



Mastering Open Banking: a strategic guide for banking executives

Learnings from a 6-year journey at the leading
instant credit provider in Europe



February 2024

Preface

This past decade, we have witnessed firsthand the remarkable journey of Open Banking, evolving from an early-stage technology to a cornerstone of modern lending, not just for us at Younited but for lenders globally. This white paper is a detailed exploration of our 6-year journey leveraging Open Banking at Younited, offering insights and strategies relevant to any lender eager to better leverage Open Banking, whether to refine their existing loan processes or to develop a new framework for instant credit.

Our journey at Younited, since our inception in 2011, mirrors the evolution of lending itself. Starting with a standard digital granting process, by 2018 we had embraced the early potential of Open Banking. This shift wasn't just a change in technology; it was a reimagining of customer experience, streamlining granting processes and enabling real-time solvency analysis. Fast forward to 2024, and our commitment to building a unique Open Banking platform for lending has seen the expansion of "instant credit" customer journeys. In 2024, instant credit represents 60% of our annual loan origination across Europe, and is projected to increase to 80% in the coming months.

At the heart of our endeavors lies a singular mission: to help European households reach financial wellbeing. By making credit and financial services more inclusive, transparent, and simple. As industry shapers, we have decided to disclose the methodology of our 6-year implementation journey, to enable other institutions to embrace this radical shift of our business.

This paper unfolds across seven key pillars. Each pillar is not just a part of our story; it's a chapter in the unfolding narrative of Open Banking in lending.



Geoffroy Guigou
Co-founder & COO at Younited

Table of contents

1	— Educate your customers and partners to adopt open banking	03
2	— Build a connection infrastructure to banking data: open, adaptable and robust	09
3	— Analyze and enrich raw banking data	15
4	— Building a credit decisioning framework: from input to insight	22
5	— Manage the transformation of middle office technologies	32
6	— Transform your customer service and operations	35
7	— Expanding horizons: develop additional services beyond credit	39
8	— Evaluating your approach: are you on the right path?	43



SECTION 1

Educate your customers and partners to adopt open banking

Main challenges faced by the industry

In the rapidly evolving financial landscape, the lending industry faces a confluence of challenges when it comes to leveraging open banking:

Education & understanding. As open banking technology and use cases expand, the overarching challenge for all players remains educating both your direct customers, and partners offering your solutions to their own customers. Demystifying complex terminologies (account aggregation, solvency checks, AI-powered data analysis, ...) to bridge the gap between innovation and its everyday application. Ultimately, on the lending scene, a consumer will be required to somehow connect to his bank account during a credit application process. That is a considerable effort and a show of trust from consumers; if in return the experience and the quality of the information provided is anything but stellar, conversion rate is guaranteed to take a hit.

Adapting to technological shifts. The digital transformation, particularly the mobile revolution, has set a pace that demands constant adaptation. Ensuring smooth, intuitive, and secure experiences across platforms is no longer a luxury but a necessity. In particular, mobile app-to-app customer journeys are absolutely crucial and should be a major focus for all market players. Indeed, this allows consumers to grant access to their bank account data without the need to fill any ID or password.

Building partnerships. Forging and maintaining strong, transparent partnerships with key stakeholders becomes paramount. For example, regarding in-store financing, the role of merchants is key in educating, assisting, and reassuring customers. At the end of the day, the merchant staff will have to explain how it works, handle the objections and provide reassurance to consumers. Salesclerks have to be informed, trained and equipped to do so.



How Younited turned these challenges into opportunities

For consumers to provide lenders with necessary information for a solvency analysis, there are two common options on the market (other than just gathering declarative data):



upload payslips, income tax statements, bank statements... (what most credit institutions and lenders are still doing at this point)



perform an open banking authentication journey to retrieve data directly from the customer's bank

Mobile first, as often, is a winner. 80% of our users interact with us via a mobile device.

Therefore, we have put a considerable effort on that front, such as prioritizing mobile app-to-app journeys. Basically, it redirects customers to their bank mobile app so they can login as they would normally with their bank (typically using their fingerprint or a face recognition). It is also more reassuring for a user that it is their bank, within its application, asking the client to log in, rather than a third party, regardless of its reputation.

In terms of user experience, it is essentially equivalent to what consumers encounter when using a payment card with Strong Customer Authentication (SCA) at checkout. In our experience, app-to-app authentication journeys result in a 5 to 15% higher conversion rate.

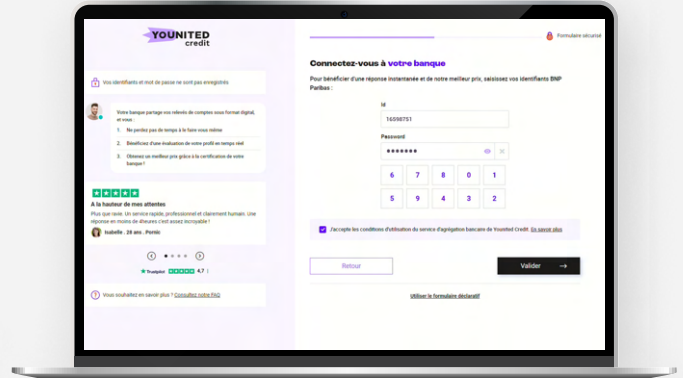
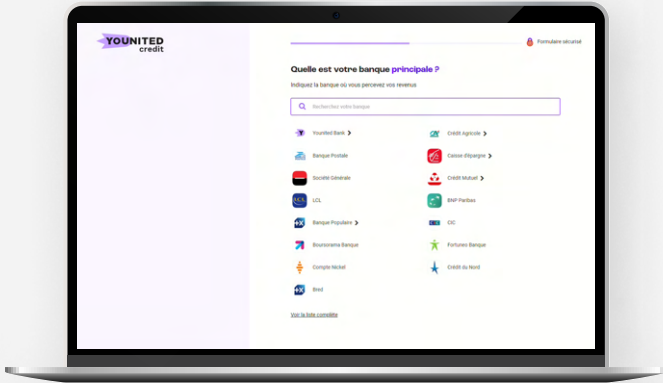


Currently, nearly 60% of the banks on our open banking platform qualify for app-to-app authentication in our loan application process, marking a 40% rise over the past year.

SECTION 1 EDUCATE YOUR CUSTOMERS AND PARTNERS TO ADOPT OPEN BANKING

#1

#2



#3

#4

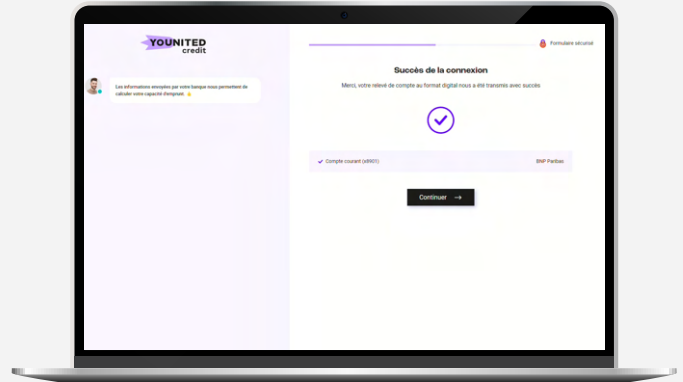
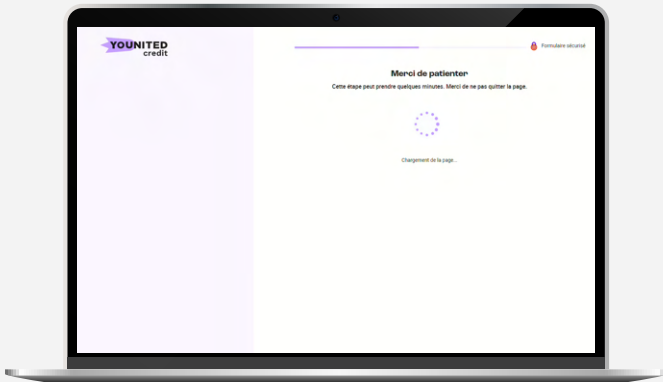


