

GROWTH THAT IS GOOD FOR ALL:

Exploring the
Opportunities of
Inclusive ID Verification



THE STATE OF PLAY

A FUTURE OF INCLUSIVE GROWTH

Digital IDs have evolved from a distant possibility to a central piece in the Financial Services landscape.

Today, the technology is on the precipice of widespread adoption and in the year ahead, the banking sector alone will perform over 37 billion digital ID checks in the interest of fraud prevention¹.

This represents more than half of the digital ID verification market and signifies the arrival of a new customer verification era.

The burgeoning acceptance of digital IDs in Financial Services – recently heightened by Lloyds Banking Group's Smart ID launch – emphasises the sector's forward movement – and the critical importance of not falling behind. Especially considering the potential for revenue growth and addressing societal challenges.

To understand digital ID's potential, it is vital that we grasp the extent of financial exclusion because the UK's Financial Services

consumer market faces significant counter fraud verification challenges.

Millions struggle with traditional verification methods, exacerbated by socio-economic changes and technological shifts.

However, as this whitepaper explains, Financial Services' evolution towards digital ID represents a pivotal solution to these issues, promising to address both long-standing and emerging barriers to financial access.

Just

2.97 MILLION

aged 16 to 25 hold a

FULL LICENCE



14%
OF PEOPLE LIVING
IN THE UK
don't have a passport

5.9 MILLION
people in the UK alone
alone are classed as
ID challenged



In the UK, so called
'CREDIT-INVISIBLES'
have topped
5 MILLION

FRAUD TEAM PRESSURES

THE COMPLEX STORY OF FAILED VERIFICATION



The UK's shifting demographics and the diverse types of ID in use underscore the necessity for Financial Services fraud teams to adapt.

With up to 14% of UK residents without a passport² and a decline in young people holding driving licences, it is clear that traditional ID verification methods are excluding a significant portion of the population.

This has led to the **widespread abandonment of financial applications³**, with an estimated 1.2 million UK adults without bank accounts or e-money accounts due to ID verification challenges.

1.2 MILLION

UK adults are
without a

BANK

or e-money account



To a fraud leader, this will be concerning reading.

A counter fraud operation's effectiveness is, in large part, judged by its ability to decrease friction and increase pass rates for good customers, without increasing fraud exposure risk.

However, by addressing two specific weaknesses in traditional verification standards, fraud teams can balance robust defences with the inclusive growth that is beneficial to society. These are:

ID Challenges:

In the UK, approximately 5.9 million people struggle with the traditional 2+2 ID verification process, which requires matching personal information against two reliable sources.

Various factors contribute to this issue, including **the trend of adult children living with parents, which has increased by 15%⁵**, making proof of address difficult.

Similarly, individuals with financial responsibilities not in their name or recent UK arrivals face hurdles due to insufficient address history or financial records.

Credit Challenges:

The cost-of-living crisis and pandemic repercussions have led to an increase in missed credit payments.

For instance, **in early 2023, UK banks raised reserves for loan defaults⁶**, and by the third quarter, over 87,930 homeowner mortgages were in arrears, a 7% rise from the previous quarter.

HOMEOWNER



mortgages
in arrears have
**INCREASED
BY 7%**

Additionally, the phenomenon of 'credit invisibles,' including young people without credit history and retirees, **affects around 5 million individuals.**

COUNTER-FRAUD OPPORTUNITIES

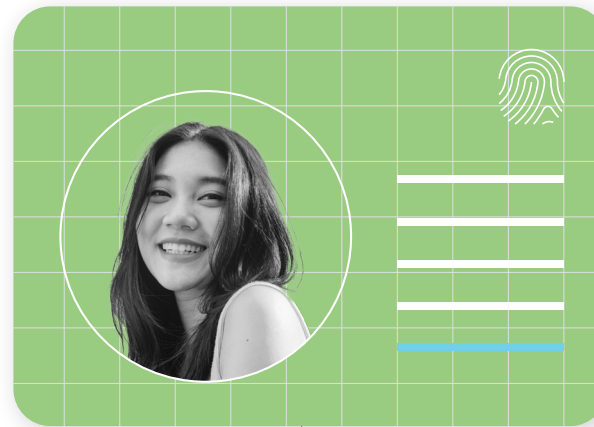
EXPLORING OPPORTUNITIES WITH INCLUSIVE ID VERIFICATION

Digital IDs offer a path to more inclusive financial services, simplifying verification processes and extending access to those potentially marginalised.

