

UK bank accounts

a survey of true digital capabilities
in customer on-boarding



Scorecard reveals
digital disconnect
in account
opening processes



P.A.ID Strategies

Payments - Authentication - Identity

Opening Statement

There are a number of challenger banks in the UK looking to shake up the traditional status quo, dominated by the incumbents who have a wide range of accounts and financial services available across multiple channels. The question is, has anyone made the jump to 100% digital on-boarding?

Many challengers are putting technology at the forefront of their efforts, employing new infrastructure and focussing on digital and mobile to attract and engage users, simplifying the overall experience.

Executive Summary

Compliance with AML and KYC regulations has created an industry mindset in the UK that this is a barrier to offering a 100% digital experience, with most banks offering a sign-up process that stalls at the point of proving a customer's identity.







Aimed at providing a realistic assessment of the digital bank account opening landscape in the UK, P.A.ID surveyed UK high street banks covering 75% of the market as well as leading UK challenger banks.

This whitepaper is the result of this survey and scores and ranks these banks, based upon the live tests and evaluation conducted of the account opening and on-boarding process of each. Challenger banks were found to have made more progress than incumbents in introducing technology to improve the user experience and this extends to implementing digital identity capture and verification solutions that form part of a seamless customer acquisition process. This is important to address, as it is one of the traditional barriers that cause many customers to abandon their attempt to sign-up to a new account and will improve overall brand image as a modern service provider.

This study's underlying hypothesis is that the advancement in the analysed banks' digitalization of their current accounts and savings accounts could be used as a barometer of each institution's progress towards a full digital transformation.

The results clearly show that challenger banks are stealing a march on their traditional competitors across all metrics.

Being unburdened by legacy technology and infrastructure is a distinct advantage but more so is the desire to be truly digital, and arguably the understanding of what potential customers are looking for. Central to being 100% digital is the ability to verify customers' identity online to the satisfaction of KYC and AML regulations. In the cases of Starling Bank and Monzo, (and to a lesser extent, RBS) this has resulted in a fast, secure and simple on-boarding process that the rest of the market may do well to emulate.

Bank	Incumbent	Application duration	Number of Steps	Score	Digital ID validation method	Score	Time before account can be used	Score	
 STARLING BANK		9m 50s	16	4	Digital capture of PP or DL via Smartphone Camera	5	1 day	4	13
 monzo*		9m 49s	12	3	Digital capture of PP or DL via Smartphone Camera	4	2 days	4	11
 Royal Bank of Scotland	✓	12m 58s	13	3	Manual entry of DL or PP details online via DigiDocs	4	3 days	3	10
 BARCLAYS	✓	10m 12s	11	4	Equifax credit history - Knowledge - based No formal ID Submitted	2	3 days	3	9
 Atom bank*		5m 48s	10	4	None	2	5m 48s	2	8
 Revolut*		11m 50s	14	3	Account/Card details from which to top-up	3	11m 50s	2	8
 virgin money*		10m 26s	9	3	None	1	10m 26s	2	6
LLOYDS BANK 	✓	9m 34s	5	4	None	0	9m 34s	1	5
HSBC 	✓	14m 11s	6	2	Asked for other account details No formal ID Submitted	0	1 day	2	4
Challengers - Mean		10m 19s	12.2	3.4		3.0		2.8	9.2
Incumbents - Mean		11m 44s	8.8	3.3		1.5		2.3	7.0

**Banking
for the 21st
Century
consumer:
On-demand,
mobile and
convenient**

Companies like Amazon, Uber, and Netflix have shaken up service sectors by adopting digital-first approaches, offering greater convenience, speed of service and flexibility to free consumers from the constraints applied to them by the traditional service operators in retail, transportation and multimedia content. These companies have put the user at the centre of their operations, from initial sign-up to ordering, delivery and consumption/usage, rather than forcing consumers to fit into outdated, legacy service models. As a result of this and their use of emerging technology to shape the user experience they have become dominated their sectors and rapidly established themselves amongst the most recognised global brands.

