

Identity verification may reduce cost of compliance by up to 70% for digital lenders

Autonomous NEXT whitepaper finds lenders deploying AI-powered identity verification could reduce Know Your Customer (KYC) and Anti-money Laundering (AML) costs by up to 70%, and improve speed by 80%

San Diego, USA and London, UK, **Under embargo until 7am Monday 19th November 2018** – A whitepaper released today by [Mitek](#) (NASDAQ: MITK), authored by Fintech research practice [Autonomous NEXT](#) found that the opportunity is ripe for digital lenders to grow – if they continue to invest in digitisation.

The whitepaper, entitled ‘*European Digital Lenders: How operating efficiency is helping digital lenders attack a \$150 billion annual origination market across the Eurozone in 2018*’, looked into the state of the digital lending market in Europe. It found that while European digital lenders are growing quickly, digital share is still low relative to the addressable market opportunity. Efficient onboarding and servicing using digitised workflows, such as digital identity verification technology, are being used by both new entrants and incumbents to boost competitiveness – ensuring regulatory compliance, improving speed, and reducing the cost of customer onboarding.

“The digital lending sector has grown dramatically in the last few years and is a great example of how technology can democratise access to financial services. But banks still dominate lending, and digital-first lenders are struggling to provide loans on better terms than their traditional rivals given high cost of capital,” said Lex Sokolin, Global Director Fintech Strategy at Autonomous NEXT. On the state of the market, Lex adds: “Our report found that venture capital investment is still flowing into the space and is set to hit \$800m in Europe. The UK alone has originations of over \$6bn, and Europe-wide, the addressable market is \$150bn – with current digital lender revenues estimated at \$400m. Moreover, the market shows impressive originations growth, with a 60% CAGR since 2013.”

The report found that onboarding times have been drastically reduced in the digital world – from six weeks to a matter of minutes – but acquisition costs remain at \$300 per customer. A KYC and AML check could cost as much as \$150 per customer when fully loaded for bank cost. Additionally, the cost of their capital is preventing digital lenders from competing with incumbent banks on price – but this cost isn’t likely to be reduced anytime soon.

However, it’s not all doom and gloom: digital lenders should harness their lower operating costs to their advantage. Reducing costs is paramount if digital lenders are to offer a real alternative to traditional banking providers. Where digital lenders must also play catch up is with security – and digital identity verification has the potential to be the tool to make this happen.

“For digital lenders, mandatory KYC and AML checks are still largely manual, building delays and inefficiencies into the onboarding and vetting process,” said Rene Hendrikse, EMEA MD at Mitek. “The solution is investing in digital identity verification (IDV), powered by AI technologies, which provides an opportunity to massively enhance the efficiency of the onboarding process in terms of both speed and cost reduction. In fact, the report found that digital IDV solutions can help reduce KYC and AML costs by up to 70% – and could potentially improve the speed of these checks by 80%.”

“Fintechs and digital lenders in particular need to ward off inefficiency and drive the best possible customer experience,” adds Hendrikse. “Identity verification technology could give digital lenders the competitive edge they need, and may help them take market share away from traditional lenders.”

About Mitek

Mitek (NASDAQ: MITK) is a global leader in mobile capture and digital identity verification solutions built on the latest advancements in AI and machine learning. Mitek’s identity verification solutions enable an enterprise to verify a user’s identity during a digital transaction, which assists financial institutions, payments companies and other businesses operating in highly regulated markets in mitigating financial risk and meeting regulatory requirements while increasing revenue from digital channels. Mitek also reduces the friction in the users’ experience with advanced data prefill and automation of the onboarding process. Mitek’s innovative solutions are embedded into the apps of more than 6,100 organizations and used by more than 80 million consumers for mobile check deposit, new account opening and more. Learn more at www.miteksystems.com.

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