Tink's guide to

account verification solutions

How common account verification methods work (or don't) – and how you can improve this process.

tink

A Visa Solution

Bringing account verification methods to the digital age

Today's customers have very high expectations – and little time to waste. And their patience seems to be dwindling with each passing year. According to a study conducted by Sapio Research, abandonment rates for financial applications in Europe are going up, reaching 63% last year – a sharp increase from the 40% reported in 2019.

The speed and seamlessness of today's technology has led people to expect quick and intuitive experiences for any digital service. Sharing account details to set up direct debits or payouts should be as easy as booking a hotel and buying groceries online. But it's not.

Having to fill an online application for opening a new bank account, moving funds, or linking your account with a payment service can be a very cumbersome process. And it's not just bad for customers.

Existing account verification methods (which we'll lay out ahead), are often a pain point for companies too. They can be costly, time-consuming – and what's worse, not even that reliable.

It can be a hurdle that gets in the way of conversion and sends customers off into another direction. And just when you thought they were in the bag.

Businesses that don't yet provide a quick and secure account verification process for new customers need to get on it – preferably yesterday. And not just because it's cool, or it could save them some time and money. But because providing a friction-free experience in the onboarding or payment setup is critical – and could mean the difference between a struggling or a booming business.

In this guide, we'll go through the most common account verification methods used today, where they fall short, and how you can get a faster, safer, and easier solution.

Account verification: the basics

What is account verification?

Account verification is a process that lets you check if an account is owned by the person (or organisation) claiming to own it. It helps businesses ensure funds are coming or going to legitimate bank accounts, and determine whether a customer's source of funding is valid.

Why is it necessary?

In some cases, businesses are required to verify account ownership to comply with Anti-Money Laundering (AML) or Know Your Customer (KYC) regulations. In others, businesses might want to verify account ownership to reduce the risk of fraud, improve security, or avoid potentially costly errors.

When is it used?

Businesses often need to verify customers' bank accounts to get money in or out of their platform.

One common example is when setting up a direct debit payment for subscriptions – and making sure the right account will be charged.

Another is when onboarding customers or merchants in a marketplace business where they can sell things on your platform. You want to make sure the right people get paid.

What's the problem with it?

While it helps businesses avoid fraud and mitigate risk, the most common account verification methods used today aren't that great. They cause friction in the user experience (negatively impacting conversion), they're often costly (as they require manual processing) – and they're not even that safe.

Get to know the most common account verification methods

– and why they're not great

While verifying bank accounts can help businesses avoid some headaches, they've usually required some trade-offs. The process hasn't typically been super smooth or efficient.

Here are the most common verification methods used to date:

- **Micro-deposits**
- **Bank statement copies**
- **Unverified manual input**

Let's take a closer look at each one.

Micro-deposits

How it works

The micro-deposit method involves making one or two small deposits into the bank account specified by the customer to make sure it's valid (and actually owned by them).

The steps are usually as follows:

→ **The customer gives their account information.**

→ **Small deposits are made into the given account.**

→ **The customer waits 1-2 business days for the deposit to reach the account.**

→ **The customer logs into their bank account to get the deposit information.**

→ **They log in to the service that requires verification and specify the deposited amounts to confirm account ownership.**

→ **Account verified.** ✓

11:20

← Link a bank account ✕

🏛

Enter your account details

IBAN

Account number

Continue

11:20

Success ✕

📋

Return to this application in 2-3 business days

We've sent 2 small deposits (in the range of €0.01-€0.99) to your EXAMPLE BANK Current account ****0000.

After you receive the amounts appear in your bank account activity, come back here to confirm you own the account.

Continue

11:20

← Verify your account ✕

🏛

Enter the amount of the two small deposits

We've sent 2 small deposits (less than €0.99) to your bank account.

After the amounts appear in your bank account activity, enter them below to verify you own the account.

Deposit 1
€0,01

Deposit 2
€0,42

Confirm

11:20

Account verified ✕

✓

You have successfully confirmed your bank account

Done

This shows just a part of what this verification process might look like

Why it's not great

This method requires several steps from the customer, and usually with a few days' wait. This makes it easy for them to forget to check back in, or lose enthusiasm for signing up. If something goes wrong in the process, the customer will likely abandon it altogether – because it simply requires too much of them.

