THE OPEN BANKING IMPACT REPORT

March 2024

Our latest Open Banking Impact Report demonstrates strong growth in the adoption of open banking across both data and payments, and by consumers and small businesses.

We analyse the data and explore some of the underlying reasons for this continued growth.

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This report is intended to provide regular insights into the development of open banking in the UK, focusing on outcomes for end users. It is built using a methodology developed by the Personal Finance Research Centre at the University of Bristol. The insights are based on several data sources and research studies which are detailed in the methodology sections. Because of the fast pace of change and difficulty in definitively establishing end-user outcomes, findings are indicative and should be used for information purposes only.

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INTRODUCTION

The Open Banking Impact Report provides regular insight into the adoption, experience and outcomes being delivered by open banking to the UK's consumers and small businesses. It is built on a Theory of Change, created by the Personal Finance Research Centre at the University of Bristol, which suggests that outcomes from open banking will come from a four-step process:

1. **Availability:** services come to market in areas which deliver value for consumers and small businesses.
2. **Adoption:** consumers and small businesses adopt these services.
3. **Experience:** the users of these services have positive experiences and find the services helpful.
4. **Outcomes:** the users realise lasting change in their financial lives.

For 2024, given that there is significant change planned for the delivery of open banking, we are providing a mini-Impact Report focusing on adoption only.

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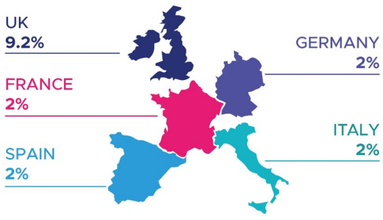
EXECUTIVE SUMMARY

The second half of 2023 saw continued strong growth in open banking penetration. By January 2024, the proportion of digitally active consumers using open banking has grown to 13% or 1 in 7 (*see Notes and Methodology section on p12 for further details on all sources in this report*).

For consumers this has risen to 13% and for small businesses to 18%. In the last Impact Report in June 2023, overall penetration was 1 in 9 so this represents continued strong growth in the adoption of open banking.

Initial analysis suggests that this level of penetration is significantly higher than many other European markets. PwC has estimated that in the key European markets of France, Spain, Italy and Germany, around 2% of digital consumers used open banking in 2022.

This is supported by Open Banking Limited (OBL) analysis of data from Italy which suggests that in the first half of 2022, 1.3% of digital consumers were active with open banking. The comparable figure in the UK at this point was 9.2%.



PwC estimates that the total number of API calls in Germany, Italy, France and Spain was 6.4 billion compared with 14 billion in the UK alone in 2023.

Open banking enables two quite distinct services for users: a more convenient way to make payments and the ability to set up secure data connections.

For the first time in August 2023, the penetration of open banking payments overtook data, although there was growth in both. The expansion of open banking payments is a continuation of the existing trend towards growth, however a noticeable uptick in data penetration occurred, which **increased to 7.2% after several months of limited growth.**

It is possible that the rollout of open banking connections to Apple Wallet*® in iOS 17 in November 2023 is one of the drivers of this growth, but we do not have confirmation at this point. Payment penetration was higher at 8.2%.

Record growth in payments

January 2024 saw a record number of open banking payments made, totalling 14.45 million. Some of this growth can be explained by the traditional surge in self-assessment tax payments to HM Revenue and Customs (HMRC) in this month.

Data from Ecospend Trustly, the third party provider (TPP) which provides open banking services to HMRC self-assessment customers, revealed that over 1m payments were made to HMRC via open banking, an increase of 140,000 or 16% on the same period in 2023. The 'HMRC factor' is a key factor in January's growth, but far from the only driver of payments growth given that there were 700,000 additional users making a payment in January 2024 versus December 2023

To put into context the growing importance of third party-initiated transactions, open banking payments now represent almost 4.5% of total Faster Payments (FPS) volumes.

This is a pivotal year for open banking as it moves towards open finance and beyond to smart data, so it is positive to see strong growth across all areas – both data and payments, and both audiences, consumers and small businesses.

We hope that, as the Data Protection and Digital Information (DPDI) Bill makes its way through Parliament, and our own work with the Smart Data Council, will see the progression of wider regulatory initiatives that will deliver the benefits of open banking to other economic sectors such as banking, energy, finance, transport, telecoms, home-buying, and retail. This will take open banking beyond a competition remedy to deliver a true public good.

