

Fintech Apps and Data Privacy: New Insights from Consumer Research

AUGUST 2018

Key findings from the survey include:

- One-third of U.S. banking consumers use at least one fintech app. Apps for personal financial management and budgeting/saving are the most popular services, followed by investment services and robo-advisors as well as lending services.
- Nearly nine in ten consumers (89%) said they are concerned about data privacy and data sharing—and more than two-thirds (67%) are very or extremely concerned.
- Consumers want to be able to control access to their information. A majority of respondents (56%) said they would like to determine which of their financial accounts and data types can be accessed by a third party.
- Most fintech app users believe they understand and can control how their data is accessed, collected, used and shared by third parties. But consumers' actual awareness of fintech data aggregation practices is often less. For example, after being told that many fintechs, as part of their terms and conditions, gain consent from consumers to use their data for purposes other than operating the app itself, nearly half of fintech users (47%) said they are now less likely to use these services.
- Banks are viewed as the most trusted provider of data security—and are expected to safeguard their customers' personal information. Banks led other providers by 13 percentage points when banking consumers were asked which organizations are best able to keep their personal information safe.*

The findings from the TCH survey underscore the need for collaborative action to ensure that the personal and financial information accessed by third parties is being handled securely and consumers' expectations for data security are being met. The financial services ecosystem is built on trust between consumers and companies; failure to live up to consumers' expectations and keep their information safe puts that trust at risk.

There is a need for a concerted effort by all stakeholders—including banks, fintechs, data aggregators, regulators, and consumers—to ensure data security.

TCH and its member banks are committed to:

- Expanding consumer awareness about how fintech apps access, collect, store, use and share users' personal and financial data;
- Developing principles, guidelines and technical standards to govern the collection, use and sharing of consumer data in the financial services ecosystem; and
- Promoting the use of technologies such as secure application programming interfaces (APIs), which offer a more secure and flexible alternative mechanism for third parties to access data.

**This insight comes from the A.T. Kearney Q4 2017 Banking and Payments Study, which is separate from the 2018 survey commissioned by The Clearing House.*



KEY FINDING 1.

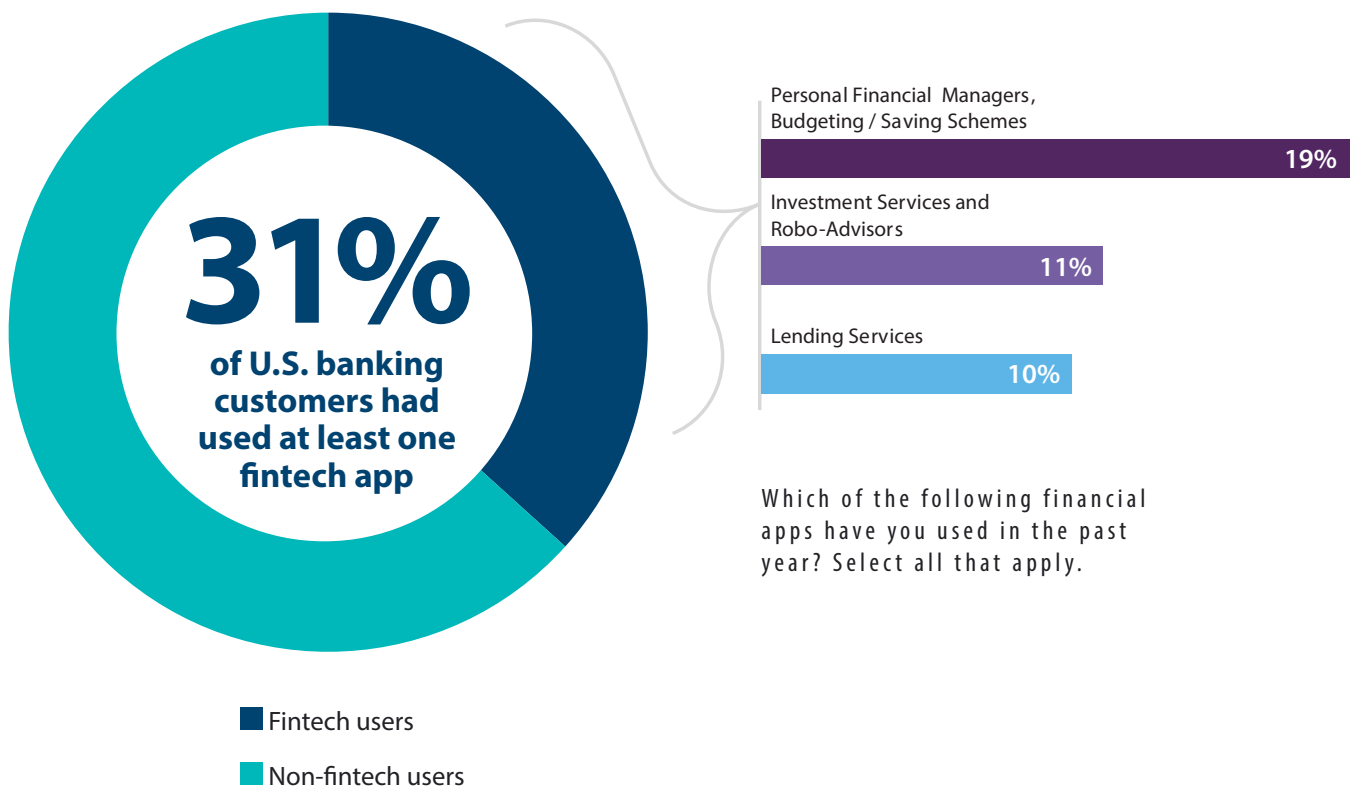
Nearly one-third of banking consumers use fintech apps, clustered around three application types.

