

## Account Verification Services

### Case study: The facts and fiction behind “industry leading” services

Ben Britz, Solutions Strategy Executive at Transaction Capital Transactional Solutions (TCTS), unpacks the myths around “industry leading” claims made about Account Verification Services. A well-designed matrix can help factually verify whether “industry leading” positioning is authentic, or mere marketing hype.

#### INTRODUCTION

A recent product promotional post on LinkedIn got me thinking about what can be verified factually when a company posts that they offer: “industry leading” Account Verification Services.

By using the phrase “industry leading” (rather than similar frequently used terms, such as class leading or unique proposition), the promoting party aims to paint an image of a superior offering in every dimension of perceived value, relative to every other bank, fintech and payments aggregator in South Africa. And let us be upfront, many companies advertise, at least to some degree, marketing spin and hype of how great and innovative their products or services are, comparative to the rest.

Companies often claim they have an *industry leading* product or offering. This article aims to provide insights regarding:

- *The problem and impact of identification fraud within the EFT payments and collections space.*
- *The products and services available to combat this.*
- *Brief history of the formation of the AVS service and its evolution to its current state.*
- *Marketing hype and how to discern facts from fiction.*
- *What is truly industry leading?*
- *What makes AVS AMPLIFIED industry leading?*

#### SYNOPSIS OF THE PROBLEM AND QUANTUM THEREOF

A leading business news website reported that online banking payment fraud amounted to R310m in 2020.

At the same time, the value of debit order-related losses, when trying to collect funds from the wrong bank account (often facilitated by identify theft), is unknown. Let us use a realistic number of R190m as a data point. Thus, a combined market impact of R0.5bn - and this only quantifies the reported incidents.

*R750m per year is lost to fraud on EFT payments and debit orders.*

The estimated impact is close to R750m per annum when factoring in unreported (or unknown) incidents. With the problem statement defined and quantified, we can consider the products and/or services which banks, FinTech’s and payment aggregators offer to combat this risk.

#### PRODUCTS AND SERVICES TO COMBAT FRAUD

Most banks (but not all) offer a service to combat bank account accuracy and ownership fraud – commonly known as Account Verification or Account Holder Verification services (AVS). AVS as a service offers validation of bank account ownership (by verifying ID Number/Company Registration Number details linked to the bank account number on record at the bank) and various other verification attributes (including whether the bank account is open, active, can accept debits and credit as well as cell phone and email detail matching).

Banks also enable Fintechs and payment aggregators to offer this service to their clients, however, only banks can verify banking account information held on their platforms.

### HOW DID AVS ORIGINATE AND EVOLVE?

Initially, Bank Account Validations were performed manually by banks and at great cost to end users. This service was used by companies who needed to perform extra validation on banking details provided to them usually for high value payments. Given that this was a manual process, turnaround times were slow, and the service limited to banks validating only those accounts which they held i.e. “On-U.s transactions” only.

In more recent years we experienced the emergence of AVS (Account Holder verification Services) which is an upgrade to the manual “Account Validation” processes previously facilitated by the banks. AVS brought with it the added benefit of end users being able to electronically submit verification requests to their acquiring banks using various online or integrated channels (batch or real-time) to verify a broader range of account attributes and account holder details with the purpose of reducing fraudulent transactions due to identity theft.

The AVS service is accessible to all companies and merely provides an ability to confirm whether the data the company has on record matches what the bank has on record. It is assumed that if it matches there is a higher probability of accuracy and integrity.

The question that therefore arises is what is considered Industry leading when laying claim to the phrase?

### “INDUSTRY LEADING” – MARKETING HYPE OR SUBSTANTIATED POSITIONING?

To validate fact versus hype contained in promotional messaging, we must determine how the average person/company would evaluate the accuracy of such a statement. The obvious solution would be to craft a basic guideline (or fact checker) matrix.

