



Employment Matters

Full report -
automating
exchange of
payroll data to
improve financial
inclusion



UK financial services has a unique opportunity to take advantage of an unprecedented level of accurate and insightful data to extend access to credit, responsibly.

The rise in the sharing of financial information through initiatives such as Open Banking has shown consumers are waking up to the true power of their data to improve how they manage their financial lives.

Automated sharing of payroll is another opportunity for consumers to take control of their personal financial data to improve their access to financial services.

Experian is passionate about boosting financial inclusion and improving the insight available to lenders from verifying applicants' information quickly to making more accurate decisions.



Payroll data is a crucial piece of information that mortgage lenders and other credit providers often require to verify employment and inform affordability.

Experian is enabling employees to consent to share their verified income and employment data automatically from their employer's payroll database.



Experian supports fairer, faster access to credit by simplifying the lending process and enabling consumers to share payroll data with lenders digitally in real-time.



In June 2021, we engaged research consultancy YouGov to assess consumer willingness to share payroll data, identify the thinking behind their decision, and any areas of concern that could limit the adoption of this innovation.

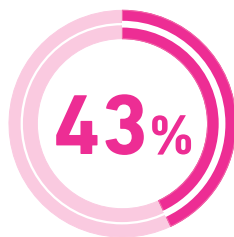
Research is based on a UK representative sample of 1,501 credit active adults, employed or actively looking for employment surveyed by YouGov and Experian in June 2021.

Offering credit, responsibly



6.6M

With 6.6 million people living on a **significantly less income** now, than before the pandemic, confirming **employment** and an **individual's source of income** is more important than ever before.*



Our YouGov study showed that **43%** of people who **applied for credit** in the last three years were asked to provide **payroll data**, and mortgage applications accounted for more than half (54%) of all such requests.

Data being used to inform credit decisions is putting **increased pressure** on organisations to source **accurate and timely data**. Many lenders are choosing to collect more data to understand the impact of the pandemic on consumer finances.

1 in 2 UK adults will apply for a **financial or credit product** within the next 2 years.

Verifying their income is **essential** to understanding their **affordability**.



Open Banking has witnessed a **150% increase** in data sharing in the last 12 months as lenders have sought to understand the impact of the pandemic on consumer finances. It's one source that is being used to understand **employment and affordability**, but it doesn't always provide a complete picture.

It offers a measure of **net and disposable income** and information on an **individual's employer** that is derived from the analysis of the transaction description of salary credited into their bank account. The correct interpretation of the salary credit is **not guaranteed** which creates **uncertainty** in many lender's minds.



As a result, lenders are continuing to source paper copies of payslips from consumers, particularly for mortgages. This is used as an additional source to **verify an individual's gross, net income and employment status**. This adds friction into the lending experience.



More than 2.5M consumers have shared their bank statement data via Open Banking since its launch.

Source: OBIE data 2021



Some of the most predictive information available today is employment data, including how long a consumer has been in a job and how much they earn.



Our analysis has shown there is direct correlation between credit risk and length of employment. Layering verified income and employment information with credit data can improve a lender's understanding of risk and help them say 'yes' to a loan when they previously would have said 'no'.



Automated access to payroll data provides an alternative and **highly accurate method** of **verifying employment** and **length of tenure** which can improve an organisation's understanding of credit risk and deliver better outcomes for consumers.

Will consumers share their payroll data digitally to support their applications?



More than 2.5M consumers have shared their data via Open Banking since its launch. Prior to this several million UK consumers have been sharing their financial information via screen scraping to support personal financial management (PFM) tools. Sharing financial information in real-time is not new, but the latest technology makes it more secure.



Over **1 million consumers** have already shared their **Open Banking data** with Experian in the last 6 months to **boost their credit score** and get access to more **affordable credit**. This data sharing momentum continues to build as more consumers become aware of its benefits. Automated sharing of payroll data provides further opportunities to **improve the online lending experience**.



Initiatives such as Open Banking have created an environment where consumers are more **confident** and **comfortable** granting access to their financial data online.



It has also established a **secure infrastructure for data sharing**. Supported by CMA legislation, fintech companies are tapping into this ecosystem to access data shared by the consumer to deliver better and more convenient financial services online.