Fintech apps have clearly gained a significant user base, with nearly one-third (31%) of U.S. banking customers indicating that they had used at least one fintech app in the past year. The most common fintech services were

personal financial management and budgeting/saving apps, followed by investment services and robo-advisors as well as lending services.

Distribution of fintech (non-bank financial application) users

% who use fintech apps among bank customers, by fintech app type



Which of the following financial apps have you used in the past year? Select all that apply.

KEY FINDING 2.

Most fintech users are concerned about data privacy and data sharing.

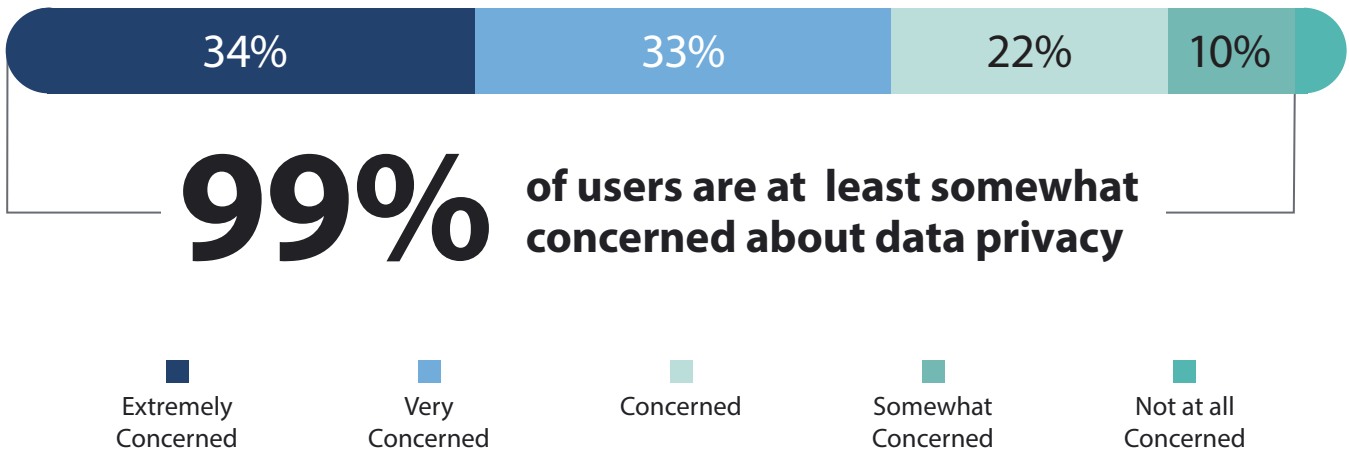
U.S. banking consumers who use fintech apps were asked how concerned they are about the privacy of the information that is shared when they use these apps either online or on a mobile device. Nearly nine in ten

(89%) said they are concerned—and more than two-thirds (67%) are very or extremely concerned—about the privacy of their data

Level of concern regarding data privacy using fintech apps

% who selected each level of concern among a targeted population of fintech users

In general, how concerned are you about the privacy of the information that is shared when you use financial applications either online or on a mobile device?

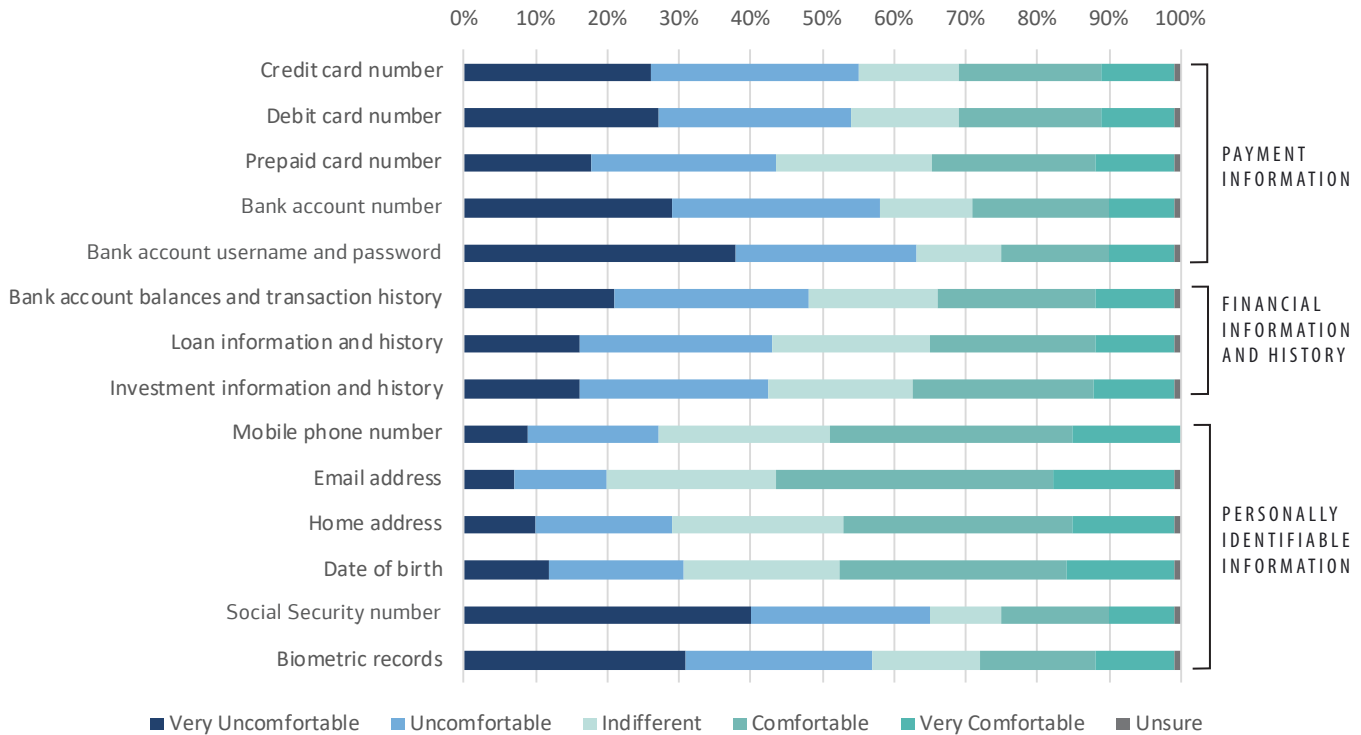


Fintech users' concerns about privacy extend to nearly all types of financial and personally identifiable information. For most payment information, as well as for financial information and history, roughly half of fintech users said that they are uncomfortable sharing this data with fintech apps. Consumers have the greatest concern about sharing their bank account username and password

