

# Customers don't understand what factors into banks' lending decisions—and they want more control

Article

**The findings:** Borrowers want financial institutions (FIs) to update their lending strategies to give customers more control over what personal information factors into the decisions, as well as to help them better understand the processes.

- These results are based on an August 2023 survey conducted by 104 West, a strategic communications agency, on behalf of **Mastercard**, among 7,600 consumers across the US, Canada, the UK, Australia, France, Germany, and Spain.

**By the numbers:** The survey results paint a picture of customers who feel they've been left in the dark, but very much want to engage in a more collaborative process.

- **87% believe it should be easier for customers to prove their ability to pay loans.**
- **Less than one in three borrowers knows what goes into an FI's lending decisions**, but 90% want more insights into and control over the personal information lenders use to inform their decisions.
- **79% of customers would even be willing to share secured access to their bank accounts** if it helped them get a loan, and 85% said they'd be willing to offer this access if it resulted in digital or instant approval.

**Quality in, quality out:** AI can help FIs determine how much risk they can assume while still maximizing profits, but data and algorithm quality issues can lead to problems.

- Poor data and inaccurate models can get FIs into legal trouble—the Consumer Financial Protection Bureau (CFPB) holds FIs accountable for discriminatory credit rejections, even if AI recommended the decision.
- Banks need high-quality data to develop robust fraud AI models that effectively identify patterns in financial activities, but some lack the budget to do so.
- However, once it's implemented, open banking will drastically improve the quality and quantity of data available to FIs.
- Plus, the customers willing to provide secured access to their bank accounts are also willing to provide FIs with quality, real-time data if it helps move the lending process along.

**The compliance issue:** President Biden's recent executive order intensified oversight to ensure AI is deployed fairly in lending decisions, tenant screening, and housing-related applications.

- Banks and credit unions want more clarity and specific guidance on how to interpret and implement the recommendations outlined in the executive order. Parts of it leave room for interpretation, prompting the financial sector to seek more precise instructions.
- **FIs still must explain their credit and lending decisions accurately and in detail**—even if AI or an algorithm made the decision.
- They must also collect and report on demographic data from applicants as required under federal law, or risk hefty fines.

**The communication issue:** Transparency goes a long way in building trust with customers, even when FIs are communicating bad news.

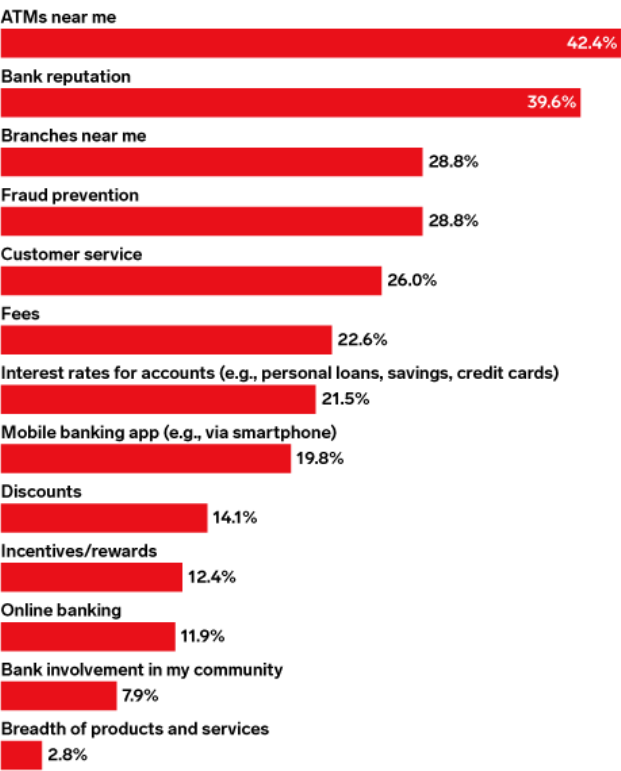
- For example, Canadian consumers were more satisfied with their FIs even if they charged more banking fees—if FIs were transparent in communicating about the fees.
- According to Mastercard’s survey, 95% of consumers who’ve been denied credit in the past **wanted to better understand what led to that decision**.
- Although the law already requires FIs to do this, the gap in customer understanding highlights the ineffectiveness of current communications.

**Key takeaways:** Trust, effective communication, and customer satisfaction are all interlinked and crucial for FIs to integrate into their lending practices. In addition to the increasing regulatory requirements, customer demand will likely result in simpler, more transparent, and more collaborative lending processes.

- Plus, FIs that fail to update these processes risk missing out on profitable customers.

Factors US Gen Z Would Consider Before Choosing a New Bank, Oct 2023

% of respondents



Note: n=1,488 banking consumers ages 18-26, Q: "What are the top factors you would consider before choosing a new bank? Select up to 3."  
Source: Insider Intelligence | eMarketer Survey, US Banking Consumer Habits, Nov 2023  
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