Businesses that have shared their pain points with this method have reported abandonment rates of 70-80% (from consumers – the number goes down to 40-50% for merchants). That's a lot of missed opportunities.

Then there's the fact that it can't really prove account ownership per se – it only proves the customer has access to the given account. So security-wise, it's not foolproof either.

Time it takes:

1-2 days

Drop-off rate:

70-80%

Security:

Questionable

User effort:

Medium

In short

This method has its merits. It's quite inventive, and does the trick in a low-tech sort of way. It's been around for years, and was clever and effective for its time. But when pitched against today's customer expectations for speed and convenience, it falls short.

It requires a lot of effort in part of the user (as well as the business). It's time-consuming, costly – and comes with high drop-off rates.

Bank statement copies
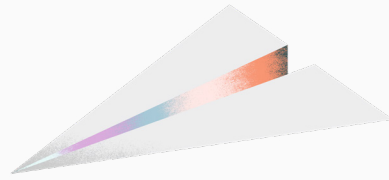
How it works

This verification method is based on customers sending in copies of their bank statements, as a way to prove they're listed as the account owner. Some businesses require sending in physical documents, while some let customers upload digital versions (or screenshots) of their bank statements.

It goes like this:

→ **The customer logs in to (or contacts) their bank to get their hands on a bank statement.**

→ **The customer either mails in their bank statement or sends a digital copy of it to the company needing to verify their account.**

→ **The company receives the documentation, and manually verifies if the information on the bank statement checks out.**

→ **Account verified.** ✓

🏛 **Example Bank**   **Bank statement**

ACCOUNT NUMBER: **10022321**
STATEMENT DAY: **01/10/21**   APPROVED
PERIOD COVERED: **12/01/2020 - 12/31/2020**

DAVID SMITH
1 London Road
EAST LONDON
E22 2TL

ACCOUNT SUMMARY

Beginning balance on 12/01/2020	€52,500.00
Deposits and other additions	€12,000.00
ATM and debit card substractions	€7,500.00
Other substractions	€22,300.00
Checks	€7,500.00
Service fees	€1,500.00
Ending balance on 12/31/2020	€45,500.00

TRANSACTIONS

DATE	DESCRIPTION	CREDIT	DEPOSIT	BALANCE
12/31/2020	Web Bill Payment - HOTEL		€2,300.00	€52,500.00
12/28/2020	ATM Withdrawal - MASTERCARD		€1,500.00	€50,000.00
12/27/2020	Interac Purchase - Electronics	€4,000.00		€48,000.00
12/24/2020	Telephone Bill Payment – VISA		€1,000.00	€49,000.00
12/23/2020	Mortgage Payment	€2,300.00		€51,300.00
12/23/2020	Fees - Monthly		€600.00	€49,000.00
12/22/2020	Web Bill Payment - Mstercard		€2,500.00	€51,500.00

Why it's not great

The effort of having to acquire and send in copies of bank statements can discourage a lot of people from completing the process. Then there's a long wait – typically 3-4 business days when handling digital copies, and 7-10 for paper. Businesses that use this method as a part of the onboarding have reported abandonment rates of up to 80-90% from consumers (and 50-60% from merchants).

If businesses are using paper documents, these are usually being handled by employees and stored. Any mismanagement can result in serious breaches of sensitive data.

And of course, with today's photo editing tools, changing numbers or names in a document can be done quite easily. This leaves a lot of room for potential fraud.

Time it takes:
3-10 days

Drop-off rate:
80-90%

Security:
Nominal

User effort:
High

In short

Once upon a time, this verification method was probably very reliable. But for today's standard, it's quite antiquated. Nevermind the fact that it's time-consuming and not really cost-efficient – ever since digital editing tools have been widely available, printed documents or screenshots don't have the same 'integrity' they once did.

The effort required of customers is also quite out of touch with the speedy and breezy experiences expected today – which is reflected in the high customer abandonment rates.

