Your guide

How Open Banking is redefining the entire credit lifecycle

Fixing the biggest friction points in modern credit decisioning

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Introduction

Traditional credit scoring was built for a world that no longer exists. One where everyone had stable employment, predictable salary, and the same relationship with their bank for decades.

However, things have changed significantly, and the knock-on effect is substantial. **Between five and seven million 'credit invisible' people in the UK can't access basic financial services**, and that's not because they can't afford them, but because the system simply can't see their true financial picture.

Economic uncertainty, affordability challenges, and increasing regulatory scrutiny have exposed weaknesses in how decisions are made. Many lenders still rely on self-declared income and credit bureau data that may be **30 to 60 days out of date**... A gap that increases the risk of poor outcomes.

That risk is showing up in industry reports. Between October and December 2024, the Financial Ombudsman received **68,430 complaints**, a figure still significantly higher than the same period the previous year. Unaffordable or irresponsible lending remains a major contributor, with a 74% increase in complaints about unaffordable/irresponsible lending compared to 2023.

Meanwhile, real-time data is becoming the new standard. As of March 2025, **13.3 million UK consumers** were using Open Banking services, supported by 145 providers and more than 400 authorised agents.

So, the infrastructure is there. The opportunity now lies in how to use it effectively.

This guide outlines how leading firms are embedding Open Banking across the credit lifecycle, with insight from AperiData clients including Qualco UK, Advance Credit Union and Payl8r on where it's working best in practice.

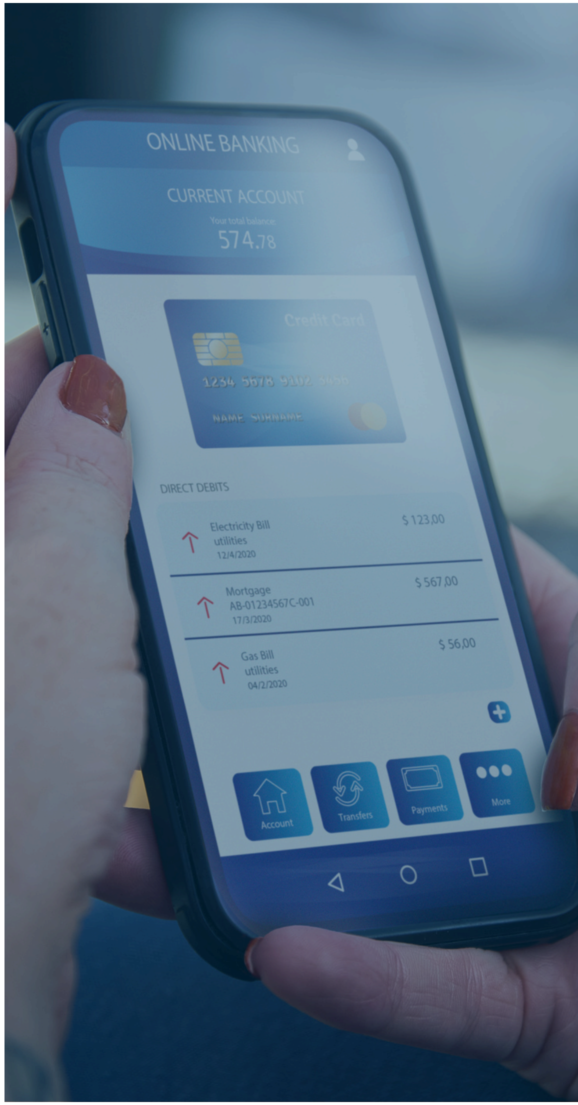
Who this guide is for

Senior leaders in Credit Risk, Collections, Operations, Data or Digital Strategy who are:

- Conducting credit lifecycle or affordability reviews
- Seeking to reduce defaults and regulatory complaints
- Looking for data-led early-warning in collections and remediation
- Assessing how Open Banking data fits into existing systems and workflows

What it covers

- A review of lifecycle-wide data weaknesses
- How real-time Open Banking data helps at each stage
- Use-case examples covering application, monitoring, collections and remediation
- Why firms choose AperiData as a trusted CRA and AISP (supporting compliance, auditability and better outcomes)



A lifecycle view of credit friction

Every lender is under pressure to improve customer outcomes, reduce regulatory exposure, and make smarter use of data. However, across the credit lifecycle, major decisions are still being made on incomplete, outdated, or poorly connected information.

These problems compound at every stage of the customer journey: credit decisions are made at application based on self-declared income and bureau data that may be weeks old. Underwriting algorithms operate with outdated assumptions that do not necessarily apply to anyone who doesn't fit the traditional employment model. Once accounts are live, there's minimal visibility into changing circumstances until problems surface as missed payments or complaints.