and are least worried about fintech apps accessing their investment information and history. When it comes to more sensitive personally identifiable information, such as Social Security numbers and biometric records, around 60% of fintech users are not comfortable sharing their data with fintech apps.

Level of comfort sharing data with fintech apps

% who selected each data type among a targeted population of fintech users



How comfortable would you be with sharing the following personally identifiable information with financial applications you have used in the past year? To what extent are you comfortable with non-bank financial applications you have used in the past year accessing the following:



KEY FINDING 3.

Consumers want to be able to control access to their information and have straightforward data privacy expectations.

Privacy concerns are top of mind for consumers when they use fintech apps, and the survey findings make it clear that most fintech users want to be in control of who accesses their information. A majority of respondents (56%) said they would like to determine which financial accounts and data types can be accessed by a third party. Only 18% said they would like to leave these decisions to their primary financial institution.

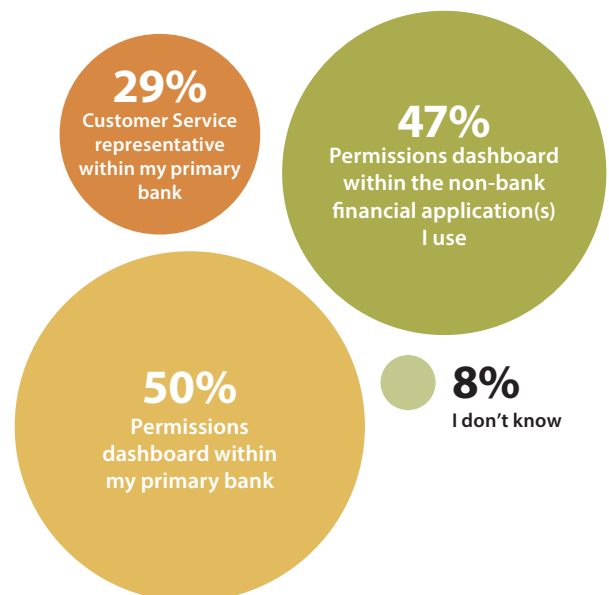
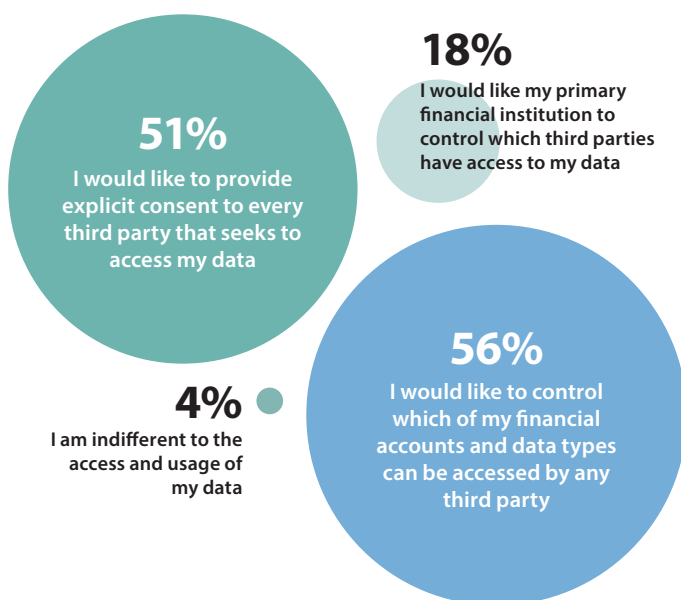
When asked about their preferred mechanism for exercising control over third-party access to their data, half of consumers (50%) would like to have a permissions dashboard that they can access through their primary bank (i.e., the bank in which a consumer conducts their current transactions most frequently). A similar share (47%) would like to have a dashboard within the fintech apps they use.

Preferred third-party controls and access control mechanism(s)

% who selected each data type among a targeted population of fintech users

How would you like to control third-party (e.g., financial applications, companies supporting the financial applications) access to, and use of, your data? Please select all that apply.

What would be your preferred mechanism to exercise control over third-party access, collection, use and sharing of your financial data? Please select all that apply.