Refer to the simplified fact checker matrix to evaluate the generic AVS offering:

Differentiation Matrix	Current Differentiation	Commentary and Insights	Primary Inhibitor or Enabler
Functional Differentiation	✗	Regulated function points to ensure interbank operability. Identical for all participants.	AVS only offers Yes or No indicators, not actual information.
Cost Differentiation	✓	Everyone can differentiate on pricing. Some use it as a loss leader.	Interbank related costs drive price points for all payers.
Channel Differentiation	?	Various input and output channels, with different touchpoints. All can offer this including inter-operability.	Online, SFTP, API, Batch & Business Process Outsourcing.
Performance Differentiation	✗	Regulated SLAs for real time (120sec) and batch (120min) processing standards.	Other than channel; performance and stability, true differentiation not possible as it is dependent on individual banks.
Customer Support	✓	All companies can differentiate on this.	Unless validated, industry leading remains subjective

The matrix illustrates the risk of hype versus fact contained in the term “industry leading,” due to the limited scope for differentiation in this space. Each market participant delivers a set of standard outputs which have been pre-defined by Bankserv (on behalf of participating banks).

### WHAT IS TRULY INDUSTRY LEADING?

Industry leading is achieved either through independent endorsement from users in the market being served or through an ability to actively display innovative differentiation against a baseline service or standard which in this case is the generic AVS service offered by numerous competing participants within the industry i.e., Banks, FinTech's etc.

### INTRODUCING - AVS AMPLIFIED

**Transaction Capital Credit Health** have developed enhanced capabilities which amplify the generic AVS service available in the market. Specific focus is placed on solving challenges related to cell phone and email information, which is often inaccurate, outdated or verified against incorrect records held on third party platforms including Banks.

### WHAT MAKES AVS AMPLIFIED MARKET LEADING?

The AVS AMPLIFIED solution independently sources, enriches and verifies contact details on most credit active consumers in South Africa, in a compliant and responsible manner.

This information is added to the generic AVS Yes or No indicators, thereby providing a superior independent data exchange service that is not reliant on banks, credit bureaus or any other third parties.

This results in a truly industry leading and functionally unique proposition in South Africa.

### Normal AVS versus AVS AMPLIFIED:

Normal AVS Service		AVS AMPLIFIED	
Data Element	Verification Response	Data Element	Verification Response
Account Found	Yes or No	Account Found	Yes or No
Account Open	Yes or No	Account Open	Yes or No
Account Type Match	Yes or No	Account Type Match	Yes or No
Identity Match	Yes or No	Identity Match	Yes or No
Initials Match	Yes or No	Initials Match	Yes or No
Name Match	Yes or No	Name Match	Yes or No
Accepts Debits	Yes or No	Accepts Debits	Yes or No
Accepts Credits	Yes or No	Accepts Credits	Yes or No
Open 3 Months	Yes or No	Open 3 Months	Yes or No
Email Match	Yes or No	Email Match	Yes or No
Phone Match	Yes or No	Phone Match	Yes or No
		<b>Primary Number</b>	<b>00 000 0000</b>
		<b>Alternate Number</b>	<b>00 000 0000</b>
		<b>Number Matched</b>	<b>Yes or No</b>
		<b>Number Confirmed</b>	<b>Yes or No</b>
		<b>Primary Email</b>	<a href="mailto:Joe.bloggs@workemail.com">Joe.bloggs@workemail.com</a>
		<b>Alternate Email</b>	<a href="mailto:Joe.bloggs000@gmail.com">Joe.bloggs000@gmail.com</a>
		<b>Right Time to Call Indicators: Enhanced with Probability Indicators</b>	<b>Early Morning Morning Afternoon Alter Afternoon Evening Weekends Public Holidays</b>



**Normal AVS does not provide any of this!!**

### CONCLUSION

Are there any other service providers currently capable of offering AVS Amplified capabilities? If the answer is no, then it is fair to assume it to be "Market Leading."