Guide

Know Your Client: How to Choose an eIDV Solution.

thirdfort

The new standard in legal security

What's in this guide?

Introduction
Knowing your client is more important than ever.

The risks when onboarding clients have increased – identity document forgery is increasing year on year and becoming ever harder to detect with the human eye. At the same time, law firms are being targeted by fraudsters looking to launder dirty money through law firms' client accounts.

Meanwhile, there has been a change in how law firms operate - a shift to remote working and more efficient working practices, changing client expectations around speed and convenience and the need to keep pace with expanding regulations has led to a proliferation in digital solutions.

There were **189,000** reported identity theft incidents in 2019. That equates to around **500 identities stolen** every day.

This new environment means traditional methods of manually checking identity documents have become fragmented and out of date, delaying transactions and leading to unhappy lawyer client relationships. It's also unsafe, exposing firms to severe financial and reputational risk should they be targeted by fraudsters and money launderers.

eIDV (Electronic Identity Verification) providers have met this problem. Combining advanced technologies, eIDV provides a much faster, safer and entirely remote alternative to manual onboarding. This has led to a significant uptake of Electronic Identity Verification solutions by law firms across the UK in recent years.

As eIDV providers respond to this increased demand and more enter the UK market, it may seem daunting trying to choose the right eIDV provider for your firm. With every firm's needs differing, and eIDV providers offering similar services, making the right choice can be challenging.

How can you ensure you find the best fit for your firm? How do eIDV providers differ?

We've compiled this guide to highlight some important considerations.

Olly Thornton-Berry is the MD and co-founder of Thirdfort. Previously, he worked in software investment before setting up Thirdfort after a friend was defrauded out of £25k on a house purchase.

What is eIDV?

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eIDV (or Electronic Identity Verification) broadly refers to computerised systems used to verify an individual's identity. eIDV uses data provided by an individual (e.g a passport, driving licence) against various databases to determine whether there is a match. This allows firms to avoid doing business with individuals who may not be who they say they are, as well as identifying politically-exposed individuals or those on government sanction lists.

Why you should be using eIDV

eIDV is effective for any organisation prioritising compliance with KYC and AML regulations and looking to combat fraud in their practices. eIDV is used within the legal sphere worldwide, as well as among other industries, to ensure due diligence processes are properly carried out.

Use of an effective eIDV provider minimises the potential cost and compliance risk involved with manual verification, as well as streamlining the onboarding process to provide a positive client experience.

There are almost **200** countries that issue IDs. Including historical versions, the total population of IDs in circulation at a given time usually exceeds over **6,000 unique documents.**

Choosing a Provider
How to choose an eIDV provider.

Most if not all eIDV providers should incorporate the following as a minimum:

- AML screening (PEPs, sanctions and adverse media screening as well as UK electronic identity searches)

- ID document scanning

- Facial recognition

- Liveness detection

While the above provide a baseline for what you should be looking for, we feel it's important to consider a provider's impact on your whole business. Below we ask the questions all firms should take into account when selecting their eIDV solution.

Is the onus on your client or your firm to verify identity?

Increasingly, firms are putting the onus on their clients to complete ID checks using an external eIDV provider (e.g. via a smartphone app). Some providers, however, have a more manual format (e.g. your staff uploading copies of documents and a photo into the eIDV solution).

If you're looking to save your staff time and speed up client onboarding, your clients completing their eIDV checks themselves, rather than sending their documents in would be the best way to meet this goal. There are also relevant security concerns involved with the sending of sensitive documents by post - these are at risk of being intercepted by criminals and used to defraud your client.

How are completion rates maximised?

If you're investing in eIDV, it's probably because you've determined that the cost of a manual ID check is significantly higher and exposes your firm to the risk of missing a fake ID document. For this reason, the highest completion rates possible are vital. Poor completion rates expose your firm to the unwanted time delays and compliance risks associated with manual ID checking.

Jargon buster

AML (Anti-Money Laundering) - a set of laws, regulations, and procedures intended to prevent criminals from disguising illegally obtained funds as legitimate income.

Document scanning – technology which uses a photo of an ID to check all the information is present and in the correct position. It is also inspected for digital tampering, font anomalies and security features such as digital watermarks, barcodes and embossed text.

Facial recognition – a system which uses biometrics to map facial features from a photograph or video. It compares the information with a database of known faces to find a match.

GDPR (General Data Protection Regulation) - a set of laws that protects the data privacy rights of all EU citizens.

KYC (Know Your Client) - actions businesses use to confirm the identity and potential risk of their customers. This is a legal requirement to comply with AML laws.