Stage	What we often see	The impact
#1. Application	Income is self-declared. Expense visibility is minimal. High-cost, short-term use is hidden.	Risk of misjudging affordability. Early defaults often tied to missed high-risk indicators at onboarding.
#2. Underwriting	Thin files misclassified. Gig income treated as unreliable. Non-credit commitments ignored.	Excludes viable customers or misprices risk. With 4.38 million self-employed workers in the UK, traditional credit models struggle to assess those outside standard employment patterns.
#3. Monitoring	No real-time view once the account is live. MI is built on static snapshots.	Issues escalate undetected. Regulatory reviews have highlighted poor early identification of financial distress and emerging vulnerability.
#4. Collections	Segmentation based on balance, not behaviour. Triggers are reactive.	Missed opportunities to engage early or flag vulnerability. Leads to higher complaints and regulatory intervention.
#5. Remediation	Support is based on self-reported I&E. No mechanism to review or adjust based on actual changes.	Plans break down. Firms lack evidence to prove fair treatment or justify outcomes to regulators.

The result?

Decisions that look sensible on paper but ignore the reality of how people actually manage their money. Credit extended to customers who can't afford it. Support withheld from those who need it most. Regulatory interventions that could have been avoided with better data and earlier action.

The data problem behind it all

Across the lifecycle, the same issue keeps appearing: **the wrong data at the wrong time**. When decisions rely on outdated, self-declared, or partial information, every stage of the credit journey is compromised.

- **Credit files are often 30 to 60 days out of date.** Bureau data typically reflects account snapshots that lag real-world activity by weeks, disconnected from today's financial reality.
- **Self-declared information lacks validation.** 24% of lenders rely on self-declared expenditure for affordability checks and 19% use bureau data alone, without further validation.
- **MI dashboards show outcomes long after the customer needed support.** FCA's Consumer Duty reviews have criticised firms for using complaints or payment failures as main KPIs, rather than forward-looking metrics tied to real-customer outcomes.
- **Vulnerability is still largely dependent on self-disclosure.** While 19% of UK adults self-identify as vulnerable, up from 18% in 2024, studies suggest that as many as 67% of customers could be classified as vulnerable when assessed against broader criteria.
- **The debt crisis is escalating.** Over eight million people across the UK need debt advice, with over 12 million more living on the financial edge, while 51% of working-age people live in households with less than three months' wages in savings.

Here's what makes this particularly frustrating: much of the data needed to make better decisions already exists. It's sitting in customers' bank accounts, updated in real-time, categorised by spending patterns, and showing actual rather than declared financial behaviour. This represents a large opportunity for lenders to drive better outcomes.

Open Banking has made this data accessible; however, adoption has been patchy, and implementation is often superficial. Many lenders treat it as a bolt-on verification tool rather than a fundamental shift in how credit decisions can be made. The result is missed opportunities to serve customers better while reducing risk.

What good looks like, stage by stage

Once lenders understand the limits of traditional data, the next step is knowing where Open Banking can add the most value and how to embed it without creating new friction.

Here's how real-time Open Banking data strengthens decisions at every stage of the credit journey...

#1. Application
Better decisions start with better income insight

The application stage is your first and often only chance to make a confident lending decision. But many assessments still rely on static models, credit files that may be weeks out of date, or self-declared income with no supporting evidence. That's a risk no lender needs to carry anymore.

What's going wrong

- **Income is averaged or estimated.** Applicants often declare gross income that doesn't reflect actual banked earnings, especially for variable workers, gig economy earners, or those with multiple part-time roles.
- **Spending patterns are invisible.** Two customers with identical income can have vastly different financial positions depending on their fixed outgoings, dependents, or discretionary spend.
- **Key risk behaviours are missed.** Bureau data won't reveal a recent shift to high-cost credit, increased gambling, or payday borrowing... All of which can be visible in live transaction data.

What good looks like

- **Income is verified in real time.** Open Banking provides a clear, categorised view of true income across all bank accounts, not just the one declared by the customer.
- **Liabilities and essential costs are separated from discretionary spending.** That enables a more accurate assessment of disposable income and affordability.
- **High-risk spending is flagged early.** Categories such as gambling, excessive overdraft usage, cash withdrawals, or high-cost short-term credit reliance are visible from day one.

Did you know? According to the Money and Pensions Service, **9 million adults** in the UK are over-indebted but fewer than half feel they can keep up with bills and credit repayments. The risk is hidden until it's too late.

Putting it into practice

Several lenders noted that removing friction at the point of consent helped accelerate decisions, especially for mainstream applicants. Others are using Open Banking to support approvals that would otherwise be too risky on bureau data alone.

