

Guide to open banking and smart data in the telecoms sector

Mobile phone and broadband services are now considered an essential household utility alongside water, gas, and electricity.

However, as costs for these services steadily increase, many consumers and businesses are looking for better deals to keep their monthly bills down.

Our guide explains how open banking and smart data can cut the cost of telecoms services and support faster switching, as well as help telecoms companies streamline billing and collection.

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Introduction

Mobile phone and broadband use have increased dramatically in the past 10 years and are now considered by many people to be an essential household utility alongside water, gas, and electricity.

According to research by comparison service Uswitch, around 98% of UK adults aged 16-24 own a smartphone, and 80% of people aged 65 and above. By 2025, it's predicted that around 65 million people (95% of the population) will be smartphone users.

It's a similar story for broadband use. The growth in both home entertainment and working from home means that access to broadband is now considered a necessity by many UK households, and in 2023 the fixed communications (fixed line broadband) sector generated approximately £14 billion worth of revenue.

However, the cost and management of telecoms services, such as mobile and broadband, are key concerns for many UK consumers and small businesses, many of whom keep a close watch on their bills. Despite these concerns, there are potential savings to be made, not least in switching contracts.

Our guide explains how open banking and smart data can revolutionise how telecoms services are consumed, managed, and paid for to give people greater control over their spending and usage.

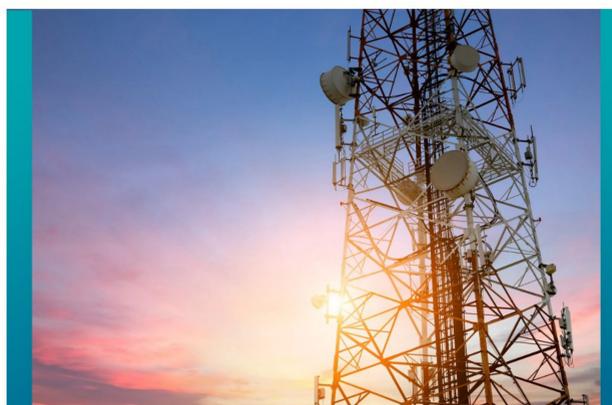
It also demonstrates how some telecoms companies are using open banking to streamline billing and collection, and to help financially vulnerable consumers access affordable plans.

UK telecoms set for transformation

In 2023, the Department of Science, Innovation and Technology published its 'Open Communications' report which examined how the telecoms sector could be made more accessible for consumers, including making it easier to switch provider.

The report stated that to successfully navigate the telecoms market, *"a consumer requires a greater degree of technical knowledge not generally possessed by the average consumer, or to undertake time-consuming market research"*.

This complexity can lead to consumers potentially paying too much for broadband and mobile tariffs, or using services that don't meet their needs.



The role of smart data

The Government's Data (Use and Access) Bill, which is currently before Parliament, is looking to remedy this situation by expanding the data-sharing principles delivered by open banking to improve competition and consumer choice in key economic sectors, including energy, finance, retail, and telecoms.

Expanding data-sharing principles in this way could mean an industry-wide requirement for broadband and mobile operators to provide their customers, on request, data relating to their connectivity service – such as data usage, price, and speed.

It also aims to make it easier for consumers and SMEs to switch providers and tackle the loyalty penalty - the difference between what loyal and new consumers pay for the same service, which currently sits at around £1,114 a year for households across mobile phone bills, mortgages, and broadband services.

Integrating open communications, which enables customers to access and share their consumption and contract data through easy-to-use digital channels, is just one example of how smart data could revolutionise services in the telecoms industry.

By leveraging smart data, telecoms providers can offer services with enhanced personalisation, flexibility, and transparency on pricing, allowing consumers to make more informed decisions about their mobile and broadband contracts.

Plugging gaps in the market

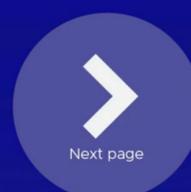
The introduction of simplified open communications could also fill existing gaps in the market. For example, the framework could complement current interventions like End of Contract Notifications and introduce streamlined processes such as One-Touch switching for fixed broadband services. These innovations are expected to increase customer choice and satisfaction by making it easier to switch providers and access fairer pricing.



