

Banking on banks

How the cost of living is changing demand for financial services in Europe

Foreword By David Beardmore, Ecosystem Development
Director of the Open Banking Implementation
Entity (OBIE)

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Foreword

By David Beardmore,
Ecosystem
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(OBIE)

We are experiencing a major shift in how people view, interact with, and manage their finances. What was once a slow, unintuitive process that might have required a visit to a bank branch, rifling through paper statements, or multiple spreadsheets has been transformed over the last decade by huge innovations in technology and data. And open banking has been at the heart of this.

In the UK, and elsewhere in the world, governments, central banks, regulators and financial providers have been working hard to unlock the benefits of open banking. In the UK, the OBIE (Open Banking Implementation Entity) has played an integral role in setting the standards and industry guidelines to implement open banking, and drive competition, innovation and transparency in UK retail banking.

As we stand, there is now a thriving ecosystem of fintechs and banks creating real-world solutions that have been embraced by well over six million consumers and small businesses. And this number continues to grow.

As this report highlights, the majority of people in the UK have now swapped their preference for in-branch banking for a digital-first service. From budgeting tools that pull together users' data from all their accounts to give them a full financial picture in one place, to comparison tools that allow them to find the right products and services for them, regardless of provider. Never have we experienced so much rapid innovation in the world of finance.

These innovations are not just benefiting end users. Banks and other financial providers are also gaining much from advances in this space. Just as consumers can gain from getting a detailed picture of their finances, open banking is enabling providers to make more accurate and lower risk lending

and creditworthiness decisions, based on real-time, in-depth information. No longer reliant solely on traditional methods of credit referencing, this means lenders can responsibly offer services to those with limited or 'thin' credit histories.

This enhanced way to assess affordability – combined with other personal finance management services that help people take control of their money – is crucial to increase financial inclusion and is more pertinent than ever given the current cost of living crisis impacting not just the UK, but the whole of Europe.

This report is a timely reminder of the major role financial services play in almost everyone's lives, and underlines how many will now be turning to their bank or lender for support during this difficult economic time.

There is a huge opportunity for both traditional banks and other, newer financial providers to better support their customers through this challenging economic time. Only through greater collaboration across the sector – including between the bigger players and the challenger fintechs – and a concerted effort to communicate the benefits of innovations like open banking, can we ensure more people get the support and services they need to weather the cost of living crisis.

David Beardmore

Ecosystem Development Director
Open Banking Implementation Entity (OBIE)

Introduction

How can the European financial services sector better support consumers with the rising cost of living?

Europe is currently in the grips of a cost of living crisis, with millions of beleaguered households on the continent in desperate need of help as spiralling inflation and rising prices play havoc on their finances.

Many European governments have introduced a raft of measures designed to ease the pressure. The French government, for example, has fully nationalised energy company EDF in an attempt to tackle the energy crisis and shore up domestic supplies, whilst in Germany a €9 a month ticket scheme, covering travel on all modes of urban and regional transport, has been introduced to prompt commuters and holidaymakers to leave the car at home.

Despite such interventions, the situation looks set to worsen and many people are now looking for help and support from different sources. To better understand this, in July 2022 we worked with Opinium Research to survey 7,000 consumers across key European markets – France, Germany, Italy, the Czech Republic, Slovakia and the UK.

The findings expose the level of impact Europeans expect the cost of living crisis to have on their finances. In response, people across these markets told us they plan to take drastic action to rein in their spending, as well as turning to a range of third parties for financial support. Among those they would most likely turn to are their banks and other financial providers.

The European financial services sector clearly has a more important role than ever to play in supporting consumers during these difficult times, but there remains a number of obstacles to overcome.

Our report highlights a fractious relationship between consumers and the financial institutions they often depend on. Regardless of where they live in Europe, people share the same attitude;

they want their banks and other lenders to do much more to support them during this unprecedented crisis. Yet there remains an underlying lack of trust by consumers in financial services across Europe, especially when it comes to their financial data – a prominent consideration as governments and financial sectors across Europe seek to harness the power of innovations like open banking and the benefits that data sharing can bring.