> "Quicker for members to consent to Open Banking in place of sending bank statements. Quicker loan decisions made."
>
> — **Faye Bailey, Advance Credit Union**

> "Reduction in fraud. Approval of low credit score customers. Robust defence to irresponsible lending."
>
> — **Samantha Fogerty, Payl8r**

#2. Underwriting
Strengthening decisions beyond the credit file

Once an application passes basic checks, most lenders rely on a credit score and policy rules to underwrite risk. But credit files don't tell the full story, especially for customers with irregular incomes, non-traditional employment, or limited credit histories.

What's going wrong

- **Thin files are misclassified.** With no credit cards, loans, or history, these applicants can't be scored reliably.
- **Freelancers and gig workers are penalised.** Income may be steady, but spread across accounts, sources or dates, making it hard to evaluate with static rules.
- **Affordability and resilience aren't clearly separated.** Someone may meet current obligations, but still be financially fragile, with no savings buffer or room to absorb shocks.

What good looks like

- **Income and expenditure categorisation reveals financial stability.** Lenders can differentiate between low earners with steady finances and higher earners with volatility.
- **Spending trends help confirm stated affordability.** Does this applicant consistently meet rent, bills, and core costs on time?
- **Non-credit commitments are brought into view.** This includes child support, subscriptions, or recurring expenses that may not be reflected in bureau files.

Did you know? Over **7.5 million UK adults** are "credit invisible" or thin-file, including many younger, lower-income, or self-employed individuals (FCA, 2023). Without additional data, underwriting decisions risk excluding viable customers or letting risky ones through.

Putting it into practice

Underwriters highlighted the value of categorised income and spend in revealing high-risk activity that's invisible to bureau scoring. For some lenders, Open Banking is now a core tool for expanding access, without increasing complaint volumes.

"Quicker to assess affordability. Income and expenditure categories really help to identify money spent on gambling, nominal payments to creditors etc."

— **Faye Bailey, Advance Credit Union**

"It allows us to approve more sub-prime customers who would have otherwise been declined through traditional credit checks alone. We've seen almost no affordability-related complaints upheld at Payl8r—it gives us confidence in the decisions we make."

— **Samantha Fogerty, Payl8r**

#3. Monitoring
Seeing changes before problems surface

Most lenders lose visibility once a loan is live. Unless a payment is missed, there's no clear signal that a customer's circumstances have changed until it's too late. Which, of course, is a major blind spot.

What's going wrong

- **There's no early warning system. Income drops, benefit switches, or rising cost pressures are only visible after arrears occur.**
- **Monitoring is reactive. Collections teams are often the first to know there's a problem, by which point harm has already been done.**
- **Customer behaviour changes are missed. Spending adjustments, credit juggling, and increased reliance on short-term borrowing go undetected in traditional MI.**

What good looks like

- **Ongoing transaction monitoring** (with consent) to track income and spending patterns in real time.
- **Defined alert triggers,** such as a 25% income drop, missed rent, or move to high-cost credit.
- **Integrated MI** that surfaces risk trends by segment, geography, or product.

It moves monitoring from passive oversight to something more useful: a live view of change that drives timely decisions across risk and collections.

Did you know? The FCA's Outcomes Monitoring review (2024) flagged these exact issues: too many firms rely on lagging indicators like complaints or broken arrangements to flag risk. For affordability and vulnerability outcomes, that's not good enough.

Putting it into practice

When implemented well, Open Banking can flag early signs of customer stress, before any payments are missed.

"Better customer outcomes, identify red flags quickly."

— **Faye Bailey, Advance Credit Union**

Tips? Use an API connection with the back-end system (e.g. Sercle)

"We've used Open Banking since inception – it's a fundamental part of our business model. It's enabled us to underwrite younger borrowers and those with thin credit files, allowing us to serve a market often overlooked by mainstream lenders."

— Samantha Fogerty, Payl8r

#4. Collections
Getting ahead of missed payments

By the time a payment is missed, the damage has often already been done. Traditional collections strategies rely on lagging triggers, arrears, broken arrangements, and complaints, when proactive action could have prevented escalation. Instead of waiting for a missed payment, Open Banking allows lenders to spot early signs of financial stress so they can step in sooner, with the right type of support.

What's going wrong

- **Everyone gets the same treatment.** Segmentation is based on balance or time-in-arrears, not actual affordability or financial stress.
- **Vulnerability is missed.** Without real-time insight, vulnerable customers are treated as standard defaulters.
- **Engagement is reactive.** Contact only happens once a payment fails, by which point outcomes are harder to influence.

What good looks like

- **Collections segmentation based on risk and affordability (not balance alone).**
- **Early warning triggers for financial difficulty, even before a payment is missed.**
- **Tailored engagement strategies** for different segments, balancing regulatory duty and commercial performance.

Did you know? The FCA's "Dear CEO" letters on the treatment of customers in financial difficulty have consistently highlighted poor identification of vulnerability and inconsistent support. That starts with the data.

