International Regulatory Strategy Group (IRSG)

RESPONSE TO THE HOUSE OF COMMONS PUBLIC BILL COMMITTEE'S CALL FOR EVIDENCE ON DATA (USE AND ACCESS) BILL

Introduction

The International Regulatory Strategy Group (IRSG) is a joint venture between TheCityUK and the City of London Corporation. Its remit is to provide a cross-sectoral voice to shape the development of a globally coherent regulatory framework that will facilitate open and competitive cross-border financial services. It is comprised of practitioners from the UK-based financial and related professional services industry who provide policy expertise and thought leadership across a broad range of regulatory issues.

The IRSG welcomes the opportunity to respond to the House of Commons Public Bill Committee's call for evidence on the Data (Use and Access) Bill ('**the Bill**'). The Bill is an important step to modernise and improve the UK legislative framework for data. At present, the UK data landscape is primarily governed by the UK General Data Protection Regulation (UK GDPR), supplemented by the Data Protection Act 2018 (DPA 2018).

The UK's technology landscape is also evolving rapidly. The government must tailor the legacy framework inherited from the EU for the UK's unique environment, and update existing regulations to ensure our data regime remains internationally competitive while maintaining the high levels of personal data protection that we currently enjoy.

The financial and related professional services industry is effectively a digital industry, given the central role that technology and data play across its ecosystem. Data is a vital asset to firms and underpins their ability to innovate, supports better and more efficient decision-making, enhances risk management, and enables more personalised solutions for consumers.

The industry was closely engaged with the previous UK data bill, the Data Protection and Digital Information Bill (DPDI Bill) introduced by the Conservative Government in 2022. While we welcomed many of the provisions in the DPDI Bill, the complicated way it was drafted added additional complexity for businesses. However, that bill contained a number of opportunities to enable our industry to harness the power of data for economic growth. We are pleased to see the government has carried these over in the new consolidated Bill, bringing forward key provisions crucial for the competitiveness of the UK economy. By facilitating secure data sharing and promoting transparency, the Bill paves the way for enhanced trust between consumers and financial institutions, ultimately contributing to sustainable economic growth and the well-being of society at large.

Key opportunities: Safeguarding Britain's economy and services

Digital verification services

The Bill will lay out a framework for the introduction of a regime for secure digital verification services (DVS). This will support the National Payments Vision (NPV), which explicitly indicates support for the Department for Science Innovation and Technology's (DSIT) work to "enable the use of safe and trustworthy digital identity products." The government estimates that the widespread adoption of DVS could generate a potential £4.8bn in added value between 2024 and 2030.[1] DVS is an area of high growth, with the potential for 'hyperscalers' to deliver widespread adoption.[2] Financial services are a priority sector for the adoption of these services. The growth of DVS is not only desirable but necessary to allow firms to provide augmented solutions that keep pace with changing customer and business demand for data.

In particular, DVS would enable significant opportunities for the industry to harness the potential of data to fight economic crime. Economic crime, such as fraud, is a barrier to UK growth. According to the Economic Crime Survey 2020, around one in five businesses have been a victim of fraud in the past three years, and 46% of businesses that experienced fraud had experienced more than one incident.[3] The City of London Corporation estimates DVS solutions could safeguard against £3bn in fraud losses and deliver nearly £500mn of value added to the economy annually throughout the remainder of the decade.

For example, a 'digital corporate ID' could provide a robust method for authenticating the identity of businesses through standardised and verified business information that is interoperable with other financial systems for data cross-referencing. This would help thwart potential criminals from entering the financial services systems they need to perpetrate their scams. Digital corporate IDs could also facilitate improved due diligence and regulatory compliance to combat fraud. For example, Mitek Systems found that digital identity solutions could reduce know you customer (KYC) costs for financial institutions by up to 70%.[4] More recently, the Centre for Finance, Innovation and Technology (CFIT) reported that a Digital Company ID could deliver more than a 50% drop in the current costs associated with business verification and bank know your business (KYB) procedures for financial institutions. This would support enhanced security across businesses of all sizes[5]. DVS can also harness other technologies, such as AI, to further improve fraud detection, allowing businesses to keep pace with evolving fraud tactics. Legal and regulatory certainty around the approach, governance and model for DVS is key to unlocking these opportunities. Crucially, by providing more robust methods for authenticating and verifying identities, DVS can also play an important role in enhancing the UK's national security.

Smart Data

The Bill will also lay out a framework for 'Smart Data' schemes, enabling service providers to share customer data securely with authorised third parties at the consumer's request. Building a smart data economy could unlock £149bn of organisational efficiency and £66bn of new business and innovation

[1] The City of London Corporation, 'Vision for Economic Growth — a roadmap to prosperity', (September 2023), available at: theglobalcity.uk/PositiveWebsite/media/Research-reports/Vision-for-Economic-Growth-—-a-roadmap-to-prosperity.pdf
[2] Large-scale data centre operators like Amazon Web Services, Microsoft Azure, and Google Cloud have the potential to accelerate widespread adoption due to their scalability, reliability, and advanced technological capabilities.
[3] Home Office, 'Economic Crime Survey 2020', (May 2023), available at: Economic Crime Survey 2020 - GOV.UK
[4] Mitek, 'European Digital Lenders: How operating efficiency is helping digital lenders attack a $150 billion annual origination market across the Eurozone in 2018', (2018), available at: European Digital Lenders | Mitek
[5] CFIT, 'Fighting Economic Crime Through Digital Verification: The Case for Adopting Digital Company ID in the UK', (March 2025), available at: cfit.org.uk/wp-content/uploads/2025/03/CFIT-Blueprint-Report-March-2025-Final.pdf