We live in an age of big data and instant information, with the potential for companies to know their customers in deeper detail than ever before. By embracing the latest innovations in open banking data, categorisation and analytics, banks and other financial institutions can better understand and serve their customers, quickly and accurately offering tailored products and services that meet their specific needs. Customers also crave better, more intuitive online offerings from banks, wanting to see the same level of fast, simple and digital-first services which they've become accustomed to in other areas of their lives.

Technology like open banking and innovations in the digital journey promote a mutually beneficial relationship. Through a deeper understanding of their customers, lenders can lend with more confidence, ensuring that people who may in other conditions be rejected can now get the support they need to weather this storm, without increasing risk. And providers can enable consumers to access this support in a way which is convenient, intuitive and complements the rest of their digital lives.

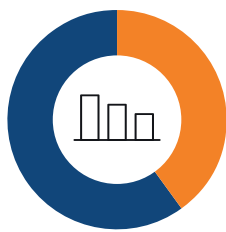
Through adoption of the right innovations in data, analytics and digital services, individual providers can improve their offer to customers and help to enhance consumer trust across the sector at this crucial time.

Chapter 1

How will the cost of living crisis impact European consumers over the next 12 months?

The cost of living crisis is being keenly felt across Europe; it isn't isolated to a handful of markets, rather it's fast becoming a worrying new normal.

Our research reveals that consumers in all markets surveyed expect to have less money left over at the end of each month, with four in 10 (40%) people across Europe flagging this as a concern.



40%
of people across Europe expect to have less money left over at the end of each month

This of course impacts the amount that people can save, and as such over a third (35%) of consumers across the continent expect to put less aside as savings. The UK, which could see inflation as high as 15% by the start of 2023, has the highest number of people expecting to save less each month (38%), with Italy at the other end of the scale (31%). Indeed, four in ten (43%) Europeans expect to have to dip into their savings to simply meet day-to-day costs.

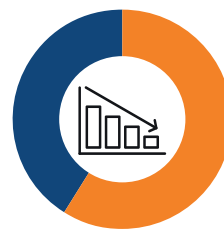
What's clear from these findings is that the differences in attitudes between markets are relatively minor and that worsening personal finances are now fully expected for a significant number of Europeans.

People are equally pessimistic about their financial future. In the UK and Germany, 37% say they expect to see their financial situation worsen in the next 12 months, with the figure reaching as high as 40% in the Czech Republic.

Consumers in the UK appear to be the most concerned about being able to keep up with monthly payments. One in five are worried about whether they will still be able to pay their bills (20%, compared to the 17% average for other European markets), while 11% are worried about keeping up with their rent or mortgage payments (compared to an average of 9% across Europe).

As things get tougher, people across Europe are looking to cut back on their spending wherever possible. In total, 65% plan to reduce their non-essential spending over the next 12 months, for example by cutting out takeaways and cancelling subscriptions. This is highest in France, where 71% of consumers will cut back on spending as the spectre of a recession looms.

