

OPEN BANKING FOR GOOD: MOVING THE DIAL?

A REPORT FROM THE PERSONAL
FINANCE RESEARCH CENTRE

NOVEMBER 2019

Personal Finance Research Centre
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ABOUT THIS REPORT

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CONTENTS

Executive Summary	4
1. Introduction	7
2. OB4G: The concept	13
3. Framing the challenges	17
4. The application process	20
5. OB4G in practice	27
6. Measuring impact	37
References	41

EXECUTIVE SUMMARY

Open Banking allows bank and building society customers to securely share their transaction data with third parties that can use the data to deliver personalised services and tools. The target audience for Open Banking tends to be the *'mass affluent'*. Nationwide Building Society's £3 million Open Banking for Good (OB4G) aims instead to put this technology to use for UK adults who are *'financially squeezed'*.

OB4G also presents a unique opportunity to help build a new evidence base around the potential for technology and innovation to 'move the dial' on big social issues. This report sets out the main findings from our evaluation of the design and early implementation of OB4G. An evaluation report on its financial and social impacts follows in 2020.

The concept of OB4G: Our participants felt positively about OB4G and saw it as qualitatively different to other fintech programmes in ways they hoped would increase the chances of positive impact on people who are *'financially squeezed'*. Points of difference included its *'money on the table'* funding model; its commitment to social purpose and co-creation with user experts; and its natural alignment with Nationwide's mutuality (with Nationwide's membership also a potential but not guaranteed route to scale).



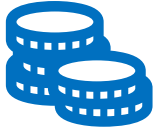
“... the sweet spot is something that's commercially viable but also helps people...instead of taking a product that's been developed for commercial purposes and trying to repurpose it.”

Charity Partner

Framing the challenges: Nationwide leveraged significant help from its wide network of charities and stakeholders with which it had fostered good working relationships over several years, in order to frame OB4G around three big challenges:



Income Smoothing to help the growing number of people with unpredictable or irregular income manage their regular outgoings.



Income & Expenditure to simplify and improve the accuracy of the I&E profile that someone must complete when they seek debt help; and that could be used to help them work towards their goals, based on a better understanding of their finances.



Money Management & Help to help people practice and maintain better money habits through richer, personalised services so they become more financially confident and capable.

The application process: In a competitive process, Nationwide invited applications for ideas that used Open Banking to help people who are '*financially squeezed*' with one of its three challenges. The application process worked well and produced a good number and range of submissions (most but not all from fintech firms). Unsuccessful applicants would have valued feedback on their submissions and prompt notification of the outcome.

OB4G in practice: Seven applicants were successful and formed the first OB4G Challenger cohort (see Figure 1 below). Nationwide's OB4G team engineered a 'safe space' for social innovation that was effective from its perspective but wasn't fully aligned with Challengers' expectations. The team also facilitated co-creation between Challengers and Charity Partners that had very different ways of working. The evidence highlights different co-creation activities, some of which (e.g. user testing, data access) require more time and planning because they involve human research participants and potentially personal data.

Measuring impact: Our interview data shows that being involved in a new social innovation programme like OB4G delivered positive impacts for participants. For Challengers, the benefits included a much deeper understanding of the challenges and target audience; funding to work on new socially useful ideas and prototypes; and brand association with a major building society. For Charity Partners, the positives included getting a close-up view of fintech design and development that meant they could have better-quality conversations with the sector; and being more informed about the potential uses and pitfalls of Open Banking for their organisations and service users.

Into 2020, we will be working with the OB4G Challengers and their partners to measure not just the reach that Challengers are able to achieve – the number of users, for example – but also the effects their Open Banking-enabled products and services have on users' lives in relation to money, time and wellbeing.

Figure 1 The First OB4G Cohort

 Challenges	 Fintech Challengers	 Propositions
Income Smoothing	Flow Financial	Ensures that billers know the best time to ask for money
	Trezeo	Turns variable self-employed income into a regular pay cheque
Income & Expenditure	Ducit.ai	Uses AI to improve the categorisation of Open Banking data
	OpenWrks	Creates accurate I&E statements online in minutes
Money Management & Help	Squad	Helps users realise their financial goals through social support
	Toucan	Sends alerts to a trusted ally when the user has money issues
	Tully	Offers users personalised, data-led Money Coaching

1. INTRODUCTION

This chapter sets the scene for the report with an overview of Open Banking; a brief description of the Open Banking for Good programme; and a summary of our evaluation approach and methods.

1.1 WHAT IS OPEN BANKING?

Open Banking allows bank and building society customers to securely share their transaction data with third parties through a standard set of application programming interfaces (APIs – in basic terms, the technology that enables applications to communicate with each other). For example, a customer might give a regulated app or website secure access to all their bank and building society accounts so they can manage their financial accounts and household bills online in one place.

Open Banking was mandated by the Competition and Markets Authority and came into effect in January 2018. It is designed to bring more competition and innovation to UK financial services, by encouraging businesses to deliver better financial services, more choice and lower prices (ODI/Fingleton, 2019). Open Banking only applies to current accounts and other payment accounts, but the technology could also be applied to other products such as savings accounts, mortgages, credit cards, pensions or insurance.¹

At present, customers of around 40 banks and building societies can choose to use Open Banking if they want to.² In July 2019, there were reported to be over 135 entities approved by the Financial Conduct Authority to provide Open Banking-enabled services to consumers (ODI/Fingleton, 2019).

1.2 WHAT IS OPEN BANKING FOR GOOD?

Open Banking for Good (OB4G) is a £3 million programme funded and led by Nationwide Building Society that aims to create and scale Open Banking-enabled apps and services in order to help the one in four UK adults who are '*financially squeezed*', equivalent to 12.7 million people (CACI, 2016; **Figure 1.1**).