We are now creating the opportunity for lenders to **augment** this information with the **real-time exchange** of payroll to further **simplify** the **lending process** and extend **financial inclusion**.

Our YouGov study shows:



of people asked to **share payroll data** as part of credit applications in the last **three years** did so. Most (61%) felt **absolutely fine** doing so.

72%

of those surveyed said they would be happy to share payroll data to support mortgage applications in the future.

40%

said they would be comfortable sharing payroll data for loans. We expect adoption to increase as the automated sharing of financial data becomes more common.



On average, people felt that sharing **three months of payroll data** was acceptable for most lending scenarios. This **increased to six months** for mortgages, investment and debt advice.



Nearly **3 in 4** are willing to share payroll data when there is an incentive.

There's an **appetite amongst consumers** to share payroll data. Unsurprisingly people are more open to share income and employment data as part of a **mortgage application** which is current standard practice. As the sharing of payroll data for other financial products such as loans or cars becomes increasingly common, this percentage is expected to **rise** in-line with mortgages. This provides **opportunities for employers and lenders** to **streamline the process** of data sharing to **remove inefficiencies** and **improve customer experience**.

Not surprisingly data privacy and security are the biggest concerns shown by consumers around the use of their employment data.

To address these concerns, Experian has built a number of safeguards into its automated sharing of payroll data that control the use of employment information and protect consumers.



Employers have control over who they share their data with.

Employment data can only be shared with the employee's explicit consent. Employees will need to agree to share their data each time a service is offered.



Automate sharing of payroll data is compliant with UK Data Protection laws.

Experian only verifies and shares an employee's employment data with a lender once their consent has been given. Data is shared in accordance with UK data protection regulation where employees have the "right to access" and the "right to port" their data.



Data sharing is transparent and consistent with purpose for which consent is given.

Details of the employment and/or income information shared in a data exchange is shown to the employee when they consent to share their data. These details may vary depending on the use case. For example, for a mortgage application, information equivalent to up to three months worth of payslips may be shared. For an employment reference, only the name of the employer, employment status of the employee and their tenure is shared.

Incentivising and explaining the value of sharing data digitally to consumers



Incentives to share payroll data directly

A better rate for the product you're applying for

38%

Getting a quicker decision on your application

32%

Higher chance of being accepted for the product you're applying for

31%

A safer, more secure way of sharing information

27%

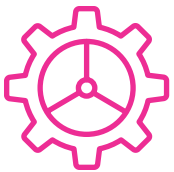
64%

will share payroll data with a clear incentive.

The prospect of **getting better rates on financial products** was the most popular incentive for granting access to payroll data, with **38%** of respondents selecting this option.

A **quicker decision on applications** (32%), a **higher chance of acceptance** (31%), and a **more secure way of sharing data** (27%) were also attractive incentives.

There are clear benefits to consumers and lenders from digital payroll data sharing:



Speed, convenience and control

appear to be the critical criteria governing how open people are to providing access to it this way.



Immediacy of decision is important.

If a customer agrees to share their data online, then the lender must use the data to inform and confirm a lending decision quickly. This is essential to fulfil the promise of the digital experience. Lenders must invest in the **technology** to share **data securely**, to build **consumer confidence** to share and deliver decisions **quickly**.

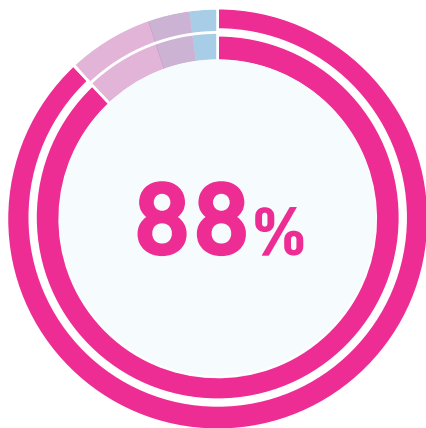


Lenders that can **define the value exchange** clearly, **explain how data is going to be used**, and **reassure customers** that providing **digital access to payroll** is a **more secure way to share data** will benefit the most from real-time sharing of employment data.

To unlock the benefits you need the **right technology** and processes in place to **fulfil the expectation** of digital data sharing to deliver **engaging services**, underwritten by **quick decisions** that create **satisfying online experiences**.