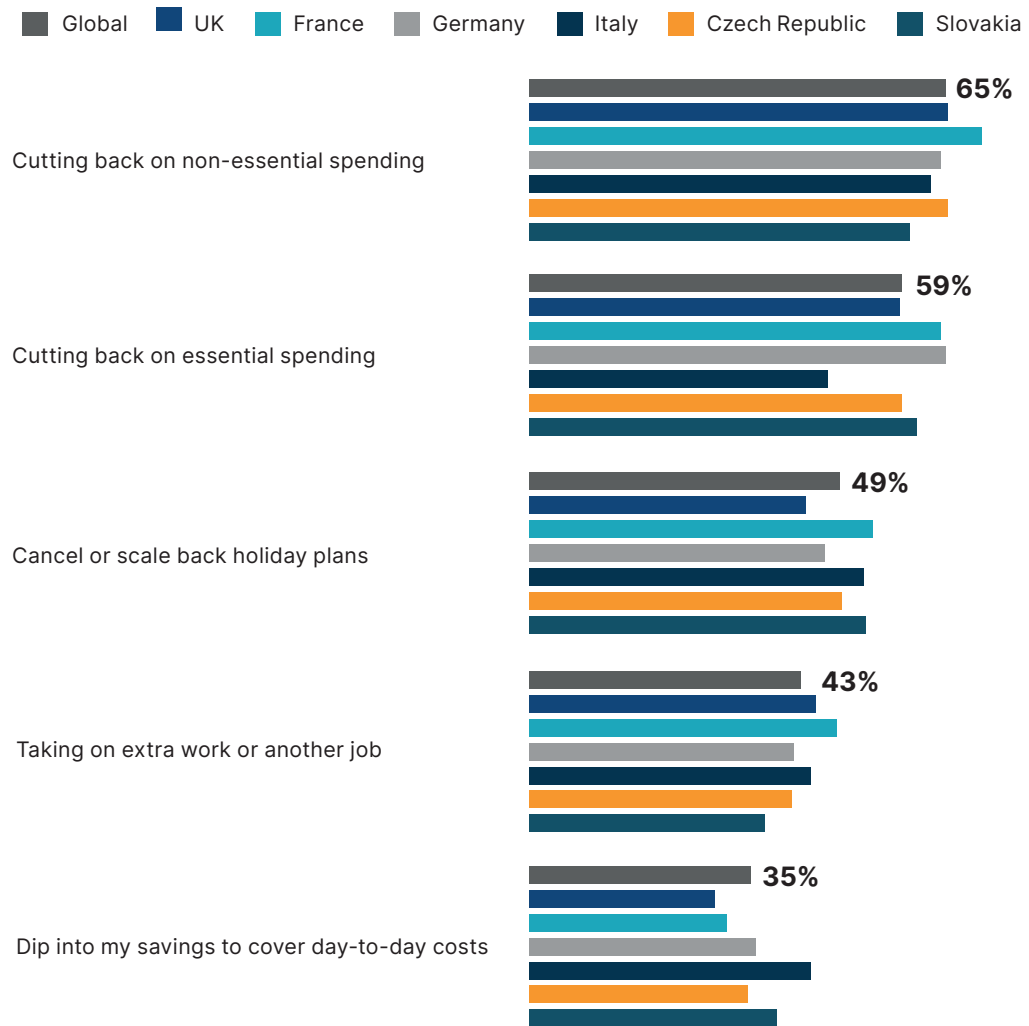
And it's not just non-essential spending that will be severely impacted. Three out of five Europeans (59%) expect they will have to find a way to reduce spending on food, energy and other essentials. This is as high as 65% in Germany, with the lowest figure still at 47% in Italy, highlighting the extent of the crisis individuals and families across Europe are facing. In addition, half (49%) of European consumers say they're scaling back or cancelling holiday plans and a third (35%) expect to take on more work or an extra job.



59%
of European consumers expect they will have to find a way to reduce spending on food, energy and other essentials

Likely actions to help manage your finances in the next 12 months (Top 5)

(NET: Likely. Base: all respondents n=7,000)



15% » 19%

Crucially, one in seven (15%) Europeans – rising to one in five (19%) in the UK specifically - say that they will be looking to borrow more money from their bank or lender in the next 12 months to help them manage their finances

With this potential surge in applications, Europe's banks and other lenders can expect to find their services in greater demand than previously. As we explore later in the report, many consumers across Europe see financial service providers as a critical component in their plans to weather the cost of living crisis. It's therefore vital that providers ensure that they refine and enhance their lending proposition so that they can extend their services to more of those who need it.

Chapter 2

Who is responsible
for providing
financial support?

As their struggles intensify, European consumers are increasingly turning to third parties for the financial support that will help them keep their heads above water.

We asked respondents who they are most likely to approach for help and found that Europeans are most likely to turn to family for financial support (34%), followed by their bank (28%) and then their government (25%).



28%
of people are most likely to turn to their bank for financial support

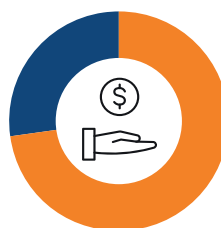
Drilling down further, 40% of Slovaks would go to family for assistance, followed by 35% of people in the UK, while French consumers are the least likely to turn to family (27%).