Unverified manual input*

→ If the customer is lucky, they can log in to their bank and get all the information they need. (If they're not lucky, their bank might not have their IBAN number available online. If that information is needed, they'll have to dig up old documents or contact their bank to get it).

→ The customer fills in their account details, needing to pay extra attention since long numbers are likely to be involved.

→ The business takes this information and either does an IBAN check to verify that the number is valid, or accepts it at face value (hoping no mistakes were made, and that the account really belongs to the customer).

How it works

Many businesses collect account information directly from the customer and skip the verifying. With manual entry, customers need to look up and (manually) fill in their bank account details. Then everyone just needs to hope for the best.

What it takes:

11:20 — Your company

Accounts

Current account   €3,235

[Verify account →]

11:20 — ← Verify account ✕

🏛️

Enter the following information to verify your account

Account holder name

IBAN

Account number

[Continue]

11:20 — ← Verify account ✕

🏛️

Enter the following information to verify your account

Account holder name
Anders Svensson

IBAN
SE45 5000 0000 0233 999 7466

Account number
1111 2222 3333 4444

[Continue]

11:20 — Account verified ✕

✓

You have successfully confirmed your bank account

[Done]

Why it's not great

Having to dig up their account information and then manually fill in forms is an annoying hurdle – it can lead half of all new customers to abandon the process (down to 20% for merchants). And since it involves long, hard-to-memorise numbers, people are more likely to make mistakes and submit incorrect information.

And there's no security to it, since the customer is providing an unverified bank source, leaving room for fraud, incorrect payment destinations, and lots of costly administration work in trying to clear up errors.

In short

As mentioned, this is more of a non-verification method. It's based on blindly trusting the user to give real information – and not make any mistakes.

And while this process requires less effort on the customer's side (at least compared to micro-deposits and bank statement copies) – it's still time-consuming and cumbersome. No one fills in forms, or goes chasing account numbers for fun.

