



Financial Data and Technology Association

Why the FCA's Reconsideration of the 90-Day Reauthentication Rule Is a Big, Big Deal for Financial Services

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The UK Financial Conduct Authority (FCA) published its first [Consultation](#) of 2021 on January 28, which also happens to be the first Consultation post Brexit; it has signaled that the UK regulators are willing to address impediments the European Banking Authority's (EBA) interpretation of the

Regulatory Technical Standards on Secure Customer Authentication (RTS SCA) as required by PSD2 continue to impose on the market.

The biggest obstacle the FCA seeks to remove: the requirement for customer reauthentication every 90 days.

This is a very, very big deal for Third Party Providers (TPPs – or fintechs leveraging Open Banking data) because the requirements to implement SCA and perform 90 Day Reauthentication have had an extremely detrimental impact on those very TPPs PSD2 is meant to promote.

PSD2's political objective was to nurture those companies, improving competition, innovation and security in the EU payments market. However, currently the way 90-day Reauthentication and SCA work defeats the political objectives of PSD2, and fails to materially improve security to protect consumers.

These PSD2 policy objectives have been undermined by specific drafting contradictions in the RTS. Until this point, the arguments on various legal interpretations have gone back and forth, highlighting where RTS conflicts with PSD2, and where some clauses in the RTS conflict with others. These theoretical legal and technical arguments have not convinced the EBA to change its opinion. Nor has any irrefutable evidence of the attrition rates afflicting TPPs due to RTS contradictions, which do not afflict Account Servicing Payment Service Providers (ASPSPs, more commonly known as banks).

The Financial Data & Technology Association's European chapter (full disclosure: I am the FDATA Europe head/director) had previously pointed out 90 Day Reauth's detriment to the market as an **unintended consequence of PSD2** back in May 2019.[1] In April 2020, FDATA presented evidence of market harm to both European and UK regulators. European regulators were not receptive to our arguments. The EBA published an **updated opinion in June 2020** noting that it found nothing wrong with its previous interpretations of the SCA RTS requirements, and stated outright that it did not find the 90 Day rule to be an obstacle.[2]

But UK regulators remained open to considering evidence, and during the latter half of 2020, FDATA hosted a series of inclusive industry roundtables to present this evidence to UK authorities, calling for regulators to urgently revisit the 90 Day rule.

The evidence, highlighted from a broad sample of mostly mature TPPs, showed that under the 90 Day Reauth requirement, customer attrition rates span between 13-65% depending on the business model. These rates are simply not economically sustainable at either end of the spectrum, with firms losing customers who fail to reauthenticate for a variety of mostly technical and behavioural reasons, not because of a low service value. Moreover, some banks have an exemption to providing an API, and instead have stood up a modified customer interface (MCI). Due to the nature of MCIs, they require a customer be present for every data transfer from the bank to a TPP. In this case, the SCA and 90 Day rules are an obstacle to a number of use cases, and results in a near 100% customer attrition rate for the TPP.

Some companies who have operated as TPPs pre-PSD2, as well as newer firms, shared that they are contemplating returning money to shareholders because they cannot sustain their business under these circumstances.

UK regulators listened. UK banks listened. The Open Banking Implementation Entity included the 90 Day rule as part of its Root Cause Analysis work on why some Open Banking customer journeys were abandoned.

The Competition & Markets Authority (CMA) concluded in its [response](#) to the UK's Department of Business, Energy, and Industrial Strategy (BEIS) consultation on Reforming Regulation Initiative, that consumers and SMEs were being cut off from valuable services because of a failure to reauthenticate because of either lack of awareness of the requirement or because reauthentication is too complex or burdensome, and suggests that government find as frictionless a solution as possible.[\[3\]](#)

The BEIS [Smart Data Research](#) Report reach a similar conclusion that 90 Day Reauth under Open Banking didn't work:

"PSD2 provides for 90-day re-authentication to protect against extended periods of sharing without a consumer re-confirming the arrangement. However, it does not work well for either engaged consumers or the market. It has a poor customer journey and can lead to consumer drop-off; or worse, hinder use of the very service that the consumer needs....Furthermore, in Open Banking there is a disconnect between the consent which may last longer than 90 days and re-authentication."[\[4\]](#)