OB4G focuses on three big challenges that experts agree are pressing issues for the '*financially squeezed*':

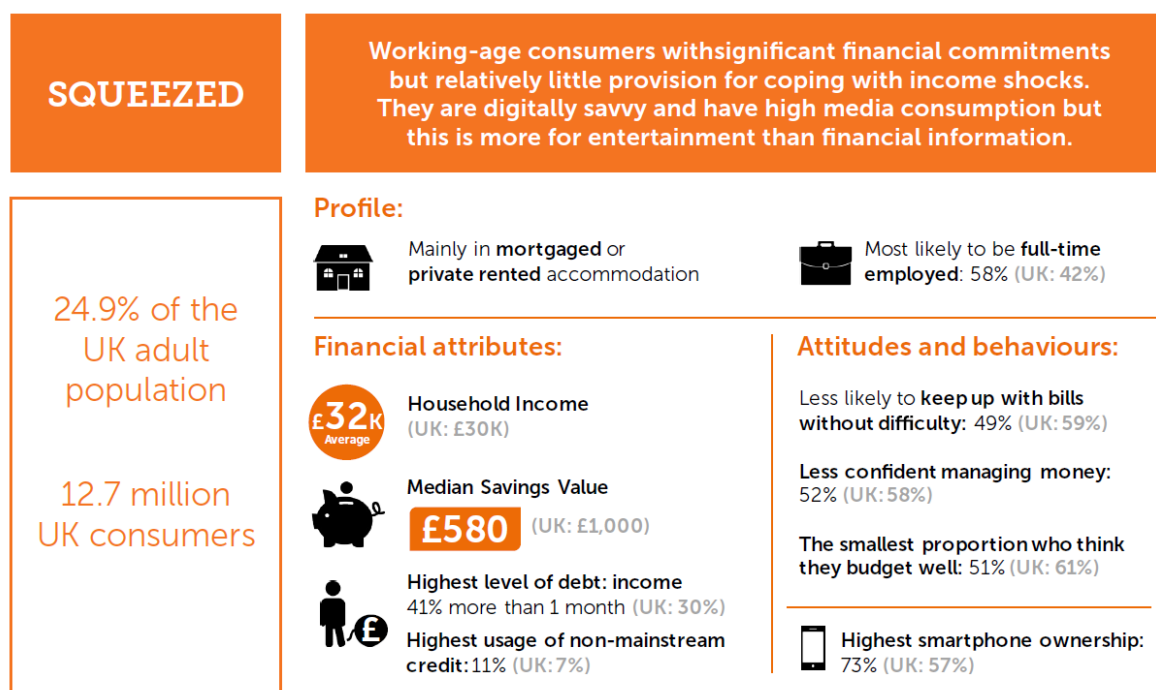
- Helping the growing number of people who have irregular or unpredictable income to manage their regular outgoings
- Making it easier for someone to produce an accurate statement of their income and expenditure
- Helping people to practice and maintain good money habits.

We examine the concept of OB4G in more detail in Chapter 2 and look at how the three big challenges were selected and framed in Chapter 3.

¹ Customers can give third parties access to their transaction data for other products like credit cards, savings and pensions by sharing their credentials (i.e. account username and password). This data-access method is called screen-scraping and is unstable and insecure.

² <https://www.openbanking.org.uk/customers/faqs/> [accessed 19 November 2019]

Figure 1.1 About the ‘financially squeezed’ consumer segment



Source: CACI, 2016

OB4G was conceived by Joe Garner, Chief Executive of Nationwide Building Society, and Nationwide leads the OB4G programme with support from Accenture (which also runs the London Fintech Innovation Lab³), doteveryone and Nesta. In October 2018, Nationwide invited applications to OB4G for innovative products to tackle the three big challenges described above. **We look at the application process to the programme in Chapter 4.**

The seven successful applicants (who we call Challengers) were assigned a Charity Partner and received funding and support from Nationwide to collaboratively co-design, test and potentially scale their ideas and prototypes. **Chapter 5 looks at how co-creation worked in practice early on in the programme.**

Figure 1.2 shows the seven successful applicants, their Charity Partners and the challenges they worked to address using Open Banking. Challengers retain ownership of their pre-existing intellectual property (IP)⁴, together with any IP that they create through participation in the challenge. Nationwide is granted free access to use the IP that any OB4G solution depends upon. In the longer-term, Nationwide sees OB4G as the potential to kick-start a wider ‘For Good’ movement that harnesses technology and innovation for social good.

³ <https://www.fintechinnovationlab.com/london/>

⁴ Intellectual property is a term used in property law. It concerns the ownership of an idea or design by the person who came up with it. It gives that person certain exclusive rights meaning that nobody else can copy or reuse that creation without the owner’s permission.

In terms of the bigger picture, OB4G is part of the government’s Inclusive Economy Partnership (IEP), which in 2018 brought together businesses, civil society and government departments “to solve some of society’s toughest challenges, to help all communities and everyone within them feel they belong to and can participate in the UK economy” (HM Government, no date). Joe Garner is a member of the IEP Advisory Board and co-chair of its Financial Inclusion and Capability flagship challenge (of which OB4G is one initiative).

The IEP exemplifies a move in government policy towards tackling big social issues through innovation and collaboration. Another example of government-backed social innovation is the Affordable Credit Challenge to stimulate technological solutions to increase access to affordable, responsible credit.⁵

Figure 1.2 An overview of the OB4G programme

 Three Challenges	 Seven Fintech Challengers	 Four Charity Partners
Income Smoothing	Flow Financial Trezeo	Citizens Advice
Income & Expenditure	Ducit.ai OpenWrks	Money Advice Trust
Money Management & Help	Squad Toucan Tully	The Money Charity Money & Mental Health Policy Institute

⁵ <https://affordablecreditchallenge.com/>

1.3 EVALUATING OB4G: WHY IS IT IMPORTANT?

OB4G is an opportunity to help build a new evidence base around the potential of technology and innovation to ‘move the dial’ on big social issues, where currently there is a lot of interest and activity but little in the way of independent evaluation or published information.

Nationwide commissioned the University of Bristol’s Personal Finance Research Centre to conduct a two-phase independent evaluation of OB4G:

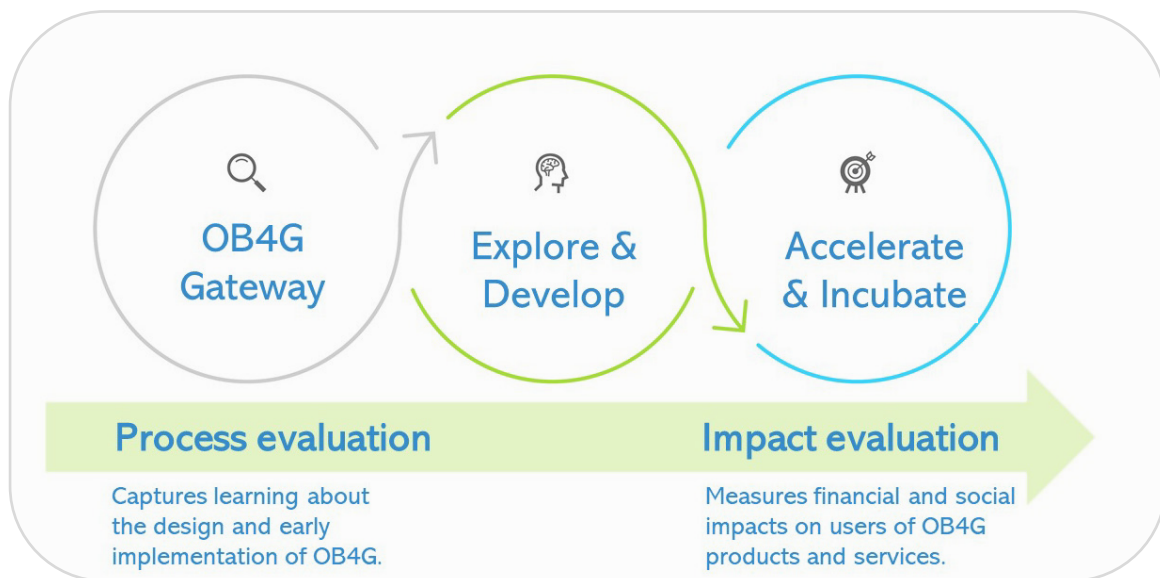
Phase 1: A process evaluation to capture learning about the design and early implementation of OB4G. We carried out the process evaluation between January and July 2019, covering the period in which the programme was set up (which we call the OB4G Gateway) and the initial Explore & Develop phase of work in which successful Challengers spent around three months developing their concepts, conducting user research, and producing or refining prototypes.

