

Use of Big Data by financial institutions

What do you need to know

- Banks, insurers and investment firms increasingly use Big Data technologies to process huge amounts of data, including personal data. This could allow them to know you better as a customer and potentially to provide you with products, more adapted to your needs.
- Financial services using Big Data techniques can benefit you, but this may not always be the case. Financial services companies may misinterpret your data and end up offering you the wrong product or excluding you from a service.
- As a customer, you have rights when it comes to sharing your data with financial institutions.
- You need to make sure that you understand your rights, the benefits, risks and key features of these services and how your data may be used (e.g. be aware of the use of your personal data in case of box-ticking agreements).

What is Big Data?

If you chat with your friends online, use an app on your smartphone, or use a payment card, you create a flow of data. Big Data consists of the use of highly developed IT tools to process very large sets of different types of data.

Big Data may include consumer data from web pages, social media, internet browsing history, smart phone signals or data generated by using a payment card.

For example, using Big Data technology, a financial institution could link your social media information with financial data about your savings activities. Financial institutions could therefore use this information to understand better your savings and investment habits.

Financial institutions increasingly apply Big Data to everyday life financial services and will continue to do so in the future.

To get the most from financial products and services using Big Data and to make informed decisions, you should make sure that you are fully aware of the benefits and risks that these financial services and products may offer you. You should also ensure that you understand the key features of Big Data-based services and products including how your data is used in their development, to make informed decisions.

What benefits could Big Data bring you as a consumer of financial services?

Financial services that help you

Big Data may allow financial institutions to offer you more tailored products and services more adapted to your needs.

For example, the use of Big Data techniques could enable your insurance company to warn you that your insurance policy does not cover the

parachute jump, which you recently announced on social media.

Better protection against fraud

Big data applications could help your bank detect when someone is attempting a fraudulent payment. If, for example, someone tries to make a false electronic payment on your behalf from abroad, your bank might be able to use a location application to recognise that you are in a different country to where the payment is being attempted and the bank could block that payment.



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How to protect your rights:

- Control the personal information you share with your financial institution or publicly online, including on social media.
- Check your privacy and data protection settings and make sure they are set to a level of security that meets your needs.
- Only consent to the processing of your data, if you are comfortable with the provider and how it will use your information. If in doubt, request clarification.

If you think that your personal rights are not respected, you can:

- Use your right to object to the processing of your data for marketing purposes. This could spare you from receiving unwelcome or aggressive advertisements.
- Submit your complaint to the respective service provider.
- Or if needed: Submit your complaint to your **national complaints handling body** and/or your **national data protection authority**.



Risks of Big Data in financial services

You should be aware that Big Data techniques also carry risks, which can have a negative impact for you:

- Big Data tools can contain errors. For example the tracking of the movements of a health care professional on a night shift could be incorrectly interpreted as an indication of an unhealthy lifestyle. As a result, that person could find it difficult to get a loan.
- Big Data can allow insurers to know your risk profile better. This means, for instance, that owners of homes in flood-prone areas may have additional difficulties to get home insurance coverage.
- Financial service providers can use their increased knowledge about you to send targeted offers, which could result in you buying services or products that you do not really need.
- Big Data can lead to highly tailored financial products and services with many different features. This may potentially make it more difficult for you to compare products and decide which one suits you better.

How are you protected?

A number of rules have been established to reduce these risks and aim to protect you. These are some of the most important ones:

- The processing of your data mostly requires your clear, specific and freely given consent.
- Financial service providers are obliged to ensure that the information they provide you on their services and products is clear and not misleading.
- Financial service providers are obliged to act honestly and fairly when using Big Data to create services and products and also when using big data to sell those services and products to you.
- Financial service providers have to take strict security measures to protect your data from hackers and other cyber threats.

Improved access to financial services

Big Data applications could, for instance, help a young couple with a limited credit history to complete its thin credit file and in so doing improve their access to loans.

Likewise, young inexperienced drivers who install telematics devices in their cars could also benefit from lower insurance premiums, if they drive responsibly, as insurance companies will be able to check and analyse their driving habits.

