

Introduction

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The charities guide to growth through open banking

Many of the UK's charities and social enterprises have been hit hard by the pandemic.

Nearly two years of on-off lockdowns hit face-to-face fundraising events – a key source of revenue for many charities – and cash donations. Some struggled to retain volunteers, while others faced an increase in demand for their services.

During that time, many of the smaller charities were so focused on delivering their services, that they had less time to tackle longer-term cashflow issues.

But imagine if we said there may be a way to unlock additional funds that are already sitting in your organisation.

You don't need to run any more fundraising events or source new donors. It's right there.



Snapping back to reality and there's good news. These funds may well be within reach today and quickly accessible to your charity - especially for tier 2 and tier 3 charities - thanks to a smarter digital payment method: instant bank transfer via open banking.

What is open banking? >

Keep reading

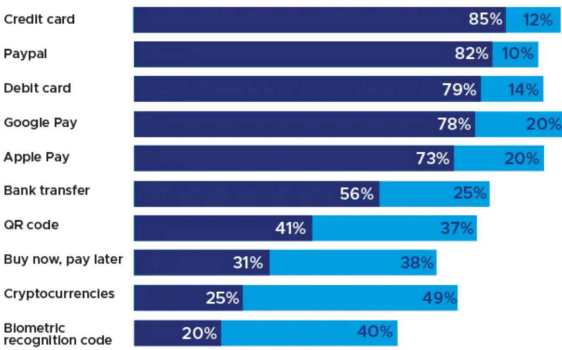
What is open banking?

Open banking offers an opportunity for charities, businesses and consumers to access better financial products and services and a new way to collect payments. It has been expanding rapidly as UK and EU regulations have created frameworks for its operation since 2018. This growth has been encouraged by:

- The decline of cash and growth of electronic payments.
- Ecommerce taking a growing share of retail purchases.
- The high costs to merchants of accepting card payments.

And it's not new. The technology is already widely used by major banks and financial institutions, personal investment tools, and financial safeguarding apps and is trusted by nearly five million¹ people today. This includes HMRC, which announced in January 2022 that it had collected almost £2.5 billion in tax using the technology.

Retail merchants: the changing payments landscape



Merchants expanding their payments to match demand

■ Currently offer ■ Don't currently offer but plan to within 18 months

Source: Checkout.com

Open banking takes advantage of our faster and more secure digital age with a seamless and alternative payment method for donors. It also offers plenty of instant and lasting benefits for charitable organisations too.

In this guide, we look at how, with open banking technology, your charity can:



Make a big transformation with minimal disruption: intelligently increase revenue through lower fees, enhance security and productivity², and potentially do it all for free.



Fundraise for the future: embrace new payment preferences that align with today's long-term advocates prioritising community, and lock in donors of the future.



Learn how easier, faster and bigger payments are made: consumers want a slicker, more engaging and fulfilling donation journey – this is how you get started.

¹Source: The Open Banking Implementation Entity (OBIE) February 2022.

²Based on our understanding of research with some of the leading UK-based charities.



Minimal disruption and big transformation

An obstacle to digital transformation for many charities is the perception around high cost and disruption to day-to-day processes and tasks. However, the reality is that most open banking applications are free to use and can be operational within a few hours.

All that's required is an internet-ready device and an internet connection.

Perhaps more pressing though is that the shift to digitisation is now becoming a much-needed lifeline for charities.

Today's tough terrain

Maintaining share of wallet has always been a central challenge but in the last year in particular, fundraising methods altered, purses have tightened and event participation has fallen, meanwhile demand for services continue to skyrocket.

Macmillan's Mighty Hikes sponsored walk saw **50% reduction in participants**, predicting a **£38m** shortfall in donations due to less in-person events.

The Royal British Legion's [2020 Poppy Appeal](#) fell short on its target as door-to-door collections were cancelled for the first time in its 99-year history.

Despite a loss of income for most charities, **63%** saw an overwhelming increase in demand for their services in 2020 from the previous year.

These trends are reflected in the [2020 ProBono Economics survey](#), which found that **83%** of charities forecast a decline in their income over the next 12 months, and **69%** believed it would take more than a year to return to pre-crisis income levels.

Considering these multi-faceted and unwavering challenges, adapting and embracing a full-circle digital strategy is critical to faster recovery and true sustainability for the third sector.

With open banking, charities gain quick access to a raft of time- and cost-saving functionalities and higher revenue helping to meet the growing demand for their much-needed services.



The financial effect >

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The financial effect

Traditionally, a significant portion of donation revenue goes towards individual transaction fees and annual service hosting costs. According to business website, Startups.co.uk, each card transaction takes a typical fee of between 1-3% meaning processing costs can quickly add up.

In contrast, the cost of receiving payments via open banking tends to be far lower compared with credit or debit cards, online or in-person. This means more revenue going directly to their funds.

There is also often near-instant settlement and access to any money coming in. Thanks to the UK's retail payments system, Faster Payments, transactions are typically completed within a few seconds meaning donations are on account and available typically more quickly than card-based payments.