The French, however, are most likely to approach their bank (33%), followed by those in the UK (30%), and then Italy and Slovakia (28% each). People in the Czech Republic and Germany are least likely to turn to their bank for financial support, though the numbers are still significant (23% and 27%, respectively). Outside of their regular bank, our survey reveals UK consumers are most likely to turn to other types of lenders, ranging from credit unions to payday loans (19% versus a European average of 16%).

Those in the UK, France and Germany are most likely to expect financial support from their respective governments, which perhaps reflects the wide range of measures being introduced in these countries – including discounts on energy bills in the UK, one-off ‘inflation allowances’ in France, and tax cuts for fuel in Germany. In the UK, 30% of consumers would look to the government for financial assistance, followed by France with

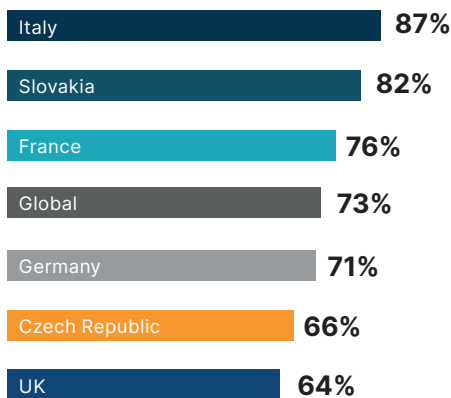
28%, and 26% in Germany, compared with the European average of 25%.

Whilst it’s no surprise that banks and other lenders are amongst the first organisations that hard-pressed consumers turn to when it comes to financial issues, our research shows that the current level of service and support they receive is seen to be falling short.



73%
of Europeans believe that the banks should be doing more to support their customers through these tough economic times

Should banks and other financial providers be doing more to help their customers during difficult economic times? (NET: Likely. Base: all respondents n=7,000)



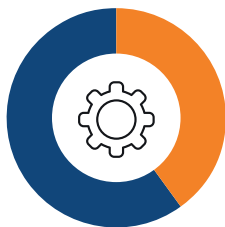
This prevailing sentiment is extremely high in Italy (87%), followed by Slovakia (82%). Whilst UK consumers are least likely to expect more support from banks, the feeling that banks and other providers should be doing more remains remarkably high, with nearly two-thirds (64%) wanting to see more help. This is something that financial providers across Europe need to quickly address, particularly as we move deeper into a cost of living crisis which is predicted to only worsen.

Chapter 3

What do people
want to see more
of from their banks
and other lenders?

European consumers want to see their banks and lenders offer more tailored products and services that take into account and meet their specific needs.

This desire has been supercharged by the current tough economic climate, where people's financial situation can change day-to-day, but personalised banking, which relies on a thorough understanding of customer data, was already a growing trend. Research by Accenture, for example, highlighted that 63% of global banking customers were willing to trade personal data for tailored advice and services.



40%
of Europeans believe lenders should now be actively tailoring products and services to better address people's needs

A similar number (37%) say they should proactively reach out to customers if they think they can help them to save money on their bills, insurance and other services. This rises to nearly half (46%) of consumers in the UK. And a third of Europeans (33%) say they would appreciate more support and advice from financial institutions about how to build up their savings.

Many also want to see better digital services from banks and other lenders, especially younger, more digitally savvy generations. In total, 25% of those we surveyed say improvement is needed when it comes to digital offerings, though this increases to a third (33%) of 18-34 year-olds (compared with 20% of those aged 55 and over).

That said, it's interesting to note that when it comes to applying for a new financial product, much of Europe still prefers in-person interaction. In total, over two in five (44%) say they prefer a face-to-face experience when signing up to a new product or service, with only 29% preferring to do so via website.

The UK bucks this trend by having a clear preference for digital and online applications with 59% of consumers opting for a website or app-based application, compared with only a quarter (23%) of consumers saying they prefer to visit a branch to apply in person.

These results can perhaps be explained by the lower levels of innovation in the financial services sector across much of Europe, at least in comparison to the UK. Across the rest of Europe, nearly one in ten (8%) told us they had dropped out of the application process for a new financial product because the digital application was not straightforward, or that they would need to submit ID documentation by post or by visiting a physical bank branch.

