

UK regulator streamlines open banking by axing 90-day re-authentication mandate

Article

The news: The UK's Financial Conduct Authority (FCA) has repealed an open-banking requirement for customers to **re-authenticate sharing account data with outside vendors**

every 90 days.

The change is effective on March 26, 2022 and will replace the steps with letting users simply re-consent to sharing for 90-day windows.

More on this: The repeal ends a requirement that was first adopted in 2018 and resulted in over 50% of open-banking users opting to quit using services, per AltFi—which adds that the mandate even affected engaged users’ decision making.

The FCA acknowledged that the requirement is controversial: A majority of respondents to its related regulatory review called the 90-day mandate “**onerous, resulting in wasted time, poor customer experiences and high customer drop-out rates.**”

The bigger picture: The re-authentication requirement’s demise is the second big step that a UK regulator is taking to streamline the open banking customer experience:

- The Competition and Markets Authority (CMA), is orchestrating a mid-2022 rollout of variable recurring payments (VRPs) that are paired with sweeping.
- VRPs are designed to let customers consent to repeated payments without having to re-authenticate for each payment conducted under Strong Customer Authentication (SCA) requirements.

The opportunity: The two measures that the CMA and the FCA are pushing will provide UK banks with a chance to improve their customer experience by removing friction from consumer-facing open banking processes.

For example, banks can simplify interactions by letting customers aggregate their accounts for outside financial services, such as personal financial management tools or investing apps.

Banks could also improve users’ online shopping experiences by adopting VRPs, per a report from **Tink**:

- VRPs can be used instead of cards for purchases, letting customers reduce their risk of data exposure from breaches.
- The standard can help banks ward off competition from digital wallets when it comes to users making merchant payments.

Improving the customer experience in open banking will be essential for banks, as **60% of the UK’s population** expected to use open banking by September 2023, according to a

TrueLayer [report](#).

Banks' digital heads also see offering enhanced experiences as a top priority, [per](#) our 2021 Banking Heads of Digital Report, which includes feedback from executives at banking players based in the UK, US, and Canada.

The heads cited a need to match or surpass the kinds of user experiences offered by big-tech companies, naming personalization as a particular area of interest.

Expectations of Banking Customers Worldwide vs. Priorities of Banking Executives Worldwide, Dec 2020

% of respondents and percentage point difference

| | Customer expectations | Bank priorities | Percentage point difference |
|--|------------------------------|------------------------|------------------------------------|
| Omnichannel experience | 76% | 58% | 18 |
| Focus on transparency, ethics, and social responsibility | 65% | 25% | 40 |
| On-demand, anywhere, anytime customer service | 59% | 66% | 7 |
| Reduce cost/charges of products and services | 48% | 24% | 24 |
| Provide value-added financial services | 47% | 41% | 6 |
| Improve customer support services | 31% | 12% | 19 |

Note: banking customers n=8,559; banking executives n=122
Source: Capgemini, "World Retail Banking Report 2021" in collaboration with Efma, March 25, 2021

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