Illustration: basic open banking authentication flow

#1

#2

#3

#4

#5

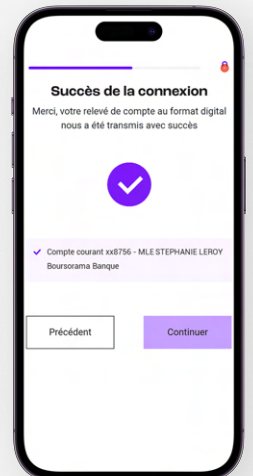
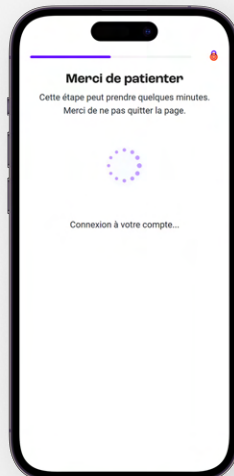
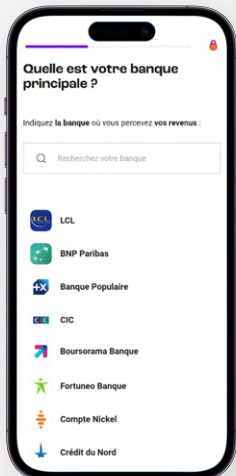


Illustration: advanced app-to-app open banking authentication flow

About partnerships. When we have trained our retail partners' sales teams on the ground assisting customers in stores, our solutions really shine. Open banking steps completion then reaches 85% in-store which stands above industry standards in terms of conversion.

To further enhance that performance, we have equipped our partners' retail network to become advocates of our product, knowing how open banking works, how to explain it to consumers and how to handle most objections and problems that may occur. To that extent, we have released a complete documentation set (demos, videos, articles, FAQ, practical guides for each bank, ...) that we keep updating constantly.

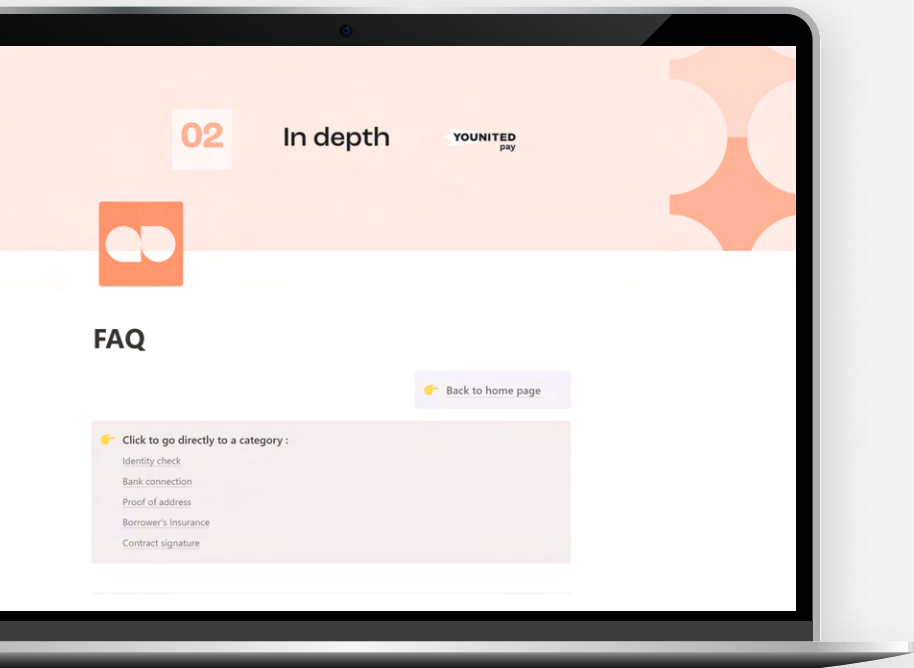


Illustration: Younited's FAQ for partners

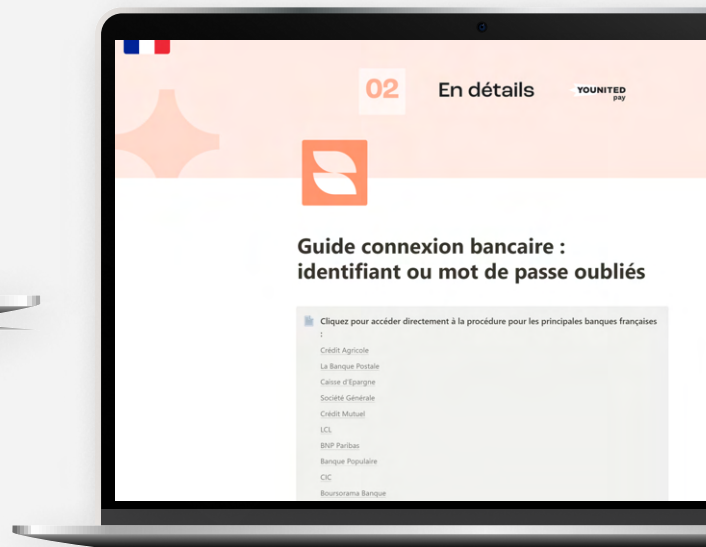


Illustration: documentation for partners available in local languages for easier adoption on the ground.

Looking at other key differentiators

The features previously described are a starting point. What follows are advanced features critical for those aiming to forge a path of leadership in the industry.



AI Integration

We envision a future where AI plays a pivotal role, offering real-time contextual support to users. This will further personalize and enhance the user journey.



Continual UX Enhancement

Our commitment to our users is undying. We persistently refine user experience, ensuring even repeat users find fresh value and ease in their interactions.



Expanding educational frontiers

The regulatory landscape is changing with the third Payment Services Directive (PSD3) and a new Payment Services Regulation (PSR) replacing PSD2. As this framework and the use cases of open banking continue to evolve, our mission to educate and enlighten, both internally and externally, remains a top priority.



SECTION 2

Build a connection infrastructure to banking data: open, adaptable and robust

The open banking ecosystem is composed of:



A Third-Party Provider or TPP (in our case, us at Younited) using open banking products for the benefit of our customers



A Technical Service Provider or TSP that connects to all banks' APIs to propose open banking specific services and use cases



Account providers, basically all banks, required by the European regulation to open access to their customers' data through APIs

The open banking ecosystem in a nutshell



Open banking's transformative impact on the lending sector is undeniable. However, its full potential can only be realized through a robust and reliable connection infrastructure to the banking ecosystem.

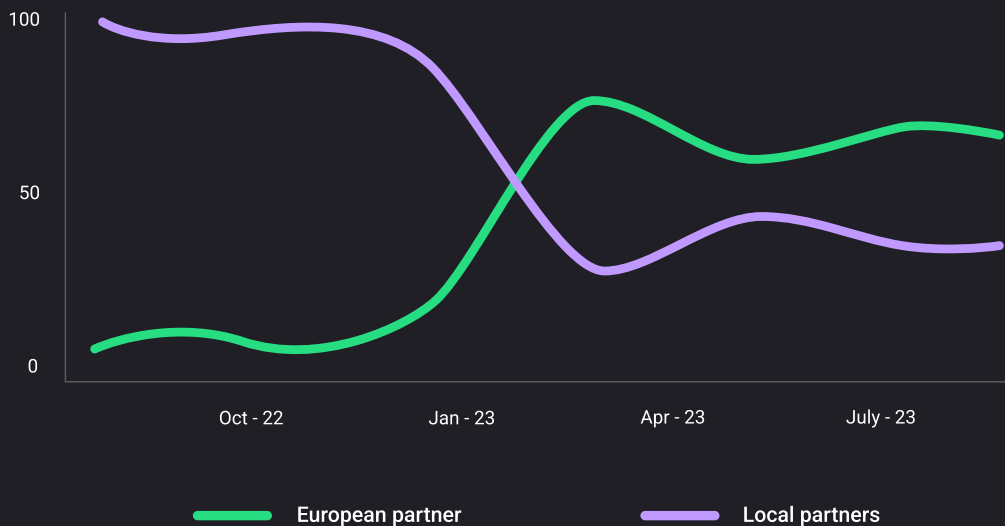
Foundational Requirements

When designing such infrastructure, several cornerstones must be identified and addressed to guarantee seamless interactions between each local branch and its customers.