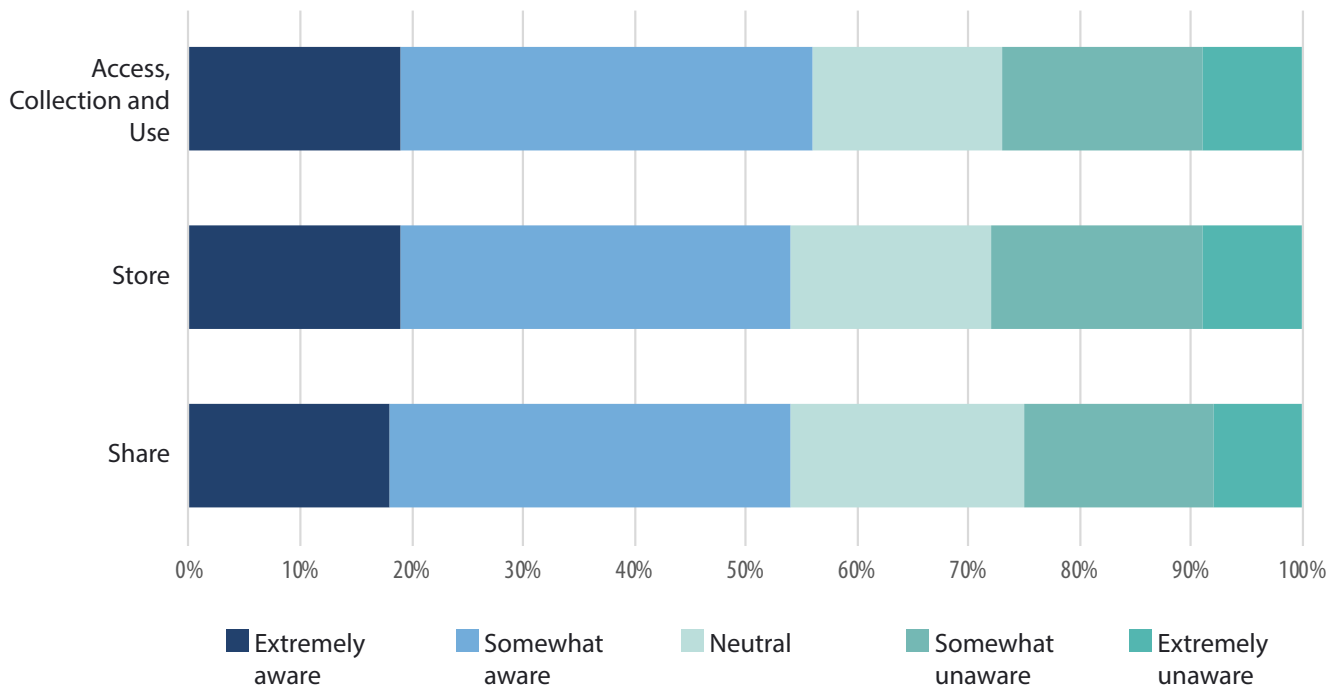
KEY FINDING 4.

Most fintech app users believe they are aware of, and can control, the ways in which their data is accessed, collected, used and shared by third parties.

More than half of consumers said that they are at least somewhat aware of how fintech apps interact with their personal and financial information.

Level of awareness of how fintech apps access, collect, use, store and share consumer personal and financial data

% who selected each level of awareness among a targeted population of fintech users



How aware are you of how financial applications access, collect, and use your personal and financial data? How aware are you of how financial applications store your personal and financial data? How aware are you of how financial applications, with your consent, share your data?

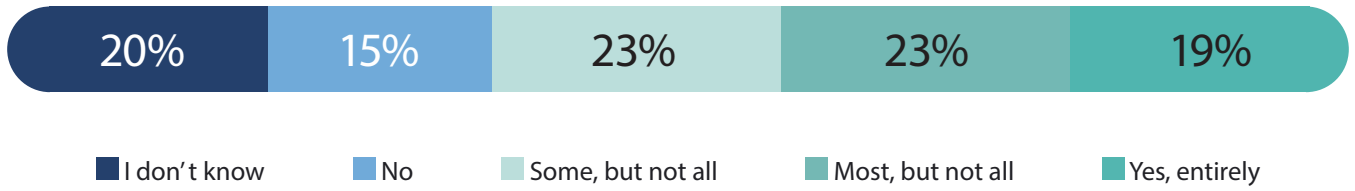


Fintech users also feel confident about their ability to control the flow of data to these apps. Nearly two-thirds (65%) of fintech users said that they can control how their

data is accessed, collected, used and shared for at least some of the apps they use.

Consumer ability to control third-party access, collection, use and sharing of their data

% who selected each data type among a targeted population of fintech users



Do the financial applications you use today allow you to control how other third parties access, collect, use or share your data?



KEY FINDING 5.

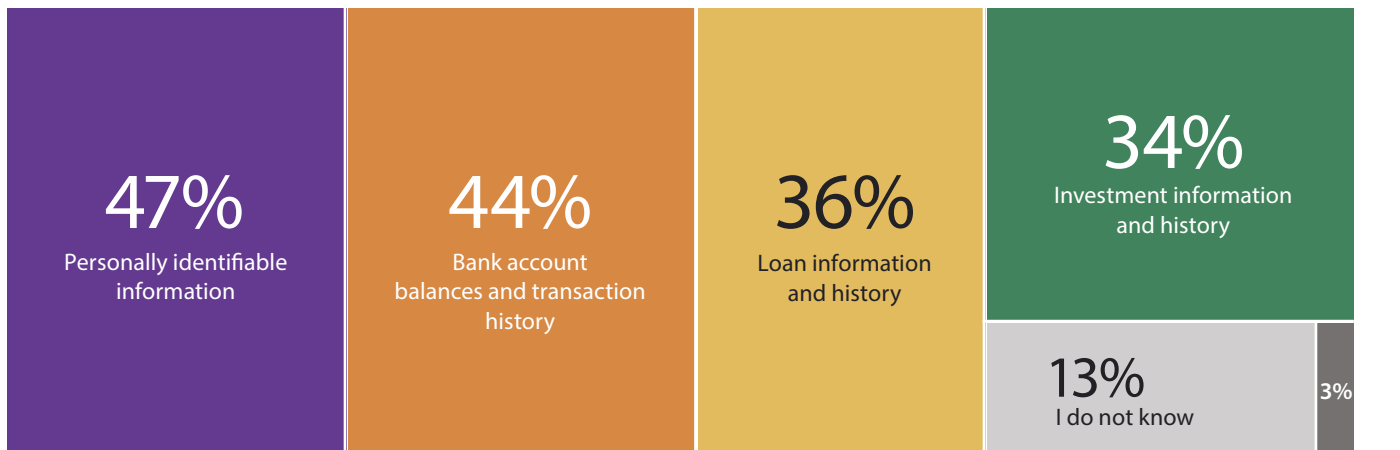
Consumers' actual awareness of fintech data aggregation practices is less than their perceived awareness.