Time it takes:
10-15 mins

Drop-off rate:
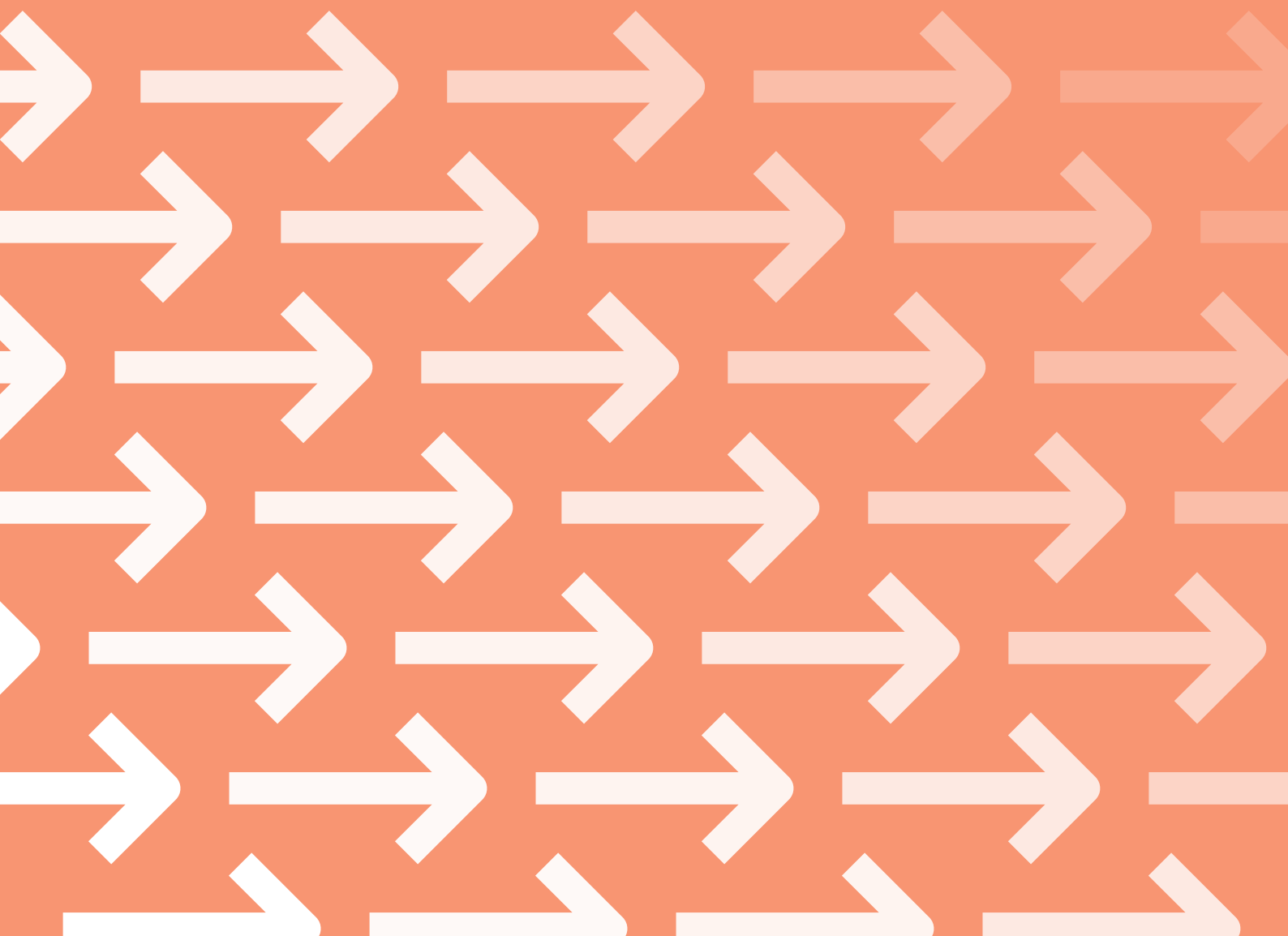Up to 50%

Security:
None

User effort:
Medium

Here's what you can do instead

There's a faster and easier solution, more aligned with today's expectations for digital services.
And it's safer too.

Using open banking to verify account ownership

Banks have always had the data needed to verify account ownership – it just hasn't been easily accessible until now. But with new capabilities made possible by open banking, account verification can finally catch up with the digital age.

With the new technology available today, account verification can be completed in an instant. And with just a few clicks. Customers can give access to their account information by connecting to their banks – so you can easily pull account numbers, IBAN or routing numbers, account holder name, and (in some markets) identity data.

Since the information is coming straight from the banks, this process is also safer than any other. There's no risk of edited documents, or even human error (like typos).

