IBM UK Newsroom

New research from IBM reveals UK banks need to go further to strengthen customer trust in a more digital world

Banks have an opportunity to build on new digital services quickly introduced during the pandemic to offer customers more personalisation and reassurance on security

- 82% of UK citizens surveyed cited data security and privacy as their top priorities when using digital banking
- 43% of respondents said they want their banks to launch more advanced cyber-security and privacy features
- Over a quarter surveyed (28%) agree that their banks could understand them better and are happy for their banking data to be used to provide personalised services that match their needs
- Around half of those surveyed aged 18-24 (54%) and 25-34 (50%) would welcome the use of technologies such as artificial intelligence (AI) if they improve services and create personalised interactions

London, 27th July 2021 - New research by YouGov, conducted on behalf of IBM in June 2021, provides fresh insights on the views of UK banking customers as digital services became the de facto way of conducting business and accessing services during the COVID-19 pandemic. The findings underline the importance of data protection and security amongst bank customers when using digital services; 82% of respondents cited these as their top priority, ahead of ease-of-use, which came second with 76%.

Overall, 43% said they would like their banks to introduce more advanced cyber-security and data privacy features, with two in five adults surveyed (41%) indicating they were concerned about security vulnerabilities that could be exploited by hackers.

In addition, more than a quarter (28 %) of respondents felt their banks do not understand them on a personal level and are open to their banking data being used to provide better products and services that match their needs.

Commenting on the findings, Bharat Bhushan, CTO Banking & Financial Services, IBM UK & Ireland, said: "Banks already use some of the most advanced technologies in the world to protect their customers and their data online. As consumers increasingly use self-service and digital channels, banks need to do even more to protect customers against emerging forms of fraud that can deceive even the digitally savvy.

"Banks now have an opportunity to improve how they communicate with their customers as digital banking services become more advanced, to build and maintain trust. Regular, clear and actionable insights help customers understand that the bank is doing everything it can to protect them."

The survey found that younger people are the most worried about their finances and want more help from financial services providers

- Just 22% of 18 to 24-year-olds and 26% of 25-34-year-olds surveyed said they were not worried about the state of their finances, in contrast to 55% for the over 55s
- Three in five (62%) of 18–24-year-olds surveyed would like help from their bank in managing money and planning for the future, compared with an average across age groups of just 34%

Younger generations are also more open to banks using technology like AI to improve services

- 54% of 18-24-year-olds surveyed and 50% of 25-34-year-olds surveyed would support the introduction of more AI services at their bank if it improves the customer experience, for instance by making it faster, available round the clock and more personalised
- Similarly, 48% of 18-24-year-old respondents and 49% of 25-34-year-old respondents would be happy to conduct banking services through a text-based messaging service, either with a bank employee or an AI-powered assistant
- By contrast, half (52%) of those surveyed aged over 45 were opposed to more AI services
- 18-24-year-olds were also the only age group where more people agreed (37%) they wanted their bank to use their banking data to personalise services than those who disagreed (35%) (28% agree vs. 46% disagree across all adults)

Mr Bhushan added: "Our research shows there is a growing appetite among consumers for services that are more tailored for their needs and help them better manage their finances. Many people are also open to banks delivering this using emerging technologies, such as artificial intelligence, which can provide data-driven insights into customers that enable personalisation.

"To introduce these new experiences and use cases securely at scale, more banks are turning to industry-specific cloud-based platforms and technologies, such as the IBM Cloud for Financial Services, that are validated for financial services institutions and accelerate innovation."

The survey also surfaced a range of other insights on how COVID-19 lockdowns in the UK have affected the ways people consume banking services, and the prevalence of digital-only banking:

- There has been a 15% drop in people visiting bank branches after they opened following the first lockdown - from 43% to 28%
- Only 17% of respondents said a disadvantage of online-only banking services was that it felt cold and transactional
- Only 17% of respondents have a digital-only account
- However, 76% of respondents have at least one bank account with an established high street bank and 59% of them use the bank's mobile app

Banks have worked hard during pandemic to bring in new digital solutions at speed to maintain smooth customer services. Now, with even more people online, banks need to build trust and increase personalisation as they continue innovating their digital offering. To help achieve that, IBM suggests that UK financial services institutions consider the following recommendations:

- **Adopt security frameworks fit for the cloud era –**With large-scale cyber-attacks becoming increasingly commonplace, ensuring data privacy and data protection is essential. Cryptography is well known and widely adopted. Confidential computing, however, is specifically designed to protect data in the cloud. It isolates sensitive data —including data in use, which previously was left vulnerable – so that it cannot be accessed by anyone – including the cloud provider. Confidential computing is part of a wider "zero trust" security approach, recommended for banks. It operates under the assumption that an authenticated identity, or the network itself may already be compromised, and continuously validates the conditions for connection between users, data, and resources to determine authorisation and need.
- **Deliver innovation that matters, faster** - Most banks take 18-24 months to embed a new technology in their solution – especially if it is cloud-based. In the time it usually takes for the existing governance, risk and compliance processes to be completed, the market often moves on. Banks need to act faster without compromising on their controls. A cloud platform purpose-built for the financial services industry removes a substantial portion of the controls validation process and

covers third and fourth-party risks on an ongoing compliance basis across multiple regulatory jurisdictions. This enables the banks to use innovative solutions with confidence and deliver innovation that matters to their customers, faster.

- **Enhance the digital customer experience with AI** – The survey highlights the importance of banks ensuring people with a wide range of needs and abilities can use their digital services with the same ease, as well as having actionable insights. One such innovation is embedding virtual assistants that use AI and natural language processing to interact with customers in their language, respond to their enquiries and perform routine activities at the customer's pace. For complex issues, the virtual agent can transfer the chat to a human advisor and learn from the solution provided. With governed data and AI technology, banks can help ensure that their virtual assistants are using AI models in a way that is explainable, fair, robust, transparent and focused on data privacy.

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,215 adults. Fieldwork was undertaken between 18th - 21st June 2021. The survey was carried out online. The figures have been weighted and are representative of UK adults (aged 18+).

About the IBM Cloud for Financial Services

The IBM Cloud for Financial Services is designed to help reduce risk for financial institutions, their partners and FinTechs, while allowing them to consume innovation faster with built-in controls that are adhered to by the entire ecosystem. The platform uses IBM's fourth-generation confidential computing capabilities and "Keep Your Own Key" encryption delivered via IBM Cloud Hyper Protect Services to help partners and their customers retain control of their data and transact with financial institutions in a secured environment.

About IBM

IBM is the global leader in hybrid cloud and AI, serving clients in more than 170 countries. More than 2,800 clients use our hybrid cloud platform to accelerate their digital transformation journeys and, in total, more than 30,000 of them have turned to IBM to unlock value from their data — this client list includes nine out of ten of the world's largest banks. With this foundation, we continue to leverage Red Hat OpenShift as the leading platform to address our clients' business needs: A hybrid cloud platform that is open, flexible and secure. Guided by principles of trust, transparency and support for a more inclusive society, IBM also is committed to being a responsible steward of technology and a force for good in the world. For more information, visit: www.ibm.com.

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