Combining Open Banking and Credit Bureau data in Credit Scoring enables a marked improvement to assess credit risk for an underserved population in the UK

Open Banking has now been used for several years successfully in the UK consumer credit market, for credit risk and affordability assessment. There is a growing acceptance from consumers to share their data at the point of credit application. There is therefore now sufficient credit history to develop powerful credit scoring models incorporating this data.

Fair Finance is a social lender with a mission to design and deliver financial services that improve financial wellbeing and have a positive impact to their clients. We have been collecting Open Banking data at application point for several years and had used it in our policy rules so far. With several years of history now available, we were able to develop a new scorecard incorporating both Open Banking data and the more traditional Credit Bureau data we had in our previous model.

The use of bank transaction data to assess credit risk and affordability is a subject that has been widely discussed in recent years. However, we have witnessed very unusual credit behaviour on our population during the covid pandemic lockdowns, with major shifts in some important credit bureau attributes. It is only now that we have sufficient perspective to understand post pandemic credit behaviours and were therefore able to develop our new credit scoring model.

Credit Bureau and Open Banking attributes show very important complementarity, one set of data looking at credit history, and the other at current account behaviour. And the combination of both has enabled us to increase significantly the discriminatory power of our model. In particular during a time of cost-of-living increase, current account transaction data is key to understand its impact on credit applicants.

In our paper, we will share our approach to scorecard development, and in particular feature creation and selection, which is critical when so many raw attributes are available, how we adapted these to the specificities of our credit population. We will share some of our difficulties, in particular with reject inference which is very important to us, given our very high reject rate, and the choices we made. We will share how the combination of Open Banking and Credit Bureau data has enabled the development of a more robust and stable credit scoring model, and how this is positively impacting our business and our customers.