society. Engagement with consumer groups, merchants and civil society will need to play a crucial role to ensure that the benefits of open banking and open finance are enjoyed by all.
- In addition, the new entity should provide support and guidance to organisations, especially new organisations, that are trialing new technologies to maximise the potential of open banking and open finance. This should be the case where the trial is providing an innovative, accessible and low-cost solution (or alternative) to an existing process. This focus should be reviewed by the CMA at regular intervals to ensure that the new framework is delivering real change in financial services.
- One example of how OneBanks is working in this way is by offering a new channel for free access to cash via ATMs:
 - Withdrawing cash from an ATM remains by far the most popular channel for people to acquire cash. According to UK Finance, in 2019 over nine in ten adults (just under 51 million people) used a cash machine and ATM withdrawals accounted for 85% of total volume of cash acquired and 79% of the value.³ It is therefore important that free access to cash via ATMs is maintained.
 - However, given the cost challenges in maintaining the LINK network, we believe a new option, or options, should be made available that can provide consumers and businesses with free access to cash via an ATM.
 - OneBanks offers personal and business customers the opportunity to withdraw and deposit cash from an ATM at the OneBanks kiosk, which will always be staffed by a OneBanks team member. By signing up to OneBanks, a customer can withdraw cash from an ATM at a OneBanks kiosk without the transaction running through the LINK network. Rather, it's a bank-to-bank transaction initiated by Open Banking and completed as a faster payment.

³ Calculated using data in 'UK Finance Payments Market Report 2020', UK Finance. Pp.26-27.

- The ATM at a OneBanks kiosk will require QR code authentication, which will enable customers to make cardless cash withdrawals. This also provides a new level of resilience to the availability of cash in the UK.
 - This new channel for free access to cash offers a low cost alternative to the LINK network that enables UK banks to continue to offer free cash withdrawals through ATMs.
 - It is our view that this process could be improved to be more frictionless and accessible through the approval of Variable Recurring Payments (VRP).
 - VRPs allow customers to safely connect authorised payments providers to their bank account so they can make payments on the customer's behalf, offering more control and transparency than existing alternatives. This relatively frictionless process would go a long way towards ensuring greater access to everyday banking for millions of consumers and a better customer experience for all.
 - Sweeping (which is enabled by VRPs), is the automated movement of funds for a customer between two accounts in their name. But sweeping could put some customers at risk.
 - OneBanks is proposing a middle-ground, without the need for sweeping and offers total control and minimises risk for consumers. What we are proposing is unique because the customer is required to be there in person, to authenticate their identity and authorise every payment, and the amount, every time. We believe this will provide many more consumers with vital access to easy everyday banking such as withdrawing cash from an ATM.
 - The current process for withdrawing cash from a OneBanks ATM requires the customer to use their mobile phone to authenticate every step of the transaction before QR code authentication approves the withdrawal of cash. VRP will eliminate these steps to make withdrawing cash a much more frictionless experience, which will make it accessible for more consumers especially the elderly and others who struggle with technology.
- The example above is just one way in which VRPs will enable Payment Initiation Service Providers (PISPs) to offer more to customers and therefore allow open banking to reach its potential. However, it is our view that in order for VRPs to be

implemented in a reasonable time frame a third party needs to drive through implementation. This can be provided by the new framework and can ensure that similar developments are properly implemented taking into account the necessary risks to ensure end-user benefit.

- OneBanks would like to draw the CMA's attention to the work of [FDATA](#) who have been carrying out commendable work liaising between the industry, banks and OBIE to further the benefits of open banking and open finance. We encourage the CMA to look at their model as a guide to a successful new body.
- It is the position of OneBanks that the proposal made by UK Finance presents a logical direction for a new entity. However, we would like to see UK Finance to work closely with FDATA going forward.