We collected and analysed qualitative interview data from the seven fintech firms that successfully applied to OB4G; the four charities that helped shape OB4G and were partnered with the seven fintech firms; and the OB4G team at Nationwide. We also collected data from fintech firms that applied to OB4G but were not successful, through a short online survey. **This report sets out the main findings from the Phase 1 process evaluation.**

Phase 2: An impact evaluation to measure the financial and social impacts on users of OB4G products and services and provide a prototype impact evaluation framework for future ‘For Good’ programmes. The impact evaluation covers the Accelerate & Incubate phase of work, which started in June 2019 and runs for six months. In this phase of work, Challengers focus on building out and testing their prototype products and services; as well as developing or refining their business models. We will publish the findings from the Phase 2 impact evaluation in 2020. **Chapter 6 describes some of the early impacts of OB4G on the fintech Challengers and Charity Partners and sets out our thinking around impact evaluation.**

Figure 1.3 shows how our two-stage evaluation aligns with the different stages of OB4G.

Figure 1.3 The OB4G evaluation journey



1.4 ABOUT THIS REPORT

Drawing on the data from our process evaluation:

- **Chapter 2** looks at the concept of OB4G, and how it was understood by our research participants.
- **Chapter 3** examines how the three big OB4G challenges were selected and framed.
- **Chapter 4** describes the OB4G application process.
- **Chapter 5** considers how the early implementation of OB4G worked in practice.
- **Chapter 6** explores the early impacts of the programme on Challengers and their Charity Partners and sets out how we plan to measure the financial and social impacts of OB4G in the next phase of our evaluation.

Throughout the report, blue lightbulbs indicate key learning points from the process evaluation.

2.

OB4G: THE CONCEPT

This chapter examines the concept of OB4G and how is it understood by external stakeholders.

Our analysis of documentation and interviews with Nationwide’s OB4G team highlight three key tenets around which Nationwide designed OB4G to be different from other fintech challenges and prizes:

Tenet 1: Grounded innovation. Socially useful innovation must start with a deep understanding of the challenge at hand, and the lived experience of the target audience. It is not about retrospectively finding a socially useful purpose for an existing product or service.

Tenet 2: Co-creation. For it to be grounded, user experts (the Charity Partners in the case of OB4G) must shape and steer innovation through close and continued collaboration with innovators. Tokenistic one-off interactions with user experts is not enough.

Tenet 3: 21st century mutuality. OB4G is seen as an expression of Nationwide’s core values as a mutual organisation whose “*primary purpose is a social – not commercial – one*” (Nationwide Building Society, 2018).

From the perspective of our participants, Nationwide successfully articulated and operationalised this concept of OB4G. They had positive views of OB4G and perceived it to be qualitatively different to other fintech programmes in ways they hoped would increase the chances of positive impact on people who are ‘*financially squeezed*’. We explore the evidence below.

2.1 GROUNDED INNOVATION

From our interviews with fintech Challengers and Nationwide’s OB4G team, we identify three things that seem to set it apart from other fintech social innovation challenges:

- **Funds:** OB4G is unusual because it offers ‘*money on the table*’⁶ for fintechs to research, design and develop their own propositions rather than, say, Nationwide taking an equity stake in their business or offering a cash prize.
- **Social purpose:** OB4G’s funding model means that fintechs have a ‘*safe environment for ideas*’ that are socially innovative rather than having to pivot their propositions to what funders or potential investors want, with the risk of diluting their social purpose for short-term commercial gain.
- **Clear parameters:** OB4G has, in the words of one Challenger, deliberately created an ‘*innovation cage*’ where fintechs work to address well-defined problems for a specific target audience. These innovative boundaries, it was felt, help keep Challengers focused on the social purpose of OB4G.

In addition, access to Nationwide Building Society and its membership provides one potential **route to scale** for Challengers (although not a guaranteed route), where scale has been something other initiatives have struggled to achieve.

⁶ Italic phrases in parentheses are verbatim quotes from our participants.



“... the financial freedom for a start-up like us was massive, right, the kind of sums of money that we were talking about with OB4G were things that really allowed us to do a lot.”

Fintech Challenger

2.2 CO-CREATION

Within the parameters of OB4G’s *‘innovation cage’*, the idea is that fintech Challengers work collaboratively with Charity Partners, the OB4G team and other OB4G partners throughout their time in the programme. In the words of one successful applicant, this co-creation approach helps overcome the risk of *‘hipsters designing for hipsters’*. Scope also exists for Challengers (as a cohort) to share knowledge and expertise between themselves.

At the time of our fieldwork, the main actors in this co-creation process were the fintech Challengers, their Charity Partners and the OB4G team. Here we consider participants’ views about co-creation as a tenet of OB4G. We look in more detail at experiences and realities of co-creation in Chapter 5.

For **Nationwide’s OB4G team** the aim was to bring together user experts (i.e. Charity Partners) and fintech firms to work collaboratively in teams, in order to break down powerful sectoral barriers that they felt hamper co-creation. In particular, they wanted Charity Partners to be in the driving seat for the three challenges rather than a ‘tick box’ to be checked. In turn, they saw themselves as translators and navigators between the fintech Challengers and the Charity Partners in order to make sure this co-creation happened.

For **fintech Challengers** one of the attractions of OB4G was the opportunity to have an allocated Charity Partner. The main benefit for them was to gain deep insight into the *‘financially squeezed’* population from their Charity Partner and potentially broker access to members of the target audience to participate in user research and testing.