Putting it into practice

Real-time insight also helps collections teams increase engagement and improve outcomes.

> "Utilising Open Banking as a payment service has improved both engagement and kept rates... We are seeing an increased number of payment plans being kept to.
>
> When using Open Banking for assessing affordability, it has helped tremendously with regard to assessing the right fit for a customer's repayment plan, providing realistic disposable income and the ability to treat the customer fairly"
>
> — **James Goddard, Qualco UK**

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#5. Remediation
Tailoring support with live affordability insight

Once a customer enters a long-term support or repayment plan, most lenders still rely on outdated or self-reported information to assess what's fair and sustainable. That creates risk for both the business and the customer.

What's going wrong

- **Support is based on static I&E.** Customers complete income and expenditure forms once, and decisions are made without validation or follow-up.
- **Repayment plans are standardised.** Offers often fail to reflect real capacity to pay, resulting in broken arrangements or unnecessary hardship.
- **There's no feedback loop.** Once a plan is set, few firms update their view of affordability, even when circumstances change.

What good looks like

- **Real-time affordability assessments** using categorised spend and income data.
- **Tailored support options** based on household structure, financial commitments, and priority bills.
- **Ongoing visibility** into changes in circumstance, triggering plan reviews, not just missed payment alerts.

This reduces the risk of over-promising support and builds a defensible position around fairness.

Did you know? According to the FCA's 2024 vulnerability review, many firms still rely on customer disclosure and basic forms to assess need despite clear expectations around using "all reasonable data available" to inform support.

Putting it into practice

The ability to tailor support plans quickly and easily was a key benefit raised by multiple clients. And while uptake in collections and remediation is often lower, the benefits remain significant when customers do opt in.

> “Open Banking has enabled a wider range of defined, tailored payment plans... The setup process is quick and simple, enabling users to save time and set up their plans with ease.”
>
> — **James Goddard, Qualco UK**

> “Uptake is lower in the collections journey... but for those who do consent, it enables us to offer more accurate, fair, and supportive solutions based on real-time financial data.”
>
> — **Samantha Fogerty, Payl8r**

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Making it work: From data access to operational impact

Firms that get the most value from Open Banking treat it as a decision-enabler, designed and delivered to fit the way their teams work. Here are some key learnings:

Why Open Banking projects stall

In our experience, implementation falters when:

- **Use cases are too broad.** Teams try to apply Open Banking across the full journey too soon, without clarity on outcomes or ownership.
- **Data is technically available but operationally unusable.** Raw feeds land in dashboards, not decision engines. No categorisation. No alignment to existing risk strategies.
- **Stakeholders aren't aligned.** Credit, collections, compliance and digital teams all have different priorities, and if they're not involved early, progress slows.

What successful firms do differently

"Start small. Don't try to use it for everything at once."
— Faye Bailey, Advance Credit Union

"We had layered too many OB triggers... even small friction points can have a big impact on conversion."
— Samantha Fogerty, Payl8r

"Ensure the right people are involved from the outset. Education of customers around Open Banking is also key—once they understand the tech, they feel more comfortable and secure."
— James Goddard, Qualco UK

All contributors flagged **"educating customers"** as a major first step.

What makes AperiData different?

Most Open Banking providers focus on connections. We focus on outcomes.

With so many providers offering similar-sounding features, it’s the details and delivery that separate a technical vendor from a partner. **Here’s how AperiData compares**

Choosing the right Open Banking provider comes down to data and delivery. And that starts with how well the solution fits your environment, your objectives, and your internal processes.

Ready to see how AperiData could work for your organisation?
Book a walkthrough or learn more with these FAQs.

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What you get	Typical OB provider	AperiData
Regulatory status	AISP (Account Information Service Provider) or agency model	AISP and FCA-regulated Credit Reference Agency.
Data quality	Basic categorisation, limited context, broad transaction categories, “Other" or "Uncategorised transactions	Granular categorisation across income and expenditure transactions. Feedback loop for continuous improvement.
Insight depth	Limited insight over transaction aggregation	An additional suite of risk insights flags and custom variables available.
Support model	Developer-focused onboarding	Consultative delivery approach with industry and compliance expertise.
Integration	API access, self-serve documentation	Agile, hands-on integration support.
Use case alignment	Built for general use	Optimised for credit risk, collections, and vulnerability strategies.

Your next steps

You don’t need to rewire your entire lifecycle. Start with one decision. One pain point. One clear gain.

Whether you’re reviewing affordability policies, improving collections segmentation, or exploring ways to spot risk earlier, real-time data makes it possible.

Need to build a business case?

We can help map ROI and operational impact.

Ready to test a use case?

We can support a rapid, low-friction pilot.

Want to know how others are doing it?

Client insights available on request.

Book a discovery call

See a data sample

Contact our team

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