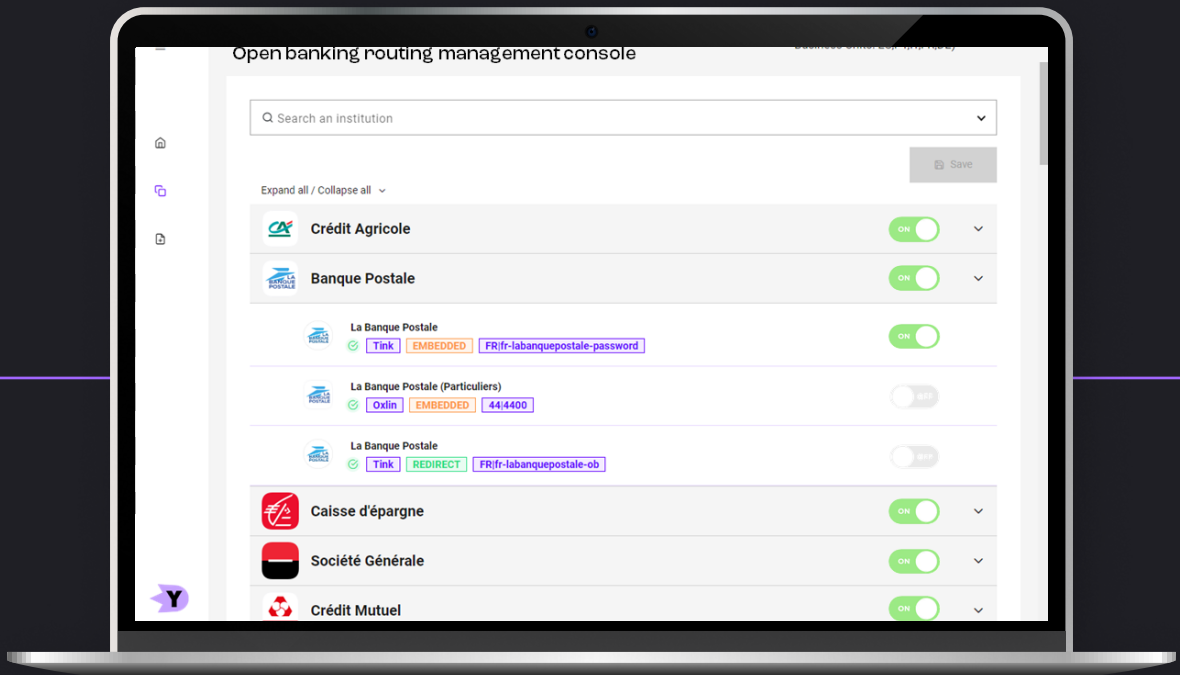
Integrating multiple TSPs. In a vast financial ecosystem, reliance on a single TSP can be restrictive, integrating a whole network of partners becomes crucial. Indeed, a single TSP, as good as he is, will only have a limited coverage of local banks and branches and will have potential downtime directly putting your business at risk. Creating a multiple TSP-platform then acts as a gateway, providing diverse access points to the sprawling bank API landscape and ensuring that users always find a responsive channel.

Over the course of 12 months, we progressively reallocated our open banking volumes in Europe to align with our platform partnership strategy



We have embarked on strategic collaborations, including a landmark European partnership ensuring scale efficiency, augmented by localized solutions which could act either as backup or as a more suited alternative for specific use cases.

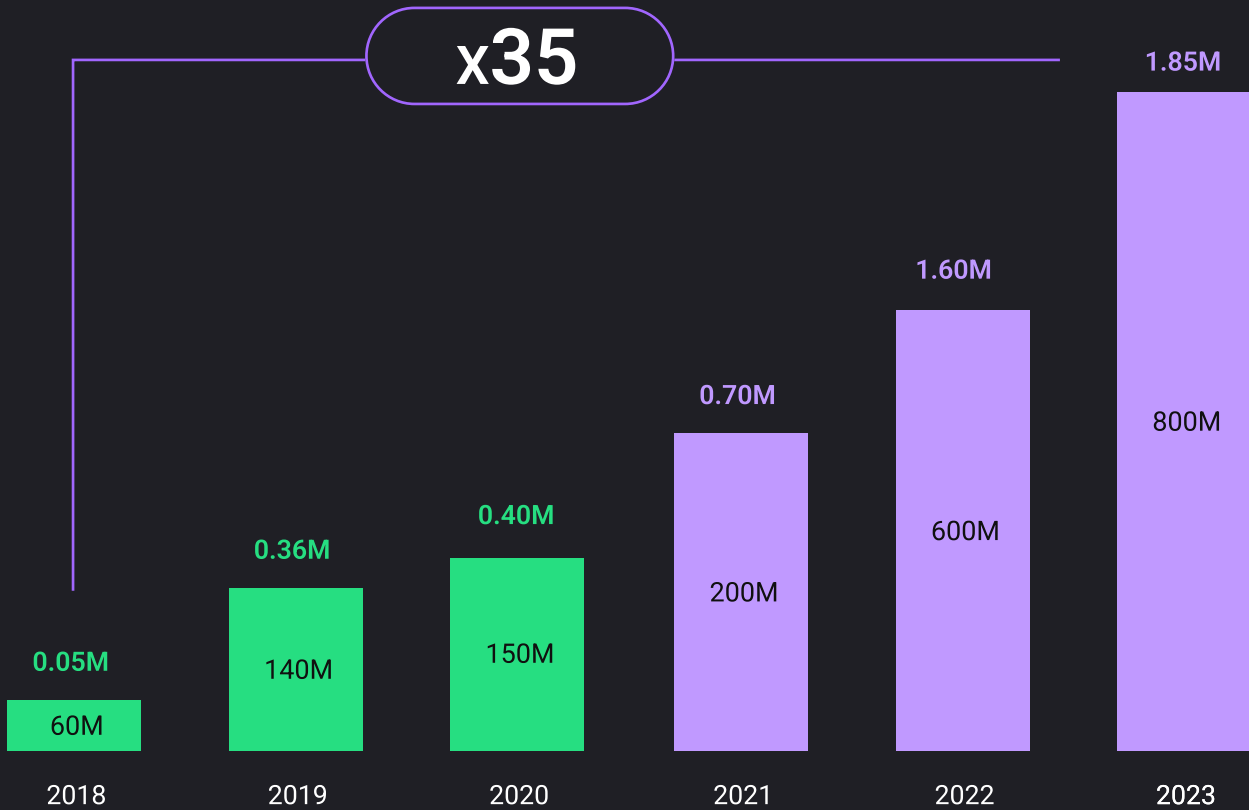
Resilience & monitoring at provider level. Disruptions are inevitable but have to be managed. Building a resilient system equipped with sophisticated monitoring capabilities guarantees swift identification and rectification of bottlenecks, ensuring that system integrity remains intact and that user experience remains unhampered.



At the end of the day, we want each and every one of our customers to have a seamless connection to their bank during their loan application journey. To enable this, we follow the optimal path in real-time by choosing the right gateway, the right API and the right connection method to maximize conversion. Thanks to our in-house smart routing capabilities, our infrastructure can instantly switch to an alternative supplier during disruptions or simply because of a better proven efficiency.