For **Charity Partners**, two points of differentiation set OB4G apart from their other interactions with the fintech sector:

- **Real influence:** The OB4G team brought Charity Partners *‘in on the ground floor’* to shape the programme and help select the Challengers (see **Chapter 3**), as well as work with successful Challengers over the life of the programme.
- **Valued as experts:** As an integral part of the programme, Charity Partners felt valued as experts, which was reinforced by their close involvement in the design (and in some cases testing) of the Challenger’s propositions.

In cases where Charity Partners were paid by Nationwide for their input, they also felt able to dedicate proper resource to OB4G which would not otherwise have been possible

because of their funding and operational models. We return to Charity Partners' involvement in **Chapter 5**.

“...we're really at the heart of it, at the pivotal moment rather than being like an add on expert interview at the side, that's when we're able to have the biggest impact with the time that we've got.” Charity Partner



2.3 21ST CENTURY MUTUALITY

For Nationwide, OB4G is seen as a contemporary expression of its social purpose as a mutual financial services firm, and this view of OB4G was supported by the fintech Challengers and Charity Partners that we interviewed.

In their view, OB4G is naturally aligned with Nationwide's mutual values and social purpose as a building society. This is echoed by our small sample of eight unsuccessful applicants to OB4G, who when surveyed all agreed with the statement *“OB4G stands out as different to other financial innovation programmes”*.

OB4G was regarded by participants as more than a *‘PR exercise’* on the part of Nationwide or a fintech *‘beauty contest’* (as some other fintech challenges and competitions were felt to be). Rather, the evidence suggests it is seen as a substantive programme with a serious commitment to social change.

Among Charity Partners, support for OB4G was closely allied to Nationwide's strong track record of positive engagement with the money and debt sector; helped by the fact that one of Nationwide's OB4G team was also the liaison manager for the money and debt sector.



“What sets it apart, it's kind of led by the social value as opposed to it being added on.” Charity Partner

3.

FRAMING THE CHALLENGES

This chapter explores how Nationwide worked with charities and others to frame the three OB4G challenges at the heart of the programme.

The evidence suggests that Nationwide was able to leverage significant help and support from a wide network of charities and other stakeholders with which it had fostered good relationships over several years, in order to shape OB4G into a problem-led grounded innovation programme.

3.1 A FOCUS ON PEOPLE WHO ARE ‘FINANCIALLY SQUEEZED’

The Inclusive Economy Partnership’s financial inclusion and capability challenge (from which the idea of OB4G was born) targets the 24 million people in the UK who are ‘*financially squeezed*’ or ‘*struggling*’.

Under the auspices of its Chief Executive, Nationwide decided early on that OB4G should target working age adults who are ‘*financially squeezed*’ - a large consumer segment of 12.7 million people that has roughly average household income but low savings, high levels of debt; and more likely than average to own a smartphone (see also Figure 1.1). This was a section of the population, therefore, that seemed likely to derive benefit from Open Banking-enabled services to help them manage their money - more so than people living on very low incomes who were financially struggling.



“We’re looking for innovators to come forward with ideas to help people living on a financial knife edge - with little by way of savings or relying heavily on credit.” Joe Garner, Chief Executive, Nationwide (2018)

3.2 ‘LEANING IN’ TO EXISTING RELATIONSHIPS

Having identified the ‘*financially squeezed*’ as its target population, around spring 2018 as the OB4G programme started to evolve, Nationwide’s OB4G team ‘leaned in’ to relationships with charities and other external stakeholders that already existing across the building society, to ask them the question, ‘*what are the key problems that people face when they are ‘financially squeezed’?*’ These relationships included charities locally where Nationwide staff worked as volunteers; Nationwide’s corporate charity partners; and professional links with money and debt charities that had been built over several years as part of Nationwide’s money advice liaison function.

There were conversations with a wide range of charities (around 18 in total), research organisations and academics which generated a long-list of diverse potential use cases for the OB4G programme.

3.3 FROM LONG-LIST TO SHORT-LIST

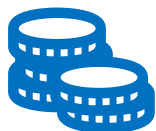
From the long-list of use cases curated with its external networks, the OB4G team provisionally shortlisted three challenges on the basis that:

- The use case focused on people who are '*financially squeezed*'
- It was a challenge where Open Banking could make a difference
- The challenges were not solely about managing debt problems (i.e. crisis intervention) but also helped people to develop and maintain good money habits.

In a demonstration of commitment to a co-creation process, the OB4G team went back to the same charities in a second round of engagement to discuss the three short-listed challenges. Their feedback was positive and supportive, and so the three challenges taken forward in the OB4G programme were:



Income Smoothing to help the growing number of people with unpredictable or irregular income manage their regular outgoings.



Income & Expenditure to simplify and improve the accuracy of the I&E profile that someone must complete when they seek debt help; and that could be used to help them work towards their goals, based on a better understanding of their finances.



Money Management & Help to help people practice and maintain better money habits through richer, personalised services so they become more financially confident and capable.

4. THE APPLICATION PROCESS

In a competitive process, Nationwide invited applications for ideas that used Open Banking to help people who are 'financially squeezed' with one of its three challenges. Here we look at how Nationwide generated interest in OB4G; applicants' experiences of the process; and how successful Challengers were matched to OB4G application paths.

Overall, the application process worked well and produced a good number and range of submissions (most but not all from fintech firms). Unsuccessful applicants would have valued feedback from the OB4G team and prompt notification of the outcome of their application.

4.1 GENERATING INTEREST IN OB4G

Nationwide formally launched the OB4G Challenge on 15 October 2018 at an event in Westminster, along with a dedicated website which had information and resources about the three challenges and the target group of adults that are '*financially squeezed*'.⁷ The launch was supported by a seminar in London on 8 November 2018 (**Figure 4.1**), so that potential applicants could hear first-hand about the challenges and have an opportunity to discuss their ideas with Nationwide's OB4G team, its four Charity Partners and other partners ahead of the deadline for applications on 23 November 2018.

Figure 4.1 OB4G November 2018 Seminar, Q&A session



From the perspective of Nationwide's OB4G team, the application process was designed to create '*low barriers to entry*' and this seems to have been effective. In total, they received 50 application from 29 organisations. There were no restrictions on the types of

⁷ <https://www.openbankingforgood.co.uk>

organisations that could apply, but most were fintechs (as were the seven successful applicants, as we discuss in **section 4.4**).

The applications were considered by a judging panel made up of the Nationwide OB4G team and representatives from the four Charity Partners. Seven fintech Challengers were successful and became the first OB4G cohort. Applicants were informed about the outcome in December 2018.