If we look at open banking specifically, it's been more of a success in the UK thanks to adherence to a robust standard, whereas much of the European continent is fragmented, using a variety of different specifications and suffering from a lack of testing to see how well it has been implemented.

Preferences do also vary by age, with young people far more likely to want a digital-first way of applying for financial products and services. Around a third (36%) of 18-34 year-old European consumers say they prefer in-person or in-branch, which is significantly lower than the 51% of those aged 55+ who prefer this experience. And 18-34 year-olds are three times more likely to prefer to apply via an app as those who are 55+ (19% vs. 6%).

While some European countries are further ahead than others in this regard, what's clear is that across the continent there is a shift occurring towards digital services as a first preference. While this is currently most evident among the youngest European consumers, this trend will likely only continue to grow over time as new, even more digitally savvy, generations become responsible for managing their own finances.

Banks and other lenders now need to take notice of this increasing appetite for more personalised financial products and services, as well as enhanced digital offerings, which are particularly important for younger Europeans. The path to future success lies in harnessing the rich data available in the open banking environment and adopting the latest technology and analytical tools to boost customer propositions. And providers need to make available these offerings via a first-rate digital service that meets the expectations of both current and future generations of European consumers.



The path to future success lies in harnessing the rich data available in the open banking environment and adopting the latest technology and analytical tools to boost customer propositions

25% » 33%

25% think financial institutions need to improve their digital offerings, increasing to 33% of 18-34 year-olds

36% v 51%

Younger Europeans are less likely to prefer to bank in-person or in-branch (36% vs 51% of over 55s)

3x

18-34 years olds 3x as likely to prefer to apply for financial products via an app compared to those 55+

Chapter 4

Security versus
services - allaying
fears to enhance
the customer
experience

Despite the widespread demand for more tailored, innovative financial products and services, there is a major barrier for financial providers across Europe: trust. Our research reveals that a significant proportion of consumers don't believe that banks and other lenders put the customer first and worry they will be sold products that aren't right for them.

Three-quarters (77%) of European consumers raised concerns about approaching financial providers for support, with one in five (19%) saying they think banks would attempt to sell them inappropriate products and services. A similar number (18%) feel that banks and other lenders don't have their best interests at heart.

When the issue of data is raised, this distrust only increases. In the UK, 63% of consumers simply don't trust banks with their data and this was a common theme across the markets we surveyed. Fears are lowest in the Czech Republic, but still stand at a substantial 42%. Fraud is a major concern across all markets. In total, 55% of European consumers say that sharing financial information leaves them more open to fraud, with the figure rising to 67% in the UK.

This high figure for the UK is partly explained by recent research by the Social Market Foundation, which in its analysis of European



However, many consumers do acknowledge the benefits that sharing more personal information can unlock, especially if it helps to access borrowing or increase their credit limit

central bank data found that UK consumers are almost nine times more likely to be a victim of card fraud than Germans.

However, many consumers do acknowledge the benefits that sharing more personal information can unlock, especially if it helps to access borrowing or increase their credit limit. Nearly four in ten (37%) Europeans are willing to share more data if it improves their ability to borrow, and over a third (35%) are prepared to share information to get a higher credit limit which rises to 44% in Italy.



50%

of European consumers say they would be comfortable sharing data if it meant that banks and other lenders can warn them of financial issues in advance...



48%

would do so if it meant their provider can help them to save money on monthly costs, such as bills and insurance

There is also a recognition among consumers that data sharing can help solve pain points, including enhancing credit scores that don't reflect their true financial situation and helping people to avoid riskier forms of lending.

Knowing your customer and tailoring products

A Tier 1 bank worked with CRIF to improve its categorisation engine, so it could understand its customers with more accuracy and detail.

This was specifically around accuracy of categorisation in relation to customer transactions and better customer early warnings around their financials. The goal was to develop custom KPIs and an early warning system, along with marketing insights and KYC based on this more detailed data.

To do this, CRIF's Advanced Analytics model was integrated for the whole customer base, including specific early warnings for active customers. This approach led to a 50% increase in KYC procedures, automatic applications and the marketing of more relevant and specific products to customers, with a 3x campaign redemption compared to the previous approach.

