

# Case Study:

## Providing digital credit-checks to consumers

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**Session 2: Putting data to work to ensure responsible lending**  
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## WHAT we are:

- Credit Reference Agency (CRA)
- Account Information Service Provider (AISP)
- ... providing consensual credit-checks based on Open-Banking (PSD2) data.

## WHO we are:

- Academic Researchers<sup>1</sup>
- Concerned Consumers
- ... who want to change how data & credit-checks are processed.

## OUR principles:

- Consumers own their data, they may lend it to us for a limited time-period.
- Consumer and counterparty both receive symmetric credit-reports.
- All parties need to understand the impact of their credit decision.

<sup>1</sup> Institute for Finance, Banking & Insurance (Vienna University of Economics & Business)

FINcredible's PSD2-data based credit-reports in a nutshell:

## 1. Consumer starts the credit check on invitation from counterparty

- click on button (website / notification)
- opens pop-up window, disclosure & consent



## 2. Consumer provides 2FA for PSD2 banking data access.

- bank supplies consumer transactions data (12M history)

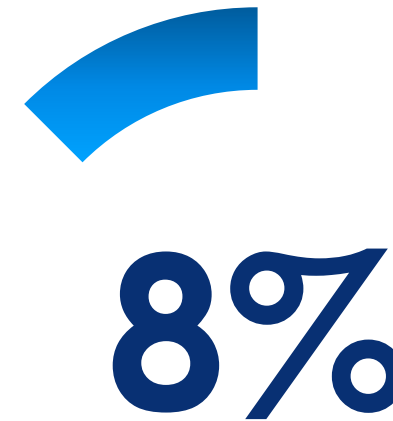
## 3. Consumer can review & forward results of the credit-check.

- credit-report based on financially-relevant (!) data only

Willingness to perform credit-check depends on consumer-value-added.



Expect that they have to make important financial decisions in the upcoming 3 years



Trust their bank's financial consulting / own financial literacy.

**Sources:**

Forbes / Fidelity National Information Services  
Facebook IQ 2016, Millennium Disruption Index 2016

## Traditional CRAs vs. FINcredible's principles?

- We want to shape the market by challenging & cooperating with incumbents.
- We found shared values with KSV1870, a traditional CRA with 150 year-long history:
  - Advocate responsible lending & contribute to financial education.
  - Constantly seek for innovation & also ask to be challenged.

**Common goal:** Enable consumers to take better informed credit decisions.

- More options for financing contracts due to innovation in renting/leasing/lending.
- Evolvement of a buyers-market, strengthens consumer's position.
- However, consumers may lack tools / literacy to utilize their power.

**Case Study:** InfoPass is a trusted certificate for consumers.

Order yours online with just a few clicks.



The InfoPass contains all decision-relevant data:

## 1. Self-disclosed data, e.g.,

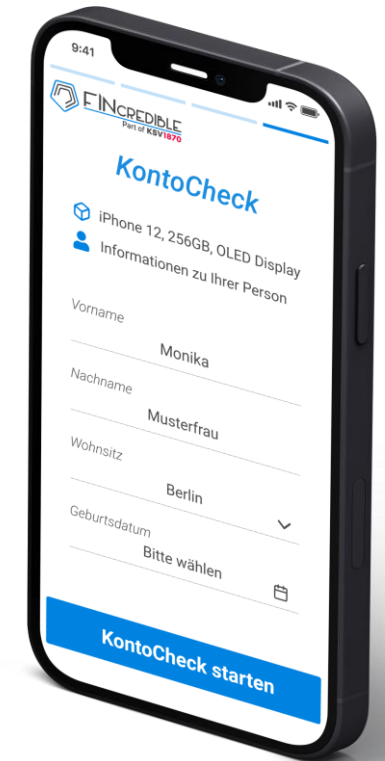
- financial wealth, passport / ID (incl. verification)
- project to be financed, corp./comm. position, ...

## 2. KSV1870 CRA data, e.g.,

- consumer credit register, bank (fraud) warning list
- data on delayed payments, probability of default / score, ...

## 3. PSD2 credit-check data, e.g.,

- verification of account & -holder(s), employment status, employer, ...
- suggestion of consumer's household budget / verification of budget
- statement of common risk-indicators



New paradigm to empower consumers turns into big **SUCCESS STORY** for us:

- **Consumer** willing to pay for quality of data & service provided:
  - receives verified & understandable information at own discretion.
  - can focus on credit-decision instead of collecting documents / clarifying data
- **Financial service providers** show broad acceptance of certificate:
  - receive trusted & structured data, all prepared in advance
  - can focus on discussing credit specifics in more detail

**What's next?** Provide '2nd chance' PSD2 credit-checks for renting/leasing/lending

- Avoid financial exclusion of consumers with a negative history

## Industry

- Consumers should be ‘the audience’ instead of ‘the subject’ of credit-checks.
- Ask WHY consumers should give you their data, not for HOW MUCH they will do it.
- Focusing on consumer-value-added may even convert them to paying customers.

## Regulators

- Provide general principles & future-proof guidelines to allow for innovation.
- Allow alternative data as long as it is financially relevant & well-understood.
- Reduce areas-of-conflict between different legal norms in order to remove barriers of entry, and let new players enter the game.

## Consumers

- Demand tools & data to make your own informed, responsible (!) decisions.