The result is a smooth – and ultimately forgettable – verification process. So quick and painless it's entirely unremarkable, instead of a barrier to entry.
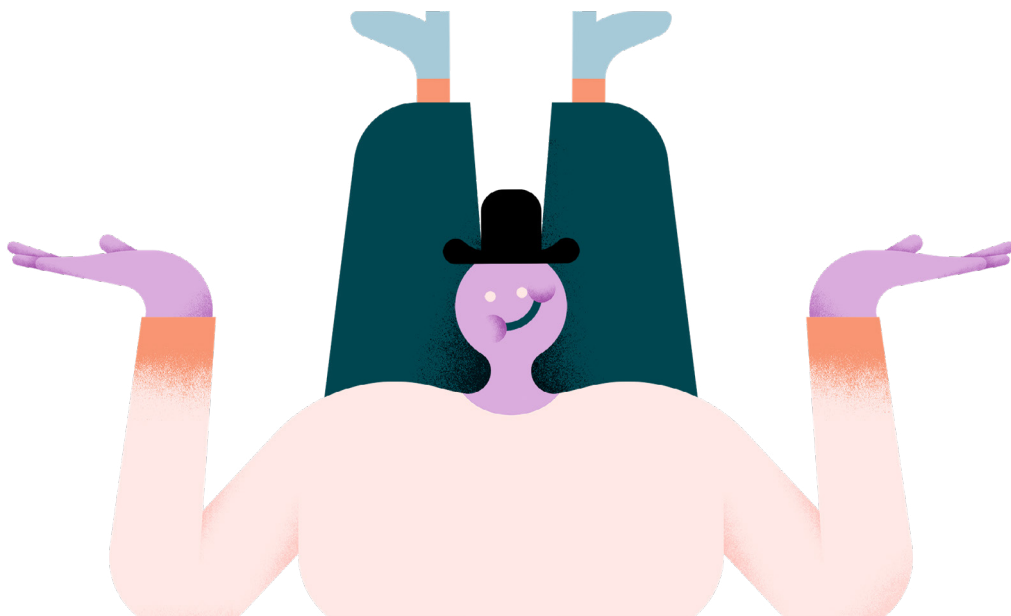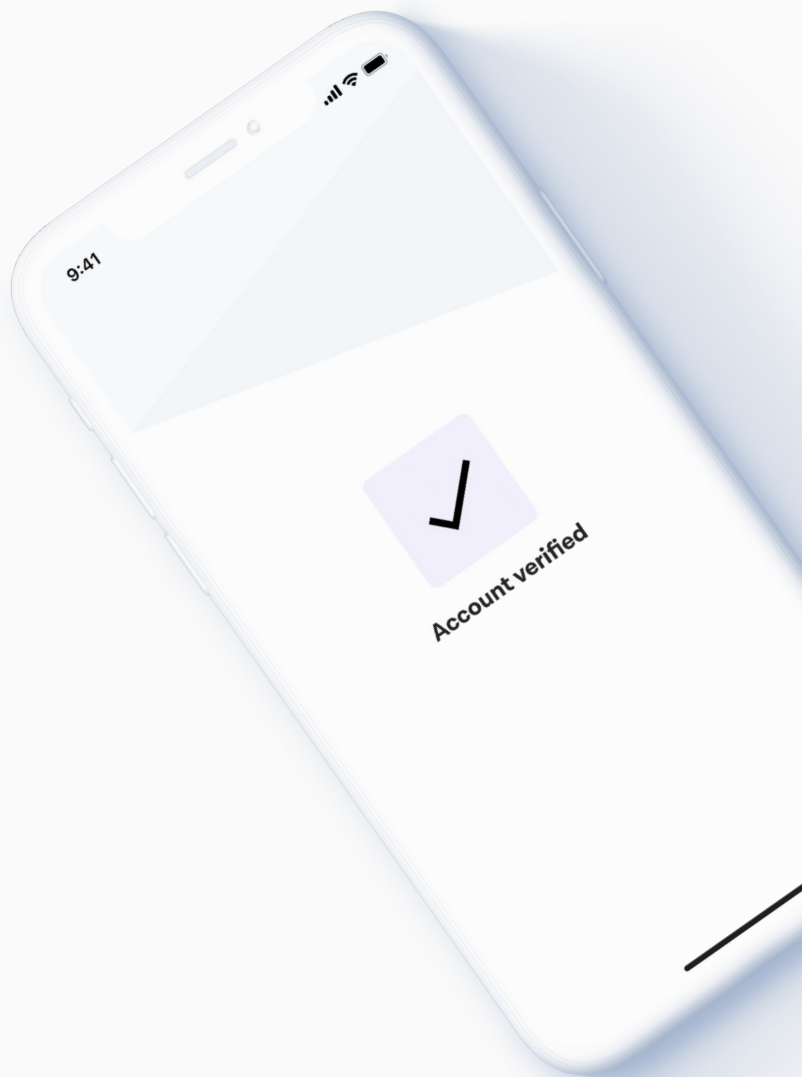
Account Check

Tink's account verification solution – powered by open banking

How it works

With Tink's Account Check, users can share their account information directly within your application. They just need to connect and authenticate with their banks, and their information is pulled automatically – completing the process in under a minute.

 The steps:

→   **The customer consents to sharing their data and authenticates with their bank (without needing to leave the app or environment they're in).**

→   **The information is fetched straight from their banks, and the business gets a report with the account details needed for verification.**

→   **Account verified.** ✓

The tech side

Account Check can easily be integrated with one line of code by using Tink Link, our front-end SDK. By implementing Account Check into your flows, your user will be asked to share their data and authenticate with their bank.