The banking sector has been under threat of disruption since the emergence of fintech companies looking to provide easier access, control and movement of money and financial services over the past 10 years. They have made moves to become more technologically advanced and develop digital services for businesses and consumers although they remain largely constrained by disparate legacy systems, infrastructure and traditional mindsets and operational procedures. This is also driven by the need to reduce the high level of cost associated with physical premises and personnel, to become more efficient and improve availability and access to services.

Customers have raised expectations from the use of other services and the changes that have occurred as a result of new entrants offering improved mobile and online capabilities. Mobile is now a need to have, not simply an afterthought. Banks, under pressure from regulation and competition have understood this and invested much in the mobile channel.

**Regulated
into
change**

The advent of PSD2 creates opportunities for banks and non-traditional financial companies to enter the market, utilising open APIs to offer access and services across the sector and from multiple providers. It is more important than ever for banks to maintain their position and strengthen their brand. Customer demographics are changing and creating new challenges for banks and financial service providers. Stability of location and of regular income is becoming more fluid as millennials and others are adopting a “gig economy” mentality and levels of migration increase locally and internationally. These customers are the primary drivers of new, alternative services, often demanding on-the-go access and control of their finances. One way that high street and challenger banks can satisfy this ‘always-on’ demand is by offering more flexible and convenient services via mobile apps and platforms to improve the level of service and the user experience whilst increasing customer interaction and engagement.

This process starts at the outset, improving the user experience for (potential) new customers and removing barriers to make it easier for them to sign up for and open a current account, which can be the springboard from which to offer additional services. Online and mobile access are readily available and highly used for many services by UK consumers and are popular due to the ease and convenience that they offer.

Traditional banking approaches to customer sign-up have been complicated and reliant on in-branch interaction. Progress has been made with online service but this typically focuses on existing customers and can often require the customer to visit the bank or rely on postal services for communication. Similarly, mobile apps are offered but only to existing customers and tend to focus on traditional services. The regulations relating to anti-money laundering (AML) and know-your-customer (KYC) place restrictions on banks when on-boarding customers but there are available solutions capable of capturing and verifying an applicant's identity as part of an overall digital strategy. Most challenger banks state that they are utilising technology to provide better customer service, to make them more consumer-centric and modern in terms of access to services and improving the user experience.

To date, the more stringent KYC and AML regulation has applied to current accounts. It was notable that the non-current account financial products applied for generally had a lighter touch with regard to identity verification. The exception to this was Monzo's pre-paid account which has subsequently announced that it will be upgraded to a current account for all customers that wish to apply. Looking forward, the AML regulation has been amended. AMLD4.1 has announced that the threshold for triggering KYC identity verification has been reduced from an annual value of €2,500 to a monthly value of €150 and a single transaction value of €50 for any single transaction. The aim is to increase knowledge and visibility of users towards the higher thresholds on pre-paid cards and e-money products capable of making online payments. This will create a greater workload on traditional manual verification of identity documents, however, this can be minimised with a digital approach and could result in wider adoption of such solutions amongst financial service providers addressing this market.

This whitepaper assesses and compares the account application and opening processes of both traditional incumbent and disruptive challenger banks in the UK to determine how far they have advanced in terms of becoming digital service providers.

Methodology

A list of the main UK incumbents and the most advanced of the challenger banks (in terms of commercial launch) were identified for the assessment. Between them, Barclays, HSBC, Lloyds Banking Group, and RBS (including NatWest) were estimated to have approximately 75% market share. The challengers with commercially available services at the time of assessment were Atom Bank, Monzo, Revolut, Starling Bank, and Virgin Money.

The assessment focussed on the sign-up and account activation process of each of the aforementioned financial institutions. Marks were awarded to score their digital capabilities in this regard and how it impacted the overall user experience. The most appropriate digital channel was employed for the task, i.e. mobile app if available and online as an alternative.

A summary for each bank is included in this whitepaper. It is recognised that the type of account or service offered may affect the type of information and checks required and this is noted in the summaries. Likewise, types of accounts and products offered might differ, but the aim of this study was to assess the account opening processes commonly available for consumers based in UK. Additionally, the banks and account opening processes were evaluated and scored based on the application experience of the researcher, approaching the process as a potential real-life end user.

