THE DISD BILL AND THE FUTURE OF DIGITAL IDENTITY VERIFICATION

SYNECTICS SOLUTIONS

The demise of the **Data Protection and Digital Information (DPDI) bill** was a setback in the journey towards a robust digital identity framework in the UK.

However, not all is lost as the King's Speech 2024 referenced the **Digital Information and Smart Data (DISD) bill** which indicates a positive step towards a digital identity verification framework.

About the DISD bill

Although it is very early to say what will be included in the bill in terms of a framework, privacy, data protection, etc. its main aim, is to provide a trusted and innovative method to verify identities digitally.

It mentions the establishment of a 'Digital Verification Services' register to certify providers much like the UK DIATF certified list.

Before the DISD bill was announced, developments in the digital identity space had largely been private sector driven until the Digital Identity and Attributes Trust Framework (DIATF) was published in June 2022. The DIATF was the first move from the UK government to deliver on commitments made in response to a call for evidence run in 2020.

The response set out three objectives to demonstrate support for the adoption of digital ID in the UK:

1 Clear Framework

Creating a clear framework of rules that show what 'good' digital identities look like, enabling businesses to innovate and increasing ease of access to goods and services, whilst providing confidence that there are standards in place to protect consumers from fraud.

2 Establish Governance

Establishing a governance and oversight function to own these rules and keep them up to date.

3 Removing Blockers

Developing proposals to remove legislative and regulatory blockers to the use of secure digital identities and establish safeguards for citizens.

What we liked about the DPDI bill

The DPDI Bill was introduced in 2022-23 to establish regulations for digital identity verification and data protection.

It was expected to create a legal framework for digital identity systems, ensuring security and privacy.

Under the DIATF, digital ID providers can be certified to provide services for right to work, right to rent and DBS checks.

The two parts of the DPDI Bill focussed on (1) data reform, which included updating some elements of UK GDPR and (2) broadening use cases and supporting digital identities so that the trust associated with them has parity with that associated with paper-based documents.

Part two of the bill would have meant the introduction of a digital identity regulator along with providing the legal basis on which the DIATF could be further developed.

There were four key components in this part:

— The Digital Verification Service (DVS) Trust Framework setting out rules concerning the provision of digital verification services

— A register of providers detailing organisations providing digital verification services under the DVS framework

— An information gateway enabling public authorities to share information about individuals with an organisation listed on the DVS register, where the individual makes a request to the registered organisation

— A trust mark for those providing services under the framework and listed on the DVS register

Differences between DISD bill and DPDI Bill

The DPDI initiative was set to bring renewed focus to the use of digital identity across new use cases and drive uptake across the UK, enabling more businesses and consumers to benefit from the capability.

The DPDI bill, if it had been passed, would have brought numerous benefits to both businesses and consumers.

A study[1] by McKinsey Global Institute estimates that digital ID could unlock economic value equivalent to 3 percent of GDP by 2030 in a mature economy like the UK.

This translates to potential economic benefits of over £70 billion annually, based on current GDP figures.

What it means to Relying Parties

For businesses, a bill of this nature could help shape a standardised approach to identity verification, reducing compliance costs and streamlining processes.

This efficiency could lead to significant time and cost savings, particularly for sectors heavily reliant on identity checks, such as financial services, property rentals, the public sector and Employment referencing agencies.

A whitepaper[2] from Mitek Systems suggests that digital identity solutions could **reduce Know Your Customer (KYC) costs for financial institutions by up to 70%,** potentially saving the industry billions annually.

The enhanced fraud protection offered by digital IDs could also result in reduced losses due to identity theft and fraudulent activities, bolstering overall economic stability.