Proactive incident management. Our infrastructural intelligence is equipped to automatically detect incidents at the bank and even at local branches level, often being a step ahead of our partners in identifying and addressing disruptions. This foresight minimizes downtime and guarantees users a seamless and consistent experience.

The volume of our **open-banking operations** have grown **significantly** over recent years



connections, i.e. number of bank connections performed to a bank API on Younited's platform

transactions, i.e. number of individual banking operations retrieved by Younited (same principle as traditional bank statements)

M = Millions

Source: Younited



Platform scalability: beyond immediate requirements. The infrastructure must be future proof. It should possess the scalability to support an ever-growing volume of transactions, guaranteeing that as the user base grows, the system responds with equal efficiency and reliability.

As a result, our current infrastructure has better performance than any individual TSP because we are combining the best of what's available on the market.

New challenges, greater advances

Enhanced response time. Rapid technological advancements necessitate even swifter system responses. Our focus is on refining our fallback mechanisms to ensure even more instantaneous transitions during disruptions, solidifying user trust and satisfaction.

Collaboration with providers and third parties. Beyond internal enhancements, we are committed to collaborating closely with our providers. These partnerships aim to inspire banks to elevate user experiences, fortify system uptimes, and optimize the overall quality of APIs, thus enriching the entire ecosystem.

Expanding offerings through perpetual connections. Our infrastructure's strength is not just in its resilience but also its adaptability. By maintaining continuous connections between our customer's bank (with their consent), we are poised to introduce an expanded range of services (e.g., simplifying the experience for returning customers), diversifying our portfolio and user choices.

Data-driven user journey enhancements. By meticulously tracking user interactions across our platform and with providers, we are gathering insights. These insights will be the bedrock upon which we will craft even more personalized, intuitive user journeys.



SECTION 3

Analyze and enrich raw banking data

The PSD2 regulation mandates banks to provide access to customer data to third-party providers securely. For Younited, this means creating a flexible and open data platform that not only complies with this regulation but also capitalizes on the opportunities it presents.

We describe below the key requirements followed to build our cutting-edge data platform, which is the foundation for our analytics ecosystem described in the next section.

What is required

A secured, flexible, and open data platform to secure data and accelerate innovation.

Capacity to seamlessly integrate with any bank aggregator in Europe without disrupting the existing analytics ecosystem. We are agnostic of any TSPs and thus can easily plug one or several providers via secured API in each country we operate. This setup creates scalability across all European countries and reduces critical dependencies to a specific provider. The “data agility” we built over the years requires a modular architecture and standardized data interfaces. We developed a robust API layer that allows for easy integration with various bank aggregators without impacting our core analytics platform which operates consistently across multiples business scope. This agility empowers us to quickly expand our data sources and stay ahead of the curve.

Building a goldmine. Collecting, transforming, and storing open banking data in a single and trusted datalake for all countries facilitates operational research and ensures that valuable data doesn't go untapped, paving the way for future services to promote the financial well-being of our prospects. We not only aggregate open banking data in our datalake but also with all the other proprietary and external data sources. With this architecture, we are less exposed to data reconciliation issues, inconsistencies between legacy systems, or inconsistent data quality standards. Our proprietary datalake accelerates the model development cycle and time-to-market by allowing seamless data enrichment. Our standardized data management processes create synergies across our range of countries and lines of business while enabling in-depth data patterns & correlation analysis.

Strong data security management and adherence to GDPR requirements. Ensuring compliance with data protection rules and evolving open banking standards is a must. Additionally, demonstrating a commitment to data privacy builds trust with customers, making them more likely to share their financial data. For example, we have established specific and temporary access to open banking data within our proprietary CRM for our Customer Care and Internal Audit teams. By not having open banking data spread out over our tech platform, access management is easier and more robust: our data teams have full access to our open banking datalake. We also have developed an automated and comprehensive anonymization process to ensure full regulatory adherence to GDPR. All these features and processes contribute to having built a highly secured data platform. The automation of our data processes and the restricted access to open banking data strengthen personal data security versus traditional loan underwriting processes based on scanned documents.

“

The two main challenges are to (i) ensure our capacity to collect open banking data at the right speed and (ii) to clean, transform and interpret at a performance level that does not disrupt the customer journey.

”



Scalability and high performance. The scalability of our platform was another hurdle to overcome. As data collection, credit scoring, and price setting are run in less than 5 seconds, we had to upgrade our data stack to ensure the fastest customer journey while leveraging much deeper and wider datasets. We envisioned a platform that could handle vast amounts of data and serve diverse analytical needs. By leveraging cloud technologies and microservices architecture, we've achieved the scalability required to meet the growing demands of our users. Our platform can effortlessly scale up or down to accommodate varying workloads that can happen for example during marketing campaigns or commercial intense periods (e.g., launch of a new product by one of our partners). The two main challenges are to (i) ensure our capacity to collect open banking data at the right speed and (ii) to clean, transform and interpret at a performance level that does not disrupt the customer journey. Whilst our overall tech platform was already built on a microservice architecture, we still had to significantly upgrade our analytics engines run by data science teams to reach high performance level required by open banking-based loan underwriting.

Data relevance and fit-for-purpose to ensure accurate feeding of our analytical engine.

This is a topic that we gradually discovered but that we initially underestimated.

Leveraging unstructured Data. Raw open banking data, while abundant, often lacked consistency and quality. To overcome this challenge, we invested heavily in data cleansing and normalization techniques. For example, open banking data often arrives in diverse formats, with varying historical lengths and start/end dates of bank transactions (depending on customers' banks, on the TSP processing the transaction, on the technical connection method used, ...). Our platform excels in handling this diversity by leveraging advanced data normalization techniques. This enables us to seamlessly incorporate unstructured data, ensuring that no valuable information is left untapped. Unstructured data also creates challenges in downstream processing as we need to ensure the consistent application of our risk strategy. This matter is elaborated on the next section. While open banking data quality has improved over the years, we still observe significant deviations in terms of depth and breadth of data collected across banks, data providers and countries. Our data model and structure has been designed to be consistent over the board whilst accommodating unstructured data. This is why this step is crucial in our data platform.

Data "consistency". Data consistency is our internal taxonomy to assess open banking data relevance, for granting purposes for instance. In other words, it's not just about collecting data; it's about ensuring its relevance and suitability for specific purposes. It consists of assessing our capacity to make a final call regarding underwriting decision when we receive a loan application. This key step happens before our analytical computations as we want to be able to provide direct feedback to our prospects if they selected – for people holding several accounts with different banks – the wrong bank during their loan application process. This is typically something we have discovered step by step as data quality has steadily improved over time - for example the IBAN and contact details completion rates have increased over time. We realized that data quality also heavily relies on the prospect willingness and understanding that he needs to select his main checking account (the one where most of his transactions are). The goal of this step is ultimately to ensure that we have a fair representation of the prospect's credit worthiness and avoid fraudulent applications. We have set internal standards to decide whether we deem consistent and sufficient the data collected to take a financing decision or ask prospects to share access to an account with another bank.

Account ownership verification. The PSD2 regulation not only allows to collect prospects' banking transaction but also gives access to checking account meta data such as contact details and IBAN numbers. We have leveraged this new and robust data source to modernize our onboarding processes. It is now fully automated and relies on a cross-checking between our existing fully digital ID verification process and the new open banking-based KYC analysis. With this new process, we are at the same time improving our process reliability and leveraging much more robust data – especially considering fraud aspects - for KYC purpose.

“

The Open banking technology is fully aligned with the principles outlined in the current regulatory framework.