Despite data privacy being important to consumers who use fintech apps, the survey indicates that there is a significant gap between how people think these services interact with their data and how they work in reality. For

example, less than half of fintech users believe these apps can access their personally identifiable information or financial information and history—even though they often can (and do).

Consumer perceptions of data types accessible to fintech apps

% who selected each data type among a targeted population of fintech users



To your knowledge, which types of data can be accessed by the financial applications you have used in the past year? Please select all that apply.

None of the above

In addition to uncertainty about the scope of data access, consumers are also divided on how long fintech apps have access to their information. While the duration of data access may vary based on the individual fintech

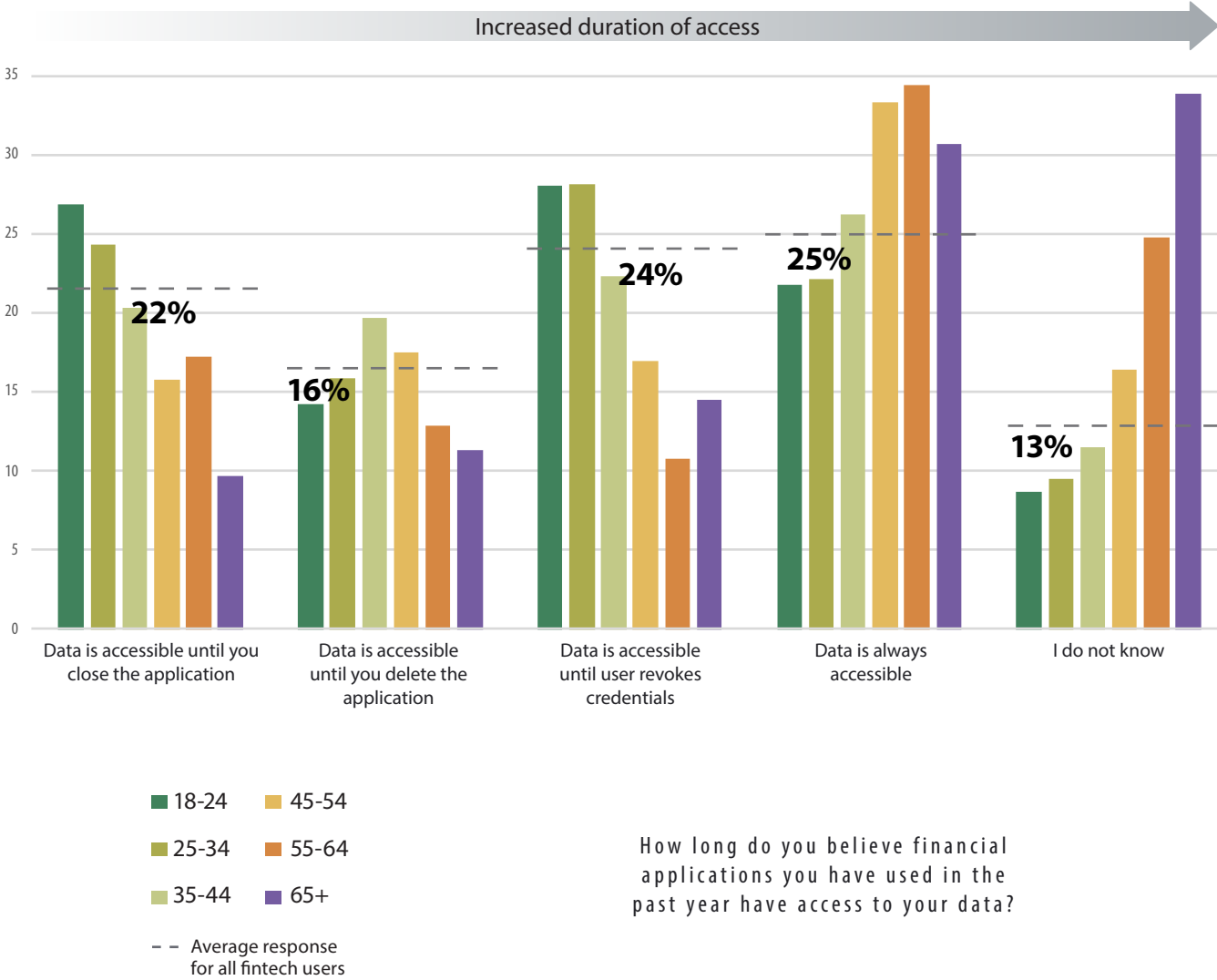
app's terms and conditions, fintechs typically can access information so long as they have the user's valid log-in credentials.



Consumer perceptions of duration of fintech data access

% who selected each option among a targeted population of fintech users

However, roughly equal shares of respondents believe their data is accessible until they close the application (22%), until they revoke the log-in credentials for their bank account (24%) or that the information is always accessible (25%). There were notable differences between age groups on this question, too. Fintech users over the age of 45 were more likely to say they didn't know how long their data would be accessible. They were also more likely to say that their data is always accessible, while younger consumers disproportionately believe their data is not accessible after closing a fintech app.



Consumer perceptions of data usage by fintech apps

% who selected each option among a targeted population of fintech users

The pattern repeats itself when it comes to how fintech apps share user data with other third parties. Many of these apps, as part of their terms and conditions, gain consent from their users to access, collect and use their personal and financial data for purposes other than the consumer's use of the app. Yet fewer than two in five fintech users (39%) said that they think the apps they use sell their data to third parties.