This shift towards a more flexible, profile-based approach allows for a broader, more accurate assessment of an individual's identity, enhancing both customer onboarding, compliance with regulatory standards and counter-fraud effectiveness.

The adoption of digital IDs not only addresses a pressing social need but also **opens doors** to increased revenue, customer loyalty, and operational efficiency - should fraud and ID verification be **robust and inclusive**.

In many ways, it is the actions of counter fraud leaders which will determine the success of equitable digital ID adoption in Financial Services.



COUNTER-FRAUD OPPORTUNITIES

SIX OPPORTUNITIES THAT FRAUD TEAMS CAN DRIVE TODAY

1 Tackling a growing social issue

Financial inclusion remains a pressing concern, with a widening spectrum of individuals facing exclusion.

Embracing digital ID verification offers a proactive step towards making financial services more inclusive and reducing fraud check false positives. This approach not only addresses a critical social need but also enhances the flexibility of financial systems, ensuring broader access without increasing risk levels.

2 Boosting revenue potential

Adopting digital ID verification opens doors to a significant segment of potential customers previously inaccessible. Our SynID digital verification solution has achieved up to an 80% pass rate compared to the traditional 50%.

This illustrates the substantial opportunity for onboarding growth. Importantly, engaging with 'credit invisibles,' many of whom are young with potentially long-lasting financial relationships, can secure future revenue.

3 Enhancing regulatory compliance

Digital ID verification streamlines the compliance process with KYC and AML regulations, offering a more efficient and effective way to meet legal obligations.

The advent of Consumer Duty legislation underscores the importance of considering customer needs at every 'need-to-know' interaction, which digital ID facilitates by ensuring fair access to services for all, particularly those vulnerable or with unique needs.

4 Improving customer service and ROI

The expectation for quick and easy onboarding has never been higher.

A European study revealed a significant drop-off due to onboarding challenges, with banks in particular losing billions annually.

By refining the ID verification process, organisations can reduce abandonment rates, and ultimately, improve both reputation and financial returns – without weakening counter fraud defences.

5 Safeguarding privacy

The digital ID ecosystem offers a less intrusive verification process, enabling users to prove their identity without oversharing personal information.

This not only respects user privacy but also aligns with public concerns over data protection and civil liberties, providing a secure yet straightforward means of identity verification.

6 Strengthening fraud defences

The rise of AI and sophisticated fraud techniques makes traditional ID documents increasingly vulnerable.

Digital ID, verified against extensive contextual data and fraud datasets, presents a robust defence against identity fraud.

The UK's digital ID framework⁷ exemplifies the effectiveness of this holistic approach, leveraging multiple information sources to ensure security.