”

Definition of a compliance policy or framework related to open banking data. While open banking data in the loan application process can bring numerous advantages, such as more accurate risk profiling and faster loan processing, its incorporation also raises strategic questions. For the compliance department, this involves considerations around KYC and underwriting approaches specific to consumer lending regulation. We made sure that throughout the development of our data platform, the European Compliance teams were continuously involved to ensure adherence to the regulatory expectations. The Open banking technology is fully aligned with the principles outlined in the current regulatory framework. Additionally, it is also perfectly aligned with the upcoming European consumer lending regulation which aims at reducing the scope of unregulated lending practices. By enabling a much more accurate solvency analysis, open banking technology complies with the current and future regulatory framework.

Further innovative differentiators

The requirements previously described lay the groundwork. Next, we explore more advanced projects and features.

Geographical expansion. We continue to roll out our open banking platform to new countries and are already massively collecting data. As described above, our proprietary data platform enables us to seamlessly plug our data collection and cleaning processes to any new geographical scope. This geographic diversification helps us refine predictive models and cater to a broader user base.

Gen AI and open banking data collection. Synthetic data created by Generative AI, which mimics real data without containing original information, can be used for testing without compromising user privacy. This approach respects GDPR and other privacy mandates. The extensive use of AI will also allow for a cost-effective testing with comprehensive testing approaches or simulation of various data patterns. We believe this new field can significantly improve our data quality management and the robustness of data processing.

PSD3, PSR and FIDA. The new regulatory package is already on the horizon after the European Commission released proposals in 2023. This new framework aims at expanding the sharing of financial data and will increase the scope of data collection and its potential use for analytical purpose. Preparing for open finance data with wider scope of use.

Permanent open banking connectivity. It brings new challenges for our data platform: data volume, data update and performance issues, but it also brings a new signal for innovative services such as new recommendations for our budget management tool, risk early warnings, recovery management, preapproval, and many more.



SECTION 4

Building a credit decisioning framework: from input to insight



Access to open banking data allows us to gain a more comprehensive and real-time understanding of a borrower's financial health, leading to more informed and accurate credit decisions combined with the creation of innovative services around financial well-being. In the context of Younited, as most of our loan origination is based on new customers, the transformational effect of open banking is even stronger.

What is required?

An open banking ecosystem based on multiple building blocks to offer instant granting. While automating part of the underwriting process - especially rejections - can be done relatively quickly, instant granting is much more complicated to achieve as several key features and complex dependencies must be mastered, such as a compliant onboarding process, several AI-based models (Machine Learning and Natural Language Processing) and keeping risk under control without any safety net.

Open banking-based KYC. Implementing such features was a foundational step, enabling us to authenticate customer identities with enhanced accuracy. This shift not only streamlined our onboarding process but also fortified our compliance posture whilst providing a better customer experience. The strong authentication process guaranteed by the PSD2 regulation highly reduces identify theft and therefore fraud losses.

AML Scoring Engines. Our journey in developing Anti Money Laundering (AML) scoring engines transformed raw banking transaction data into a vigilant guard against financial crime, aligning with global compliance standards while ensuring operational efficiency. Our internal AML score leverages open banking data to automate and improve our transaction screening process by processing vast arrays of transaction data to identify anomalies and patterns indicative of potential risky activities.

A strategic Banking Transaction Categorization Engine. After spending a few years building a training data base through open banking data collection and enrichment, we developed an in-house categorization engine. The development of this engine marked a significant leap forward, converting vast banking transactions into categorized data, thus laying the groundwork for actionable insights. The ability to interpret open banking data swiftly and accurately is essential for Younited. Building an in-house categorization engine that operates independently of the bank account aggregator's architecture ensures consistent, scalable, and reliable data interpretation across all our partners and countries where we operate. These insights are used for AML check, underwriting rules, credit scores, and budget management recommendations to our customers.

“

The ability to interpret open banking data swiftly and accurately is essential for Younited.

”

A cutting-edge open banking-based credit scoring system. By accessing real-time financial data such as income stability, spending patterns, and existing liabilities directly from bank accounts, Younited can analyze individual's financial behavior and assess creditworthiness far more accurately than with traditional methods. This enriched dataset enables the development of more sophisticated AI-based scoring models that can better predict risk. This depth of information not only improves risk assessment accuracy but also helps in identifying creditworthy individuals who might be overlooked by conventional models.



A cheaper credit decision. Open banking data streamlines the credit underwriting process by providing direct access to a borrower's financial information, significantly reducing the time and resources typically spent on manual data collection and verification. This automated access to detailed financial histories and real-time data allows for quicker, more efficient credit decision-making. Furthermore, the enhanced accuracy in assessing credit risk reduces the likelihood of defaults, thereby minimizing potential losses and associated costs for lenders.

The art of balancing innovation and risk management. Whilst open banking data deeply transform our decision engine, it requires a thorough and time consuming test and learn strategy to transform our underwriting process while simultaneously stay within our risk appetite.

“

Through smart testing and learning, we fine-tune our decision engine to hit the sweet spot - minimizing risk while maximizing trust and efficiency.

”

AB testing our credit decision engine enables progressive upgrade of its various components, including underwriting rules, scores and pricing. With rich open banking data now being available, there's a risk of tipping into over-analysis, triggering unnecessary red flags. This is why we had to adeptly navigate this, leveraging A/B testing and a 'test-and-learn' approach to refine our decision engines. This balance is not just prudent risk management; it's a competitive differentiator, ensuring customer trust and regulatory compliance whilst maintaining efficiency. Finding the right balance on depth of analysis to avoid creating too many redflags is not an easy task and can provide counterproductive outcomes. A significant work on making credit analyst decision as objective as possible was a key preliminary step before rolling out our credit risk models underlying our instant granting product.



Compliance and innovation. Innovation is at the heart of Younited's DNA, this is why we started to collect open banking data as soon as the PSD2 directive got enforced. However, innovating in a highly regulated industry such as Consumer Lending in Europe requires new technology, data, process, organization but also a very strong collaboration with compliance teams to ensure that the deep process transformation stays in line with regulatory expectations around strategic topics such as KYC or consumer credit risk analysis. Strong collaboration between Business, Risk, Tech and Product teams added to regular exchanges with regulators have helped us to keep the right direction even if we were sometimes the first ones to leverage open banking data at such depth. At Younited, we made strong strategic choices to only offer regulated credit to our customers, putting compliance considerations at the core of our activities. In fact Younited is the only "late entry player" in the lending market to have obtained a full EBC Credit Institution licence from Day 1, back in 2011.



A strategic Banking Transaction Categorization Engine. One of the reasons it took us 6 years to reach our target open banking operating model and coverage is the necessary extra care you need when changing your underwriting processes while your risk appetite stays the same. Removing any human monitoring and interaction on credit decisions that can lead to a 50k€ loans is a bold move. We obviously did not reach this maturity in one night; this is why we invested so much on the feedback loop process to allow our credit analyst to communicate directly to your data scientists and risk teams through a sophisticated feedback loop. Our feedback loop process provides us numerous data to (i) accelerate our categorization and score model performance and (ii) ensures that we keep our underwriting process as robust as they were even when we just release new model versions. Integrating credit analysts into the review process of our categorization and scoring engines has been critical, ensuring human oversight in our increasingly automated environment.

“

This sophistication of models combined with a much wider range of data used led us to significantly step up our model risk management processes to ensure that we can identify any unexpected shift in our model results, on a real-time basis.

”

Model risk management. The development of our open banking decision engine relies much more on AI-based models than classic underwriting approaches. It's structurally also much more data consuming as we leverage hundreds of data points versus less than 20 in traditional credit scores. This sophistication of models combined with a much wider range of data used led us to significantly step up our model risk management processes to ensure that we can identify any unexpected shift in our model results, on a real-time basis. The use of model AB test is also a very strong pillar of our risk management practices as it helps us to better understand and monitor the impact of the release of a new categorization or scoring engine. We have now released several versions of these 2 model families on various countries and optimized a lot our risk and control processes, considering strategic topics such as model explicability, model testing and model benchmarking with challenger models and credit analysts.