Categories

Three main categories of scoring were identified (with scores out of 5 awarded for):

- Account Application (duration of the application process and the number of steps required to complete)
- ID Verification (primary means of verifying the applicant's identity and any additional techniques employed)
- Account Activation and UX (lead time for the account to be opened and transactional and the overall user experience (UX))

The use of digital solutions to speed up and improve the application process, to remove the alternative of submitting identity documents in person and to enable the account to be "live" more quickly and in a more appealing manner were all points for which higher scores were awarded.



Total: 9/15

The account applied for was a standard current account, described as “everyday banking – shaped around you”. The application was made online, via Barclays’ website. There was some initial information to read through and the process consisted of four main stages: details, ID check, account set-up and account details.

Account Application

This process took 10m12s to complete and consisted of 11 steps.

Score: 4/5

Identity Verification

Primary means was using the applicant’s Equifax credit history as the source for a knowledge-based test of prior events, no formal ID was submitted and there was no additional overt verification employed.

Score: 2/5

Account Activation and UX

Account details immediately available upon completion and an email was received very quickly to confirm this. However, whilst the account was open, very little was possible whilst waiting for membership numbers, PINs and debit card. This caused delays of 3 days until the card was received and activated, mobile banking was not possible until then and online banking required a separate PIN. Despite these delays the overall user experience during the application was clean and simple, broken down into easily completed stages with good initial follow up communication.

Score: 3/5

Comments

The application process was quite clear and quick, giving a good impression and the ability to “open” the account without having to take ID documents in-branch was a positive. Then it all got rather messy and convoluted. A specimen signature card had to be returned in order for certain types of transaction could be undertaken, the ability to do any kind of banking was dependent upon the card and or PINs being received. Three separate PINs were received (debit card, telephone and online banking) which gets confusing and can be misplaced under a mass of paperwork received.

Summary

Barclays has made good steps to modernise and put in place a digital process but this has only gone half-way, relating to the account application only. Given the level of personal data already leaked, especially since Equifax itself was breached, the ID verification stage could be more secure with the use of a digital solution encompassing smartphone/tablet and government issued documents. This could include signature capture and communication with the user which would be much more efficient and create an improved user experience.

Note - this study was conducted before the Equifax data breach was revealed.



Total: 4/15

The application was made online via the HSBC website, the account was for a standard current account. The site detailed six main stages (personal, employment, finance, review, decision and confirmation) at the outset along with small-print relating to future communications and preferences.

Account Application

This process took 14m11s to complete and consisted of 6 steps.

Score: 2/5

Identity Verification

No formal ID was submitted or required during the application process. The primary challenge was to provide details of other bank accounts already held. No additional overt verification took place.

Score: 0/5

Account Activation and UX

Initial communication was poor, it took 1 day to receive initial confirmation that the account was "open" and paperwork would be sent out in the next two days. Despite the process having relatively few steps, it felt a much more cumbersome and lengthy process with some of the information requested seeming less relevant and bordering on intrusive. The general style of feel of the process was drawn out and dull.

Score: 2/5

Comments

Given the detail of the information asked for during the application it felt very long-winded and tedious to complete. The point that the ID verification was not apparent did not help improve the process or feeling of security and a signed signature card. Follow up communication was disappointing and then a huge amount of paperwork was received. The first email was received over two weeks after the application was made. Any claim of a modern, digital service is not realised from the user's side as it felt very old-fashioned.

Summary

There has been little or no attempt to modernise or streamline the account application and opening procedures. There is little emphasis on ID verification, feeling more like an information gathering exercise for the bank. Once the account is open the applicant is drowned in irrelevant and unwanted paperwork whilst waiting to be able to activate and use their account with no actionable interaction to help them move forward with account usage.

**Total: 5/15**

The assessment was conducted on the application for a Lloyd's Classic current account, without the option for an overdraft. It was described as designed for everyday banking and the application was made online.

Account Application

The application took 9m34s to complete and there were 5 steps in the process.

Score: 4/5**Identity Verification**

No formal ID was required during the application and there was no option to provide any. It was stated that ID would have to be submitted in-branch.

