



Association of British Credit Unions Limited

Financial Conduct Authority  
12 Endeavour Square  
London  
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30<sup>th</sup> September 2020

### **Financial Conduct Authority – Call for Input – Open Banking**

We appreciate the opportunity to respond to this consultation. The Association of British Credit Unions Ltd. is the primary trade association representing credit unions in England, Scotland and Wales with around two thirds of credit unions in mainland Great Britain affiliated to the Association.

Credit unions have since their inception in Britain in 1964 been closely associated with anti-poverty and financial inclusion. They tend to provide savings and loans facilities to those with limited or no access to financial services from mainstream providers, generally due to their low income and / or lack of a developed credit profile. They have been a central element of numerous government and philanthropic initiatives to extend financial inclusion and address the lack of adequate provision of affordable credit and secure savings facilities for large sections of the population.

They are numerous, with 290 credit unions active in mainland Great Britain today, and have around 1.4 million members and £1.75 billion in assets under management. They range from mid- sized businesses of up to 50 staff to small voluntary organisations.

### **Response to consultation**

ABCUL supports the overall desire of the FCA to consider the potentially transformative benefits that could result from open finance. As a sector we have long supported the changes to open banking and, though the true benefits are still to be realised, we are already seeing a number of credit unions utilise open banking through third party providers. We expect this will become a valuable tool for credit unions adjusting to an increasingly complex lending environment.

We welcome this Call for Input, and the potential impact on consumers. As a sector it is long been our priority to ensure members have access to affordable financial products and recognise the important role that access to information plays in this.

Below we have summarised some realistic challenges we foresee in terms of how the proposals would impact credit unions and credit union members.



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### **Data standardisation**

Firstly, we note the likelihood of significant buy in costs on the part of financial organisations, as well as the ongoing resources required to ensure data is consistently available to an agreed common standard. The first of which is how quantitative data will be collated in a common standard. For this to be achieved there will be associated costs involved with designing and deploying a new way of sharing data and the feasibility and costs of investing in a new system to facilitate the exchange of data between providers and advisers may not be affordable or viable for some institutions.

Having an affordable model for data sharing is essential to provide consumers with the most variety of choice on the market. As Credit Unions in the UK operate within a bespoke legislative and regulatory framework which includes a uniquely-low interest rate cap on lending at 42.6% APR under the Credit Union Act 1979, a common bond requirement or field of membership test for member-customer eligibility it is essential that the development of Open Finance is affordable to the sector to increase competition and drive innovation resulting in better customer outcomes.

Whilst these challenges are not insurmountable – indeed many credit unions are working with TPP open banking partners and we would expect to see similar innovation in relation to open finance products – we think it is worth noting that it would be unlikely that all credit unions would realistically want to - or be in a position to - make use of this, which may impact the consumer experience.

### **Reach and vulnerability considerations**

Secondly in relation to consumer outcomes, Open Finance has the potential to transform the way consumers use financial services and could make it easier to compare price and product features, enabling consumers to switch product or provider. With this opportunity it also brings the risk of those vulnerable consumers to be excluded and penalised by not wanting to or being able to engage in Open Finance, resulting in poor customer outcomes.

We also have concerns that open data does not mean open services to all and we urge that as many barriers to entry are mitigated. Many providers many do not have the functionality to have API's integrate with their software systems which then excludes this provider from being an option to the consumer even though they may be the more affordable and provide better consumer outcome.

### **Data usage**

Another potential risk associated with Open Finance is the miss-use of data, whether intentional or otherwise, and the associated data rights for consumers to ensure that Open Finance protects consumers and builds trust. Consumer consent should be informed and contextualised, aligning to the requirements set out in GDPR and consumers should be able to enforce their rights under GDPR and FSMA easily and effectively. Consumers also need to have control over their data and all parties who may have access to it and the consumer's choice to share their data should not result in them accepting liability or risk which they cannot reasonably be expected to understand or mitigate.

Finally, we like many firms are concerned with the increasing challenges that we collectively face in respect of the predominance of high-cost payday and rent to own lending/point of sale credit options continuing to rise. We hope that the development of Open Finance allows consumers to gain access to affordable lending while still maintaining a competitive market that is has choice, data ethics and consumer protection as fundamental build components.

Yours sincerely,

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