

What we can do once the banks give us back our data

Written by Rob Nicholls, Senior lecturer in Business Law, UNSW

Macquarie Bank has [started a trial](#), giving customers access to the data the bank has collected on them. These might include the number and types of account held, average balances, regular payments and income and credit score information. This information helps to determine both the need for products and the risk of a customer.

This idea is called open banking and will see customers use their data in a whole range of ways - to ensure they are getting a good deal on their credit cards or mortgages, to see how they are faring financially against people in similar situations, and even to make paying taxes easier.

Read more: [*Simpler account switching would help keep our banks honest*](#)

Until recently our banks have had exclusive access to all of this data. The banks used it for marketing and product design. That is, your data was used to increase their profits.

The absence of sharing meant the data was a hurdle to customer switching. But the Productivity Commission [has said](#) consumers should be given a “comprehensive right” to their data.

In fact, you can already see some of use cases for your data in services the banks themselves provide. For example, Ubank [has a tool](#) that allows customers to work out a budget, and compare themselves to others of similar ages, household types etc. And many banks and credit card companies allow you to dive into your spending habits, to see where your money is going.

Treasury is [currently examining](#) how open banking should work in practice, and the Productivity Commission is [looking at](#) competition in the financial services sector. So this Macquarie Bank trial is just the beginning of open banking in Australia.

Is it safe?

You might be worried about how these other services will access your data. You don't have to share your passwords or bank login, rather the data is shared using a standardised application programming interface or [API](#).

An API creates a standard for connecting to a service, similar to how there is a standard for writing down your home address. To mail a letter you write down a street number, street name, suburb, state, postcode. If you write down the latitude and longitude of the person's house then the letter won't get there, because it doesn't abide by the standard.

APIs have security standards as well, with two elements. One is authentication - making sure that the machine seeking access is the machine it says it is - and the other is authorisation - making sure that the machine is permitted to access the API. In practice, the authentication component could be done by a trusted third party, such as Facebook or Google.

An open banking API would need to allow enough information about a customer to be accessed to allow for service comparisons. However, the data must not contain enough information to identify an individual. This is essential under Australian privacy law and proposed standards would also need to comply with the European General Data Protection Regulation ([GDPR](#)).

What will I use the data for?

The fact that all this data has largely been held by the banks until now means there aren't a lot of services for us to connect to immediately.

The most immediate example is to use your data to make sure you are getting the best deal you can on your loans. This is one of the reasons the British Competition and Markets Authority [decided](#) that open banking was necessary.

Under this scheme, if you want to compare service providers, you can download your anonymised data in a standard form and then upload it to a bank, a price comparison website or

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an app. In the case of the app, it would present to you your best options, given your current banking profile. This would include staying with your current bank or changing one or more accounts to a different institution.



In open banking, customers get access to the data the bank has collected on them like credit score information.www.shutterstock.com

This data could also be used to get approval for a new loan. Your anonymous data, in combination with identity information, includes enough material for a lender to decide whether to give you a loan for a specific purpose.

These tools will foster more competition between banks as customers will find it easier to compare services and switch, but it will also mean customers can make sure they are getting the best product available at the bank they are currently at.

But beyond comparison and switching, there are a number of interesting examples of how you can benefit from the data in your bank.

A [budgeting app](#) connected to your bank account, for example, can use your anonymous data to help you plan your finances. Using both your banking and “tap and go” payment history, it can help you analyse your spending and set goals. These services can even tap into outside data, such as interest rates, to help you determine what to do if rates go up. It’s that spooky moment when your phone becomes your conscience.

Online accounting software such as [Xero](#) or [MYOB](#) allows daily reconciliation of business accounts. These software systems already use APIs provided by the major banks to reconcile current accounts, loan accounts and credit card services. One variant on the open banking API could let customers “mark” transactions that are employment related expenses or health related expenses to simplify tax returns.

Going beyond fintech

But beyond these examples there are any number of possibilities for what we can do with this data. For instance, we could see an app that helps you make shopping decisions to increase the amount of loyalty points you earn. That is, using data on prices, goals and financial history to benefit consumers and not just sellers.

There are already limited examples of such schemes. The Coles “Fly Buys” scheme is connected to Virgin Velocity points. Both Coles and Velocity prompt members to earn points. Adding an overlay of which credit card to use at the checkout is currently up to you. However, it would be perfectly feasible for an app in your phone to choose which credit card the phone uses to pay at the supermarket to give you maximum points.

There’s also an opportunity here to connect your stream of financial data to what might seem like unrelated data. For example, what if your smart watch prompted you to walk home if you’ve spent more on eating out than your budget allowed? That is, open banking might actually improve your fitness, or at least make you feel guilty about overspending.

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