Score: 0/5**Account Activation and UX**

The total time taken was 9m34s as the website stated at the end of the application process that the account was open and ready to use. An email confirming this was received the next day. The UX was okay with the process well-handled although it felt far too easy to open the account given the lack of overt security.

Score: 1/5**Comments**

The process was conducted twice in order to be sure that any possible existing link (as a customer) to the Lloyds Banking Group had not enabled a short-cut to be taken. There was an extra stage the second time and it did take longer but it still did not require any formal ID before stating that the account was open for use. Despite the requirement to submit ID in-branch this did not create a great sense of security, creating the impression that anyone with access to another person's personal details could apply for (and open) an account in their name.

Summary

Given the level of technology that Lloyds applies in other areas the lack of overt security in the on-boarding process was surprising. It has since been discovered that Lloyds has recently employed an iPad-based app for staff to digitally capture and validate ID documents in-branch which shows some sign of progress but it is a disjointed half-measure compared to what has been achieved by others.

**Total: 10/15**

A Select current account was applied for via RBS' website. This consisted of entry of personal and financial details, account selection and alerts, notifications, etc. and identity.

Account Application

The process took 12m58s and consisted of 13 steps.

Score: 3/5**Identity Verification**

RBS was the only incumbent to allow entry of identity documents digitally via DigiDocs. The details were entered manually rather than via (smartphone) camera. This was supplemented by the option to provide existing Mastercard or Visa credit card details online.

Score: 4/5**Account Activation and UX**

It took 4 days for all the details to be received to enable online banking which made things feel drawn out given the initial provision of identity details in a digital manner (the option to do this in-branch is also offered to those that prefer this). Communication via SMS and email was well-timed and informative and overall impression was good.

Score: 3/5**Comments**

Updates were suited to different formats and options were available for those that preferred alternative means. It was noticeable that RBS did not flood the new account holder with paperwork as the other banks do which ties in with the more efficient identity verification process and it felt like a better, more thought out process to enrol new customers.

Summary

Overall RBS' account application and opening processes felt more measured and tailored from start to finish than the other incumbents. Submission and verification of identity, alert and notifications all combined to reinforce this impression.

Total: 8/15

Although Atom does hold a full UK banking license it has chosen to only offer fixed-rate saving accounts and mortgages to date. It has stated that it will rollout additional services, including current accounts but cannot confirm the timing at this time. Consequently, the regulations are less stringent which is recognised during the assessment and scoring. Atom is a mobile-only bank, the online presence is only to provide information and direct people to the app. This assessment started at that point and went through to app activation and usage.

Account Application

This was by far the quickest process, taking only 5m48s to install, open, register and activate the app with 10 steps in the entire process.

Score: 4/5**Identity Verification**

There was no formal ID verification for regulatory compliance. The checks made were primarily for security purposes and consisted of a user-generated 6-digit code, plus capture of facial and voice biometrics.

Score: 2/5**Account Activation and UX**

Since no specific products were applied for this was 5m48s as the account/app activation was the primary end-point. The UX was very good as quick, clear, simple to follow the instructions and the additional biometric checks gave a good impression of security.

Score: 2/5**Comments**

Very little personal data was required to register and activate the app, i.e. the "account", this point is addressed when specific savings or mortgage products are applied for, directly or via an agent respectively – this was certainly a factor in the much quicker activation time. It would be interesting to see how this is addressed when the portfolio is expanded although initial indications are that Atom would deliver on this front too.

Summary

A great start to a mobile-first approach although the limited score is down to the fact that no current account is available so it is not possible to gauge how Atom would fare in this respect. It is expected that they would look to best practice and adopt a digital ID and verification approach within the app as that would best fit and serve their overall strategy.

The product analyzed was either a pre-paid financial instrument or a savings account.



Total: 11/15

Monzo is a mobile-only bank, using its app to offer new and user-centric services to its customers. Monzo operates with a pre-paid card offering which places slightly different requirements in terms of AML and KYC regulations. However, it should be noted that Monzo has announced in October 2017 that it will be opening its beta current account to all card holders by the end of the year.