Consumer interest is strong

Surveys indicate that there is strong consumer interest in these changes, with some revealing that up to 63% of UK customers are eager to explore new payment solutions from their telecoms service providers.

As the telecoms industry embraces a new wave of change, the resulting boost to competition and efficiency across the market is set to significantly improve the customer experience for service.



Finding better mobile deals

According to **research from Sky Mobile**, one fifth of UK mobile phone users (19%) have never changed their mobile network provider and over a quarter more (28%) haven't switched provider for more than five years. This 'switching inertia', coupled with the perceived hassle of changing contracts and networks, keeps many customers locked into pricey contracts.

Open banking-powered money management apps such as Snoop, Emma, and Little Birdie already offer consumers the opportunity to keep track of their finances, flag contract renewal dates, review, and compare pricing. In some cases, consumers can even switch providers within the app.

Consumers and SMEs are set to be the big winners as open banking helps both to manage their mobile service costs. By leveraging open banking frameworks, telecoms providers can offer more agile and flexible payment options that align with actual usage patterns. In short, customers will only ever pay for the services they actually need.



Streamlined pricing models

Hyper-personalised payment options could be extremely valuable in a sector where traditional pricing models often result in consumers paying for services they don't fully utilise, especially those with fluctuating monthly needs.

The same is true for SMEs which could avoid overpayments during slower periods by scaling their mobile service expenses in line with their business activities. For example, many small seasonal retail businesses experience significant fluctuations in customer demand throughout the year. During peak seasons, these businesses hire extra staff who require mobile devices to manage inventory, process sales, and communicate with suppliers, increasing the retailer's mobile service needs.

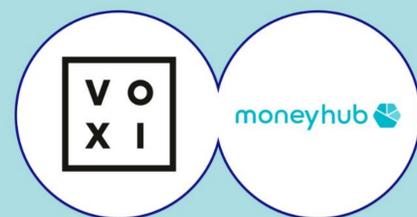
During off-peak periods, these same businesses scale down operations, meaning their additional mobile lines and data plans go unused. However, because traditional telecoms contracts are often based on fixed plans, they still need to pay for these unused services.

By leveraging the hyper-personalised capabilities enabled by smart data, such as those facilitated through open banking, retailers can scale their mobile plans up or down in line with current business activities, ensuring they only pay for what they need when they need it.

Case study

Vodafone partners with Moneyhub to simplify access to affordable tariffs

Social tariffs were introduced in the UK to help low-income households access affordable broadband and phone services during the COVID-19 pandemic, and regulator Ofcom has also promoted these tariffs to help address digital exclusion. The importance of these tariffs has grown as more providers began offering them, aligning with government efforts to make essential telecom services more affordable for vulnerable groups.



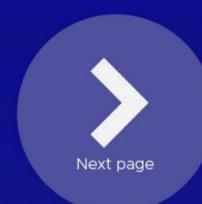
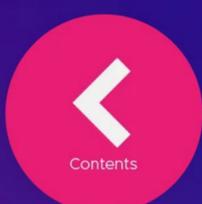
Vodafone's 'VOXI For Now' social tariff was launched in 2020 to support individuals impacted by unemployment during the pandemic. Its early success prompted Vodafone to expand the tariff to people receiving certain government benefits, including Jobseeker's Allowance and Universal Credit.

To manage increasing demand, **Vodafone integrated an open banking solution and partnered with fintech firm Moneyhub.**

Moneyhub's technology allowed applicants to give one-off consent to verify their benefit status in real-time, without affecting their credit score. This meant eligible customers were able to access their affordable tariff more quickly.

The partnership also gives VOXI customers free access to Moneyhub's money management app to help them budget, save, and manage their finances more effectively.

Since its launch in January 2024, customer feedback has been positive, with users reporting significant improvements in financial management, including an increase in savings within six months.



Finding better broadband deals

According to an EY survey on the UK telecoms sector, many consumers are looking for better deals and advice from their telecoms providers. Sixty per cent agree that cost-of-living challenges have made them more likely to shop around for better deals, while three-quarters of respondents “believe broadband providers should offer more fixed-price guarantees”.

Integrating open banking with broadband payment systems could provide consumers and SMEs with more flexible payment options that adapt to their actual data usage. Instead of being locked into fixed monthly tariffs, both could adopt usage-based billing, paying only for the data they consume. The potential savings, particularly for businesses with varying data needs, could be sizeable.