How do you think financial applications use your data and other consumer data they have access to? Please select all that apply.



The discrepancy between fintech users' perceived awareness of how fintech apps access, collect and use their data and the actual practices becomes even more evident when consumers were asked about specific actions by fintechs. After being told that many fintechs, as part of their terms and conditions, gain consent from consumers to use their data for purposes other than

operating the app itself, nearly half of fintech users (47%) said that they are now less likely to use these services. Similarly, more than one in five fintech users (22%) said that they would not consent to a fintech app accessing their bank account credentials after hearing that these apps often store such credentials.

Consumer reaction to scope of fintech app data access, collection and use practices

% who selected each option among a targeted population of fintech users

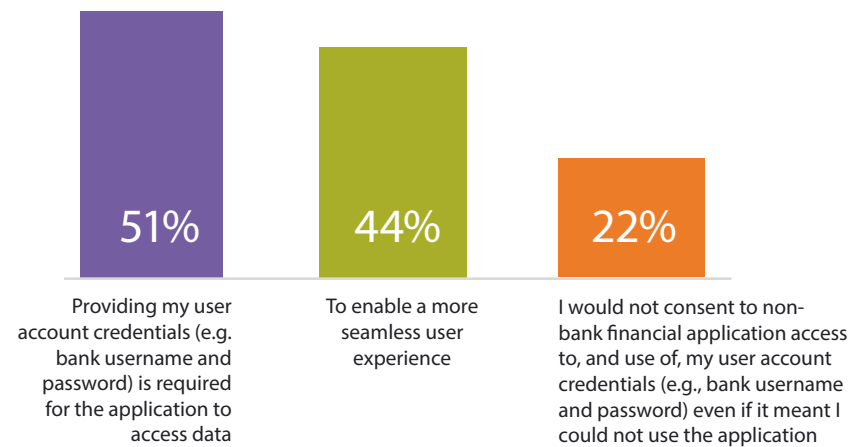


Many financial applications gain consent from their users to access, collect, and use personal and financial data for purposes other than your use of the application. Does this information change your attitude toward or willingness to use financial applications?

Consumer views on account credential storage by fintech apps

% who selected each option among a targeted population of fintech users

Financial applications often store user account credentials to access your account on your behalf and deliver you their products and services. For which of the following reasons would you allow applications to store your credentials? Please select all that apply.



KEY FINDING 6.

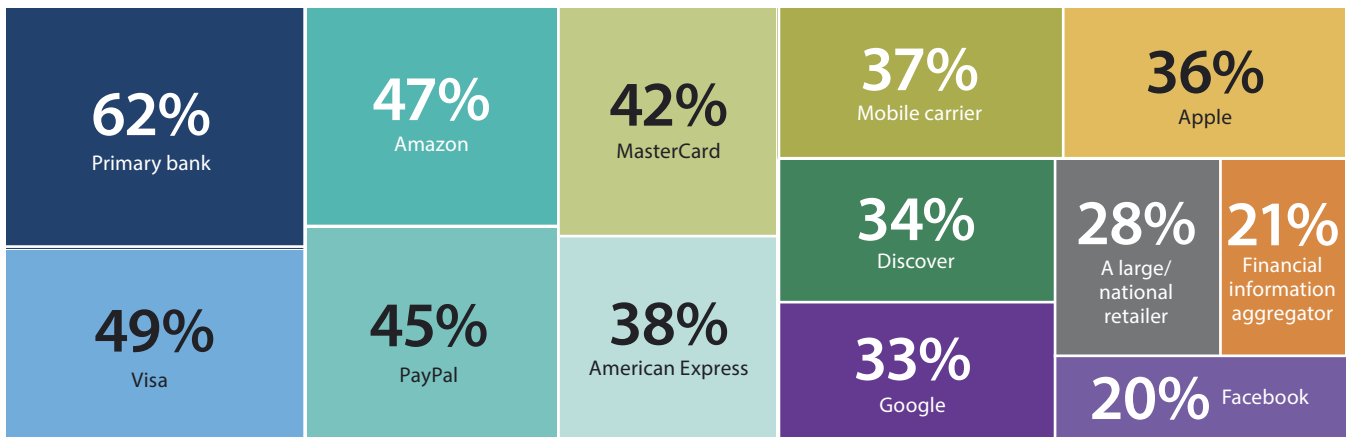
Banks are viewed as the most trusted provider of data security—and expected to safeguard the integrity of customers’ personal information.

How do banks compare to fintech apps and other financial services providers in the realm of data privacy and data sharing? Previous research suggests that consumers place a high degree of trust in their primary bank. In a 2017 survey by A.T. Kearney, banks led other providers when consumers were asked which

organizations were best able to keep their personal information safe. More than three in five respondents (62%) said that their primary bank has that ability, while only 21% said the same about financial information aggregators.

Providers’ ability to safeguard the security of customers’ personal information

% who selected each provider among U.S. banking consumers*



Please rate the following firms on how well they safeguard the security of their customers’ personal information.