Account Application

the process was split into two stages, installing and logging in to the app before adding initial details (5m19s), then entered into a queue before receipt of a one-time passcode (OTP) received via SMS, the addition of more personal details and ID verification (4m30s). The combined time for this was 9m49s and it consisted of 12 steps.

Score: 3/5

Identity Verification

Digital capture of passport or driving license via smartphone camera follows on from the OTP used to activate the app. This is supplemented by a 5s video recording of the user reading a security phrase and the manual entry of an existing debit card for the initial top-up.

Score: 4/5

Account Activation and UX

Cannot open and use the app until the card has been received. Initial advice that card will arrive in next 2 days was received after 1 day.

Score: 4/5

Comments

The queue system interrupts the application process and is annoying and of an undetermined length as applicants who refer a friend get bumped up the queue – this limited Monzo's score for account application. Perhaps a victim of its own success but there was a difference between the messaging and the real-world experience regarding the speed of the processes. Had to send messages to chase and clarify points; quick response received but total time was about 4h40m, with the ID verification stage taking 44m instead of the 2m proposed.

Summary

If some of the messaging and intuitive use of the app could be improved and added to the existing excellent use of technology then Monzo would score even higher. All of the processes to open a current account appear to be in place and planned for.

The product analyzed was either a pre-paid financial instrument or a savings account.

**Total: 8/15**

Revolut is a mobile challenger offering a pre-paid card with additional functionality designed for international travellers. It offers real-time, fee-free currency exchange and remittances with the ability to make transactions and withdraw cash (within limits) abroad without additional charges.

Account Application

The application process took 11m50s and consisted of 14 steps.

Score: 3/5

Identity Verification

The primary means of verifying identity is from the registration of an existing card or account as a source of funds for top-up and loading. There is an additional validation process via a passport or ID card although it is not a necessary stage to load and start using the card for digital transactions

Score: 3/5

Account Activation and UX

The overall process is held back by its overall flow and feel and it was disappointing that some features that would improve the level of comfort are either optional or missing, not active or not required as this would improve the UX and confidence in the app.

Score: 2/5

Comments

While there are benefits to pre-paid offerings, for instance the ability to top up from an existing account, the security and validation of ID documents, could be improved by enabling it earlier in the process. The option for a (free) virtual card in place of a (paid for) physical one is an interesting one although this does limit some of the use cases that were part of its initial pitch, e.g. withdrawing cash for free abroad.

Summary

Whilst it was one of the first mobile financial app's, solution the app does not have the most intuitive feel to it and the lack of structure and overt security does limit Revolut's appeal and UX.

The product analyzed was either a pre-paid financial instrument or a savings account.

**Total: 13/15**

Starling was the only mobile-first bank with a fully functioning current account available at the time of the assessment. It places technology at the forefront of its user-centric approach designed to disrupt the incumbent banks. Given all of this it should be the most advanced in terms of being a truly digital bank.

Account Application

The process required 9m50s of time to complete, split between 2m28s to install the app, use a OTP to verify the device. One day later the Starling Pass code was received to unlock the app, enter personal details and complete the application process (7m22s) in a total of 16 steps.

Score: 4/5**Identity Verification**

Primary process consisted of passport and driving license captured and verified via smartphone camera. This was supplemented by the SMS OTP to verify the app and the device, plus a second SMS OTP to activate the account, wrapped with an optional user PIN for the app and a 5s video recorded of the user reading a given security phrase.

Score: 5/5**Account Activation and UX**

the account was open and available to use for digital transactions at the end of the process, which took 1 day in total. The card arrived within 3 days. From a UX perspective, Starling offered the best combination of gathering information from the user in a simple, non-intrusive manner whilst providing a reassuring combination of convenience, technology and security.

Score: 4/5**Comments**

There was little to criticise of Starling's approach, the various stages were well communicated and generally in-line with the messaging in terms of speed and time to complete. Some stages were completed more quickly, after being advised that the Starling Pass would be received within four days it arrived after one. The process was well-measured and timed with good, clear and concise communication at every stage.

Summary

The level of development of Starling's offering was impressive and its use of technology was the most seamless experienced of any bank assessed. The various security options were well considered and made the applicant feel in control and reassured.



