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Is open banking making waves in P2P?

APRIL

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2021

MICHAEL LLOYD | [INDUSTRY NEWS](#) [NEWS](#) [OPEN BANKING](#) | [ARCHOVER](#) [LEAP](#)
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Open banking has a range of benefits for lenders, including for peer-to-peer lending platforms, and it has been more important than ever during the pandemic.

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But in the **three years since it was introduced** in January 2018 to great fanfare, is the data-sharing initiative really making waves within the sector?

Platforms can use open banking to better assess the affordability of borrowers by using real-time data rather than old bank statements. This also helps to reduce friction in their processes and offer an improved customer experience as well as quicker lending decisions. Open banking can also help to reduce fraud, such as through the confirmation of payees.

These benefits have been even more vital during the Covid-19 crisis, allowing lenders to assess affordability, reduce fraud and offer quicker lending decisions to borrowers before they go elsewhere for much-needed funds.

Read more: [Open banking boosts pandemic lending](#)

However, only a handful of P2P platforms are currently using open banking, although this has risen over the past 18 months.

In 2018 Lending Works **partnered with Credit Kudos** to roll out open banking for credit applications and the platform has been vocal about its benefits. **Chief operating officer Jonathan Kramer has previously said the platform uses it to reduce friction in its processes and improve its customer service**, and the benefits will move towards underwriting and meeting the City regulator's affordability requirements.

In 2020, **ArchOver** announced that it had partnered with analytics firm AccountScore to provide open banking data for use in its credit and monitoring teams and last year **Rebuildingsociety gained access to open banking** for itself and its principals after its technology provider White Label Crowdfunding partnered with TrueLayer.

[JP Morgan chief predicts shift to non bank lending](#)

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Leap Lending launched in January last year with the USP of requiring all of its borrowers to use open banking and last month **Kuflink launched a beta version of a new app** for investors, with plans to add open banking functionalities.

Open banking brings with it a range of benefits for platforms. But in three years, take up has been slow with only several platforms using it. However, this appears to be improving with more adopting the data-sharing initiative and **now over two million consumers using it.**

Read more: **CMA launches open banking consultation**

The Open Banking Implementation Entity has estimated that since January 2020 an average of 160,000 users have switched to open banking each month.

Funding Xchange chief executive Katrin Herrling put it best when explaining why the slow take up was expected and nothing to worry about.

“Open banking is essentially a nuclear power plant someone put on a green field that is a hugely powerful source of data but as you can imagine, with a power plant on a green field you need a huge infrastructure to get to the point where you can slice your toast in the morning,” she said at the LendIt Fintech Europe’s Lending Innovation Summit.

Its still up for debate whether open banking is making waves in the alternative lending sector but it is certainly swimming towards a brighter future.

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