



How 'Open Banking' can help small businesses

From 13 January new banking regulations came into force, marking a major revolution to the financial industry. It is now possible to ask your current account provider to share your details with third-party internet companies. However, in order to combat fraud, only companies registered with the FCA (Financial Conduct Authority) are able to access your data.

Open banking is forcing UK banks to change from being financial one-stop-shops. According to CMA (Competition & Markets Authority) open banking uses 'API's to share information securely, without having to reveal your password. If you run a small business, apps could find the best deals for your business accounts and loans and even help you avoid overdraft charges by moving cash into your account when it dips in the red.

At present only AIB, Bank of Ireland, Barclays, Danske Bank, HSBC, Lloyds Banking Group, Nationwide, RBS Group and Santander are involved in the scheme.

Alasdair Smith, the chairman of the retail banking investigation, said: "Open banking will make a transformational change to banking for personal customers and small businesses. For the first time innovative and secure apps will provide personalised services and information to cover all financial needs in one place, and make it easy for people to find out what bank account is best for them."

This increased exchange of customer data is hoped to improve the ability of small businesses to raise finance from alternative providers, for example peer-to-peer lenders and challenger banks. Financial technology companies will also find it easier now to offer data-driven services and tools to enable bank customers to manage their accounts, spending and investment. NESTA, the UK's innovation agency has offered £5m in prize money to encourage these fin-tech companies to develop open banking products in order to benefit small businesses.

Imran Gulamhuseinwala of the Open Banking Implementation Entity, said: "This is a remarkable project. If we get it right, we will, for the first time anywhere in the world, put the customer in control of their data, their privacy and their finances. The Open Banking system is built with rigorously tested software and security systems that enable customers to share access safely and securely. This can only happen with a customer's explicit permission (and with full understanding of how, for how long and for what purpose this data will be used). In the event of fraudulent payments, banks are required to reimburse the customer. They are further protected by data protection laws and have full recourse to the Financial Ombudsman."

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