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# Open banking’s coming of age moment

**MICHAEL LLOYD** | FEATURES OPEN BANKING | ARCHOVER ATUKSHA POONWASSIE  
CREDIT KUDOS CRIF REALTIME DANIEL RAJKUMAR GLEN KELLER INVEST & FUND KUFLINK  
LENDING WORKS LENDWISE MATT THORBES NARINDER KHATTOARE OPEN BANKING  
PLEND REBUILDINGSOCIETY RISHI ZAVERI

*Open banking has been slow to take off, but in an increasingly digital world, it is rapidly winning new fans. Michael Lloyd asks why peer-to-peer lending platforms are embracing open banking technology – and why some are still resisting...*

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Open banking should have been an easy sell. Yet three years after the data sharing initiative was first launched, just three million people have opted to use it – that’s less than five per cent of the UK’s population.

More surprisingly, only a handful of peer-to-peer lenders are utilising open banking to date, although this number is rapidly rising.

The idea behind open banking was simple. By opting into the scheme, consumers could access a galaxy of financial choices every time they applied for credit or searched for a new savings option. Meanwhile, lenders could use it to reduce fraud, improve their processes and offer faster lending decisions. They could also better assess borrowers’ affordability by using real-time data rather than relying on old bank statements.

While uptake has been slow, the global pandemic looks set to bring open banking into the mainstream.

Over the past 12 to 18 months there has been an increase in P2P lending platforms using – or planning to use – the data-sharing initiative as its benefits are realised.

In 2018, Lending Works **partnered with Credit Kudos** to use open banking for its credit applications.

In 2020, ArchOver **started utilising open banking** and **Rebuildingsociety rolled out the data sharing initiative** for itself and its appointed representatives.

Then in January last year, Leap Lending launched with the USP of requiring all its borrowers to use open banking.

And now, even more platforms are looking to adopt open banking solutions.

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The image is a promotional advertisement for Kuflink's IF-ISA. It features a dark blue background with a satellite in space. The Kuflink logo is in the top left. The main text reads 'up to £4,000 CASHBACK\*'. Below this, there are four bullet points: 'Earn up to 7.44% gross pa†', 'Kuflink invests up to 5% with you', 'Secured against UK property\*', and 'Secondary market available'. At the bottom, there are two footnotes: '\*Capital is at risk. T&C's apply.' and '†Based on compound'. In the top right corner, 'IF-ISA' and '£10,000 transfer' are partially visible.

Kuflink is building real-time borrower verification, testing its payment facility using open banking on the investment platform in closed beta mode **to allow users to transfer funds to their e-wallet instantly using bank transfer**. It is also working with an open banking provider to allow clients to send funds to the platform in real-time.

“This is a step forward in reducing paperwork and unnecessary communication thereby improving efficiency in the process,” says Narinder Khattoare, chief executive of Kuflink.

“All in all, we should in theory gain access to all necessary information through a simplified online process as opposed to numerous phone calls, email chasers etc.”

Plend is **a new P2P consumer lending platform** that plans on launching later this year with the requirement that borrowers and investors both opt in to open banking.

The platform plans on using it for a range of purposes, such as credit scoring, fraud prevention, verifying information quickly and collecting payments faster, which is also a lot cheaper to do through open banking than direct debits.



“Our intention at Plend is to be end-to-end open banking,” says Robert Pasco, chief operating officer and founder of Plend.

“We’re open banking mad so our solution is the underwriting, the credit side is the main thing we’re getting sorted. The payment side cuts costs and makes it easier.”

A more established platform, Invest & Fund, is also now looking at open banking.

Finance director Matt Thorbes says the P2P property lender has not adopted it yet but is talking to API providers about integrating the technology.

He says the platform could use it to improve many of its processes, reducing borrower onboarding time and quickening customers’ deposits and withdrawals.

“We are saying Invest & Fund is definitely considering the available tech as part of an open banking system which will allow us to deliver growth in a fast and secure way,” he says.

“It’s about reducing the number of manual processes and open banking creates opportunities.”

P2P education finance provider Lendwise also intends to incorporate open banking in the not-too-distant future.

“It is slowly becoming more common as a concept (whether it is used to make payments or whether it is used to access information) and it is an additional tool to help augment the information lenders use to assess credit worthiness of their customers,” says Rishi Zaveri, chief executive of Lendwise.

“Amongst other aspects, this is important from a responsible lending perspective of course.”

Meanwhile, Atuksha Poonwassie, co-founder and managing director of Simple Crowdfunding, says that her platform is interested in using open banking, but has not yet had the opportunity to put it in place.