OB4G IN NUMBERS

62 people from at least 42 different organisations attended the November 2018 seminar (not including Nationwide or the Charity Partners).

50 applications from 39 organisations to take part in the OB4G programme.

Seven organisations were successful.

4.2 CLEAR AND STRAIGHTFORWARD APPLICATION PROCESS

From the perspective of the **fintech Challengers** that we interviewed, the application process was clear and straightforward. The November 2018 seminar was especially valued as a unique informal opportunity to find out more about the programme and talk to the Charity Partners, who each had dedicated exhibition space as well as presenting their own takes on OB4G and its three OB4G challenges.⁸

There was consensus among our participants that the application process was a '*critical gateway*' into OB4G that could help maximise the chances of the programme achieving its 'for good' purpose. Overall, the process was felt to have attracted the right kinds of applications from more socially minded fintechs. One successful applicant believed that a longer timeframe and deeper reach into the fintech sector might have yielded more applications beyond the niche of 'fintech for good', however.

⁸ A video of the seminar is available here:

https://www.youtube.com/playlist?list=PLybXjuRZ3D_HrgVPghe6MW6npf-k5Uzd-

4.3 UNSUCCESSFUL APPLICANTS WOULD HAVE LIKED FEEDBACK AND PROMPT NOTIFICATION

The data we collected from a small sample of unsuccessful applicants highlights three things that could have improved their experience:



1. **Feedback from the OB4G team** about why their application was not successful – for example, one applicant asked for feedback but heard nothing back.
2. **Prompt announcement of the finalists** because in the words of one unsuccessful applicant the delay in finding out was ‘*very painful*’.
3. **The opportunity to be part of an OB4G cohort.**

The OB4G team had in fact intended to provide feedback to unsuccessful applicants and convene an OB4G cohort that had a broader membership than just successful OB4G applicants. In practice, it lacked the resource to undertake these activities (at least in the short term). We come back to resourcing of the OB4G team in **Chapter 5**.


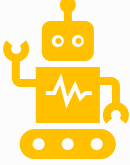

4.4 THE SEVEN SUCCESSFUL CHALLENGERS

The seven successful Challengers were a diverse group of fintechs at very different stages in their lifecycle. The founding teams came from backgrounds such as debt collection and recovery, credit information services, banking technology and fintech consultancy.

One of the seven Challengers (OpenWrks) was an established FCA-authorized, fintech firm that was venture capital-funded. It proposed to use OB4G to build out from its existing commercial proposition. The other six Challengers were all small start-ups of between one and five people. They were self-funded and/or had some venture capital funding. Some were already FCA authorized. Others were earlier-stage start-ups that were not yet FCA authorized.

Figure 4.2 gives an overview of the seven Challengers and their propositions.

Figure 4.2 The seven OB4G Challengers and their propositions

 Challenges	 Fintech Challengers	 Propositions
Income Smoothing	Flow Financial	Ensures that billers know the best time to ask for money
	Trezeo	Turns variable self-employed income into a regular pay cheque
Income & Expenditure	Ducit.ai	Uses AI to improve the categorisation of Open Banking data
	OpenWrks	Creates accurate I&E statements online in minutes
Money Management & Help	Squad	Helps users realise their financial goals through social support
	Toucan	Sends alerts to a trusted ally when the user has money issues
	Tully	Offers users personalised, data-led Money Coaching

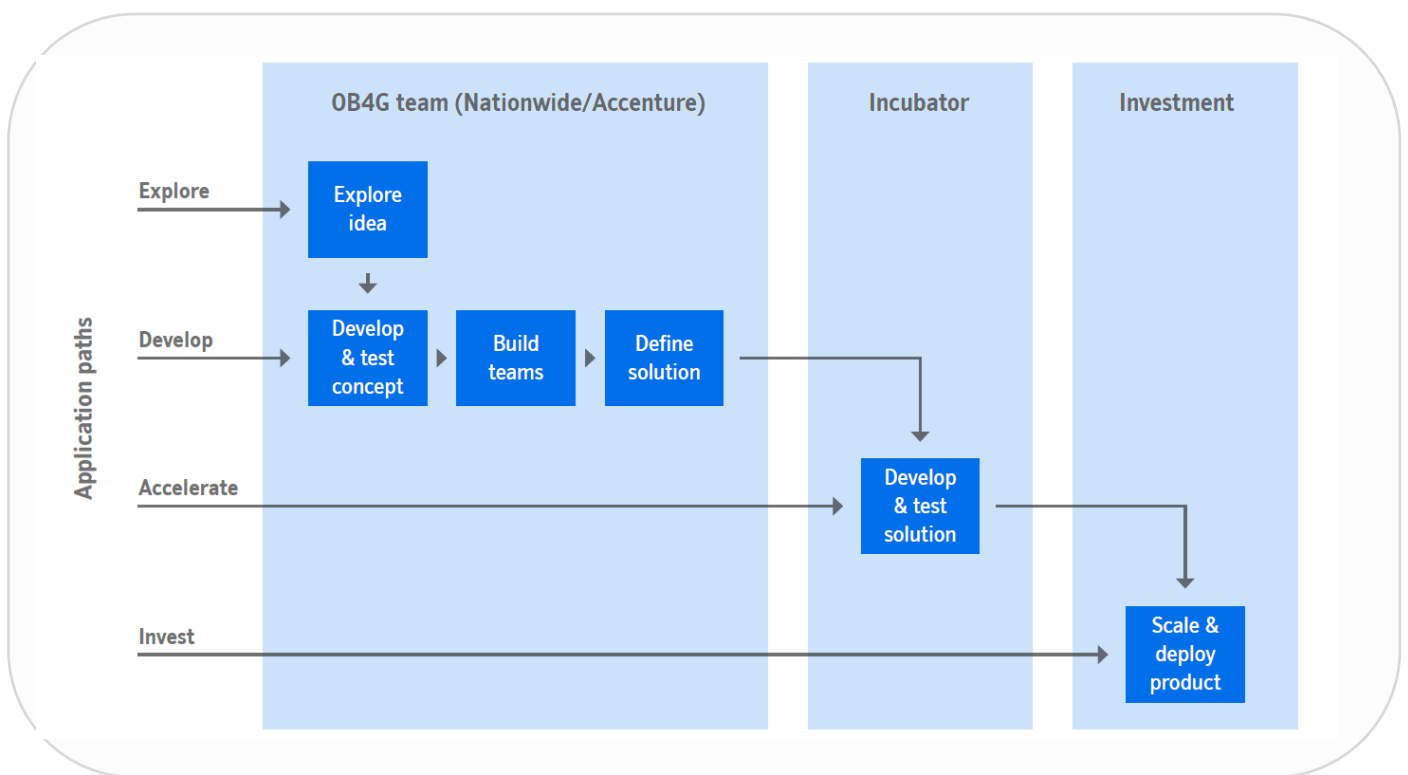
4.5 ALLOCATING CHALLENGERS TO THE RIGHT APPLICATION PATH

OB4G originally had four application funding paths (**Figure 4.3**) ranging from:

- One-month's funding to **'Explore'** very early ideas
- Three-month's funding to **'Develop'** a well-formed concept and test its viability
- Six-month's funding to **'Accelerate'** the development and testing of proven viable concepts
- A direct **'Invest'** path for built and tested products that could be deployed at scale.

