

How can open banking help consumers handle cost of living challenges?

We take a look at some of the most common financial challenges and explore how open banking apps and services can help.

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With the cost of living increasing at its fastest rate in 40 years, and many of the UK's households and businesses facing rapidly rising bills, it's more important than ever for consumers to understand and manage their money in the most cost-effective way.

A recent report from open banking platform Yapily revealed that around 95 per cent of consumers are concerned about increases in the cost of living, while Bank of England figures for December showed that consumers borrowed £2bn in consumer credit, up £0.5bn on the previous month.

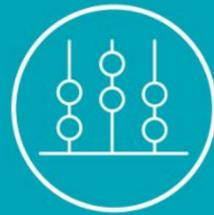
While there is no silver bullet, open banking-enabled tools and services can offer practical ways for consumers to take control of their finances.

By sharing their banking data, they can:

- Access apps and services that are specific to their financial circumstances
- Make more informed financial decisions
- Get better value for money
- Boost their confidence in managing money
- Improve their financial wellbeing.

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Challenge Understanding Finances

A 2021 survey by investment app Freetrade reported that 88 per cent of UK adults don't feel confident in their financial literacy. This includes lacking knowledge of saving, annual percentage rates (APRs), and even bill payments such as Direct Debits.



Solution Budgeting apps

Our 2021 Impact Report revealed that people using money management apps found that they help them to keep to budgets, reduce unnecessary expenditure, shop around for deals, and minimise bank fees and charges.

For some people, their money management app also gave them a clear view of their day-to-day incomings and outgoings in a digestible and categorised way that was easy to understand and act upon.

Some apps can also help cut unnecessary expenditure (for example, on unused or duplicate subscriptions), shop around for switching deals, track refunds, and minimise bank fees.



Solution See how you can budget with apps



[Explore personal finance apps >](#)

[App store](#)



Challenge Lack of savings

A recent survey from the government's Money & Pensions Service (MaPS) highlighted that 9 million people across the UK have no savings, while another five million have less than £100 put aside to help them weather a financial emergency or manage increases in the cost of living.



Solution Savings apps

Savings apps are simple to use and can help encourage people to develop a savings habit. This can be done by using 'round-up' apps that save spare change from regular spending, such as a coffee or supermarket shop, rounding it up to the nearest pound, then moving the money to an interest-bearing savings account.

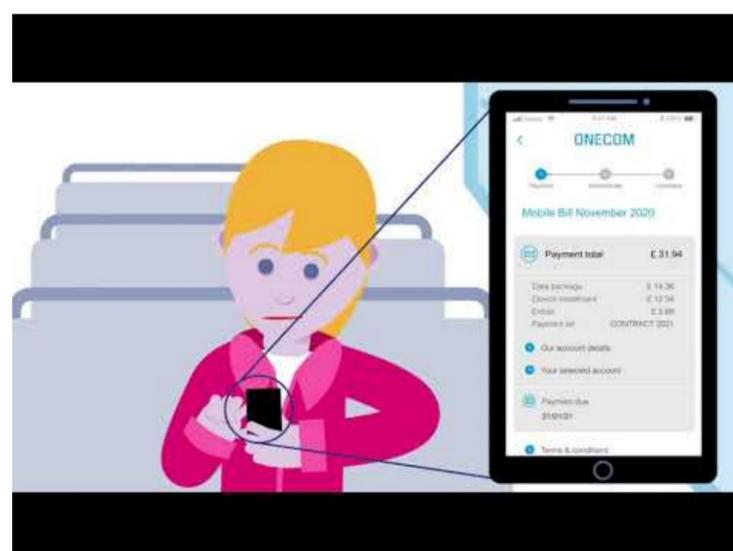
Apps can also calculate what you can afford to save each week, or month (you choose the amount and frequency), or even on one-off occasions. They then move the money from a current account to a savings account, with the potential to earn interest too.

Our research showed that consumers thought their ability to save effectively was enhanced by using these apps – and it helped some adults to start to put away regular savings for the first time.

They also liked the convenient way in which their app could enable regular saving for them in the background, particularly when it provided them with an unexpected boost in savings, however small.



Solution See how you can save with apps



[Explore personal savings apps >](#)

[App store](#)



Challenge

Expensive borrowing

Access to credit is still a challenge for a large number of people in the UK who don't meet legacy scoring criteria. This includes young people and people from overseas who haven't been able to build a credit profile, seasonal and gig economy workers, the self-employed, and those on low incomes.

As many traditional UK lenders tighten up affordability criteria, some individuals may be denied access to cost-effective borrowing, and default to using costly credit cards or overdrafts to boost their funds.