Unsurprisingly, younger generations, who are generally more tech savvy and open to innovation, are more likely to share their data to access better products and services that can help them to combat the rising cost of living. Half (49%) of 18-34 year-olds say they are willing to share their data if it improves their ability to borrow, compared with 26% of those aged 55+.

It's now incumbent on Europe's financial providers to educate and reassure their customers that innovations like open banking are safe, feature high security standards, and can bring with it the potential for a wide range of consumer benefits.



49%

**of 18-34
year-olds say
they are willing to
share their data if
it improves their
ability to borrow**

Chapter 5

How better data
and analytics can
support customers
during the cost of
living crisis

A more intelligent use of data, analytics and digital services can improve the whole customer experience and journey, which is often hit by friction.

European consumers are demanding quicker decision making, reflecting enhanced expectations in a digital-first, instant services world. And if people don't get what they want from their provider, they are happy to switch, with 13% saying that faster decision making would prompt them to turn to a new provider and 14% saying they would be attracted by ease of sign-up. This rises to almost one-fifth (17%) of 18-34 year-olds.

A smooth, quick onboarding experience is therefore key to a modern service, and our survey highlights that many people are dropping out of application processes if they deem them to be unintuitive or too complicated.

Over two in five (43%) respondents say that they have exited an application process when engaging with financial services – 9% say the main reason for this was that the process was too complicated, while 8% (rising to 11% in the Czech Republic) say the digital application processes were not user friendly.

Those aged between 18 and 34 are most likely to abandon application processes. These savvy younger consumers tend to favour digital services and are repelled by actions such as having to go into a branch, submit documentation by post, or speak to someone over the phone in order to apply for a new product or service.

It's clear that there is growing demand, especially among younger online-first customers, for a smooth digital onboarding process, as part of a wider suite of online and app-based banking and lending services.

A quarter (23%) of Europeans say they have been declined for borrowing at least once in their lives, with the figure highest in Slovakia

(56%) and lowest in France (13%). One in ten (9%) European consumers say that they have been turned down since the COVID-19 pandemic began.

And when consumers are turned down for lending and other associated services, they told us they often receive no information on why, or feedback on what they can do to improve their chances of approval next time.

Nearly four in ten (38%) people say they didn't fully understand why they were turned down, with half (49%) of those who have been declined saying they received no additional information on the reasons and how they can improve their creditworthiness. And 39% say they were surprised to be turned down as they had a good credit history and salary. The same percentage said they had to turn to a higher cost form of credit, such as a payday loan. Worryingly, 41% say being turned down has had a negative impact on their mental health.

Interestingly, and regardless of being declined, many European consumers are convinced their creditworthiness is better than it's often assessed as being. Around half (48%) say they take regular action to improve their credit score, with a third (32%) saying they use a credit scoring app in an attempt to keep up to date on their creditworthiness.



37%

of Europeans would happily share more data if it helped improve their creditworthiness

This figure was highest in France and Italy (44%) and lowest in Germany (31%).

Boosting acceptance rates through open banking data

CRIF partnered with a major credit card provider as part of an advanced approach to utilising open banking data, taking advantage of CRIF's services around access, categorization and aggregation of payment and credit bureau data.

In one case, the partner was experiencing a reduced approval rate because of a high percentage of rejected customers in the first round of authentication for financial products. This was due to insufficient information being shared to enable robust decision making.

CRIF, with a goal of using PSD2 data to reassess subjects and promote greater financial inclusion, created a creditworthiness assessment based on open banking data.

The outcome led to nearly half of all customers sharing their current account information via open banking, with around one in five customers who had initially been rejected for services and products now being accepted through the second evaluation of their financial circumstances, all while lowering risk and increasing the robustness of decision-making.

Credit assessments are just one area in which open banking services can bring benefits to both consumers and providers. As more people find themselves in financially difficult situations, the capacity to categorise and analyse customer data to undertake more detailed, holistic risk assessments is essential. Further to this, the ability to make quick decisions accurately with as little inconvenience to the consumer is essential in giving providers an edge over competitors.

The ability to offer financial products tailored to a customer's individual needs, along with a smooth and simple digital-first service, will help more providers to better serve their customers and show they are there to support them during this challenging economic time.