Case study

Streamlining broadband switching with the Emma app



Money management app Emma aims to simplify the broadband switching process, allowing users to explore broadband deals and enter their details to generate a personalised list of broadband options from a wide range of providers to inform their decision-making.

Features, such as monthly fees, average speeds, and contract lengths are displayed, with users given the option to explore each deal in detail. To refine the search, Emma offers filtering tools that allow exact requirements to be specified, such as minimum speed thresholds or preferred contract durations. This customisation ensures that users can tailor their search to find the most suitable and cost-effective broadband solutions, while eliminating the need to visit multiple websites or contact providers individually.



Once a user identifies a broadband deal that meets their needs, the switching process is initiated by the click of a button which directs them to the chosen provider's website to complete the switch.



The new provider typically manages the entire transfer process on behalf of the user, including coordinating the switch-over details and notifying the previous provider of the change.

Real-time expenses monitoring

Greater transparency in billing is another potential benefit, with open banking allowing users to link their broadband accounts directly to their bank accounts for real-time expenses monitoring.

Consumers and SMEs could identify patterns in their data usage and adjust their plans accordingly, avoiding overpayments and ensuring that they are on the most cost-effective tariff.

Personalised cost saving suggestions

The integration of smart data within broadband services means providers can proactively offer users personalised cost saving recommendations.

Comprehensive, real-time analysis of data usage and financial behaviour would allow providers to offer bespoke advice on the most suitable plans, so consumers and SMEs always get the best deal.

Easier switching between providers

When it comes to switching broadband providers, open banking can enable consumers to move to better deals quicker without the headache of paperwork.

This can stimulate competition among providers and drive down prices for consumers and small and medium-sized businesses.

Case study

How Snoop sources better value broadband and mobile tariffs



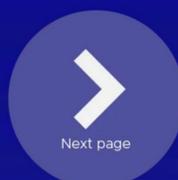
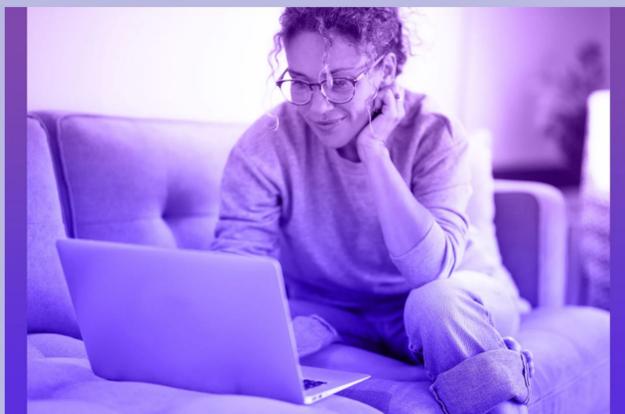
Money management app Snoop aims to help users manage their bills and enable them to find better value broadband and mobile tariffs by making it straightforward to find and compare offers.

The **Bill Timeline** in the Snoop app allows users to see upcoming bills – ranging from car insurance and loans to pet insurance and pensions – and their balances. This helps them stay on top of their finances.

In the **'switching'** section of the app, users can easily check for current deals on their existing bills and explore other offers. The app presents deals which are relevant to their current services first, and users can tap on products to compare prices.

Additionally, Snoop allows users to add end dates to their bills, providing reminders when it's time to renew, making it easier to switch providers when ready and facilitating the switching process.

Typical customer cost savings for broadband services are around £200+ and around £80+ for mobile contracts.



Benefits of open banking for mobile and broadband providers

Open banking can also help telecoms providers deliver financial and administrative efficiencies, and in some instances, improve the customer experience.

Open banking payments

Offering open banking as a way to pay means mobile providers can streamline some of the administrative burden associated with traditional billing and collection systems, speeding up collections, helping to minimise the risk of payment delays and defaults to ensure more consistent cash flows.

In terms of customer insights, open banking data can help telecoms providers analyse a customer's payment history and usage patterns to suggest more cost-effective and personalised payment plans, including automate the process of switching to a better deal when one becomes available. This can boost customer satisfaction, support customer retention and potentially reduce the costs associated with new customer acquisition.