Liveness detection – checks which verify the selfie is a live photo and protects against spoof selfies, deep fakes and masks.

PEP (Politically Exposed Person) - someone who has been entrusted with a prominent public function e.g. heads of state, senior politicians and senior executives of state owned corporations.

Sanctions checks - specialised searches that include a number of government sanction databases that identify individuals who are prohibited from certain activities or industries.
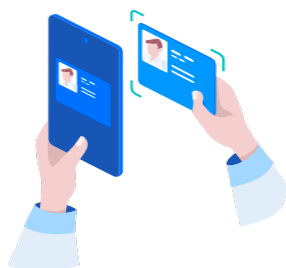
Before committing to an eIDV provider, you should ask the provider to set out the specific ways they maximise completion rates for you. Is the provider's user journey smooth? Does the provider actively chase incomplete checks on your behalf? If not, who will and how much will that cost your firm? If you're a conveyancer looking to implement the provider, is it optimised for property transactions and your clients?

What about incomplete, failed and repeat ID checks?

High completion rates and pass rates are ideal but what happens when your clients don't complete their ID check or their ID check fails? What steps will the provider take to help your client complete the check? What happens if your staff member or client inputs the incorrect data leading to a failed check? Are you charged to repeat the check?

Ask these important questions early on to ensure you're not left disappointed after signing up. If you're verifying clients who aren't tech-savvy, they may require 2-3 attempts before they get it right and these hidden costs can accumulate. By choosing a provider that guides and supports your clients to successfully complete their ID checks, you remove the costly, time consuming, and risky process of having to manually deal with failed checks yourselves.

Does the provider offer a support service?

When choosing your eIDV provider, a key consideration is whether they provide a support service along with their product, and whether this comes at an additional cost. With an average of 20% of clients requiring some kind of support when completing their ID checks, this could be costly to provide in-house.

More importantly, high quality, consistent client support further boosts completion rates and allows you to continue with fee-earning while providing a positive client experience that reflects well on your firm.

What's the provider's geographical coverage?

In an ever more globalised world, it's likely that your firm will be dealing with increasing numbers of overseas clients. With a rise in overseas buyers looking to invest in the UK property market, for example, firms are going to be conducting enhanced due diligence more often. With this in mind, a prospective provider's global coverage is definitely something to consider.

With up to **20%** of clients requiring some kind of support when completing ID checks, a provider that provides a support service can **save you time and money**.

Do their timescales fit your expectations and would it add value to your firm?

Naturally, the decision to invest in an eIDV provider will be based on the value that the product will add to your firm. One way to determine that value is looking at the typical turnaround time of ID checks for the provider. If this timescale is significantly shorter than your current one, then this will add value to your business. Verifying ID quickly enables firms to commence work earlier, reduce transaction times and frees up staff to focus on generating revenue for the business. For instance, if your staff's time is valued at £200 an hour and an eIDV provider allows you to save 250 hours every month, that is at least £50,000 saved.

How do they report the results?

Your fee earners will spend valuable time reviewing the results of every ID check and the firm needs evidence of its compliance with the AML regulations. To make this easy for you and your firm, it's important the results are clear, easy to interpret and can be saved quickly in a helpful format (PDF ideally).

Every provider's report differs so take the time to compare sample reports and seek the feedback of fee earners who will be dealing with the reports day-to-day. Are the results available in PDF form or a spreadsheet? Are the results clearly set out? Is a quick pass or fail available?

Who controls the data?

In a post-GDPR world, your eIDV provider should not be retaining sensitive personal data for longer than they need to. This, rightly, will be important to your clients, so knowing who controls the personal data associated with ID checks, where and how long it is retained for is key. Make sure you confirm these points with all prospective eIDV providers.

What about pricing and contract terms?

The eIDV market is becoming increasingly competitive, and this is reflected in providers' pricing and contract terms . Each firm will have a preference. Some providers charge set up fees and/or per user fees. Some providers require 12+ month lock-in contracts and pre-purchased credits, whilst others offer more flexible PAYG contracts.

Relevant questions include how many staff will need access to the

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system now and down the line, and how will this affect pricing? Is your preference to be tied in or on a rolling contract? Are you in a position to commit to an upfront payment?

How is the service set up?

Set up is another element of the process to evaluate. It's important to understand your own requirements and match these up to what the eIDV provider is offering.

There are normally three options:

1. **Case Management System integration:** customised to your business systems and normally leads to the most efficient outcomes. Relevant considerations include what time and cost is required to benefit from an integration, and if development resources (in-house or outsourced) will be required.