As more people find themselves in financially difficult situations, the capacity to categorise and analyse customer data to undertake more detailed, holistic risk assessments is essential.

Conclusion

Realising the
benefits of data and
analytics for banks
and consumers alike

As highlighted throughout this report, the cost of living crisis is worsening and impacting millions of people across Europe.

Consumers are crying out for financial providers to do much more to support them during this difficult time. Specifically, this includes better tailoring of products and services to suit individual circumstances, helping them to get better deals on their utilities and bills, and being more proactive when problems are on the horizon.

By harnessing the power of open banking data and employing the latest analytical tools, banks and other lenders can step up to the plate and offer best-in-class support. Embracing a smarter use of customer data, and combining this with first-rate digital services, can reap rewards for both financial providers and their customers.

But open banking is permission-based; it relies on customers willingly sharing their data. European consumers, especially the younger generations, acknowledge the benefits that sharing their data can bring, but many are still reticent to part with sensitive information due to an underlying lack of trust in the financial services sector.

Financial providers therefore need to work hard to demonstrate why they deserve trust, communicate the benefits and security features of data sharing, and prove how this can enable them to better support people during a time of unprecedented financial difficulties.

CRIF offers solutions that take full advantage of the powerful opportunities generated by open banking, as well as enhancing the customer's digital experience. We enable financial institutions to adopt a data-driven approach that helps them to build long-lasting and meaningful relationships with their customers, rooted in digital experiences and services.

We can help to unlock a deeper knowledge of your customer base to establish a new paradigm of relationship to fit these tough times: not pushing unsuitable products but foreseeing and matching them to the customer's needs. And doing this in a way that enhances the digital journey for consumers, giving them a quick and convenient banking experience that matches what they have come to expect from other aspects of their digital lives.



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About CRIF

The leading
provider in
continental Europe
of consumer and
business credit
information

CRIF is the leading provider in continental Europe of consumer and business credit information, with over 30 years of experience in credit reporting. A key global player in integrated decisioning solutions, we support over 10,500 financial institutions, 600 insurance companies, 82,000 business and 1,000,000 consumers across 50 countries.

AISP certified in 31 countries, CRIF enables banks and other financial institutions – including insurers and alternative lenders – to take their digital services to the next level, helping them harness open banking data and advanced analytics. Through its connections to over 3,000 banks and analytics based on over 200 KPIs, CRIF is helping providers to understand their retail and business customers in more detail than ever before, and with unprecedented speed and accuracy.

Combining global experience in financial services and credit referencing with the agility and innovation of a fintech, CRIF provides financial organisations with the tools to offer their customers a full and seamless digital journey. From onboarding and evaluation, all the way through to business development, we are enabling organisations to deliver a digital experience that consumers have come to expect, while creating value in a more efficient, effective and customer centric way.

Among CRIF's priorities is our commitment to helping financial institutions to:

- » **Leverage a customer data-driven approach to increasing long-term value:** unlocking a better and deeper knowledge of the customer base to establish a new paradigm of relationship: not pushing products but foreseeing and matching the customer's needs.
- » **Provide a new financial model that is open, modular & data driven:** by taking advantage of the enabling power of technology (big data, mobile experience, open APIs) we can provide financial institutions and their customers with new proactive, data-driven services and experiences. We enable greater customer centricity, user experience, organizational evolution within the financial system.
- » **Unlock the potential of the customers' digital journey:** we help consumers who want to consciously manage their finances and have a smart, safe and personalised relationship with their bank, so that they can save time and effortlessly meets all their needs, even from a distance.



CRIF provides the full digital journey through its suite of solutions, including:

- » Open banking suite
- » Transaction categorisation and advanced analytics
- » Credit Passport - the portable credit file for SMEs
- » Budgeting, account aggregation and cashflow management functionalities for consumers and businesses
- » End-to-end digital lending platform
- » End-to-end digital insurance platform

Survey Methodology

Opinium Research, on behalf of CRIF, surveyed 7,000 consumers across European countries (Czech Republic, France, Germany, Italy, Slovakia, and the United Kingdom) between 8th and 25th July 2022.



For further information visit:
[crif.digital](https://www.crif.digital)