BEIS went further, noting that:

"The requirement for re-authentication at 90 days can lead to very significant consumer drop-off and is generally a poor customer experience. The underlying policy for re-authentication lacks some transparency. For the EU, the purpose was to improve security. However, it was later described in the UK as a way to mitigate the risk of continued data sharing by inert consumers who are no longer engaging with a product or getting value from it. Re-authentication appears to cause attrition even among engaged consumers."[\[5\]](#)

The report summed it up clearly, **"While PSD2 provides for 90-day re-authentication, it does not work well for either consumer or market."**[\[6\]](#)

And now the FCA has reached a similar conclusion: "The requirement to re-apply SCA every 90 days has proven burdensome for customers, creating friction in the user experience, and hindering uptake of open banking services."[\[7\]](#)

In its consultation, the FCA noted evidence of material harm to consumers, SMEs, TPPs, and the market as a whole:

TPPs have reported a significant loss of customers at the point where reauthentication by SCA is required. A TPP has found that a churn rate of over 40% despite almost all of its customers being satisfied with the service. The interruption in a customer's ongoing access to a TPP service after failing to reauthenticate could cause consumers and SMEs to make decisions based on out-of-date data, potentially resulting in harm. A TPP has reported that this could lead to the risk of three-quarters of the businesses that use the service facing liquidity issues. We understand the potential loss of access to customer data as a result of a customer's failure to reauthenticate every 90 days has caused firms to delay or stop the launch of new products and services in the UK. As a result, the full benefits of open banking to UK consumers and competition are not being realised.[\[8\]](#)

This is the right move for the UK, and other jurisdictions should take note of the FCA's leadership in the matter. For those in the EU, many of the political objectives of PSD2 will fail unless the conflicting RTS requirements are resolved. For those jurisdictions just now embarking on the Open Banking journey, take note of the detriment the 90 Day Reauth rule has on competition, innovation, and customer betterment.

FDATA has compiled legal, technical, and evidence-based arguments in leading the campaign to encourage UK regulators to take steps to correct the SCA RTS. Our members have lent their voices – and their data – to the cause. Together we have discussed the important differences between authentication and consent, and who is the best position to manage those aspects of the customer journey. Our efforts to educate the market have now gotten us to this moment where wrongs can be righted, and consumers can more fully benefit from Open Banking without obstacles to leveraging their data.

Over the coming weeks, FDATA will share this evidence, and the rationale as to why the FCA's proposal is the appropriate solution to the 90 Day problem. FDATA supports the FCA's proposed changes to the SCA RTS. The UK has always been seen as a fintech leader, and it is now showcasing its leadership by removing obstacles to competition, innovation, and good consumer outcomes. PSD2 will be both a practical *and* political success in the UK, if the UK market supports the FCA's current consultation.

[\[1\] https://fdata.global/europe/wp-content/uploads/sites/2/2019/06/The-Unintended-Consequences-of-PSD2-RTS-FDATA-EUROPE-and-ETPPA.pdf](https://fdata.global/europe/wp-content/uploads/sites/2/2019/06/The-Unintended-Consequences-of-PSD2-RTS-FDATA-EUROPE-and-ETPPA.pdf)

[\[2\] https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Opinions/2020/884569/EBA%20Opinion%20on%20obstacles%20under%20Art.%2032\(3\)%20RTS%20on%20SCA%26CSC.pdf](https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Opinions/2020/884569/EBA%20Opinion%20on%20obstacles%20under%20Art.%2032(3)%20RTS%20on%20SCA%26CSC.pdf), Page 7

[\[3\] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/904990/RRI_CMA_Response_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/904990/RRI_CMA_Response_.pdf), Page 21

[4] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/909363/Dgen_and_BEIS_-_Smart_Data_-_Consent.pdf , Page 6

[5] Ibid, Page 19

[6] Ibid, Page 45

[7] <https://www.fca.org.uk/publication/consultation/cp21-3.pdf>, Page 9 Paragraph 3.8

[8] Ibid, Page 10, Paragraph 3.9