Building a unique proprietary database. Perhaps the most strategic move in this open banking-driven landscape is the creation of our proprietary database that melds open banking data with portfolio performance metrics. Such a resource is invaluable as it was the foundation to train the new generation of open banking-based models. It not only facilitates specific risk analyses for open banking-originated loans but also provides an aggregate view crucial for portfolio management and macroeconomic analysis. This data integration capability enables Younited to generate targeted user recommendations, enhancing customer experience and fostering loyalty.

After a few years of collecting data through both open banking and default analysis, we upgraded our open banking-based underwriting rules and then our credit scores, across multiple geographies in parallel.

Portfolio risk management. Our growing-fast database also provides strategic insights on consumer market trends (evolution of incomes, expenses, ...) and macroeconomics trends. This aggregate view which changes the way we manage our credit portfolio as it has been instrumental in providing an aggregate view for portfolio management, bolstering our capabilities in identifying early risk indicators and conducting macroeconomic analysis, for example regarding the inflation impact on our prospects' purchase power.





Creating New User Recommendations. Harnessing this rich data repository, we've been able to create tailored user recommendations for our Coach product, enhancing customer experience and driving business growth. Open banking data made AI-based model much more powerful to provide actionable insights but also creates a market benchmark on consumer spending habits and the associated cost and impact on their purchase power. Our Coach product can therefore propose personal recommendation on budget optimization for each customer, based on their open banking data.

Next-level market differentiators

While we have been developing open banking-based new models for 6 years now, we are only at the beginning of the full potential of the open banking ecosystem. In particular, the broader set of available data with PSD3 with the technology breakthrough such as Generative AI will continue to deeply transform consumer banking services. We described below some of the key themes we will explore in the following months alongside the continuous improvement of our analytics.

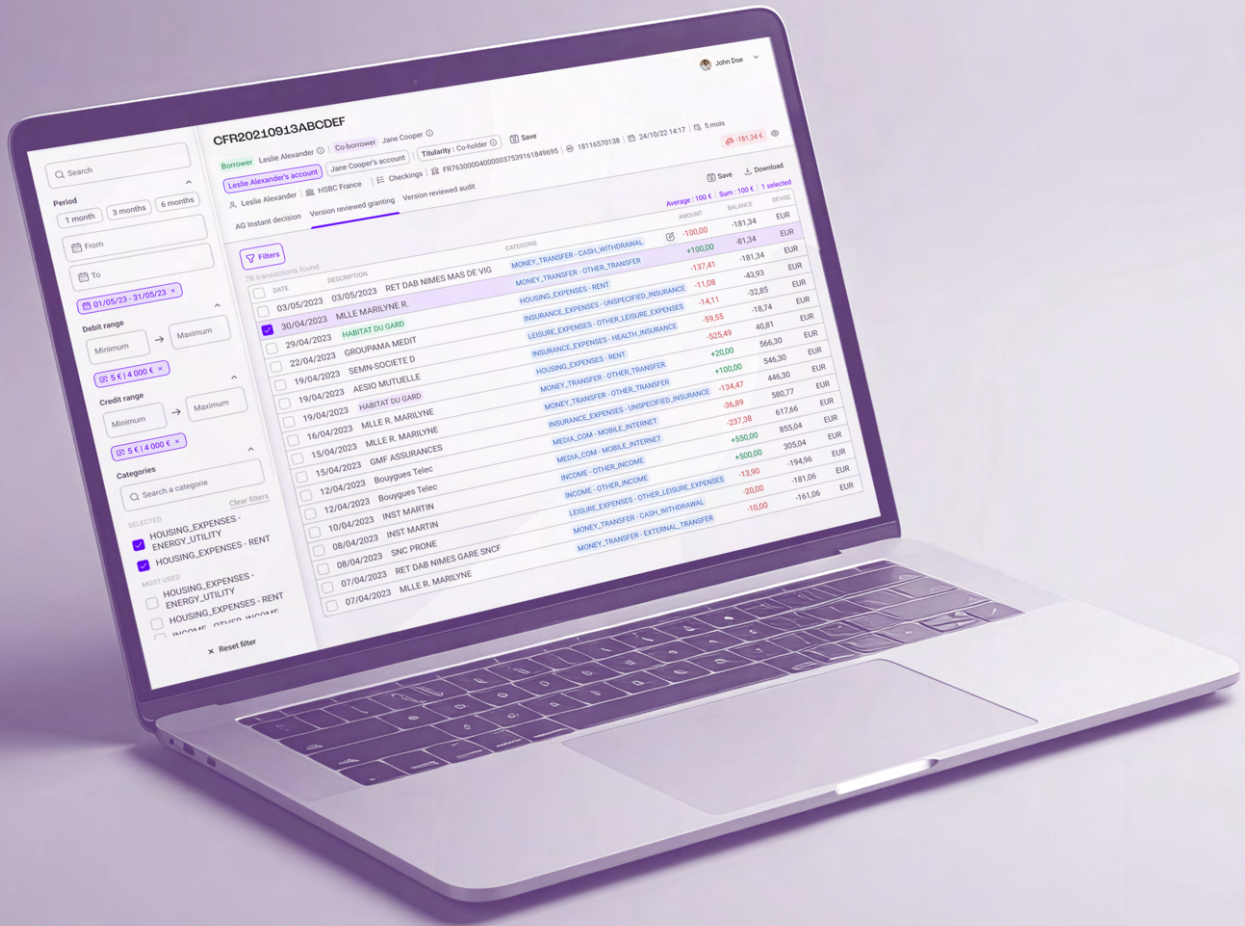
Expand the categories of open banking transactions used for credit analysis & decision. Future steps involve diversifying the types of open banking transactions analyzed, such as incorporating utility bill payments and subscription services data, to gain a more holistic view of an applicant's financial behavior. We'll refine our algorithms to evaluate these new data types for more nuanced credit decisions. Additionally, integrating these diverse transaction types will aid in identifying financial patterns and habits that traditional credit checks may overlook.

Extensive use of open banking data for recovery purposes. The next phase will focus on leveraging open banking data to optimize debt recovery processes, such as by determining the most effective dates for installment debits based on a customer's spending and income patterns. We'll also explore predictive models to anticipate potential late payments and proactively engage with customers for early interventions. This approach aims to increase recovery rates while maintaining a positive customer experience.



Active budget management based on permanent connectivity. Enhancing our services will involve the development of predictive analytics tools that provide early warnings and actionable insights based on up-to-date open banking data, helping customers manage their budgets more effectively. We will work on real-time alerts and automated suggestions to prevent overdrafts and unmanageable debt. By transforming raw data into practical advice, we aim to empower customers to make informed financial decisions proactively. Our goal is to transform Personal Finance Management (PFM) from a passive tracking tool into an active partner in financial well-being.

Predictive analytics for portfolio risk management. We will continue to enhance our credit portfolio management tools by developing advanced predictive analytics models that can assess and manage portfolio risk more effectively by analyzing trends and patterns in the aggregated open banking data across Europe. These models will enable us to forecast potential market changes and customer behavior shifts, allowing for proactive risk management strategies. This predictive approach will not only minimize risk exposure but also optimize our portfolio's performance by identifying growth opportunities and mitigating threats in a dynamic financial landscape.



