

Open banking needs better consent handling to allay consumers' security worries

Article

The news: Banks and third-party financial-services providers can revamp how they manage consumers' consent for sharing the data needed to underpin open banking, [per](#) a new

PYMNTS report that outlines an international landscape.

How we got here: The report delves into consumers' uneasiness about data sharing, citing other companies' recent studies of consumers in various countries:

- A 2021 Axway [survey](#) of US consumers found that **47% of consumers worried about losing control over their financial data access**, and **27% worried that the data would be used against them**.
- A 2021 Deloitte [survey](#) of Indian consumers showed that **almost 70%** replied that institutions should increase their emphasis on data protection.
- A 2020 survey from ING [found](#) that **an average of just 30%** of participants across Europe replied that they were comfortable with sharing data—even if they consented.

The wariness has persisted, even as regulators in some geographies are looking to make open banking more convenient:

- In the UK, ongoing steps include [scrapping](#) a 90-day reauthentication mandate and rolling out recurring payments that consumers [don't](#) need to repeatedly consent to.
- In the US, the Consumer Financial Protection Bureau (CFPB) is engaged in the rulemaking process for [issuing](#) a future open-banking regulation. The CFPB recently noted that it will use open banking—by making account switching easier—to incentivize banks to move away from overdraft fees, according to PYMNTS.

Suggested solutions: In response, PYMNTS outlines various steps that banks and third-party providers can take to improve how they approach users' consent for data sharing:

- **Proactively include opt-out features.** As examples, the report cites existing requirements in Singapore and in the EU, where companies must explicitly let people withdraw their consent at any time they want.
- **Include expirations for consent.** This approach entails using an automatic revocation unless consent is reaffirmed.
- **Move away from passwords.** PYMNTS cites work by entities such as the FIDO Alliance to create passwordless authorization, with a biometrics approach noted.

The big takeaway: Open banking's growth will be stymied unless consumers feel empowered to handle their financial data and trust that it will be handled appropriately by companies.

Improving consent handling will help them leap over this hurdle.

Changes to consent processes are also necessary for these companies to build trust with their consumers. Trust is **important** for getting more people to use open banking. For example, a recent US survey by PYMNTS and MX **showed** that **more than one-quarter** of respondents cited trust in their financial institutions for protecting financial assets as their reason for being comfortable with sharing their data, and **16%** cited trust in third-party providers that they connect to.

**Favorable View/Awareness of Open Banking
According to Adults in Select Countries, Aug 2021**

% of respondents

	1	2	3	4	5	6
	1 Very favorable			4 Very unfavorable		
		2 Somewhat favorable			5 Heard of, no opinion	
			3 Somewhat unfavorable			6 Never heard of
Brazil	18%	18%	2%	2%	21%	39%
China	16%	29%	4%	1%	16%	34%
Colombia	11%	27%	7%	3%	17%	35%
Spain	11%	23%	7%	3%	14%	42%
US	11%	14%	5%	3%	12%	55%
Singapore	10%	26%	7%	3%	13%	41%
Argentina	9%	26%	7%	3%	17%	38%
Mexico	9%	33%	8%	1%	15%	36%
UK	9%	17%	7%	5%	19%	44%
Canada	7%	15%	5%	2%	12%	59%
Australia	6%	13%	6%	4%	15%	56%
Germany	4%	14%	11%	4%	16%	51%
France	2%	6%	6%	4%	14%	68%
Japan	2%	10%	9%	2%	10%	67%

Note: n=17,401; numbers may not add up to 100% due to rounding
Source: Morning Consult as cited in company blog, Sep 7, 2021

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