The future of lending: How better data will bring both inclusion and efficiency for lenders
Introduction

In even the best financial circumstances, the ability to borrow is paramount for consumers’ financial decisions, from mortgages and loans to lines of credit.

Credit scoring and rating mechanisms often heavily rely on historical information or focus solely on negative instances, leaving a significant information gap that makes it challenging for some individuals to obtain the credit they deserve. Furthermore, the conventional process of manually uploading current financial account data not only proves time-consuming but also increases costs.

More control and transparency
It begs a closer look at the lending systems that financial institutions rely on, and more importantly, the decisioning process that gathers and uses data for lending. Expanding the information used to evaluate applicants also benefits the banks and lenders. Leveraging more real-time data can allow lenders to more fully assess applicants’ financial standings while streamlining their operational efficiencies.

Most consumers remain in the dark regarding the data and information used in this lending process. However, there is a growing consensus among consumers that change is overdue. They seek a more streamlined and digitally enabled lending process that empowers them to understand and control the data and information used when seeking credit. As seen in our survey, a majority of consumers are willing to grant permission for access to their bank accounts for the purpose of securing a loan.

Willingness to share financial data.
Moreover, consumers also believe the overall lending process deserves a closer look, advocating for the utilization of broader financial data to drive improved financial outcomes and to give consumers greater agency over their data. The majority of consumers are willing to share their financial data in order secure loans and lines of credit.

Mastercard gathered insights from 7,600 respondents across the United States, Canada, the United Kingdom, Australia, France, Germany and Spain, and the survey’s results show that consumers want more transparency and control over their financial data and how they can benefit from that data to meet their financial goals.
Consumers feeling the impact of economic uncertainty

89% say they have been negatively affected financially by the economic uncertainty. 34% of that group said they have been "strongly" affected.

The top ways the uncertainty has affected credit usage or borrowing behavior:
- Relying more on credit - 26%
- Trying to rely less on credit - 23%
- Wanting or needing to take out a new loan or line of credit - 19%
Consumers struggling to borrow and worry that will continue

In even the best economic or financial circumstances, borrowing money is often a necessity for most consumers, especially for critical purchases like homes and cars. This extends into everyday needs purchased through credit cards.
Nearly half of consumers say they have been unable to borrow when needed.

47% of those affected have been denied a loan or credit in the past two years.

The top reasons cited for loan or credit denial:
- Not enough income - 39%
- Poor credit or repayment history - 32%
- High debt ratio - 30%
- Changes in personal/life circumstances - 28%

73% are worried about their ability to qualify for a loan or line of credit in the next year.

Top purchases consumers anticipate needing a loan for in the next year:
- 17% Loan to purchase a car
- 15% New credit card
- 15% Mortgage or home equity to purchase a home or for home improvements
- 12% Expand credit limit on a current card
- 10% Debt consolidation loan
- 10% Tuition or student loan
- 7% Loan to start a business
Consumers would like to see an easier, more transparent lending process.

Consumers’ inability to borrow at critical times has left many wanting more transparency and control over their financial data to better reflect their ability to repay a loan.
Consumers believe credit processes should be easier for responsible borrowers.

87% believe or somewhat believe the decisioning process needs to make it easier for responsible borrowers to prove their ability to repay.

Most consumers are in the dark about the current lending process:
- Less than a third (32%) of borrowers know exactly what information lenders are using to determine their ability to repay when they take out new credit or a loan.
- More than half of the consumers who have been denied a loan or line of credit in the past two years find the current process opaque, with 55% not knowing what information lenders are using to determine their creditworthiness.

71% believe it is unfair or somewhat unfair for someone’s ability to qualify for a loan to be negatively affected as a result of something out of their control, like an economic downturn or life change.

Australian and Canadian consumers felt strongest about this, with 77% of respondents in both regions believing it is unfair or somewhat unfair.
Nearly all consumers believe they should have more transparency and control.

90%
believe or somewhat believe they should have more insights into and/or control over the personal financial information lenders are using to determine their qualification.

95%
of those who have been denied credit in the past two years believe they should have more insight into or control over the data and information used.