Opportunities for savings

Small charities make up **96%** of the charitable sector and with over **80%** of charities seeing an annual income of less than £100,000, additional cost savings or funding would be welcome.

A leading charities' payments provider believes open banking offers extensive savings in processing fees.

Another option is using a real-time donation processing service such as Wonderful Payments, which calculates that with a £100,000 per year income, a charity could save up to £1,900 each year on some payment platform fees using its service.

This could mean upgrading accounting systems and reallocating valuable admin hours and resources towards service output. It could also mean the ability to provide more services and meet scaling demand with greater ease.

Unexpected bonus

Both JustGiving and Wonderful have seen additional benefits with using open banking payment options too.

Kieron James, CEO of Wonderful, pointed out that the platform has seen a drive from fundraisers preferring to work with charities that don't use an intermediary with processing fees.

While Oliver Shaw-Latimer, Director of Global Fintech at JustGiving, said: "With no middleman, JustGiving is now seeing savings of 50%, as well as the displacement of more expensive payment options, such as mobile wallets."

Could open banking options via platforms like these help your charity?

"The average transaction value is almost twice the amount of a regular donation. We feel it's an indicator people will choose the open banking options when making large donations, for security and fraud reasons."

Oliver Shaw-Latimer, Director of Global Fintech, JustGiving

Speedy implementation >

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Speedy implementation

Ensuring a seamless move to digital payments, open banking services are quick and simple to implement. Once they are set up, most charities and social enterprises are then able to realise income within the same day, with minimal disruption.

Open banking in action – Sir Captain Tom Moore

The Captain Tom Foundation, set up by Sir Captain Tom Moore and his family in 2020, implemented [the Payit™](#) by NatWest payment solution – which uses open banking infrastructure – as the first donation mechanism on its website.

It enabled customers of major UK banks to donate to the campaign using the Payit button on the donate page. They were then redirected to their bank to complete the payment.

Captain Tom's initial and hugely successful NHS fundraising campaign via [JustGiving](#) also offered an open banking donation option, which saw a significant volume of donations.

'It enables us to collect donations from the general public and organisations in a fast, simple and secure way.'

Gemma Huddleston, The Captain Tom Foundation

Source: Business Money

Today, there are several providers offering open banking digital payments for the charitable sector. You can find some of these in the [Open Banking Implementation Entity \(OBIE\) app store](#).



As many charities operate on legacy tech infrastructures, day-to-day management is hindered by manual processes and the need to reference multiple websites and platforms at the same time.

Open banking can also help improve charitable organisations' back-office functions, saving hours of time and resource. For example, seamless and secure integration of bank account data into a cloud accounting platform provides:

- multi-account visibility
- comprehensive spending analysis
- support for setting and maintaining saving goals
- immediate donor-payment reconciliation.

Altogether, it can translate to hours of valuable time returned to employees that they can invest in more mission-critical activities.



Security and regulation

For charities, as with all organisations, security around mobile-first payments is a key priority.

Open banking service offerings aim to provide a great customer experience alongside robust security controls, many of which operate quietly in the background.

Regulation

Open banking providers are regulated by the Financial Conduct Authority (FCA) to provide certain services. Only companies that are authorised by the FCA can use open banking to initiate payments by instant bank transfer.

Some security controls:

- [OBIE Directory services](#) are only accessible to FCA (or the European regulatory equivalent) [regulated providers](#), as well as banks and financial institutions in Guernsey, Jersey and the Isle of Man (the Crown Dependencies).
- Robust authentication is required to make payments or provide access to financial information.
- Strong encryption is used throughout.

While there has been an increase in the number and frequency of bank-related scams, no new forms of fraud have been detected as a direct result of open banking technology.

We recommend that you check the [FCA register](#) to see the specific activities that any firm has FCA and/or [Prudential Regulation Authority \(PRA\)](#) permission to provide before going ahead. You should also contact the firm and ask them to confirm the specific protections available to you.

The future of fundraising

For sustainable success and revenue growth within today's charitable and social enterprise sector – and for the future – organisations need to be alert and responsive to two key elements:



The growing community minded audience.



The rise and here-to-stay consumer preference for alternative digital payments.

This is how open banking technology fits in perfectly.

The community-driven audience

The pandemic saw a rise in community spirit reflected in elements like the weekly NHS claps and an increase in both regular and one-off charitable donations.

Millennials and Gen-Z made up the majority of donors in this period and according to [GWI](#), today's regular donor is more likely to be from these generations, despite often falling into a lower income bracket.

What's more, for these younger generations in our hyper-connected world today, community goes beyond their immediate

vicinity – as shown by the likes of Greta Thunberg. No charity or cause is too small for their attention and hard-earned cash.

Millennials and Gen Z expect total transparency around their spending and are driving the ethical and sustainable consumer revolution. They see themselves as a powerful force for change and want to see their income make a positive impact as a result.

The digital payment preference

There was already an increase in digital fundraising and consumer spending online versus in-person. This trend was proving a challenge for charities before the COVID-19 crisis, but it has since accelerated, making this the preferred way to pay.