[1] https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/McKinsey%20Digital/Our%20Insights/Digital%20identification%20A%20key%20to%20inclusive%20growth/MGI-Digital-identification-In-brief.pdf
[2] https://www.miteksystems.com/press-releases/identity-verification-may-reduce-cost-of-compliance-by-up-to-70-for-digital-lenders

The financial services sector, in particular, stands to benefit greatly from the implementation of robust digital identity solutions. KYC and Anti-Money Laundering (AML) processes could be significantly streamlined, reducing the time and resources required for customer onboarding. This could lead to improved customer experiences, faster service delivery, and reduced operational costs for financial institutions.

In **the property rental market,** landlords and letting agencies could benefit from faster and more reliable right-to-rent checks. This could speed up the rental process, reduce the risk of accepting fraudulent documents, and potentially increase the turnover of rental properties, contributing to a more dynamic and efficient housing market.

For **employment referencing agencies** and HR functions in businesses could use such services to carry out right to work checks and DBS checks.

Implementation of digital identities in the **public sector** could lead to more efficient delivery of government services. From tax filings to benefit claims, digital identities could streamline processes, reduce bureaucracy, and potentially lead to significant cost savings for the government.

Needless to say, all the above sectors can be serviced by **IDSPs** by directly plugging into fraud risk intelligence databases to provide a standard service across the board.

Consumers stand to benefit from increased convenience and control over their personal data. The ability to securely share only the necessary information for each transaction could lead to improved privacy protection and a reduction in data breaches. This enhanced trust in digital services could, in turn, drive greater adoption of e-commerce and digital government services, further stimulating economic activity.

Benefits to the Wider Community

Digital ID presents a series of benefits to be taken advantage of, such as addressing emerging fraud risks in the identity space which place constant pressure on suppliers and relying parties.

This is crucial in light of recent advancements in generative AI and challenges in detecting digitally generated or manipulated images.

ACCORDING TO A RECENT[3] REPORT FROM THE NATIONAL SIRA DATABASE, **DIGITAL IDENTITY** fraud accounted for **45% OF ALL FRAUD IN 2023**

The ability to present verifiable credentials removes the risk of businesses accepting fraudulent documents, providing sufficient verification has been carried out on creation of the digital identity.

Accepting credentials also enables businesses to de-risk operations by reducing the volume of personally identifiable information that they collect, process and store.

This could lead to reduced compliance costs related to data protection regulations and lower the risk of costly data breaches.

The benefits of digital ID, including enhanced fraud protection, streamlined verification processes and improved consumer control over personal data, highlight the necessity of such advancements.

Following the result of the recent UK election, held on 4th July 2024, we hope progress in delivering such important government-led strategy will be continued under the new Labour government.

It is crucial for all stakeholders including policymakers, businesses, and consumers to continue advocating for the passage and implementation of digital identity standards.

³ https://www.synectics-solutions.com/our-thinking/id-fraud-may-account-for-50-of-all-bank-reported-fraud-by-2025

What is our standpoint?

The establishment of a digital identity framework, clear rules, governance and safeguards will foster innovation and reduce fraud risks.

As digital technologies continue to evolve, so too must the legislative frameworks that govern them, ensuring that the UK remains at the forefront of digital identity innovation.

The implementation of a UK wide digital Identity strategy is essential to:

- Reduce onboarding costs
- Provide access to credit to the financial excluded
- Reduce fraud

According to the World Bank the savings alone could amount to $1.6 trillion globally.

Although the DPDI bill stalled, the introduction of the DISD bill shows promise. If it includes measures as robust as the DPDI bill and continues or even improves upon the work already carried out it could result in even stronger legislation that more effectively addresses the needs and concerns of all stakeholders.

The journey towards a fully digital identity ecosystem is complex but the potential rewards make it an endeavour worth pursuing.

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> It is encouraging that Digital Verification Services are still on the radar in the UK. Digital ID will reduce fraud rates if applied properly across the public and private sectors, and we are excited to support our IDSP partners as this market begins to take off.
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> We at Synectics are actively monitoring developments as the DISD progresses through parliament and are ready to pick up the mantle for IDSP data sharing when the time is right.
>
> **Chris Lewis**
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