SECTION 5

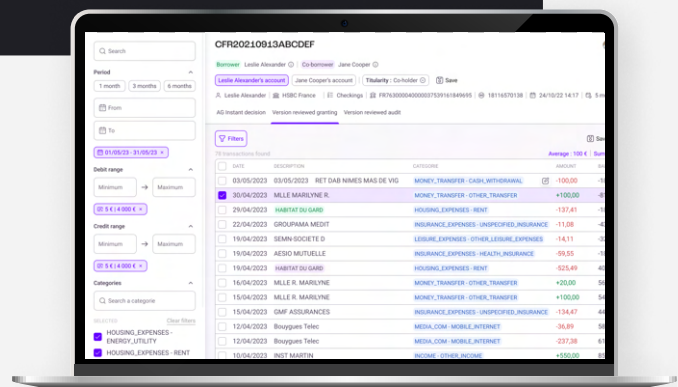
Manage the transformation of middle office technologies

When using Open banking, the once laborious process of analyzing reams of paper or sifting through digital documents has been supplanted by an efficient, automated retrieval of data directly from bank APIs. This transformation means data is not just more accessible, but also presented in entirely new formats, necessitating comprehensive overhauls of tools and operational methodologies. Middle offices, i.e. all systems and technologies supporting client-facing activities or back-offices (telesales, customer care, anti-fraud analysis, amicable collection, legal recoveries, ...) thus, stand at the crossroads of this revolution, faced with the challenge to be re-adapted and rethought.

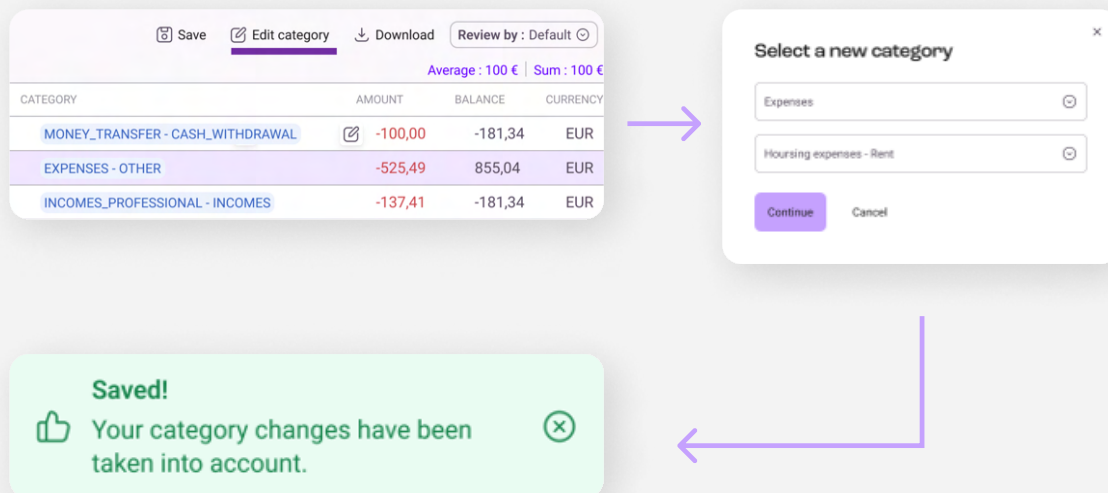
Younited has been at the forefront of this transformation for the past few years, with achievements that underline our commitment:

Data visualization for Operations. It is vital that the influx of data from open banking channels is structured and presented in a format comprehensible by operational teams. This includes essential documents like statements and transactional data. A lot of our operations teams rely heavily on this web portal as an indispensable tool in their day-to-day operations. It serves as a central hub for validating applications, scrutinizing and adjusting categories, and conducting audits.

We have developed a sophisticated middle office suite that excels at reading, filtering, and presenting open banking data in a user-friendly format. We focused our efforts on ensuring quick access, clear structure of transactions, account information hierarchy, titularity information, just to name a few.



Feedback loop infrastructure. It is key to also build a seamless connection between the middle office and the data science teams in order to create a consistent feedback loop that will be used to improve the overall quality of the model, categorization and other IA optimizations. Without this mechanism, the model will not evolve and will not be trained properly. By creating an effective feedback loop, we have ensured that operational actions directly inform and refine credit decisions and algorithmic formulas. This dynamic approach has led to tangible improvements in algorithm accuracy over time.



Streamlined audit trail. With regulations becoming ever-stringent, middle offices need to ensure they deliver all necessary data and documentation to satisfy audit requirements, ensuring transparency and compliance.



SECTION 6

Transform your customer service and operations



At a minimum, open banking offers a streamlined process for loan decision-making. If all the pieces are assembled as they should be, it can enable an instant loan decision. In any case, let's address the elephant in the room: the more you automate your decisioning system, the less you need manual human intervention in your granting workflow. But simply chasing Full-Time Equivalent (FTE) savings in an open banking framework can be a misdirection. While substantial savings are realized, they bring with them fresh challenges to navigate.



Redefining core procedures. There's a need to adapt essential procedures for solvency, fraud, and Anti-Money Laundering (AML) checks to cater to the instantaneous nature of open banking. We shifted from a mostly manual transaction categorization process to a fully automated system, which is also constantly retrained and refined via an ultra-performant analyst feedback loop. As a result, the activities of our analysts have shifted from sifting through multiple documents to examining fewer inputs but with richer detail and history.

We broke the industry norm. Where most lenders' operations teams are limited by a 'fixed number of applications per analyst per day' metric, our instant credit platform, bolstered by open banking, has seen our loan origination volumes and our total number of customers grow impressively over recent years, without having a proportional growth in staff.



However, it is important to keep in mind that hiring and training analysts to work with Open Banking inputs remains a challenge as the technology is still new to the market, with less expertise available among candidates.

Navigating the new fraud landscape. Open banking ushers in more complex fraud cases. Although fewer, these instances require intricate, updated solutions.





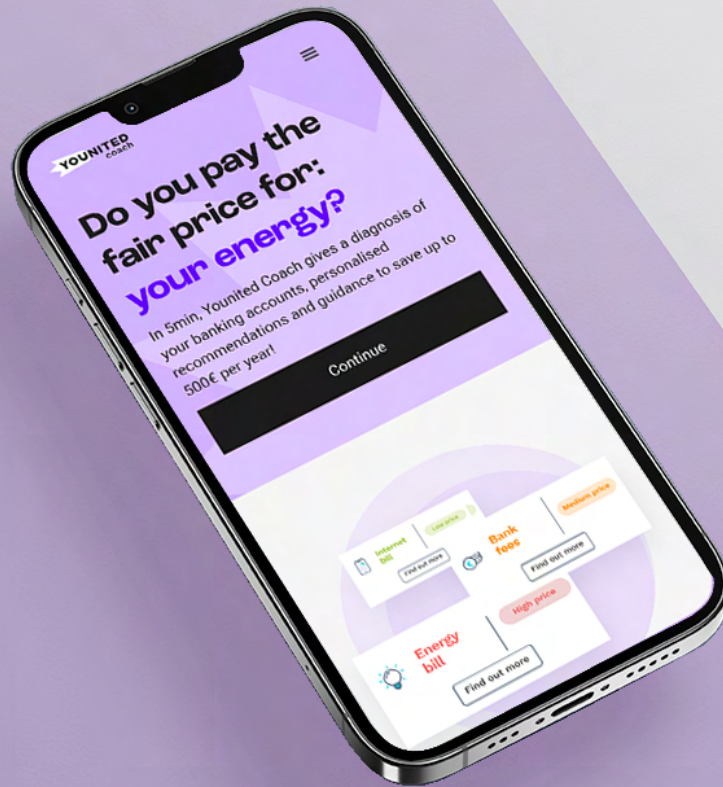
Staying ahead of the curve



Pursuing more automation. Our ambition is to reach a point where virtually all credits are instantly and automatically granted, with the safeguard of manual reviews when specific situations demand it.



Sensitive organizational realignments. While there's potential to streamline certain areas of the organization, it's crucial to approach such changes thoughtfully, given the human element involved.



SECTION 7

Expanding horizons: develop additional services beyond credit

Younited Coach at a glance

At Younited, we've harnessed the potential of open banking to go beyond traditional lending. One of our hallmark initiatives is Younited Coach, a service that leverages open banking connections to deliver personalized budget optimization advices, free of charge, and open to all.

