

UK consumers prefer that banks use biometric data to confirm their identities

Article

Key stat: UK shoppers are demonstrating more awareness of and understanding around identity checks while shopping online this year, as last year they suffered from £15.3 million (\$18 million) in losses due to identity fraud during the 2021 holiday season.

The data comes from FICO's [Fraud, Identity, and Digital Banking Consumer Survey](#), which polled 1,000 UK adults in August 2022.

Additional findings: The survey asked UK consumers about their experiences with identity checks, and why they think identity checks are important.

- 72% of respondents said they believe **the main reason their banks conduct identity checks is to protect their accounts**. A much smaller percentage (14%) said they think **their banks perform identity checks to eventually upsell them** on new products and services.
- 63% of those surveyed said **they saw an increase in the number of identity checks** they had to complete while online shopping this year, and 52% saw **an increase when logging into their bank accounts**.
- When asked what their primary consideration was when opening a new account, 30% said good fraud protection was No. 1. Seventy percent listed good fraud protection in their top three considerations.
- 77% of respondents reported that their identity has been stolen** and used to open a financial account. FICO estimates that percentage to be about 4.1 million people.

Features That Would Make US Incumbent Bank and Neobank Users Feel Most Secure When Using Digital Banking, June 2022

% of respondents

| | Incumbent bank users | Neobank users |
|--|----------------------|---------------|
| I get guaranteed reimbursement for fraudulent transactions | 67.1% | 68.1% |
| I receive real-time alerts for sensitive transactions | 50.8% | 43.1% |
| My bank monitors for my stolen information online | 42.8% | 35.3% |
| I can enter a code from a text message or email to complete sensitive transactions | 37.0% | 29.2% |
| My bank provides me information on how to avoid fraud | 20.9% | 20.6% |
| I can set spending limits for my card | 19.2% | 20.1% |
| I can track my credit score through my bank | 17.7% | 18.5% |
| My bank tracks my location to confirm my identity | 14.2% | 14.4% |
| None of the above would make me feel secure when using digital banking | 2.4% | 5.8% |
| Other | 0.1% | 0.0% |

Source: Insider Intelligence, "Spotlight: US Neobank Digital Trust 2022," Sep 2022

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Best way to perform an identity check: Performing an identity check can be burdensome and time-consuming, but the survey asked participants about their preferences on how to go about checking identity.

- A quarter of respondents said **they've abandoned the account-opening process because the identity check was too difficult or taking too long**.

- 20% said they've reduced or stopped using an existing account because completing identity checks was too difficult or time-consuming.
- The respondents showed a large preference for biometric identity checks, with 65% saying they like using fingerprints.
- 81% of those who prefer using biometrics for identity checks said their account security is excellent.

Ways to Ease Concerns About Linking Financial Accounts Through Open Banking According to Internet Users in the US and Canada, June 2021

% of respondents

If I had control of how my information was shared (e.g., what details, how often, when to stop sharing)



If linking them required multifactor authentication (e.g., typing a password and then entering a code from an email or text)



If my primary bank endorsed the connection with the third-party provider



If I knew a credit card or established third-party secured the transactions



If linking them required biometric authentication (e.g., use of my fingerprint or face recognition)



If higher-risk transactions had additional security measures (e.g., phone call voice verification)



N/A—nothing would make me more comfortable



■ US ■ Canada

Source: Mastercard, "The Rise of Open Banking," Dec 14, 2021

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Our take: Consumers are increasingly understanding why identity checks are important. That's a great relief for banks, as customers are likely to be more patient with going through them. Biometric features will ease some of the cumbersome process, and the research from FICO supports findings from other reports.

- According to a [report](#) from PYMNTS and Entersekt, 73% of consumers who access financial accounts via multiple devices are willing to log in with alternative authentication methods.

FICO's data also aligns with one of our [predictions for the banking industry in 2023](#): We expect data security and protection, including identity protection, will become table stakes for financial service providers. Financial institutions that focus on data privacy now will gain a major competitive advantage with consumers, who will prioritize it when choosing a financial services provider.

*This article originally appeared in Insider Intelligence's **Banking Innovation Briefing**—a daily recap of top stories reshaping the banking industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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