

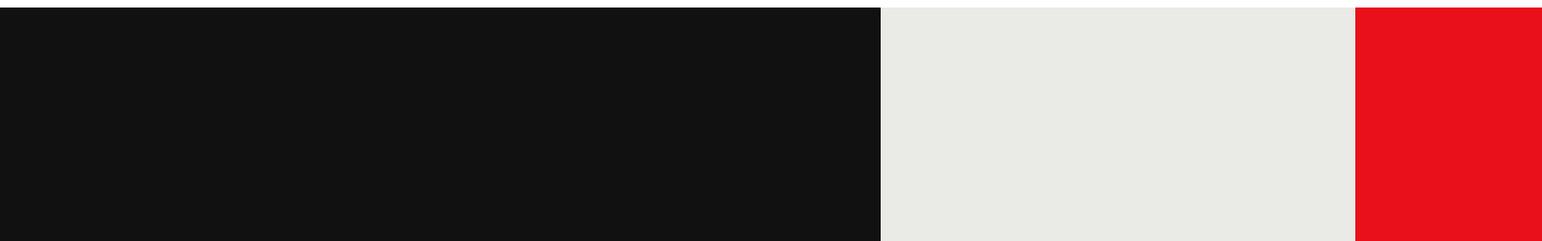
Plaid adds identify verification and fraud detection to its lineup

Article



The news: Data-transfer platform **Plaid** has **added customer identification and fraud detection to its technology stack**, stepping closer to offering a complete onboarding solution for its clients, [per](#) American Banker.

More on this: In addition to offering data aggregation through screen-scraping, Plaid will now offer identification verification and fraud detection services through application



program interfaces (APIs).

- Last fall, Plaid introduced its fraud detection technology, **Signal**. Signal creates a risk score for customer transactions, which customers can use in their decision to proceed with the transaction.
- In January, Plaid purchased the identity verification software provider **Cognito**. Plaid plans to make enhancements to this software, which it has renamed **Identity Verification and Monitor**, but it hasn't yet shared the details.

Two Plaid clients, H&R Block and cross-border payment company Uphold, currently use the two technologies. Plaid expects to make them available to more clients later this year. The features offer a suite of products to banks and fintechs that are in high demand—new customer onboarding, know your customer (KYC) and anti-money laundering (AML) services, identity verification, and fraud detection.

Stoking a fire: The additional features add fuel to the fire currently raging between Plaid and payment software provider **Stripe**.

- In 2021, Plaid purchased fintech payment services provider **Flannel**. The purchase was an early indicator that Plaid is interested in dipping its toes into the payments space.
- In early May, Stripe announced **Financial Connections**, a suite of tools used to verify bank accounts, check balances, and confirm account ownership. The offering puts Stripe in direct competition with Plaid and set off a Twitter spat between the CEOs, in which Plaid CEO Zachary Perret accused Stripe CEO Jay Shah of abusing the relationship between Plaid and Stripe to steal information from Plaid regarding open banking technology.

The convergence of two worlds: The moves by both companies take them from partners to competitors. Previously, the two joined forces to allow customers to complete money transfers without needing to deal with routing numbers or other information. While the partnership still appears to be intact, it's clear that it may no longer be needed, as both companies are able to facilitate payments, verify identities, and validate transactions.

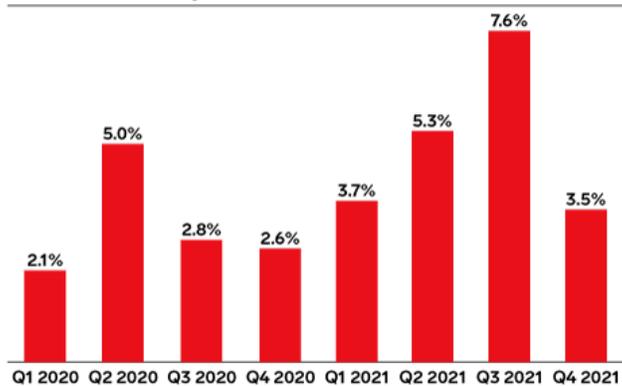
Both companies saw the opportunity to provide their customers with a complete solution, providing services starting with onboarding, through the verification process, to the actual transfer of money. Plaid's Chief Technology Office, Jean-Denis Greze, elaborated a bit more on Plaid's thinking:

- Many customers are piecing together the user onboarding flow by using slivers of technology from various providers, he said.
- Creating a unified process through a single provider will smooth the flow for users and will break down the different silos of information created by using multiple providers. This will enhance security and safety for the user.

The big takeaway: It's not surprising that the two companies would eventually cross paths. As fintech companies grow and search for the next best offering, reaching for an adjacent service allows the company to offer a more comprehensive solution and connect with more end users. With Plaid and Stripe stepping on each others' market share, the shakeout will remain heated, leading both companies to put their best foot forward—thereby benefiting their customers.

Identity Fraud Rate in Financial Technology Worldwide, Q1 2020-Q4 2021

% of total identity verifications



Note: represents identity verification activity on Veriff's platform, broader industry metrics may vary

Source: Veriff, "2021 Identity Fraud Report," Dec 7, 2021

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