**Apple Wallet is a registered trademark of Apple Inc registered in the US and other countries and regions*

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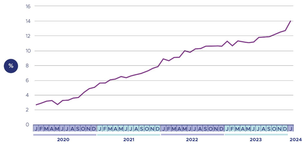
ADOPTION ANALYSIS: OPEN BANKING PENETRATION

Open banking penetration - overall

The proportion of digitally active banking customers using open banking has continued to rise, reaching 14% in January 2024. **This means that 1 in 7 digital customers now has an active open banking connection or has made a payment using open banking.** The corresponding figures in June 2023 were 11% and 1 in 9.

During the first half of 2023, there were some indications that the growth in open banking penetration had started to plateau at around 11%. However, more recent data, from September 2023 to January 2024, have seen a clear return to growth. Some caution should be shown as January is typically always a high month for open banking penetration (in part due to the spike in HMRC payments), but even allowing for some retraction in February 2024, we continue to see strong growth.

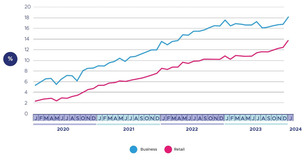
Figure 1: Open banking penetration



Open banking penetration – consumer vs small business

As in previous reports, we continue to see higher penetration for small business customers than retail customers, although the gap continues to narrow. **Retail penetration is 13% (1 in 7), whereas small business penetration has climbed to 18% (1 in 5)**.

Figure 2: Open Banking Penetration: consumer vs small business



Open banking penetration – data vs payments

As predicted in previous Impact Reports, August 2023 saw penetration of open banking payments overtake data penetration. Payment penetration growth has continued to grow at a faster pace than data penetration. In January 2024, 8.2% of digitally enabled customers made an open banking payment versus 7.2% who had an active data connection.

However, while the increase in open banking payments continues to be an important contributor to growth, it is important to note that open banking data connections are also starting to see higher penetration as well. From a high point of 6.9% in May 2022, data penetration had seen a slight decline to 6.4% in September 2023. However, from this low point, we have started to see a return to growth with penetration increasing to a new record high of 7.2% in January 2024.

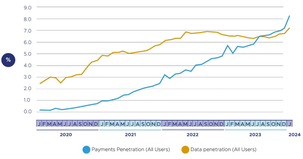
It may be that the rollout of open banking in Apple® 2 iOS 17 in November 2023 was one of the reasons for this growth in data connections, but no firm analysis has been possible. While we know that HMRC payments in January 2024 are a factor in the high penetration of payments, its importance should not be overstated.

Ecospend Trustly, the company which works with HMRC to deliver open banking payments, revealed that over 1 million people paid their self-assessment tax using open banking payments, an increase of 140,000 against January 2023.

To put this in context, in January 2024, 5.4 million consumers and small business made at least one open banking payment, an increase of 0.7 million over the figure in December 2023.

The 'HMRC factor' is an important explanation of the growth in January, but there are clearly other factors at play in explaining the overall growth in open banking payments and the strong volumes in January 2024.

Figure 3: Open banking penetration: data vs payments



Note that some customers (around 1.5%) use both payments and data and therefore these numbers cannot be added together to give overall penetration.

Open banking penetration – consumer vs small business

When we look at the different adoption patterns of open banking across consumers and small business customers, it is still true to say that **small business users remain more likely to be users of data services, while consumers balance their use between payments and data.**

A total of 56% of active consumers are payment users versus 25% of active small businesses. The high penetration of data connections among the small business community reflects the continued importance of business use of cloud accountancy packages. (*You can read more about this in our June 2022 Impact Report which focused on this use case*).

Figure 4: Open banking penetration: consumers (AIS vs PIS vs both)

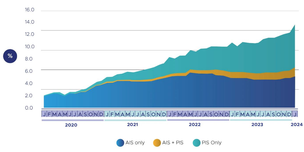
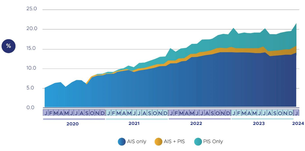


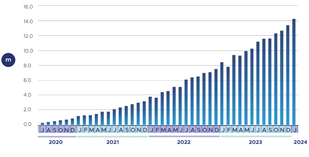
Figure 5: Open banking penetration: small business users (AIS vs PIS vs both)



Open banking payments growth

The number of open banking payments recorded by OBL (based on data provided by the CMA9 banks subject to the Retail Banking Market Investigation Order) reached 14.5 million in January 2024. This is a record high and represents 69% year-on-year growth. 8% of these payments were variable recurring payments and 92% single immediate payments.

Figure 6: Total open banking payments



There is no sign of a slow-down in the growth trend. Looking at full year figures, we can see that in 2023 there were 130 million open banking payments versus 68 million in 2022, a year-on-year growth of 90%.