Managing risk and reducing fraud

Analysing customers' financial health in near real-time, giving an accurate snapshot of customers' finances enables mobile and broadband providers to better assess the risk of offering credit or extended payment plans, reducing the likelihood of bad debt, and in some instances, enabling providers to recover some losses rather than none.

The accuracy of open banking-driven financial assessments can also enable mobile and broadband providers to offer services to potential customers without a traditional credit history, such as overseas students or people new to the country.

It could also help reduce the incidence of fraud. Linking payment systems directly to customers' bank accounts could allow providers to implement stronger security measures that cut the costs associated with fraud mitigation and loss recovery.

Virgin O2 Media updates the Direct Debit



Virgin O2 Media has always had a strong focus on delivering a positive customer experience. This includes offering flexible payment options that are tailored to fit consumers' and businesses' differing financial circumstances, and the importance of ensuring straightforward transactions for both one-off and recurring payments.

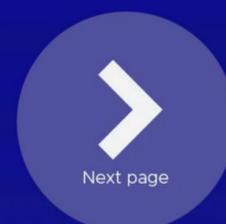
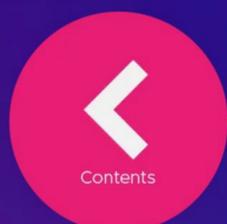
Earlier in 2024, Abraham Georgakarakos, VP Digital and eCommerce at Virgin Media O2, announced that the firm had completed its pilot test of open banking payments and was ready to expand its use.

Speaking to Doug Mackenzie, Fintech Fringe Head of Content, on the **Fintech Finance News Payabl podcast**, he explained the importance of enhancing both billing and the payment experience for customers by providing complete transparency pre- and post-purchase, not just for contracts but for additional purchases, such as apps.

Virgin O2 Media was also the first UK telecoms company to automate the Direct Debit experience through open banking, streamlining the entry of Direct Debit details. Courtesy of a third party fintech platform, customers are able to auto populate forms via their mobile banking app, without having to key in account details or remember store codes.

Virgin also offers new customers the option to use Apple Pay, Google Pay, and debit/credit card options to make recurring/contract payments. These provide a flexible alternative to the Direct Debit.

Looking ahead, Abraham also highlighted the value, to both telecoms companies and customers, of open banking-enabled affordability checks, citing them as a unique way to understand customer needs and spending patterns, as well as helping them to understand and optimise their own spending habits. (See *VOXI for Now case study on p4*)



Looking to the future

One Touch Switch: simplifying the switch between broadband providers

The **One Touch Switch initiative**, led by telecoms industry regulator Ofcom, is a major step forward in simplifying how customers switch broadband providers.

Under this new scheme, customers no longer need to coordinate between both their current and new provider when they want to change to another provider and tariff. Instead, they simply contact their new provider, which manages all aspects of the transfer, from billing to activation dates.

This behind-the-scenes management aims to reduce the hassle of switching and ensure minimal disruption, with most customers experiencing downtime of less than a day.

While One Touch Switch is a significant development, it hasn't yet incorporated open banking. However, open banking technology could play an important role in similar future initiatives. By providing secure, streamlined ways to verify customer data and payments, open banking has the potential to further enhance the switching experience by automating and simplifying consent, validation, and payment processes.

As telecoms continue to evolve, leveraging innovations like open banking could enable providers to offer even more efficient, transparent, and customer-friendly services.

Conclusion

The integration of open banking and smart data in the telecoms sector is poised to revolutionise the industry. For broadband and mobile providers, it clears a path to significant cost reductions through automated billing, improved customer retention, and enhanced fraud prevention.

For example, trade associations UK Finance and the GSM Association of mobile network operators have recently collaborated with EE, Virgin Media O2, Three and Vodafone to help reduce authorised push payment (APP) fraud. The **'Scam Signal' API** analyses near real-time network data to effectively identify and tackle fraudulent bank transfers.

Vodafone led the initial development of Scam Signal, completing a successful three-month pilot which improved scam detection by 30 per cent at a major UK bank.

Meanwhile, consumers and SMEs stand to benefit from more flexible, transparent, and personalised broadband and mobile services, simpler switching and access to more cost-effective tariffs. In turn, this will support innovation and competition in a sector which is estimated to be **worth £33 billion**.