The intention was that successful applicants joined the best funding path for them; and could potentially move through the programme's paths.

Figure 4.3 The four original OB4G application paths



Applicants were asked to indicate in their submission the funding path they felt was suitable for them. Among the successful Challengers, this tended to be the **Accelerate** path (for the development and testing of proven viable concepts).

Following the selection process, the OB4G team made the decision to combine **Explore and Develop** into one application path, to which the six smaller Challengers were allocated. OpenWrks, the larger and more commercially established Challenger, was assigned to the **Accelerate** path. None of the successful ideas were sufficiently built or tested to move directly to **Invest**.



These different understandings of the funding application paths suggest that applicants tended to be over-ambitious. While not a bad thing, future programmes should be able to offer more information and guidance to applicants about the most suitable funding path based on the trajectories of the first OB4G cohort.

Our evidence suggests that Challengers were generally content with the funding path to which they were allocated. Combining the 'Explore' and 'Develop' paths meant that all seven Challengers received at least three months funding. Although not a big feature in our interviews, it is possible that Challengers with very early stage ideas could have received less intensive support and coaching in the combined 'Explore & Develop' path than they might otherwise have done in a dedicated 'Explore' path.

Broadly speaking, OB4G tended to be main or sole source of external funding for smaller start-up Challengers. For more established Challengers, OB4G was typically one piece in a bigger funding jigsaw. Participation in the OB4G programme did not preclude Challengers from seeking other investment (e.g. from high street banks) or applying for other opportunities such as fintech acceleration programmes.

5. OB4G IN PRACTICE

This chapter looks at how OB4G played out in practice in its first six months and what we can learn from it for future programmes.

Our interview data shows that Nationwide’s OB4G team engineered a ‘safe space’ for grounded innovation that was effective from its perspective but wasn’t fully aligned with Challengers’ expectations. The team also facilitated co-creation between Challengers and Charity Partners that had very different ways of working. The evidence highlights different types of co-creation activities, some of which (e.g. user testing, data access) require more time and planning because they involve human research participants and potentially personal data.

5.1 GETTING UNDERWAY

Our evidence shows a sense of goodwill among the fintech Challengers and Charity Partners towards OB4G, along with an appreciation of the hard work by Nationwide’s OB4G team to get the programme up and running in a short space of time, and an acknowledgement that a brand-new programme (and a major new departure for Nationwide) would not get everything right first time. Rather, it was a case of ‘learning by doing’ once the programme was launched.

In keeping with an innovation programme, OB4G deliberately had a loose, flexible structure. While the fintech Challengers valued this freedom to evolve their ideas and propositions, our evidence shows they were uncertain how they might transition through the programme; the criteria that would be used to determine any transition; and their potential exit strategies if they did not remain in the programme.

Our interviews with the four Charity Partners highlight a similar uncertainty about their likely day-to-day role in the programme and, in turn, how much resource they could commit to it. Things became clearer once the seven successful Challengers were allocated to their Charity Partners.



“I don't think the whole programme set-up, in how things were going to progress, was completely understood or maybe never explained by Nationwide.” Charity Partner

Once completed, the first full cycle of OB4G will provide valuable insights into different Challenger transitions and different models of Charity Partner involvement. This learning can help shape future programmes and enable Nationwide to offer clearer guidance to participants about what sort of journey to expect.



5.2 CREATING A 'SAFE SPACE' FOR GROUNDED INNOVATION

In designing the OB4G programme, Nationwide wanted to create a 'safe space' for grounded innovation, in which Challengers could concentrate on the social problems they were looking to solve and get better acquainted with their target audience. Three components to this 'safe space' were:

- A quasi-autonomous OB4G team
- Managed interactions between fintech Challengers and Nationwide
- Low-key external communications.

We explore each of these components below.

5.2.1 A quasi-autonomous OB4G team

Nationwide initially envisaged that OB4G would be run by a team of 10 or so volunteers within the building society, who had been involved in early thinking and consultation around the programme (described in **Chapter 3**). It quickly became clear that the programme required some dedicated resource and a core three-person team was brought together to work on the programme (alongside their 'day jobs').

This team was led by Nationwide's Director of Strategy, with one co-lead from Innovation and another from Money Advice Liaison. The Programme Leader worked closely with, and reported directly to, Nationwide's Chief Executive on the progress of OB4G. This structure essentially allowed the OB4G team to function as a quasi-autonomous unit within Nationwide. It was free to make key decisions about the programme independently of Nationwide's Executive Committee (which meant it could make things happen more quickly); and to work an arms-length from Nationwide's product teams.



“... we can work trusting our own expertise and relationships rather than feeling like we're totally in hock to the other 17,000 employees at Nationwide.” Nationwide OB4G Team

Our interview data shows that while this structure was effective, resourcing was an issue early on, which impacted on the team's ability to deliver some of the wider activities they had planned, such as committing more resource to building an OB4G cohort that involved both successful and unsuccessful programme applicants. This resource pressure eased somewhat in mid-2019 when one of the co-leads was seconded to work on the programme full-time.

5.2.2 *Managed interactions*

As nascent or young enterprises, Challengers saw OB4G as an opportunity not only to develop socially useful products but also to grow their business. Our interview data shows that, in the first phase of the OB4G programme, fintech Challengers wanted wider exposure to Nationwide's business (beyond the OB4G team) than they got. For example, they wanted to find out early on if product teams in Nationwide were interested in their ideas; and whether Nationwide could help with legal or regulatory issues.

In contrast, the OB4G team was keen to manage interactions between Challengers and the rest of Nationwide. From its perspective, this was crucial to keep Challengers' attention on their social purpose and avoid 'commercialisation' of the programme, where Challengers might be swayed (consciously or unconsciously) by Nationwide's product teams to design OB-enabled products that *they* wanted but that did not address the OB4G challenges or meet the needs of people who are '*financially squeezed*'.