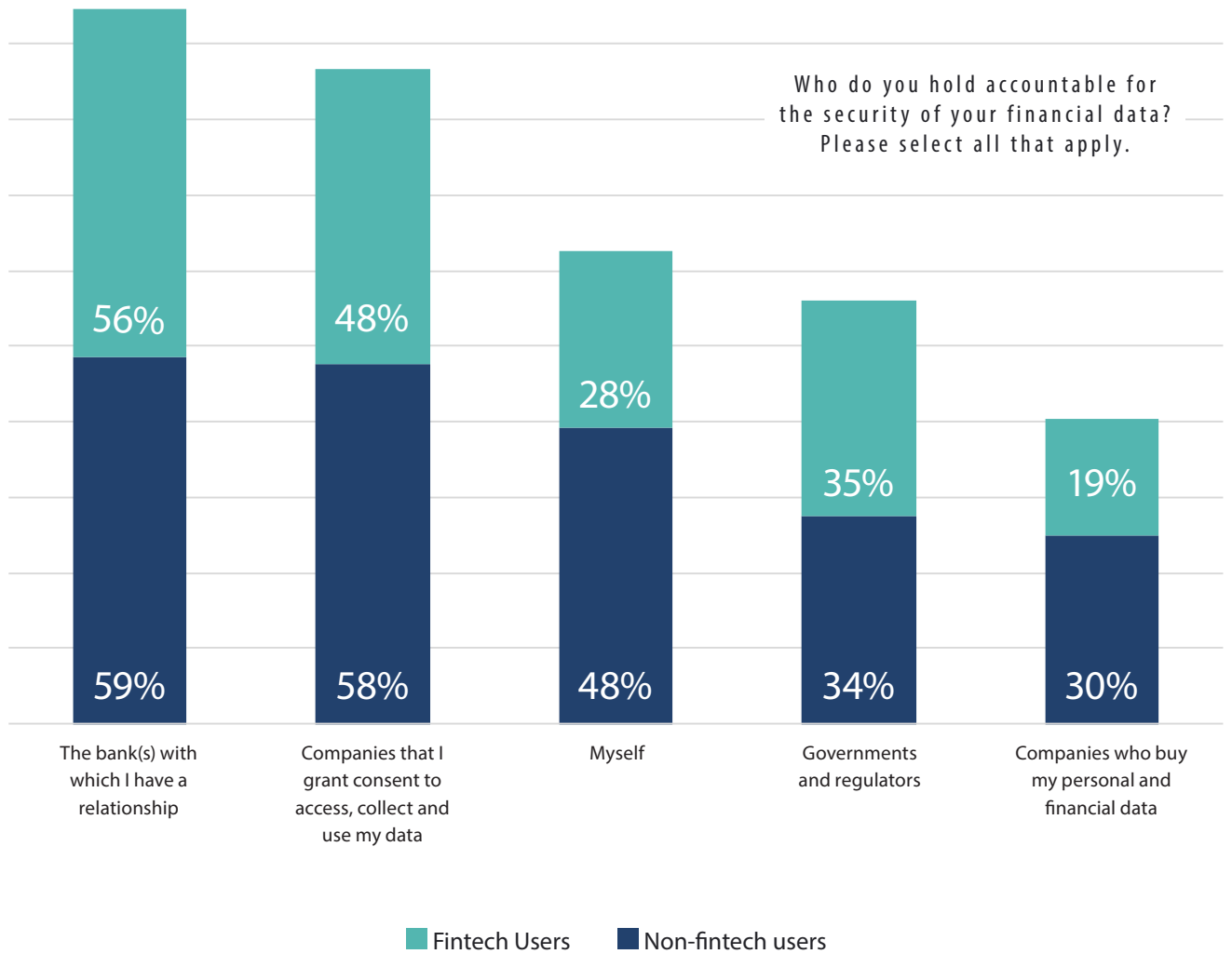
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Consumer views on accountability for financial data security

Important to note for banks is that they are not only seen as having the ability to keep their customers' personal and financial information safe; they are also expected to do so. In the TCH survey of more than 2,000 U.S. banking consumers, more than half of those who did use fintech

apps (56%) and those who did not (59%) said they hold the bank(s) with which these consumers have a relationship accountable for the security of their data.

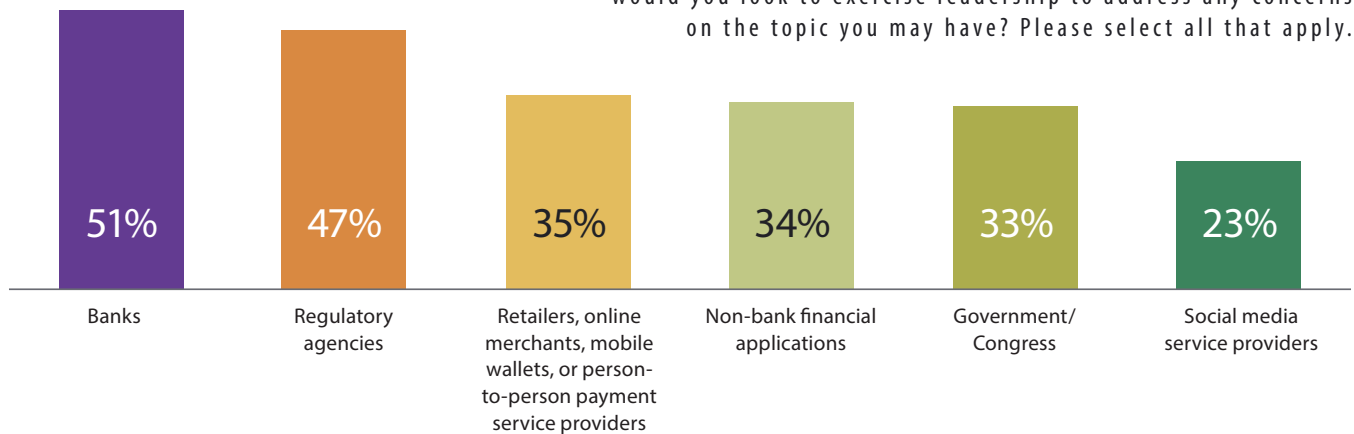


Among fintech users, more than half (51%) said that they look to banks to protect their data privacy and security interests. By comparison, only about a third (34%) look to the fintech apps themselves. It's clear that consumers

have confidence in banks when it comes to keeping their data safe—and with that confidence come significant expectations.

Consumer views on leadership regarding data privacy and security

If actions were required to protect your interest as it relates to data privacy and security, which of the following institutions would you look to exercise leadership to address any concerns on the topic you may have? Please select all that apply.

