Browne Jacobson

The FCA comments on competition between big tech firms and financial service firms

28 May 2024

The FCA says:

> "Big Tech firms in the UK and around the world have been, and continue to be, under active scrutiny by competition and regulatory authorities. This is because some of these large technology firms may have both the ability and the incentive to shape digital markets by protecting existing market power and extending it into new markets."

And

> "Through our work, we aim to mitigate the risk of competition in retail financial markets evolving in a way that results in some Big Tech firms gaining entrenched market power, as seen in other sectors and jurisdictions, while enabling the potential competition benefits that come from Big Tech firms providing challenge to incumbent financial services firms."

In November 2023 the FCA asked for input on data sharing between big tech and financial services firms. It requested focused information and evidence on whether any data asymmetry between big tech firms and financial services firms could influence how effectively competition evolves in financial services markets.

In April 2024 the FCA published a feedback statement (FS24/1). This sets out the FCA's analysis of the responses received and next steps.

The FCA says it has not identified significant current effects from the data asymmetry between big tech firms and financial services firms. However, the call for information has highlighted three key issues that could adversely affect how competition evolves in retail financial markets and may become more significant over time:

Issue 1: The risk of data asymmetry increasing barriers to entry and expansion in financial markets over time contributing to big tech firms gaining market power

> *"Some financial services firms argued that access to Big Tech firms' data will become increasingly important such that a lack of access for financial services firms will harmfully impact competition in the future. For example, Big Tech firms would know when customers are potentially searching for a new home and be able to target the need for a mortgage/home insurance much sooner in the house buying process than a traditional financial institution could. Also, Big Tech firms hold data that could be used to support, or enhance, existing credit information which is used to assess pricing and affordability of certain financial services products. Therefore, it is possible that this data could be used to price more accurately. Big Tech firms, however, reasoned that their data is only marginally valuable for financial services and is not a threat to effective competition."*

The FCA considers that it is unclear how valuable big tech data from their core digital services will become in insurance. There are potential use cases for insurance in:

1. risk based pricing, which can be informed by consumer behaviour; and
2. personalised marketing.

It has proposed exploring the value of big tech data in a financial services context through the FCA's Digital Sandbox. The FCA is encouraging firms to come forward with ideas for potential pilots.

Issue 2: The risk of big tech firms' platforms becoming the primary access channel (gatekeeper) for retail financial services in the future

Digital wallets such as Apply Pay and Google pay have the potential to become a primary interface through which customers undertake their banking. If a big tech firm achieves widescale adoption of its digital wallet and payment authentication and verification services, it could become a gatekeeper and primary access channel. As digital wallets may include financial offerings that go beyond facilitating payments, such as insurance, there could be gatekeeper risk to a range of downstream financial markets, adversely impacting competition.

In Asia, Latin America and Africa digital wallets have evolved into super-financial apps and have scaled dramatically (but not so far in the UK). Several respondents suggested that the UK Government and Parliament consider bringing digital wallets inside the FCA's regulatory perimeter, as the US and Australia have done with their financial services regulators.

Issue 3: The risk of financial services firms' upstream partnerships with big tech firms becoming concentrated and limiting the bargaining power of financial services firms

The FCA is concerned that big tech firms' upstream and downstream power have the potential to be self-reinforcing.

The FCA's says its next steps are:

- to continue monitoring big tech firms' activities in financial services to assess whether policy changes are needed to mitigate competition harms.
- the identification and piloting of use cases to empirically test whether big tech firms' data from their core digital activities would be valuable in retail financial markets. It is examining the case for developing a framework for data sharing in Open Banking and Finance.
- if it finds that big tech firms' data is valuable, the FCA will examine how firms' incentives can be aligned to share data where this is valuable to the entire data sharing ecosystem to achieve good outcomes for consumers.
- work closely with the Payments Systems Regulator on understanding the risks and opportunities associated with digital wallets.

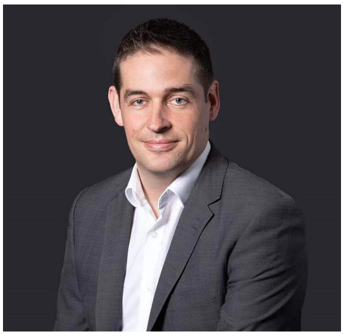
‹ Previous
The Financial Conduct Authority's approach to AI regulation

Next ›
Final FCA anti-greenwashing rule guidance published

Contents

- The Word, May 2024 →
- The Financial Conduct Authority's approach to AI regulation →
- The FCA comments on competition between big tech firms and financial service firms →
- Final FCA anti-greenwashing rule guidance published →
- The European Accessibility Act: Inclusive products and services →
- From products to protection: The rise of embedded insurance →
- Updated UK Consumer Wordings Guidance: Browne Jacobson collaborates with the LMA →

Key contact



Tim Johnson

Partner

tim.johnson@brownejacobson.com

+44 (0)115 976 6557

Related expertise

Sectors

Financial services

FinTech

Technology

© 2025 Browne Jacobson LLP - All rights reserved