“Ultimately, we think that’s where it’s going and it does make a lot of sense, it streamlines the process,” she says.

“For us it’s important to look at. We are very aware of it and it’s waiting for the right opportunity to use it.”

Open banking take-up has only increased over the past year, no doubt boosted by the pandemic which forced businesses and consumers online.

Glen Keller, chief product officer at open banking-backed credit risk firm CRIF Realtime, notes that P2P platforms have always been quite progressive and more agile than traditional lenders, and this has given fintech lenders an advantage.

“It’s important to be competitive and to differentiate from banks and to lend to more people otherwise people wouldn’t be able to get finance,” says Keller.

“It’s a great tool for differentiation.”

The take-up journey is nowhere near finished, and the consensus among industry stakeholders is that the open banking revolution is only just beginning.

“The use cases continue to multiply!” exclaims Louisa Murray, chief operating officer, Europe at global open banking platform Railsbank.

“The P2P sector increasingly understands the importance of open banking and its use will continue to grow over the coming years.”

This certainly seems to be the case. At the P2P Investing Summit, a virtual event hosted by *Peer2Peer Finance News* and *AngelNews* last month, multiple platform heads and key industry

players **raved about the possibilities of open banking.**

They say that customer demand, and the fact it can be cheaper than alternative solutions, such as collecting payments via direct debits or manually monitoring borrowers, will drive platforms to take up the data-sharing technology.



For instance, ArchOver uses open banking to analyse borrowers' transactions to see if regular payments have been missed, to aid it in monitoring collections and repayments.

Chief operating officer Ian Anderson says platforms would be foolish not to implement it.

“Open banking is well established now, and we believe will become the norm for business lending – to be honest, we are quite surprised (lenders) have not realised the value,” he says.

“Monitoring borrowers and their loans is costly. For those platforms with a more hands on/regular monitoring regime then they would be foolish not to start adopting open banking now.”

**Read more:** [Innovate Finance calls for robust system for open banking proposals](#)

However, the open banking roll-out still faces a few hurdles.

Some platforms are still hesitant about adopting it, either claiming it is not a priority at the moment or saying that they are waiting for the market to settle. And others don't plan on using it at all.

Ben Shaw, chief executive of HNW Lending, says that his platform does not need open banking as it is an asset-based lender, so it is much more interested in the asset and security worth. He asks for bank statements that the borrowers can talk through, if needed.

“We don't need open banking, we can get bank statements if we ask the borrower for them,” he says.

“We're just a little different, we're an asset-based lender, we generally are not lending on cashflow. If someone has a lot in their account, it's not helpful unless you see the borrower explain what comes out.”



Similarly, Filip Karadaghi, managing director of LandlordInvest, says it makes “less sense” for property lenders to use open banking as they rely on the security rather than the borrowers' ability to service debt that is vital for business and consumer lending.



“With property lending the emphasis is on the security of the property itself and there’s much less emphasis on personal finances,” he says.

CRIF Realtime’s Keller points out that with APIs transferring data of bank statements in real-time there’s no reason why it can’t benefit property platforms.

“I definitely think it’d benefit everyone looking at it,” he says.

Another roadblock is the rule that lenders must ask those customers that have signed up for open banking for permission to access their data every 90 days. This creates an administrative burden for platforms and may be off-putting to some consumers.

“The 90-day consent is a pain and many don’t like it, people should be able to set the timeframe themselves,” says Daniel Rajkumar, managing director of Rebuildingsociety.

“I hope the restriction will be lifted; a lot of people have been asking for it.”

Despite these challenges, it seems inevitable that more platforms will adopt open banking in the future, especially as demand rises among credit-seeking consumers.

The new generation of P2P lenders is leaning heavily on open banking as a revolutionary tool with myriad applications. Uptake may have been slow, but more and more P2P lenders are starting to realise the benefits of open banking technology, and how it can help to shape the future of P2P borrowing and investing.

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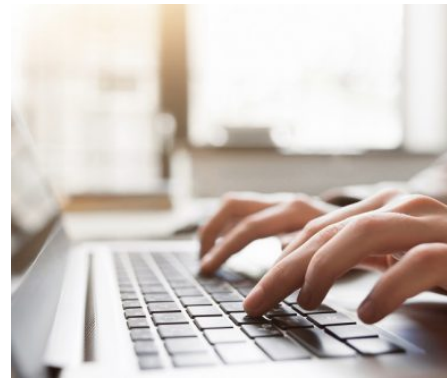
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