Total: 6/15

Virgin Money is a relatively new brand, which as a challenger is similar in approach to Metro in that both have maintained the traditional branch-led approach, looking to disrupt via employing different strategies. It was not an option to open a current account online (this has to be done in-branch) so the assessment was conducted for a savings account.

Account Application

The overall application took 10m26s (the initial registration was 4m38s) and consisted of 9 steps.

Score: 3/5

Identity Verification

There was no requirement for any formal identity documents since it was a savings account. The provision of details for an existing account into which interest could be paid was an option taken up (although it was unclear if this may be used for any additional verification of the applicant's identity).

Score: 1/5

Account Activation and UX

The process was clear and simple with activation of the savings account at the completion of the process. The overall experience was very traditional, with the use of typical security questions and a user-selected password.

Score: 2/5

Comments

The approach of Virgin Money is somewhat limited by their lack of innovation on the technology side and this is represented in them achieving the lowest score of any challenger bank. The lack of clear innovation suggests that more than a touch of the traditional banking mindset remains. The opening of the savings account was simple and clear but could have been much quicker given the lower depth of information required.

Summary

Not allowing an application for a current account online hinders their positioning as challenger banks. It suggests that they remain overly reliant on the traditional branch-led approach – not a big surprise taking into account their heritage in retail- and limits their claim to be disruptive with a disjointed UX as a result.

The product analyzed was either a pre-paid financial instrument or a savings account.

Summary Findings & Conclusions

UK banks have yet to make significant progress in fully on-boarding customers through the mobile channel despite marketing claims otherwise. Between them they have focussed on the front-end of the account application process, typically falling at the hurdle of identity capture and verification necessary to meet AML and KYC regulations for current accounts. Without being able to digitise this step, the account opening process will never be 100% digital.

The only incumbent to have made significant progress towards offering a 100% digital service is RBS. It has recognised the need to enable identity document details to be entered digitally as a significant step although it's lack of ability to do this via a smartphone or tablet camera curtails the improvement in UX.

Barclays has chosen to streamline its on-boarding process by not requiring formalised ID verification. While this does mean a better user experience, it does not benefit from the added feeling of security that the use of a government-issued identity document does, and thus seems compromised. The other two incumbents assessed had made no progress beyond offering the ability to make the initial application online with the digital process grinding to a halt when it got to digital identity. Two of the challenger banks, Starling and Monzo, have put in place the mechanisms to offer a 100% digital account application and opening. They both use a smartphone app and camera-based solution to capture the identity data and automatically verify it which, along with other advanced features such as biometrics, helps boost the UX in terms of technology and security.

The other two challengers with a mobile-first approach both had reduced service offerings, which reduce the regulatory need to capture and verify the applicant's identity. Virgin Money had a more traditional and digital presence which prevents users from signing up to its current accounts digitally, in turn negating the notion that it is a challenger.

It should be noted that the banks that did not offer a more modern, secure, digital account application and activation process, including the verification of the applicant's identity, impaired the perception of their brand as modern, degraded the UX, created barriers to the user and greatly increased the chance of abandonment.

In essence, for all the talk of mobile-first banking, only two of the banks surveyed allowed for 100% digital on-boarding, with identity verification remaining a manual process in most cases. Clearly the technology exists to enable this and, equally clearly, this technology satisfies KYC and AML regulations. Not only have other banks not adopted this technology, they have roundly ignored that part of the on-boarding process, instead opting for the more easily-implemented path of physical presentation.

This decision to pursue ease of implementation has come at a detriment to the overall customer experience at a time when attracting customers is the main focus for all retail banks. With consumers demanding fully digital (and fully mobile) services, and with more and more people switching bank accounts than ever before, banks face a choice: Fully embrace digital, and more specifically mobile, to become a bank attractive to the digital consumer, or remain analogue and alienate the very customers they have spent millions of marketing pounds to attract.

About the Author

P.A.ID Strategies is a provider of information and market intelligence on global and local technology markets designed to deliver insight and understanding to its audience. It specialises in assessing go to market strategies, acceptance and uptake of new and disruptive technologies, assessing both the technology and commercial carriers and drivers.

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