opportunities for the UK economy[6]. For the financial and related professional services industry, this is a vital step to build on the UK's success in open banking and extend similar data-sharing principles to other sectors, paving the way for open finance. Enhanced data mobility can drive competition, improve customer experience, and lead to the development of new financial products tailored to individual needs. CFIT estimates that open finance could generate over £30bn of growth in the UK economy by boosting lending to SMEs, supporting people to access financial advice, and improving productivity[7]. The wider data economy drives investments worth 3% to 6.7% of UK economic activity, with smart data playing an integral role in enhancing investment and fostering innovation through open banking. Unlocking further investment in smart data and encouraging this innovation will drive an increase in UK productivity and long-term economic growth.

We support the FCA's new role as the lead UK regulator for open banking, as established under the NPV and supported by provisions in the Bill. To designate the appropriate regulatory framework for open banking, the FCA will need to engage extensively with the industry. Therefore, the statutory framework in the Bill should avoid being too rigid as new, uncontemplated business models may emerge.

Implementing smart data will present a significant cost for firms, especially in the initial stages. While we believe that the long-term benefits and efficiencies that initiatives such as open finance can bring to firms justify the upfront costs, the government and regulators must take costs into account when designing rules and timelines for smart data adoption.

Challenges: upholding the free flow of data internationally

Whilst the Bill will unlock opportunities for the UK economy, the government must take care not to jeopardise the EU-UK data adequacy decision, which is currently up for review ahead of its expiry on 27 June 2025. The free flow of data is crucial to the competitiveness of the financial and related professional services industry. Financial services, in particular, is one of the most digitalised, globalised and regulated industries. TheCityUK estimates that in 2023, 96% of UK financial exports were delivered digitally.[8] The IRSG responded to the inquiry by the House of Lords European Affairs Committee on data adequacy in May 2024, highlighting the importance of the free flow of data between the EU and the UK for our industry.[9]

The EU's current adequacy decision for the UK's data protection framework, and the UK's reciprocal adequacy for the EU's framework, are designed to ensure that consumers' personal data is treated safely and responsibly in both jurisdictions. The European Commission's June 2021 decision to grant UK data adequacy allowed the continued free flow of personal data between the EU and UK, and provided much-needed legal certainty for businesses. This decision was and remains hugely beneficial to UK and EU-based firms. A disrupted or non-adequacy scenario would have a

[6] RAND, 'The Digital Catapult and productivity A framework for productivity growth from sharing closed data' (September 2015), available at: 'The Digital Catapult and productivity: A framework for productivity growth from sharing closed data | RAND
[7] CFIT, 'Embracing the UK's Open Finance Opportunity' (February 2024), available at: CFIT-Open-Finance-Blueprint.pdf
[8] TheCityUK calculations based on ONS 'Imports and Exports of services by country, by modes of supply' (2023).
[9] IRSG, 'International Regulatory Strategy Group submission - House of Lords European Affairs Committee: Call for evidence on data adequacy', (May 2024) available at : https://committees.parliament.uk/writtenevidence/130144/pdf/

considerable negative impact on the financial and professional services industry on both sides; the UK and EU-based financial services industries require urgent clarity in relation to the UK's continued data adequacy status. The industry needs a decision to be taken as soon as possible, to avoid a potentially costly cliff-edge scenario.

While, at the time of the DPDI Bill, the IRSG concluded that this did not present an immediate threat for data adequacy, we observed that there were some aspects in the new UK data protection framework that may increase scrutiny from the EU. It is reassuring to see that many of these aspects have been omitted from the Bill. Nonetheless, we encourage the government to continue to maintain a regular dialogue with EU counterparts, explain the changes to the UK data protection framework and reassure them of the UK's continued commitment to robust data protection standards.

The UK's current situation represents the only instance where an EU data adequacy decision has been granted subject to a sunset clause. We understand that the EU undertakes a process of periodic review of its data adequacy determinations, but the UK's sunset clause is unique. The improvement of EU-UK relations following the reset announced by the government should provide the impetus for the EU to take a more consistent approach to the UK's data adequacy determination in future, namely without the inclusion of any arbitrary sunset clauses.

In the longer term, we encourage the government to explore multilateral agreements with international partners, including the EU, supported by wide-ranging codes of conduct and certifications, and work towards an international framework to promote the free flow of data with trust. Our previous recommendations can be found in the IRSG report on the future of international data transfers. We would be happy to discuss how these recommendations apply in 2025.

Other comments

As drafted, Clause 103 of the Bill states that a supplier must raise a claim for breach of statutory duty in connection with personal data relating to the data subject within 30 days from when the supplier knew—or ought to have known—about the breach. A one-month deadline would be more suitable to align with Article 12 of the UK GDPR.

Conclusion

The financial and related professional services industry plays a key facilitating role in the UK's economic development and global competitiveness, and, in the global digital economy, this is reliant on timely access to data. We welcome the timely proposal of a new Bill that includes several favourable components of the previous DPDI bill. We recommend that the government seeks to secure its rapid passage through Parliament. Enabling the financial and related professional services industry to leverage data is crucial to delivering economic growth and unlocking the approximate £10bn economic growth this Bill is expected to generate over a 10-year period. We look forward to continuing our engagement with government and regulators on opportunities in this space.

Contact address: *IRSGSecretariat@cityoflondon.gov.uk*