Younited Coach is a solution offered to 100% of consumers who have started a loan journey and shared their bank data ; be they ultimated financed by Younited, but also rejected or even leavers of the funnel. It therefore "solves" the historical dilemna of Credit Institutions who turn down and reject the vast majority of people who apply for a loan. Younited Coach transform detractors (or at least disappointed people) into promoters. Indeed, 9 loan applicants out of 10 are asking for Younited Coach recomendations and they can do so very easily as we are seamlessly reusing the same open banking data already provided for the credit demand.

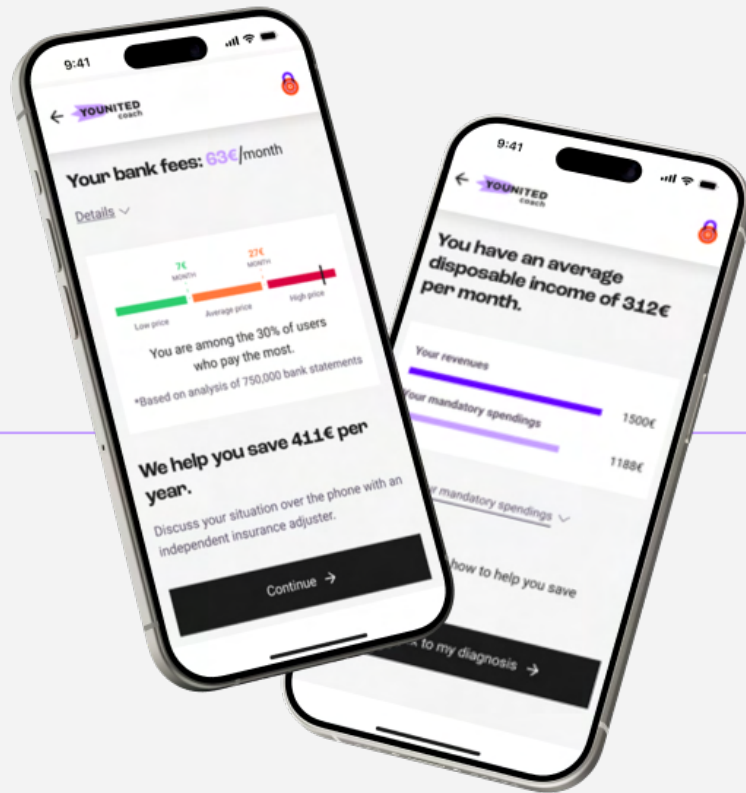
The Younited Coach process is elegantly simple yet brings significant value to our users, for free.

Safe bank connection. The first step is a secure connection to the user's bank account, ensuring safety and privacy. For the vast majority of Younited Coach users, this connection has already been done throughout a loan application process.

“

Younited Coach utilizes a growing selection of personalized recommendation services, currently at 14, ensuring at least one actionable tip for 80% of users.

”



Tailored financial diagnosis. Once connected, the user receives an instant, detailed snapshot of their financial situation. This diagnosis includes:



Financial Well-being insights. We provide smart, data-driven tips for money saving, efficient budget handling, and credit management.



Savings Opportunities. The tool analyzes bills and charges, identifying potential optimizations and offering guidance for supplier changes.



This entire diagnostic process is powered by our robust in-house categorization model, ensuring accuracy and relevance. To get there, we have put significant effort on data science to build and continually enhance Younited Coach's capabilities.

Endless possibilities await

Looking forward, we are working to elevate Younited Coach to new heights with several exciting features:

Ongoing Financial Guidance. Instead of a one-time analysis, we plan to use a permanent connection to the user's bank account. This will enable continuous updates and recommendations, keeping the financial advice relevant and timely.

Advanced Financial Wellness Tools. We're exploring features like overdraft anticipation, which will further assist users in managing their financial health proactively.

Customized Partnerships and Solutions. Younited Coach will be able to suggest tailored solutions and partners in areas like insurance, savings, and investments. These suggestions will be based on life trends and events identified in the user's account, ensuring personalization at its best.

Proactive Financing Offers. By continuously re-scoring users, Younited Coach could offer proactive financing options, tailored to the user's evolving financial situation.

Credit Management Assistance. A significant future development is helping users better manage their credit. This includes predicting potential late payments and proactively offering solutions to prevent or address them.

International rollout. Building on Younited Coach's success in France and years of refining the product, we're set to expand our offerings to Spain, Portugal, Italy, and Germany.

In summary, Younited's journey with open banking is not just about enhancing the lending process. It's about building a comprehensive financial ecosystem where credit is just one piece of the puzzle. With initiatives like Younited Coach, we are paving the way for a future where financial wellness and empowerment are accessible to everyone.

Evaluating your approach: are you on the right path?

You will find below a checklist with all key takeaways from this document. You can also use this table to self-evaluate your own organization open banking readiness and maturity for lending.

For each item, you score 0, 1 or 2 points depending on your readiness level:

1. Already implemented (2 points)
2. Project ongoing or planned within the next 6 months (1 point)
3. Not planned or planned in mid/long term (0 point)

Category	Item	Your score
Driving adoption	Define and implement a value proposition with clear benefits for end-users (e.g., instant credit)	
	Tools and processes in place to educate consumers / end-users	
	Existing resources to educate and empower retail and banking partners (training courses, documentation kits, ...)	
	Digital customer journeys tailor made for each channel or context, especially on mobile	
	AI integration to offer real-time contextual customer support or any other notable services	
Connection infrastructure	Redundant, resilient and scalable connection platform in place	
	Integration of multiple TSPs (Technical Service Providers), in each of your countries of operations for better service continuity	
	Real time connection monitoring with TSPs and banks	
	Ability to swap TSPs and / or connection methods in real time to improve performance thanks to smart routing schemes	
	Participating actively in workstreams with stakeholders from the ecosystem (banks, TSPs, user communities, ...)	
	Advanced fallback mechanisms to ensure instantaneous transitions during disruptions	
	Leveraging permanent open banking connectivity to improve conversion	

	Continuous data-driven improvements of the user experience	
Data platform	Ability to quickly add new data sources integrating any new TSPs to cover new markets / use cases	
	Datalake for retrieval, transformation and storage of open banking data	
	Ability to extract and format unstructured data	
	Enhanced cloud infrastructure to host the open banking decision engine	
	Ability to assess data relevance ("data consistency")	
	Perpetual connection to APIs in place to unlock better user experience and more use cases	
	Data security management measures in place compliant with all regulations including GDPR	
	Compliance policy or framework related to open banking data in place	
	Roll out the data platform across diverse geographies to help refine predictive models and increase user base	
	Leverage Gen AI for highly efficient GDPR compliant testing	
	Prepare for PSD3 and FIDA and the increased scope of data collection	
Decisioning system	Open banking based KYC in place	
	Open banking based credit scores in place	
	Open banking-based AML (Anti Money Laundering) scoring	
	In-house banking transaction categorization engine in place	
	Recurring AB testing of the decision engine for continuous improvement	

	Implement real-time monitoring	
	Leverage open banking data for recovery purposes	
	Implement predictive analytics for portfolio risk management	
Middle office	Tools and processes in place for operations teams to visualize and interact with customer applications	
	Feedback loop in place between credit analysts from Ops and the Risk department	
	Custom audit trail in place	
	Decommissioning of all historical workflows of credit analysis reviewing, to enable instant financing without any human intervention	
	Training courses and overall change management for all users of these new tools	
Organization	Core procedures and Ops organization for application analysis are adapted to open banking	
	Anti fraud measures and organization are adapted to open banking	
New services	Additional services (other than lending and lending related products) have been enabled by open banking with significant penetration on total customer base (> 10%)	

Sum your total points here	___ / 80
For reference, Younited scored	69 / 80

YOUNITED



More about Younited:
www.younited.com