2. **An out-of-the-box software application:** works outside of your CMS, e.g through a web portal. As they are 'off the shelf', they often have lower installation costs and are much faster to deploy- ideal for running proof of concepts.

3. **A provider that offers both of the above:** we'd advise considering the benefits of running a proof of concept using the out-of-the-box solution before committing further.

Have you seen a product roadmap?

As frustrating as it is, no provider is going to be able to offer you a silver bullet solving all of your client onboarding needs overnight. However, as the eIDV market becomes more competitive, providers should continue to develop their solution in line with firms' needs.

Partnering with a firm that adds initial value to your firm by streamlining your processes but also has the capacity to develop their technology is a certified winner. For this reason, it is important to consider not only where the provider is right now, but also where it is going. Do they have a clear product roadmap? How does this align with your broader client onboarding strategy?

Conclusion

Though the above are good points to have on your 'shopping list' when considering a provider, the key to making sure eIDV has a positive impact on your business is ensuring that it's able to cater to your firms' specific needs. No solution will perfect your client onboarding process overnight, but consider this guide and eIDV will hopefully make the process more pain-free for all involved.

Thirdfort

About Thirdfort

Thirdfort are security specialists with one goal in mind: massively improving the legal process for both lawyers and clients. The legal process is outdated, opaque and a source of stress for all involved. Until now. We're changing the way lawyers verify client identity, as we believe lawyers should be free to focus on their business, and that their clients should be free to enjoy Big Life Moments.

Electronic Identity Verification is key for firms facing the constant anxiety of staying compliant with AML regulations. Fraud is, quite simply, too sophisticated to spot consistently with the human eye (and is constantly evolving to evade detection), so to truly mitigate risk lawyers should take advantage of the tech.

Thirdfort combines ID scanning technology and a selfie video liveness test to verify a client's identity, as well as Government-backed Open Banking software to allow lawyers to verify source of funds. The app's smooth client journey allows users to securely share documents and progress their transactions while keeping the process frictionless for everyone. Our passion for keeping legal pain-free extends to our specialised Support Team, who ensure clients are never out of the loop. Lawyer and client experience go hand in hand with security, as when your clients feel secure, you can focus less on admin, and more on fee-earning.

We believe we can transform the way solicitors connect with their clients. We are backed by industry leaders including Alex Chesterman (Founder of Zoopla), Mishcon de Reya and HM Land Registry, with over 500 clients across the UK.

We are FCA regulated, fully insured and use end to end encryption to make sure your data and information are always secure.

Thirdfort: the new standard in legal security.
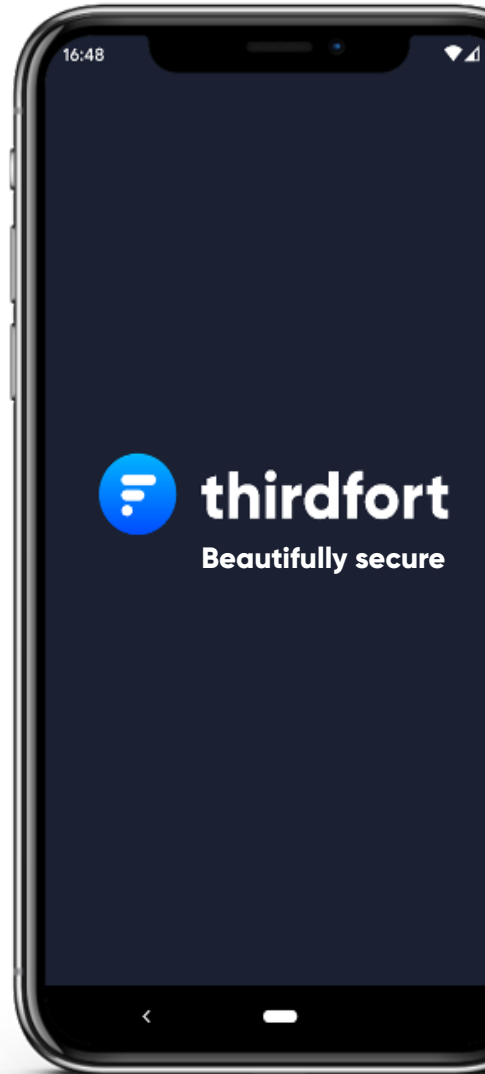
If you'd like to learn more about how Thirdfort can help you carry out safer, faster client identity checks, get in touch at **contact@thirdfort.com**