

Safer connections: How data networks help you manage your financial data



Millions of consumers of all income levels use “FinTech apps” on mobile phones and computers to monitor and manage their finances and conduct financial transactions. You’ll likely recognize brand names for some of these popular financial tools, such as Mint, PayPal, Venmo, Robinhood, Betterment and Chime. Big banks and other financial services, like brokerages and insurance companies, typically have their own apps.

Using the right financial technology tools for your needs can help you make payments, invest, budget, save money, and view your financial “big picture” at a glance. Access to safe, sound and well-designed financial technology has been shown to help consumers improve their finances.

Most FinTech apps offered by non-banks ask you to connect them to one or more of your bank, credit union and other financial services accounts so that they can do what they’re designed for. As an example, you would need to connect your bank account to a money transfer app to send funds to someone, and you’d have

to connect various accounts (checking, credit card, savings, etc.) to a budgeting app to create summaries of what you’ve earned and spent. To use an app that helps you invest in the stock market, you’d need to “fund” the app so you can buy investment products, like stock or mutual fund shares.

Safer connections

Typically, you link your account(s) when you first set up the app. After you accept the option to “connect” with your account or bank, you’re asked to enter your financial institution account

login credentials (username and password). This step establishes that you are the legitimate account owner, and gives the app access to data from your linked account(s).

Many banks and FinTech apps have formed partnerships with data networks (also called data aggregators)—companies that help connect third-party apps to users' financial accounts without users having to give each app their account login credentials. Data networks help you by encrypting your data and establishing a secure connection between your bank and the app you want to use. This is seen as a safer way to connect your bank account to third-party apps. Many banks display your existing connections to third-party apps in a "dashboard" or under a "security" section of your online account, so customers who are logged in can see where they've linked accounts. (This information is displayed differently by different banks, so ask your bank how you can find it.)

Benefits of consumer control

Data networks often enable users to control the information they share. For example, instead of giving access to all your accounts held at one bank, you might have the opportunity to choose specific accounts you want to connect to the application—for example, just your checking account, or your checking, savings and credit card accounts.

It's not always necessary or advisable to share everything—depending on the function of the app (for example, to transfer funds to other people, or to monitor earnings and spending), you might be able to limit account information you share. Pay close attention to the options presented to you, so that you make wise choices about what data to share and you understand what kind of control—if any—you have over your data.

While having a data network involved separates your banking credentials from the apps you want to connect to, make sure that you understand the terms and conditions under which the data network stores and uses the information it holds about you. This is important because

different data networks have different privacy and data-use policies.

Any data you share with a third party will be governed by the third party's privacy and data retention policies. Always review the company's privacy policy and terms before sharing your data.

Online banking dashboards

With so many new FinTech apps vying for your attention, you might sign up and connect your accounts to some you find aren't useful. It's important to disconnect these from your financial accounts if you aren't using them. Disconnecting FinTech apps ensures that you only share your financial data when you receive a service for it in return.

A growing number of banks are working with data networks and aggregators to offer a "dashboard" to their online banking customers that enables them to monitor who has access to their accounts, control what is shared, and rescind account access for apps they no longer want to use. However, in most, if not all, cases, the only apps that will appear in the list are those that have agreed to access your financial data only through the bank's secure connection. It's not easy (or perhaps even possible) to know ahead of time whether your bank and an app you're interested in have such an agreement; the only way to find out is to sign up for the app, and then check your bank's security dashboard to see if it appears.

If your bank does not have a relationship with the application or data network, that company (app) won't appear in the dashboard list; you would need to go directly to the third-party app, or to the aggregator dashboard (see next section), to manage your data sharing preferences, including revoking access to one or more of your



accounts. If you cannot find this application in either your bank or aggregator dashboard, then you may need to change your password as a last resort. (If you do this, you will need to update the account password in all the other apps you wish to continue using.)

Be aware that revoking access does not mean that the app cannot retain your data that it previously collected. Read the app's privacy policy to understand the company's terms and practices.

Aggregator dashboards

Standalone "portals"—those accessible outside of an online banking platform or third-party app—are being developed by at least one major data network, Plaid, to give consumers a secure, central location to manage the financial data they've shared using the Plaid data network. Consumer tools like this are part of a move toward "open finance," the concept that consumers should be able to access, use and benefit from their own financial data. Open finance aims to give consumers control over their data, including the authority to share your data with a third party you authorize in order to benefit from that company's product or service or to facilitate financial activities (for example,

having your tax returns and income information made accessible to a mortgage lender to streamline the loan application process). This also is seen as a way to allow consumers to find the best financial services and to allow companies to compete in offering those financial services.

Tips for FinTech users

- Read the app's and, if available, the data network's terms and privacy policy to find out how your data could be used (shared, sold, etc.). Don't use an app if you're not satisfied with its transparency or the way it accesses and uses your data.
- When you connect an app to your account, make sure you are logging in directly on your financial institution's website, not providing your login credentials to the app.
- Limit financial data sharing; only link the accounts that are essential for the app to function.
- If your bank or a data network offers a dashboard for managing app access, use it.
- Opt in to receive notifications from your apps and financial institutions so that you know when there are new tools or options available, and to be aware of any changes in terms.
- Lock out apps you no longer use by revoking access through a dashboard or portal, or by changing your account username and password. (Deleting the app isn't enough!)

For more about data sharing and control, read Consumer Action's ***Understanding the data networks that help you connect your bank account to FinTech apps*** (https://consumer-action.org/english/articles/Data_Networks).

About Consumer Action

www.consumer-action.org

Through education and advocacy, Consumer Action fights for strong consumer rights and policies that promote fairness and financial prosperity for underrepresented consumers nationwide.

Consumer advice and assistance: Submit consumer complaints to: www.consumer-action.org/hotline/complaint_form/ or 415-777-9635. (Spanish-language complaints can be submitted to: <https://complaints.consumer-action.org/forms/spanish-form/>.)

Our hotline accepts calls in Chinese, English and Spanish.

© Consumer Action 2021

About this publication

This guide was created by Consumer Action with funding from Plaid.