The information that consumers think should be considered in determining their qualification for credit or a loan:

- Income from salary - 60%
- Consistent payment history of other bills besides loans or credit - 50%
- Bank accounts - 47%
- Cash flow data - 42%
- Income from other sources - 42%

Global consumer willingness to share income from salary:

- 70% Australia
- 68% France
- 65% Canada
- 64% U.K.
- 61% U.S.
- 57% Spain
- 33% Germany
Consumers willing to share secure access to their bank accounts if it improves their financial lives

Today, many consumers are open to sharing secure access to their bank accounts – especially if it helps them gain approval for loans or secure credit lines.
Many financial institutions are seeking to increase inclusion in their lending practices. Open banking allows lenders to streamline their operational efficiencies and gives them more real-time information about a person’s financial health and ability to responsibly repay.

79% of consumers said they would be willing or somewhat willing to share secure access to their bank account for the purposes of securing credit or a loan.

The top reasons they would share secure access to their bank account data with a lender:
- Get a better loan product or interest rate - 49%
- Receive instant approval for a loan - 39%
- Improve chances of being approved for a credit card - 29%
- Qualify for a premium credit card with better rewards/benefits - 25%
- Secure an increase in the limit on a credit card - 24%

90% of consumers who reported they don’t have enough credit history to qualify for a loan said they would be willing or somewhat willing to share secure access to their bank account with a lender to secure a loan, credit card or line of credit.

Half or more of consumers in the following countries are willing to share access if it means possibly getting a better loan or interest rate:
- 59% in Australia
- 55% in U.S.
- 50% in Canada

The region most willing to share access for instant approval on a loan is Australia, at 52%. And, 30% have previously linked or given access to their bank account for the purpose of getting a loan.
Consumers looking for a digital process when borrowing

85% of consumers said they would be more likely or somewhat more likely to pursue a loan that offered digital or instant approval, a digital application process or digital verification through the use of their bank account.

95% of those who identified as having thin credit cited an even greater willingness to pursue digital loan options.
A new generation of borrowers

Young millennials and Gen Z borrowers are showing an even stronger willingness to link their accounts and use a digital process for the loan and credit process.

84% of those ages 18-29 said they would be willing or somewhat willing to share secure access to their bank accounts if it helped them secure a loan, credit card or line of credit.

This is compared to 77% of those ages 45-60, and 68% of those over age 60.

90% of those ages 18-29 also said they would be more likely to pursue a loan option that offered digital or instant approval, a digital application process, or digital verification through the use of their bank account.

This is compared to 81% of those ages 45-60, and 72% of those over age 60.

Younger generations of borrowers are also showing stronger familiarity with the process of linking their accounts, with the majority already having done so.

• Only 42% of those ages 18-29 said they have not previously linked their bank account for the purposes of getting a loan
• This is compared to 60% of those ages 45-60 who have not previously linked their accounts, and 70% of those over age 60
Conclusion

A new era of lending
The findings of this survey highlight the pressing need for a reexamination of the modern lending landscape. Today’s consumers are ready for a transformative new era of lending – one that offers transparency and a more efficient, digital-first lending approach that empowers them with greater knowledge and control over the data used to inform their creditworthiness.

Embracing inclusion
Many financial institutions seek to increase inclusion in their lending practices but this can increase operational costs. In addition to increased efficiency, these consumer insights give lenders the “green light” to reevaluate their lending practices. Lenders can now augment their traditional lending models to champion a more inclusive lending process.

Consumers willing to share
The majority of today’s consumers are willing to permission direct access to their bank account data for the purposes of borrowing or accessing credit. This shift in consumer mindset opens new horizons for lenders. By harnessing this consumer data-sharing willingness, lenders stand to streamline their operations and foster a lending environment that’s more inclusive.

This is an opportune moment for financial institutions to reshape their lending practices to both manage their risk and better serve the needs and aspirations of those they aim to assist.
Methodology
Quantitative survey conducted by 104 West on behalf of Mastercard, among 7,600 consumers across the United States, Canada, the U.K., Australia, France, Germany and Spain in August 2023. The responses were completed online, and were random, voluntary and anonymous.