

# Embracing Open Banking

The definitive source on adverse credit, tracking the life events that get in the way of homeownership

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Open Banking is already revolutionising the way that people interact with their finances, with 8 million active users in the UK.<sup>1</sup> It has the potential to disrupt the mortgage industry by removing the pain points typically associated with the mortgage process.

Traditionally, customers had to provide an array of financial details, including bank statement, proof of income, identity, address and deposit. However, thanks to Open Banking, the sharing of secure financial data between banks and third parties is possible. With access to a wealth of customer data, lenders can make far more informed decisions about customers' affordability and their ability to repay their loans.

This also means that they can tailor offerings, which builds confidence and loyalty.

It also delivers a more seamless, and faster, loan approval process as open access to financial data means some of the verification checks can be skipped. This access offers more scope to use automation – especially for risk analysis. **For the borrower, this translates to a frictionless application process with less waiting and a more transparent process to secure a loan.**

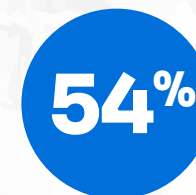
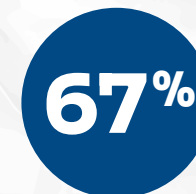


## Consumer Awareness

Despite Open Banking's potential, consumer awareness of it is lagging. **We found that more than six in 10 (61%) are unaware of Open Banking.**



There was, interestingly, a **gender split** when we broke this down further:



More than two-thirds (67%) of the women interviewed **didn't know about Open Banking** compared to 54% of the men.

**8M**

**active users** embracing online banking in the UK

With over

**1/5**

using three or more individual bank accounts



<sup>1</sup> <https://www.openbanking.org.uk/news/uk-reaches-7-million-open-banking-users-milestone/>

The research was conducted by Pegasus Insight between 11-22nd April 2024 among 2000 UK adults aged 18+ and is nationally representative. By natural incidence, 483 respondents had experienced one or more adverse financial events in the 12 months prior to fieldwork.

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## Attitudes and Fears

A key challenge will be reassurance. Our research revealed a lack of trust is holding many back from even considering Open Banking.

Nearly a third (31%) of people **wouldn't trust sharing their bank statements** or payslips online with a mortgage broker or lender when applying for a mortgage. Additionally, one in five said that they wouldn't be willing to use Open Banking to share their data even if they were asked to.

Our research reveals that Open Banking feels too risky to many, especially as the data shared is often highly sensitive. Our respondents stated that they simply don't trust Open Banking pointing to privacy concerns and an increased risk of becoming the victim of hacking or fraud.



**A key challenge will be reassurance.** The research shows a lack of trust is holding many back from even considering Open Banking.



ALMOST

# 1/3

of people wouldn't trust sharing their bank statements or payslips online when applying for a mortgage



# 20%

1 in 5 wouldn't be willing to use Open Banking to share their data if they were asked to



## Consumer Education

Open Banking is a relatively new technology and consumers are understandably nervous, especially when securing a mortgage is such a huge financial step. However, Open Banking will only become widely adopted in the mortgage market if **we all work collaboratively to improve awareness and understanding of its full potential.**

As Open Banking gains more traction, **brokers have a key role to play in educating their clients on the merits of Open Banking** and how it can help them secure a personalised mortgage offer more quickly and easily. Additionally, lenders need to be as transparent as possible about their technology when it comes to supporting brokers and their clients each and every step of the journey.



## Top Takeaway for Brokers

With any new technology, there comes nervousness. However, the use of technology will be key to the future growth of the mortgage market. Open Banking will transform the credit application process, making it seamless and easier for brokers and their customers to access end-to-end mortgage approvals. Brokers need to arm themselves with knowledge so that they can confidently answer any of their clients' questions and quieten their concerns.

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