Solution

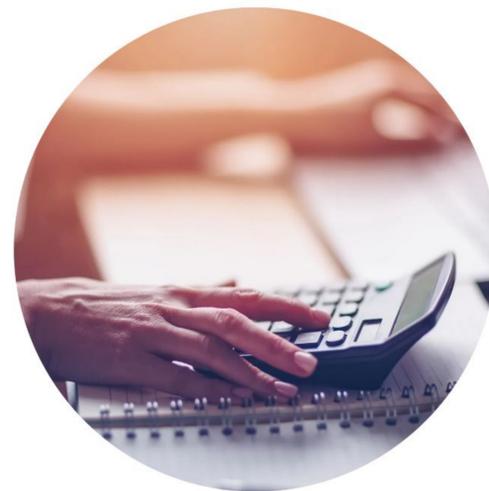
Cost-effective short-term credit

Using open banking data as part of the assessment process can provide lenders with additional, up-to-date financial insights that can help increase consumers' chances to receive approval for loans and accurately evaluate what they can afford to repay.

It can also avoid the need for borrowers to provide unnecessary paperwork and speed up the decision-making process, which benefits both parties.

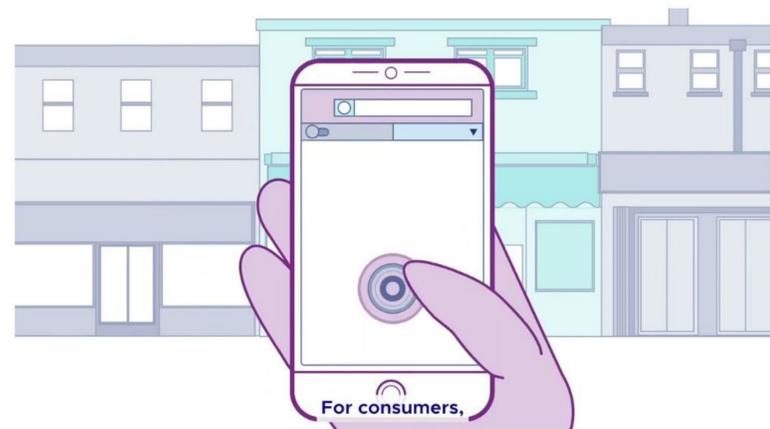
One specialist lender is even offering customers who decide to share their data a 1 per cent discount on the loan rate.

Other organisations can offer cost-effective credit to customers that would otherwise be excluded from borrowing, and even to employees in specific sectors, such as key workers.



Solution

See how open banking can help with credit



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[App store](#)



Challenge

Increasing utilities bills

With the increasing pressure on household budgets, the UK's utilities providers are dealing with a growing number of customers who are struggling to pay their gas, electric or water bill.



Solution

Some utilities providers are using open banking data as a way to help consumers switch to affordable tariffs to pay for their energy. Sharing financial data over a secure link allows customer service teams to build a clear view of an individual's household spending, and quickly conduct income checks before switching eligible customers there and then to a more cost-effective tariff.

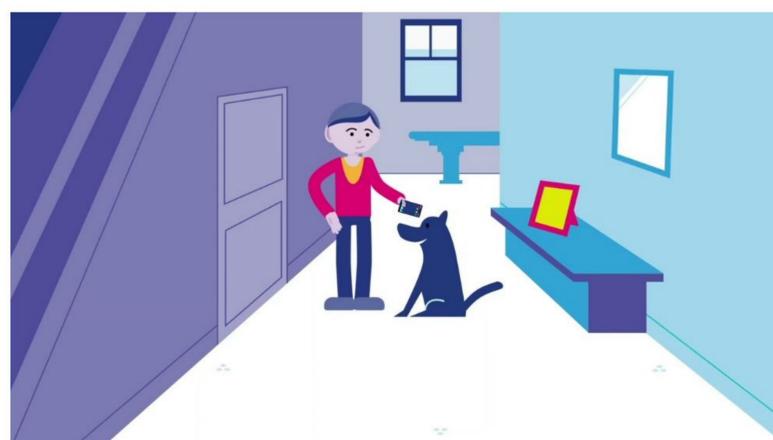
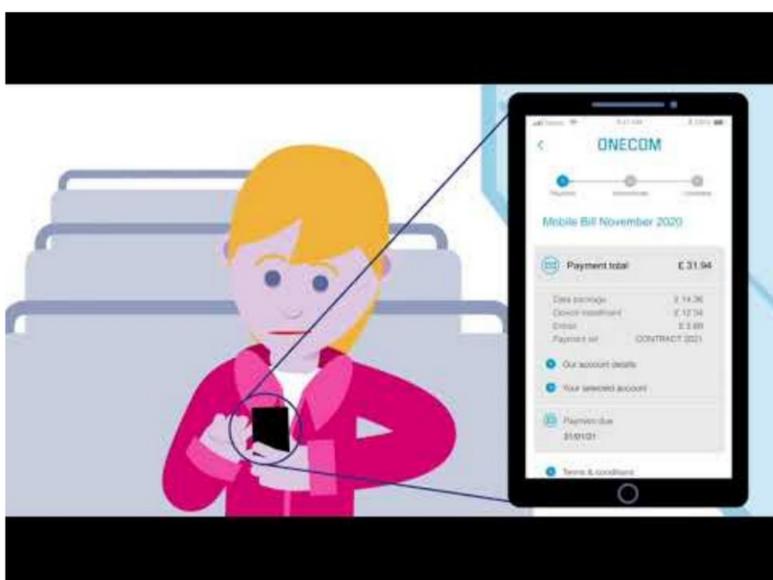
There are also services that use open banking to check an individual's bank account and calculate if they're eligible for social benefits (including one targeted at key workers) or social broadband tariffs.