Times are changing

- According to the [CAF](#), there has been a sustained increase in cashless giving since March 2020.
- [Charities in the UK](#) reported a 35% increase in online revenue in 2020.
- TrueLayer's study showed that 63% of donors would be comfortable paying via open banking today.
- Retail research by Checkout.com shows that 30% of consumers now actively want to try new payment methods based on their digital experience in 2020.

In all, for charities to remain relevant and to attract long-term advocates and future donors, they need to embrace the best technologies:



To build a strong online community presence.



To enable new preferred payment solutions that facilitate quicker and safer donations.

Easier payments for your supporters >

Keep reading

Easier payments for your supporters

The audience for charities has never been wider or more eager to support the third sector, which is incredibly welcome news - and open banking is the key to unlocking the door.

What makes open banking easier for donors?

Micro-donations – rounding up



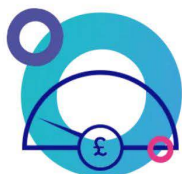
Donors can opt to round up transaction amounts and authorise the surplus to be automatically transferred to their chosen charity. Creating these frequent micro-donations means regular and effortless contributions without a significant change in the donor's bank balance.

Donate by QR code



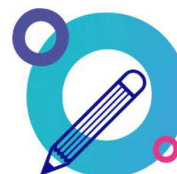
Used and understood more widely than ever, a tokenised payment method such as a QR code on a leaflet, magazine or billboard means the donation journey can start anywhere and without the need for specialist apps or a POS machine. It also introduces an alternative interactive engagement avenue for the sector.

Lower financial risk



By using features such as a cap on microdonations, or transaction alerts to warn users if a donation will put them into an overdraft, donors have a smoother, more transparent donation experience.

Intuitive and compelling design



The Millennial and Gen-Z generations are digitally-native, familiar with the internet, smart phones and consumer apps. By meeting their expectation for a visually-pleasing and user-friendly app, charities create a more fulfilling giving journey that incentivises higher engagement.

Case study - Pledjar >

Keep reading

Case study: Pledjar – rounding up small change



Pledjar is a digital spare change collection tin, that drives donations by rounding up small amounts from daily purchases and securely passing them on to charity automatically.

Working with the [Charities Aid Foundation](#), Pledjar supports more than 150 charities worldwide, from large organisations such as Oxfam, and Save the Children, through to smaller more local charities.

Through open banking technology, Pledjar offers several ways for supporters to donate (including one-off donations and daily giving for a set amount), and they can track the total of their charitable giving in their own personal 'jar'.

So, for example, a £15.54 spend at the supermarket, rounded up to the nearest pound, could mean a donation of £0.46.

While the micro-donations are small, they soon add up and suddenly £20 is donated, which is enough to feed an orphan in a developing country for a month or to buy sports kit for a team of disabled young people. It also means effortless customer retention.

“It’s important charities don’t get left behind and miss out on the millions of pounds of donations in spare change.”

Mujtaba Jaffer, CEO, Pledjar

Benefits for charities

Thanks to its partnership with CAF and its extensive charity connections, Pledjar can support most charities.

The app is FCA-authorised, and Pledjar simply takes 10% of what was raised using its platform – excluding Gift Aid. There are no set-up costs, additional costs to donors, or minimum fees for hosting.

Setting up is a simple two-step process via DocuSign than can take as little as 10 minutes.

How to get started: Charity payments in action >

Keep reading

How to get started: Charity payments in action

For the charitable sector, it's easy to get started with open banking.

Simply get in touch with any of the FCA-regulated service providers below which specialise in working with charities and social enterprises. They can walk you through the set-up process and help answer any questions.³

Alternatively, if you would like more information about how to set up and run open banking for your charity or social enterprise, email us at marketing@openbanking.org.uk and we will be happy to help.

³Open Banking Limited does not endorse the products, services or statements listed here. For further information see our [terms and conditions](#).



Sustainably

Making donations while shopping, Sustainably offers the ability to round up and donate spare change on everyday purchases. Charity-givers can also track the impact of their microdonations.

[Visit site](#)



Pledjar

Rounding up bank transactions, Pledjar gives the option to donate surplus change frequently to a donor's charity of choice.

[Visit site](#)



Bopp

Bopp offers quick and simple donation methods, either click a Paylink or scan a QR code for easy and secure bank transfers. No fees and no typos.

[Visit site](#)



Nomo

Nomo brings fun and ease to tracking cashflow using historic banking data, giving donors financial security before donations leave their account.

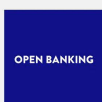
[Visit site](#)



Trilo

Easy donations via QR code scans for the donors, and zero transaction fees for charities. Trilo also gives 'Boost' rewards to customers for every transaction.

[Visit site](#)



About us

The Open Banking Implementation Entity (OBIE) was created by the Competition and Markets Authority to enable innovation, transparency and competition in UK financial services. We are a not-for-profit organisation, tasked with delivering the technology to make it easy and safe for individuals and SMEs to make payments and share the financial information held by their banks with third parties.

The open banking revolution has seen nearly five million consumers and an estimated half of the UK's small businesses benefit from services powered by open banking technology.

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