This approach seems to have been effective. There was little apparent engagement between Challengers and Nationwide product teams until July 2019, when the OB4G team brought Challengers together with various Nationwide representatives at an event to mark the beginning of the second phase of the programme (Accelerate & Incubate). It did run the risk of duplication, however, if for example Nationwide teams developed or procured similar products to the ones in OB4G.

5.2.3 *Low-key external communications*

Just as the OB4G team was keen to manage Challengers' interactions with Nationwide, it also wanted to manage external communications so that Challengers were not swamped with enquiries or requests; and to manage external stakeholder expectations in the early stages of the programme. As a result, the external communications around the programme once it got underway were low-key, comprising one Nationwide press release in April 2019 announcing the successful Challengers and the ideas they were developing.⁹

Like the managed interactions with Nationwide described above, our evidence suggests this approach was at odds with what Challengers wanted. Across the board, they would have preferred more external visibility to help them attract talent, interest and investment. At the same time, this lack of visibility does not seem to have caused them any significant problems.

⁹ <https://www.nationwide.co.uk/about/media-centre-and-specialist-areas/media-centre/press-releases/archive/2019/04/23-open-banking-for-good>



While the OB4G team’s approach to creating a ‘safe space’ was effective from its perspective, the evidence suggests that Challengers did not fully understand the team’s intentions or motivations. This learning can help shape the internal and external communications for future programmes.

5.3 CO-CREATION IN THE FIRST PHASE OF OB4G

With origins in business strategy, co-creation is defined as the active involvement of end-users in various stages of the production process in order to create value (Prahalad and Ramaswamy, 2000).




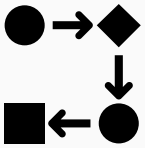
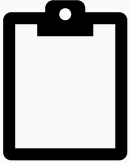
In OB4G, Nationwide’s purpose in bringing user experts (the Charity Partners) into the fintech design process was to steer innovation in ways that were likely to create value for the target audience of people who are *‘financially squeezed’*. For the Challengers, collaborating with Charity Partners was an attractive feature of the programme; but constructive engagement with their Charity Partners was also a stated condition of staying in the programme. Nationwide’s OB4G team facilitated the co-creation process.

Teo Yu Siang/Interactive Design Foundation set out five stages of Design Thinking that can help organisations gain a deep understanding of the problems they are trying to address and the users they are trying to help.¹⁰ **Figure 5.1** uses these five stages of Design Thinking to examine how co-creation activities contribute to the design process in the OB4G programme. These stages are not always sequential – they can be run in parallel, out of order and repeated.

Examples of co-creation activities in the early phase of OB4G (that would contribute in particular to the stages of Empathise, Define and Ideate in Figure 5.1) included ‘discovery meetings’ between Challengers and their Charity Partners; Challenger visits to advice helplines to listen to incoming calls; and Charity Partners providing feedback on prototypes.

¹⁰ *Design Thinking*. <https://www.interaction-design.org/literature/topics/design-thinking>
Copyright Terms and Licence CC BY-NC-SA 3.0 <https://creativecommons.org/licenses/by-nc-sa/3.0/>

Figure 5.1 Design Thinking applied to the OB4G programme

	<p>Empathise</p>	<p>Charity Partners help fintech Challengers gain an empathic understanding of the problems they are trying to solve and the people they are trying to help.</p>
	<p>Define</p>	<p>Charity Partners help Challengers define the specific problems they have identified in a person-centred way.</p>
	<p>Ideate</p>	<p>Charity Partners help Challengers generate ideas, challenge assumptions and look for alternative ways to view problems.</p>
	<p>Prototype</p>	<p>Charity Partners help Challengers identify the best possible solution for the problem.</p>
	<p>Test</p>	<p>Charity Partners help Challengers test the complete product that uses the best Prototype. The results can help redefine further problems and iterate solutions.</p>

Overall the early co-creation in OB4G seems to have achieved its aims. By working with Charity Partners, fintech Challengers felt they were better able to empathise with the target audience and define and ideate around the challenges. Our evidence highlights three themes that help us understand how the co-creation process worked in practice, which we explore in detail below:

- Facilitating co-creation
- Different ways of working
- Access to data and user testers.

5.3.1 Facilitating co-creation

As we saw in **Chapter 3**, from the programme’s inception Nationwide’s OB4G team worked to ensure that user experts were at the heart of OB4G. Once the programme launched, the team acted as facilitators, translators and navigators between the fintech Challengers and

the Charity Partners – an important role given their very different ways of working, as we discuss in **section 5.3.2**.

From the perspective of Challengers and Charity Partners, the OB4G team was *'pivotal'* to the programme and the co-creation process. Between them, the OB4G team members were felt to bring experience, commitment, responsiveness and an enabling, innovative mentality.



“... we were really pleasantly surprised by how sort of start-up thinking [OB4G team co-lead’s] mindset was... super flexible and like super responsive and trying to make sure everything was as streamlined for us as possible, which, you know, was fantastic.” Fintech Challenger

“[OB4G team co-lead is] the glue that holds us together, keeps people motivated and just like keeps personal enthusiasm.”

Charity Partner



In addition, the OB4G team acted as a facilitator between the fintech Challengers and Nationwide’s bureaucratic processes, which the Challengers sometimes found difficult to navigate. Slow payment of invoices by Nationwide was one issue that was especially problematic for young start-ups, for whom OB4G was their main source of funds. Payment delays meant they sometimes had to bridge shortfalls using their own money; and made it difficult to make any longer-term commitment to staff they bought on board to work on the programme, such as freelance designers.



“... the moment things go beyond [the OB4G team] in Nationwide then all the bureaucracy kicks in, in a big, big way.” Fintech Challenger

Although there was a strong sense of common purpose among the first cohort of Challengers, opportunities to interact and potentially collaborate were limited in the early months of the programme. They came together as a group twice in that time (once in March 2019, and again in July 2019); and because they were not co-located, there were no ‘water cooler’ conversations. In any case, they were working at pace, often on multiple propositions.

In the second phase of the programme (which began in June 2019, after we had completed our data collection), Nationwide provided Challengers with co-working space in Central London, where the OB4G team convened regular weekly catch-ups (Talk Tuesdays) and workshops with external expert speakers (Workshop Wednesdays). Feedback from the OB4G team suggests that sharing space has stimulated more co-creation among the Challengers.

5.3.2 Different ways of working

A striking feature of our interview data is the very different ways in which fintech Challengers and Charity Partners work, which had to be accommodated within the programme.

Under pressure to attract investment, fintech firms are incentivised to rapidly develop and test ideas and prototypes to come up with a viable product. Used to this way of working, OB4G Challengers were keen to collaborate with their Charity Partners as soon as the programme got underway. In contrast, charities work to a tightly defined remit to which they are held accountable by trustees and regulators. This can circumscribe the ways in which they work with commercial organisations – something which some Charity Partners had to work through internally before they could collaborate with Challengers.