If the user consents, their account details will be fetched, and you'll get an automated JSON or PDF report with the required data. This process can be completed in under a minute.

The Account Check authentication flows also pass Strong Customer Authentication (SCA) requirements from the banks, so it's a very secure process.

Time it takes:
<1 minute

Drop-off rate:
10%

Security:
As good as it gets

User effort:
Minimal

Why it's better

Account Check doesn't just provide a smooth, user-friendly experience – it's faster, safer and more cost-efficient than the alternatives. It takes a few clicks, and gets results in less than a minute.

It removes several (if not all) of the pain points associated with account verification. There's essentially no friction for users, and no risk for businesses.

In short

Account Check doesn't just provide a couple of benefits over the alternative account verification methods. It outstrips them in every single way.

By taking advantage of open banking, it turns what was usually a cumbersome process – and big customer barrier – into an almost imperceptible experience.

To recap

	Micro-deposits	Bank statement copies	Unverified manual input	Tink's Account Check
Description	Getting small deposits, and confirming the amount received.	Sending in copies of bank statements to prove account ownership.	Manually entering account information (without any verification).	**Connecting straight to your bank to share verified account data.**
Time it takes	1-2 business days	3-10 days	10-15 minutes	**Less than 1 minute**
Drop-off rate	Up to 80%	Up to 90%	Up to 50%	**Around 10%**
Security	Questionable	Nominal	None	**As good as it gets**
User effort	Medium	High	Medium	**Minimal**

Account Check in practice

Here are some examples of what you can solve with Account Check – and how other companies are using it.

Simpler direct debit setup

Account verification is usually a required step for customers that need to link their bank accounts to use a payment service, or want to set up a direct debit payment (usually for recurring expenses, like subscriptions).

Account Check makes this process a lot easier, removing friction in the signup or payment. The account can be verified with a few clicks, without involving any documentation or deposits.

This helps businesses:

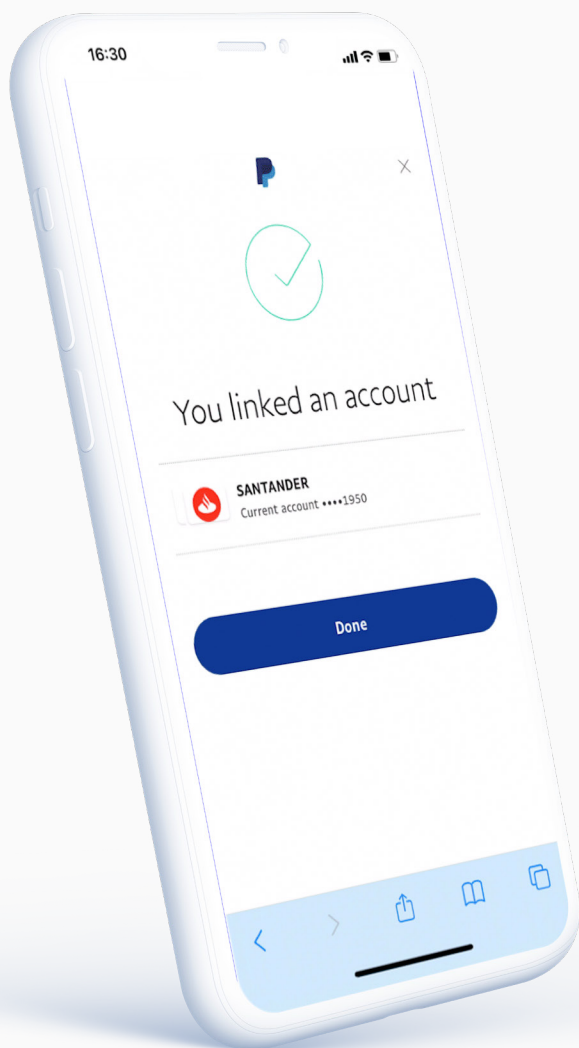**Increase conversion** by offering a seamless user experience.

Reduce risk by having reliable, verified data straight from the banks.