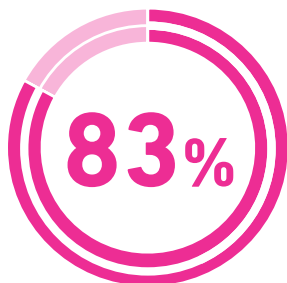
Seize the opportunity to improve online customer experiences

Our YouGov study shows that:



of credit-active adults are now **most likely to apply online** via a computer or mobile device.

Online ■ Not sure
In branch ■ By telephone



of UK adults also said that their **expectations are exceeded** when they can carry out a whole application online.

The problem is that many 'digital' applications are still digital in name only.

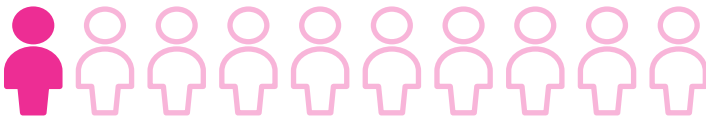
Online application forms still frequently give way to **legacy back-office processes** that rely heavily on **manual processing** of paperwork to complete the lending process. This is **slow, inefficient** and **insecure** and leads to application **drop-outs**.



Lenders will often contact consumers post-application to request payslips via post or scanned copies to share via email or secure, online portal.



Only **15%** of consumers considered their experience when sharing their information as part of an application to have surpassed their expectation. So, there is much work for lenders to do to **improve the quality** of their **engagement** with consumers.



Almost **one in ten applicants** (10%) said the process **fell short of their expectations**.



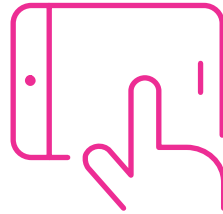
16% of **personal-loan** and **9%** of **car-finance** applicants also reported being **dissatisfied** with their application experiences. **Slow, complicated application processes** were the most common reason for dissatisfaction.

| We believe **this can be done better.**

Join the revolution.



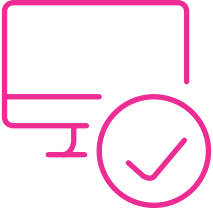
The ability for an employee to **quickly source** and **share** their **income and employment data** easily and securely with a lender online is revolutionary and could significantly **improve the application experience**, levels of **customer satisfaction** and **approvals**. The friction of finding and uploading physical documents is removed from the journey as **real-time data** is sourced instantaneously.



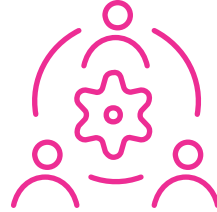
By **automating** the exchange of **payroll data**, and giving the **power to consumers to control** who they share their data with, our objective is to **create a scenario where everyone wins** - employers, lenders and employees.



With **consented access** to **employment and income data** an application could be completed in **under 3 minutes**.



Giving consumers the option to **consent to share their employment data directly** with a lender removes the need for employer HR teams to source and share pdf copies of this data on behalf of their employees.



HR administration costs can be **reduced**, and employees have control over **who** they share their data with and for **what purpose**.

↓ 60%

Lenders can expect to achieve a **60% reduction** in **time taken to source data** using **real-time exchange** of employment data.

100%

verified income*

*when sourced from an employer



Application fraud can be eliminated by sourcing an individual's **verified employment data** directly from their employer. Lenders can make **fast, fairer** and more **efficient** decisions as part of a truly **automated** digital experience.



Up to **1 in 7** consumers understate their income when applying for a loan* with up to **10%** having **higher verified incomes** sourced from **payroll data**. Verifying income accurately can open up **opportunities** for lenders.



Organisations that are ready to **embrace the opportunity** provided by **automated sharing of payroll data** are likely to benefit from:

- ✓ Reductions in operating costs
- ✓ Faster, more accurate lending decisions
- ✓ Fewer application drop-outs
- ✓ Enhanced underwriting and increased lending volumes
- ✓ Reduction in costs from sourcing data
- ✓ Lower application fraud
- ✓ More satisfied customers
- ✓ More customers you can lend to
- ✓ Empowered employees who want to access affordable finance

To find out how verified employment data can help you contact us at business.uk@experian.com