As noted in **section 5.1**, the ‘ask’ of Charity Partners only became clear to them once they were allocated to their fintech Challengers – which also signalled the start of the programme. In other words, Nationwide ‘*pressed go*’ on the programme before Charity Partners had a chance to plan their involvement in OB4G and make space for it around existing commitments and priorities.

This was compounded by the limited resources Charity Partners could devote to the programme. With no real capacity to increase those resources in the short term, it was a case of Charity Partners fitting OB4G around their ‘day jobs’. Some Charity Partners requested (and received) funding from Nationwide which helped secure their contribution

to the programme. Others did not request funding (possibly due to their charity’s governing rules around funding).

These issues meant that the start of the co-creation process was delayed, typically by four to six weeks. As the programme got into its stride, Nationwide’s OB4G team helped manage Challengers’ expectations around the capacity of their allocated Charity Partners. In some cases, the team brokered contact between Challengers and other Charity Partners that had more capacity.



“... we had to wait, but actually the engagement has been great in terms of the things we're trying to do and provided a lot of insight.”

Fintech Challenger

“[Call listening] was eye opening, you see that blimey there is a huge part of society that are really struggling.” Fintech Challenger



5.3.3 Access to data and user testers

The early co-creation activities with their Charity Partners— such as discovery meetings, call listening with frontline advisers, and prototype feedback – gave Challengers valuable ‘big picture’ insights that informed their ideation and prototype design.

Charity Partners were less able to help Challengers with detailed and specific questions around their propositions, which really required user research with the target audience. It was generally not possible for Challengers to have access to Charity Partners’ service users as research participants and user testers, for example due to issues around client consent to share their details with the Challengers.¹¹

¹¹ Three of the four Charity Partners (Citizens Advice, Money Advice Trust, The Money Charity) deliver debt or money advice to the general public. The fourth (Money and Mental Health Policy Institute) does not. It has its own Research Panel of people with lived experience of mental health and money problems and ran a survey of Research Panel members for one of its allocated Challengers.



Nationwide's OB4G team facilitated co-creation between Challengers and Charity Partners that had very different ways of working. Some co-creation activities (e.g. user testing, data access) take more time and planning - learning that can be factored into future programmes. Among Charity Partners that delivered services to the public, it was useful to have both operations and policy people involved in co-creation activities.

Creative workarounds to get user views included testing prototypes with Charity Partner volunteers and associates (where they shared characteristics with the target audience); linking Challengers with Charity Partners other than the one they had originally been allocated; and talking to other charities about getting their workers and/or clients involved in user testing. Challengers also recruited user testers themselves in a variety of ways, such as via professional recruiters or their own networks.

Nationwide customer transaction data was another potential rich source for Challengers to utilise, for example as training data in machine learning. Nationwide's OB4G team sought to broker access to this customer data with product teams in the building society, but this proved difficult and efforts were ongoing at the time of our fieldwork.

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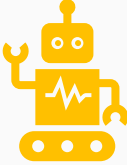




MEASURING IMPACT

In this final chapter, we examine some of the early impacts of OB4G on the fintech Challengers and their Charity Partners. We then briefly set out our plans for the second phase of the OB4G evaluation programme, which will look in detail at the financial and social impacts of OB4G products and services on end users (who could be consumers or organisations).

6.1 EARLY IMPACTS OF THE OB4G PROGRAMME

Our interview data shows a range of positive impacts for Challengers and Charity Partners to being involved in a new social innovation programme like OB4G, summarised in **Figure 6.1**.

Figure 6.1 Early impacts for Challengers and Charity Partners

 Early impact	 Fintech Challengers	 Charity Partners
 Insight	Deep understanding of challenges and audience	Close-up view of fintech design & development
 Fast-tracking	New socially useful ideas and prototypes	OB is tangible and now, not a <i>'moonshot'</i> idea
 Credibility	Brand association with a large building society	Quality conversations with fintechs

In terms of 'moving the dial' more broadly, our participants sensed that OB4G was helping engineer a shift in thinking about Open Banking, to look at it more positively and creatively than solely compliance with the regulation that brought it into being. This was evidenced by growing interest in the programme from banks and other building societies, reported by the OB4G team.



“I think there's something about planning a model of how banks will think differently about open banking and stop thinking about it as like ‘you're told you have to’...” Charity Partner

“[OB4G is] something tangible that we could use to actually gain a bit more of an organisational knowledge about open banking for ourselves.” Charity Partner



In the longer-term, participants agreed that the ‘*sweet spot*’ for OB4G would be to generate commercially viable products and services that were helpful and attractive to the target audience because they were designed around them.



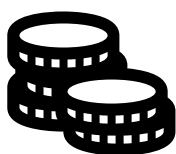
“... the sweet spot is something that's commercially viable but also helps people...instead of taking a product that's been developed for commercial purposes and trying to repurpose it.”

Charity Partner

6.2 FUTURE IMPACT

While our interview data gives us valuable insights into the early impact of OB4G (described above), it is too early to say whether OB4G has succeeded in helping the one in four adults in the UK who are '*financially squeezed*'.

Measuring the impacts of OB4G on its target audience is the next phase of our evaluation. This covers the Accelerate & Incubate stage of OB4G, which started in June 2019 and runs for six months. In our impact evaluation, we will consider not just the reach that Challengers are able to achieve – the number of users, for example – but also the effects they have (if any) on users' lives. Specifically, we will consider the impact that each Challenger is able to have in three areas:



Money: how do OB4G products and services affect users' financial situation? This might include changes in the way that users spend their money (e.g. fewer periods of excessive spending); use of credit (particularly high-cost credit); and ability of users to build up a savings buffer.



Time: Open Banking may lead to time-savings for users, for example by switching away from manual income and expenditure forms to ones automatically populated with Open Banking data; or by reducing consumers' use of informal and possibly inefficient workarounds. We will consider the time impacts for both consumers and organisational users (such as debt advice agencies).



Wellbeing: knowing the relationship between people's wellbeing and their financial situation, we will consider any impacts on users' mental health and general wellbeing. For example, do Open Banking-enabled products reduce users' anxiety around money; and might they also be useful in periods of poor mental health?

We are working with the fintech Challengers and their partners to measure the impact that they can have. We plan to use both quantitative and qualitative methods to gather evidence of impact, depending on what is most appropriate for each situation. This evidence will be collated for all Challengers and summarised across the three areas of money, time and wellbeing in a public report in 2020.

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