Using open banking payment and account information services will also enable utilities providers to make cost savings and administrative efficiencies which can, in turn, be passed back to the customer.



Solution

See how apps can help you save on bills



[Explore the app store >](#)

App store



Challenge Managing debt

In October 2022, the Financial Conduct Authority's Financial Lives survey revealed that 7.8 million people are finding it harder to keep up with their bills, an increase from 5.3 million in 2020. The UK has also seen an increase in people facing financial difficulty, missing domestic bills or credit repayments.



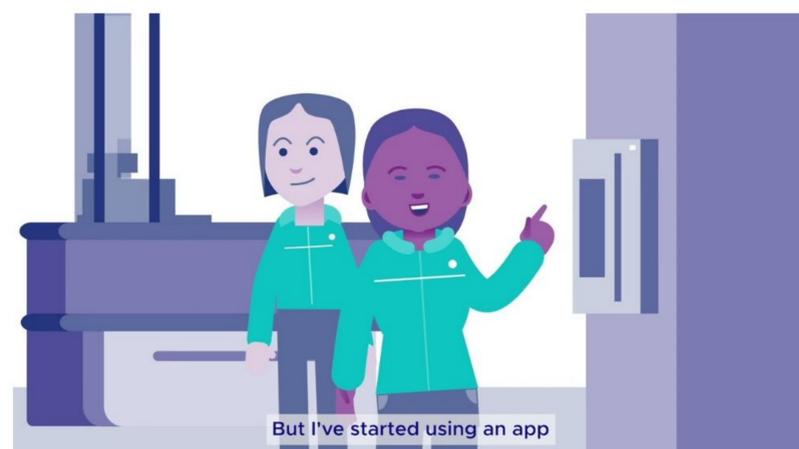
Solution

Up-to-date financial data – information about daily incoming and outgoing funds – can help to tackle debt. By quickly building an accurate view of an individual's spending, apps can signpost people to a range of budgeting tools to navigate out of problem debt. This includes debt consolidation, and authorising professional advisory services to view this data so that they can help.

There are also digital 'debt adviser' apps which provide online budgeting, debt advice, flexible repayments and money coaching to help alleviate financial stress and boost financial resilience and wellbeing.



Solution See how apps can help handle debt



[Explore debt management apps >](#)

[App store](#)



Challenge

Financially vulnerable consumers

Many people who are in debt are also financially vulnerable. This means they may struggle to effectively manage their money, be more likely to spend erratically, or lose track of their finances, incurring further debt. They are also less likely to have savings.

People can experience financial vulnerability at any time – it can be triggered by life events such as divorce, job loss or bereavement, as well as serious illness or mental health conditions. The FCA's 2022 Financial Lives Survey revealed that 47% of UK adults showed at least one characteristic of vulnerability.

The financially vulnerable are also more likely to be affected by the poverty premium – paying more for their essential products, bills, and services than wealthier households.



Solution

Spending analysis

While financial vulnerabilities are both complex to identify and to resolve, there is potential for open banking technology to help.

For instance, if a customer has opted into open banking, their transaction data can be combined with traditional data to analyse spending patterns and identify erratic spending, or 'financially destructive' borrowing.

With the appropriate consents, this behaviour can be highlighted to the individual or a trusted contact, allowing them to address the problem, or be signposted to tools and services that can help them take control of their finances, improve their financial health, or access more cost-effective credit more quickly.

For example, there are open banking apps that can quickly check eligibility for benefits and calculate forecasts so you can see precisely how cost of living increases affect your household.



Solution

Find financial help



Conclusion

Although there are currently more than 7 million people in the UK using open banking-enabled products and services, the technology has barely scratched the surface. As cost of living increases continue to bite, we expect the insights offered by open banking transaction data to play an increasingly active role in delivering cost-effective borrowing, signposting users to debt management services faster and supporting switches to affordable energy tariffs. At the same time, open banking tools and services such as account dashboards, spending trackers, and savings apps can all help consumers take control of their finances, and get more out of the money they have.

The organisations and charities below offer free, independent support with your finances.