Boost efficiency by skipping the need for manual checks, or long waiting periods.

PayPal: improving onboarding with Account Check

To get started with PayPal's payment service, customers needed to link their accounts. They'd manually enter their account details and verify ownership through micro-deposits.

To streamline this process, PayPal partnered with Tink. By using Account Check, customers can connect to their banks and have their details automatically filled in and verified.

Customer onboarding became quicker – and easier. For everyone.

Improved payouts setup

Another common use for account verification is when customers need to give their account details in order to receive payments for their products or services (like in marketplace platforms). This can be consumers setting up personal accounts, or merchants setting up business accounts. It's important to verify ownership to make sure the money is going to the right place.

With Account Check, setting up these payouts becomes a lot easier. Since it can be verified instantly, no one needs to sit around and wait before they can start selling.

Much like before, benefits include increased conversion, reduced risk and improved efficiency.

Tradera:

streamlining payouts with Account Check

To start selling items in Swedish online marketplace Tradera, customers needed to manually enter their bank details to set up payouts. Since there was no verification step, they would have to be extra careful to avoid mistakes.

Tradera partnered with Tink to improve the user experience and remove friction. With Account Check, customers' account numbers can be automatically pulled from their banks – and instantly verified.

The better experience not only lets Tradera improve conversion – but also removes the risk of errors.
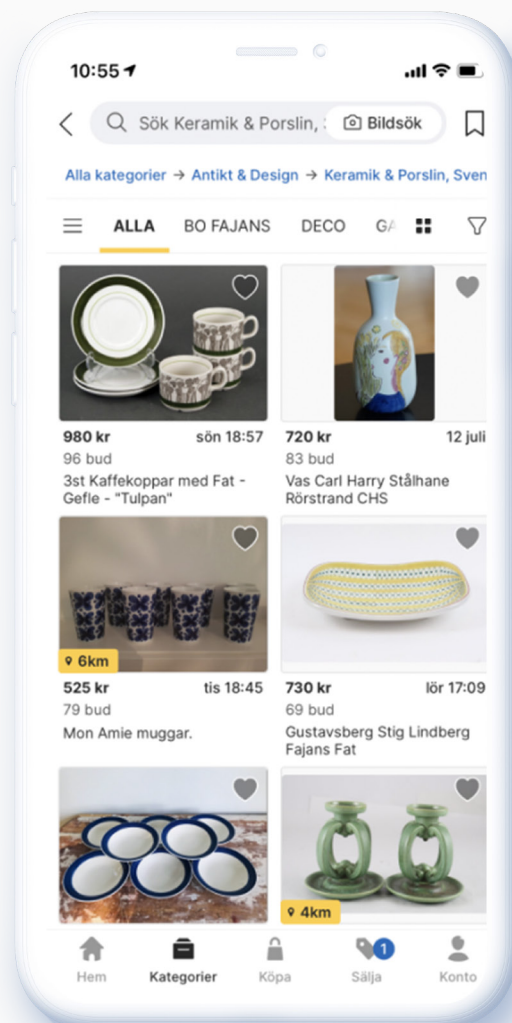
Is Account Check right for you?

If you've experienced your own struggles with account verification, the good news is: it doesn't have to be a pain. At least not anymore. By taking advantage of open banking technology, you can remove barriers for your customers and simplify verification processes for your business.

Not sure what the next steps are?
Here's what you can do:

→ **Share your thoughts (and this guide) with your product team so they can take a closer look – and see if Account Check is a good fit.**

→ **See how it works with our real-time Account Check demo.**

→ **Dig deeper into the tech of it all in our getting started guide.**

About Tink

Tink was founded in 2012 with the aim of changing the banking industry for the better. We've built Europe's most robust open banking platform – with the broadest, deepest connectivity and powerful services that create value from financial data. Our tools are helping all sorts of businesses – from big banks, to fintechs and startups – build the future of financial services.

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Markets covered

9k+

Developers on our platform

3,4k+

Integrated banks and financial institutions

10bn+

Transactions processes per year

250m+

European consumers reached

tink.com