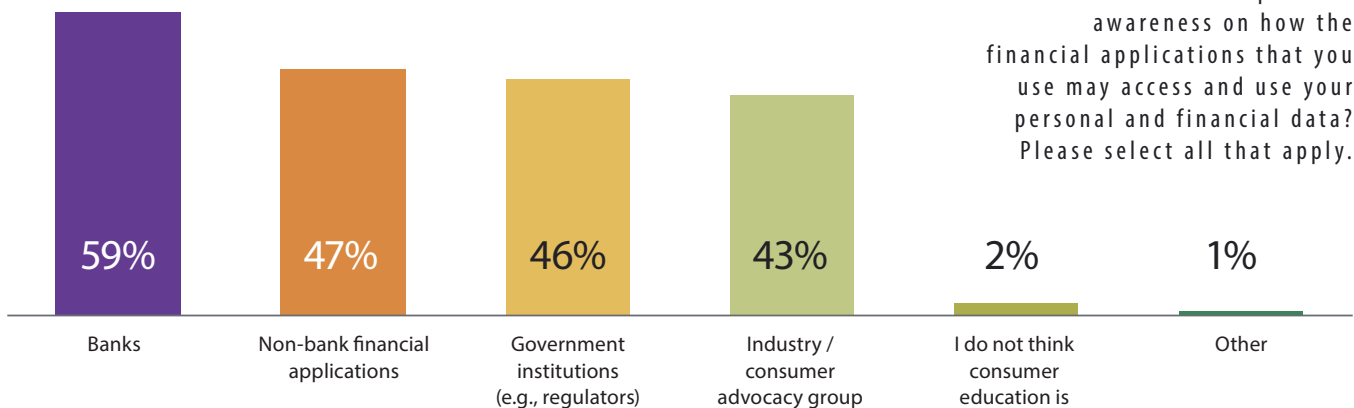


One way in which banks can meet consumers' expectations is by providing educational materials about how fintech apps access, store, use and share consumer data. Roughly four in five fintech users (80%)

said that they are interested in learning more about these practices—and nearly three in five (59%) said that banks should provide the necessary information.

Entities that should provide consumer education and promote awareness on how fintech apps access and use consumer data

Who should provide consumer education and promote awareness on how the financial applications that you use may access and use your personal and financial data? Please select all that apply.

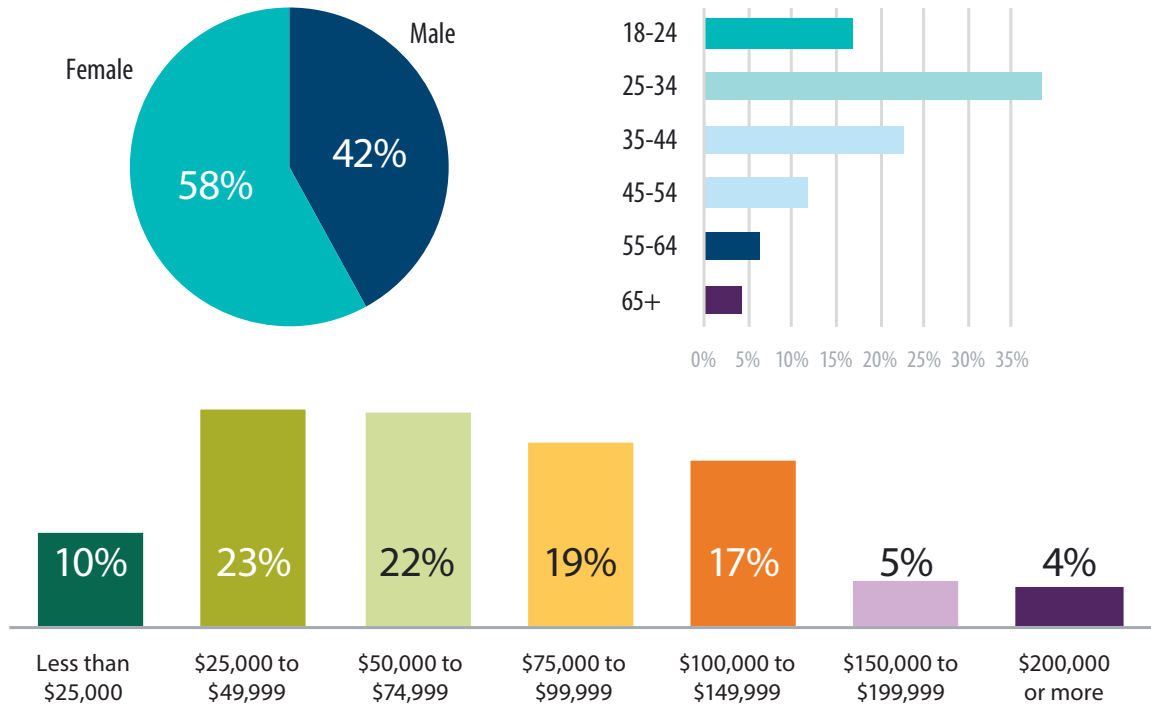


Of those respondents, 622 (30.6%) indicated they had used fintech apps in the past year. The survey over-sampled to target a population of fintech app users, which produced an aggregate fintech app

user population of ~1,500 U.S. banking consumers. The population of fintech users had a similar gender distribution as the broader, nationally-representative sample of U.S. banking consumers, but skewed younger.

Overview of U.S. Fintech User Sample

(n=1,504)



Findings were captured by holding an online panel and asking questions regarding:

- Banking relationships and primary bank incidence
- Primary bank relationships (e.g., banks with which a consumer conducts their current transactions most frequently)

- Banking channel usage
- Digital purchase incidence and behavior
- Data privacy and sharing preferences
- Consumer control of third-party access
- Consumer education channel preferences