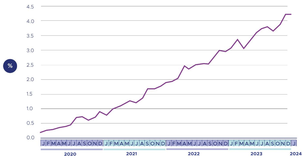
Number of payments per user

By looking at the number of open banking payment users, we can also monitor the number of payments per active user. This figure has remained steady at around 3.5 transactions per active user per month, suggesting that growth is being driven primarily by additional users, not existing users performing more transactions.

An interesting indicator to show how far open banking payments have come is to express the total volume of open banking-initiated Faster Payments as reported to OBL as a proportion of Faster Payments as reported by Pay.UK. This indicator shows a continued steady increase to reach 4.3% by January 2024.

This should be considered an indicative piece of analysis (*see Notes and Methodology for detail*), but it shows the growing importance of open banking-initiated payments in the context of the UK's payment system.

Figure 7: Total open banking payments as a % of FPS single immediate payments



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NOTES & METHODOLOGY

Unless otherwise stated, UK data comes from OBL analysis of the CMA9 ASPSP submissions, corroborated against Department of Business and Trade, ONS, Eurostat and UK Finance. Penetration data combines CMA9 ASPSP submissions of active user numbers (active defined as 'active in the last calendar month') and digitally active end-users by the CMA9. It therefore only represents penetration within the CMA9 digital customer bases, although this is a significant share of the UK population. This data has been corroborated against data on the total adults and small businesses currently using internet banking, derived from ONS, Eurostat and UK Finance. The raw data is available on the OBL website here.

Additional data on HMRC payment volumes in January 2024 was obtained from a press release from Trustly Ecospend. This is available here.

FPS data is taken from the Pay.UK website. The comparison has some limitations for the following reasons:

1. Open banking payments can be sent over any payment rails, although FPS accounts for the vast majority of payments.
2. Some Faster Payments are internal bank payments and are, therefore, not sent over the FPS system (and would therefore count as an open banking payment, but not be recorded in the Pay.UK FPS statistics)
3. Some Faster Payments are internal bank payments and are, therefore, not sent over the FPS system (and would therefore count as an open banking payment, but not be recorded in the Pay.UK FPS statistics)

The European estimates provided in the Executive Summary come from two sources. The first are estimates created by the PwC EMEA Payments and Open Banking Centre of Excellence. Its analysis is based on API call data which has been sourced directly from providers and assumptions on API calls per active customer. This analysis is not as robust as the analysis from the UK, which is based on submissions on the number of active customers by the CMA9 banks, but it gives a directional comparison from other markets.

The second source is from the Banca D'Italia, which published a study in Italian in March 2023, including data on adoption. This report is available here. OBL has analysed this data combining it with market data from Eurostat and Reuters to estimate open banking penetration of digitally active consumers in Italy.

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CREATION OF THE FINAL ROADMAP

On 15th May 2020, the OBIE's revised Roadmap was published following a comprehensive and structured consultation process that OBIE managed at the instruction of the Trustee.

The process included two distinct phases of consultation, open workshops and the assessment of over 75 pieces of feedback, received from a cross-section of stakeholders including the CMA 9, non-CMA 9 banks, third party providers and end user representatives.

The Roadmap runs through 2020 and into 2021. It was designed to reflect the uncertainty of Covid-19 whilst still maintaining the momentum of the programme. This Roadmap is intended to be the final Roadmap issued under the Order, as the successful completion of this Roadmap would complete the implementation requirements under the CMA Order.

Over the course of 2020, the OBIE completed around three-quarters of the Roadmap activity which included the following highlights:

- The refunds standards for payments were agreed and implementation by the CMA 9 commenced. These are intended to support eCommerce payment activity in particular
- A review into consent dashboards, which simplify consent management for people and small businesses, commenced
- A working group was established with the Payments Systems Regulator to examine and advise on Consumer Protections for open banking payments and the impact this may have on the development of open banking payments as a viable alternative form of payment.
- A root cause analysis of CMA 9 consent failure rates was commenced to identify changes and make recommendations to improve the usability of open banking
- An evaluation of Sweeping commenced, and standards were prepared for Variable Recurring Payments

During the year, the OBIE's Monitoring function undertook a detailed and evidence-based review of individual CMA 9 API performances. Where performance was not sufficiently robust, individual performance improvement plans were designed and actioned. The OBIE supported the Trustee in issuing these Directions and set about monitoring adherence to those plans. As a result of this work, we saw a significant uplift in conformance, availability, and performance over the course of 2020. This in turn gave TPPs confidence that they could build and market propositions on top of the CMA 9 APIs.

Close