CONCLUSION

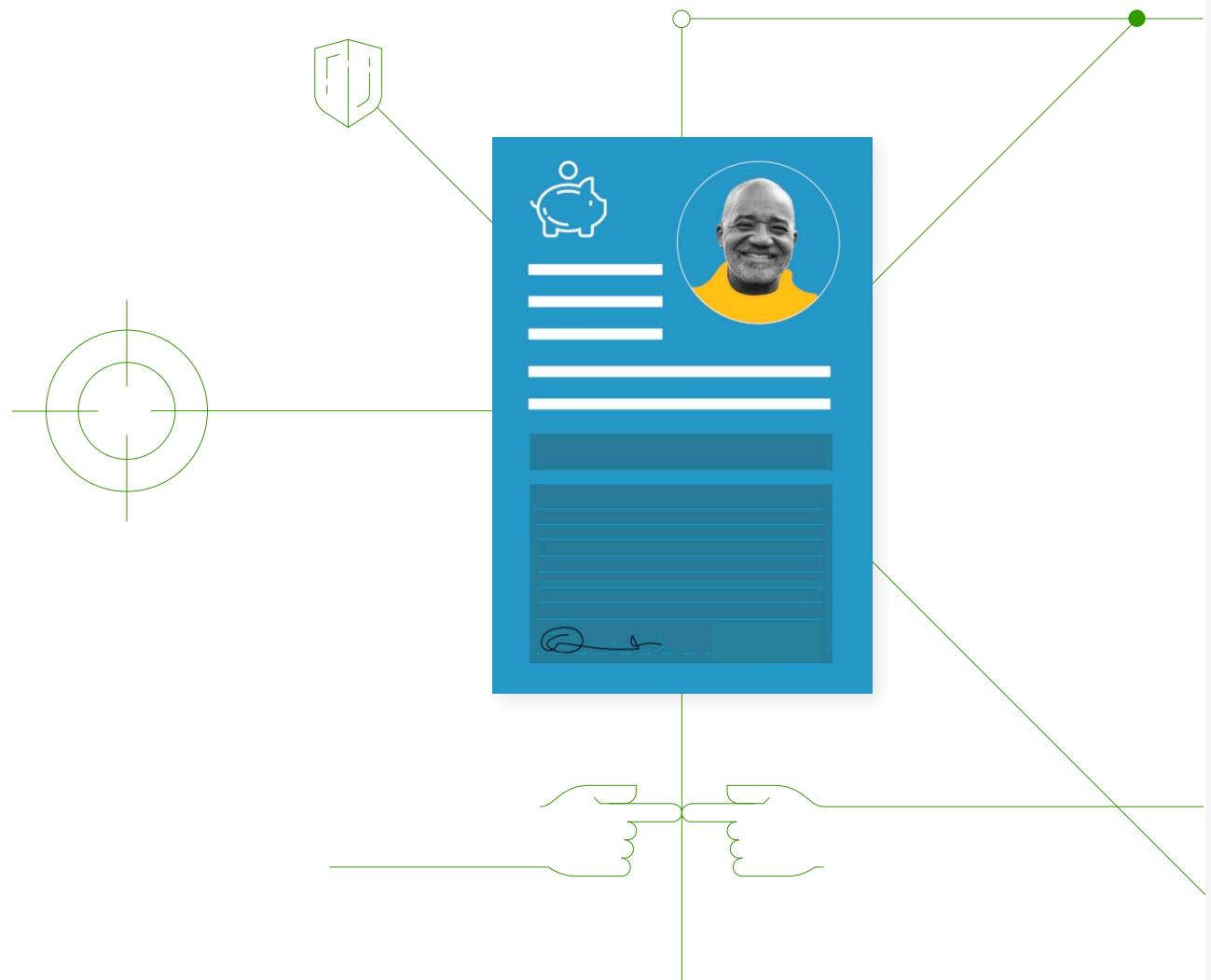
EMBRACING DIGITAL ID'S POTENTIAL

While the transition to digital ID and subsequent verification offers numerous benefits, it also raises concerns about digital exclusion.

However, by adopting a hybrid approach that complements existing methods and simplifies digital interactions, Financial Services can ensure that this new era of verification is accessible to all, regardless of digital literacy or accessibility challenges.

The movement towards digital ID verification is not just likely; it's already in motion, with significant growth and integration into current systems underway. This progress, combined with the undeniable benefits of inclusivity and enhanced service delivery, positions digital ID as a cornerstone for the future of Financial Services.

The question is no longer whether the industry will adapt but **how quickly** it can seize the opportunities presented by **digital ID verification** for the benefit of all stakeholders.





MORE INFORMATION:

To learn more about how you can use digital ID verification in your fraud prevention strategy, contact our experts.

info@synectics-solutions.com | +44 (0) 333 234 3409 | synectics-solutions.com



**SYNECTICS
SOLUTIONS**