

Switching banks will soon be easier

'Open banking' may be the answer to a better mortgage deal

Have you heard of open banking?

Many people haven't (maybe because at first it seems like a dull topic) but it could potentially save you THOUSANDS of dollars in the future.

Now we have your interest, let us open explain!

What is open banking?

Open banking will give Australian consumers more control over their financial data – how and who their data is shared with.

In 2019, the Consumer Data Right (CDR) legislation was passed that will allow consumers to securely share their selected banking data with third parties.

Although the original plan was to begin roll out this month (February 2020), the four major banks' obligations to share consumer account and transaction data has changed to:

- 1 July 2020 for credit and debit cards, deposit accounts and transaction account
- 1 November 2020 for mortgage and personal loan accounts¹.

This sharing of data is also expected to roll out to other sectors such as energy and telecommunications in the future.

So the topic may still seem a little dull to you, even slightly alarming with potential privacy concerns, BUT this could favour consumers. Here is how:-

Big brother working in your favour

We have preached to you before about how much data the banks hold on us. A LOT!

With a tap of a debit or credit card, the banks can see how much we spend on literally everything (well everything but cash purchases).

Use it to your advantage

The move to this open-data environment will make switching banks a lot more hassle free.

Changing financiers can be a little more work when you have to "sell yourself" to a new bank by providing income and expenses, credit score, information about other loans etc.

With open banking, you will authorise an accredited entity to access data from your current bank. So for those of you with "good credit" and money management, this will be a win for you!

Easier access = better deals

Allowing third parties to access your data should see rival providers offer more competitive deals, better service and tailored products to suit your needs, especially if you pay your bills on time and are living within your means.

So back to the data security concerns.

Not all consumers will be accepting of open banking's digital exchange of data. In fact, in a recent Deloitte Survey **Open Banking: Switch or Stick?**, 69% of respondents said trust was essential when deciding whether to provide personal information.

Good news is, unless you give explicit consent, your current bank will not share your data with other parties.

While the roll out of this legislation has been delayed to the second half of this year, we can take comfort in the fact that more time will be taken to get this right. After all, Australia's financial data will be flying around in cyberspace in larger volumes.

Before you decide to refinance or grab a new loan this year, talk to us first.

We keep ourselves updated on the latest bank and non-bank products, mortgages, features, legislation and the application process.

We can help you secure your next mortgage or loan with confidence, at the right time, to suit your needs.

Read our article on the four steps we take to help you decide if switching loans is right for you.

¹ Deloitte: Changes to the start date for open banking, 20 Dec 2019

We use these 4 steps to help decide if you will be better off by switching.

Click to read our article

