The results are in: Canadians’ understanding of open banking is low, according to the Financial Consumer Agency of Canada ("FCAC"). On June 1, 2023, the FCAC released the results of its 2022 survey of Canadians’ awareness and understanding of open banking and financial technology ("FinTech") services. The survey was conducted between May and June of 2022 as part of FCAC’s mandate to evaluate trends and emerging issues in finance that impact consumers. The survey also fits into the Government of Canada’s larger aim to introduce open banking to Canada in a way that benefits and protects consumers.

So What is Open Banking?

Open banking has been defined as a system designed to let consumers securely share their financial data from their bank with other banks and accredited FinTech companies. Consumers give permission to share their financial data with companies that offer financial apps and services. Companies can use the data to offer services (like advice or loans) that may be personalized to the consumer. Consumers can choose to stop sharing information whenever they wish.

Survey Results

The results of the survey demonstrate that Canadians’ awareness and understanding of open banking is low, with only 9% of those surveyed having heard of it. The small minority of Canadians who had heard of open banking had their knowledge tested with the below true or false statements. Many were unable to answer correctly, revealing that an even smaller subset of those who are aware of open banking actually understand it.

Open banking:

- means Canadians can tell their banks to share their banking data with other companies (True – 62% answered correctly)
- exists in Canada today (False – 21% answered correctly)
- means banks have to share information about victims of fraud with each other (False – 30% answered correctly)
means that the Canadian government has access to see the financial information of all Canadians (False – 44% answered correctly)

Given Canadians' lack of awareness, it is not surprising that interest in using open banking is also low. After hearing a definition of open banking, 52% of Canadians said they would not use it, while 29% said they might, and only 15% expressed interest in using it.

The survey suggests that the presence of consumer protection measures would increase participation in open banking. The top protections were “full protection from any losses” (70%), “ability to revoke consent at any time” (63%), “requirements to report data breaches exposing consumer data” (63%), and “enforcement of standard security requirements for open banking participants” (62%).

Interpretation of the Results

Although the survey data was published recently, it is important to keep in mind that the survey data was collected over a year ago. Given recent media coverage, consumers are likely much more aware of open banking than they were just last year. In fact, Canada's open banking lead had only been appointed for a few months at the time of the study and the open banking working groups who have been meeting regularly for the past year (see our bulletin describing their activities here) were just being formed.

Furthermore, consumers do not necessarily need to have a definition of open banking in mind or understand the intricacies of how open banking will work in order to benefit from it. Even now, we as consumers do not know the exact steps taken by a bank to, for instance, complete a wire transfer, but we can all appreciate how useful wire transfers are to our lives. It is really the outcomes of open banking that will benefit consumers, as opposed to understanding open banking itself.

The research indicates that the success of open banking may be influenced by the availability of consumer protections embedded in an open banking framework. Giving consumers more control over their data, whether by enabling them to retract their consent or providing recourse when their interests are adversely affected, may result in greater participation in an open banking framework. As such, consumers may not necessarily reject open banking completely; rather, they want to know that their interests are being protected when engaging with open banking and FinTech services.

In jurisdictions such as the United Kingdom and Australia where open banking is already entrenched, governments have called upon banks to establish consistent messaging to consumers. For example, the United Kingdom has developed a variety of standards and guidelines for banks to rely upon when implementing and offering open banking such as the Customer Experience Guidelines. The guidance is focused on the consumer’s informed consent, data protection, and interface design, and not on educating
consumers about the definition or intricacies of open banking. The key is ensuring that consumers feel informed, secure and in control.

**Next Steps for Open Banking in Canada**

Similar to other countries, user uptake in Canada will likely require an educational component. In its 2021 Submission to the Advisory Committee on Open Banking, the FCAC recommended the provision of clear, simple, and not misleading disclosure of the benefits, risks and key information in order to foster consumer understanding and positive outcomes. Although the FCAC recognizes a role for industry, it recommends a mechanism to fund an investment in consumer education that is overseen by a “trusted authority”, and notes that it is well-positioned to assist with the preparation of and delivery of content to Canadians.

It will be interesting to see what model of educational program the Government of Canada adopts. If we are to follow international initiatives, it will involve banks who will be encouraged to communicate the benefits of open banking to consumers, even though it increases competition amongst financial services providers. As has been the case in other jurisdictions, financial institutions may need to undertake a conceptual shift to think of financial data as belonging to the consumer, which may pave the way for a smoother transition.

At the Payments Canada Summit in May, Canada’s open banking lead announced that a “made in Canada” open banking framework will be presented by the end of this year.

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**A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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