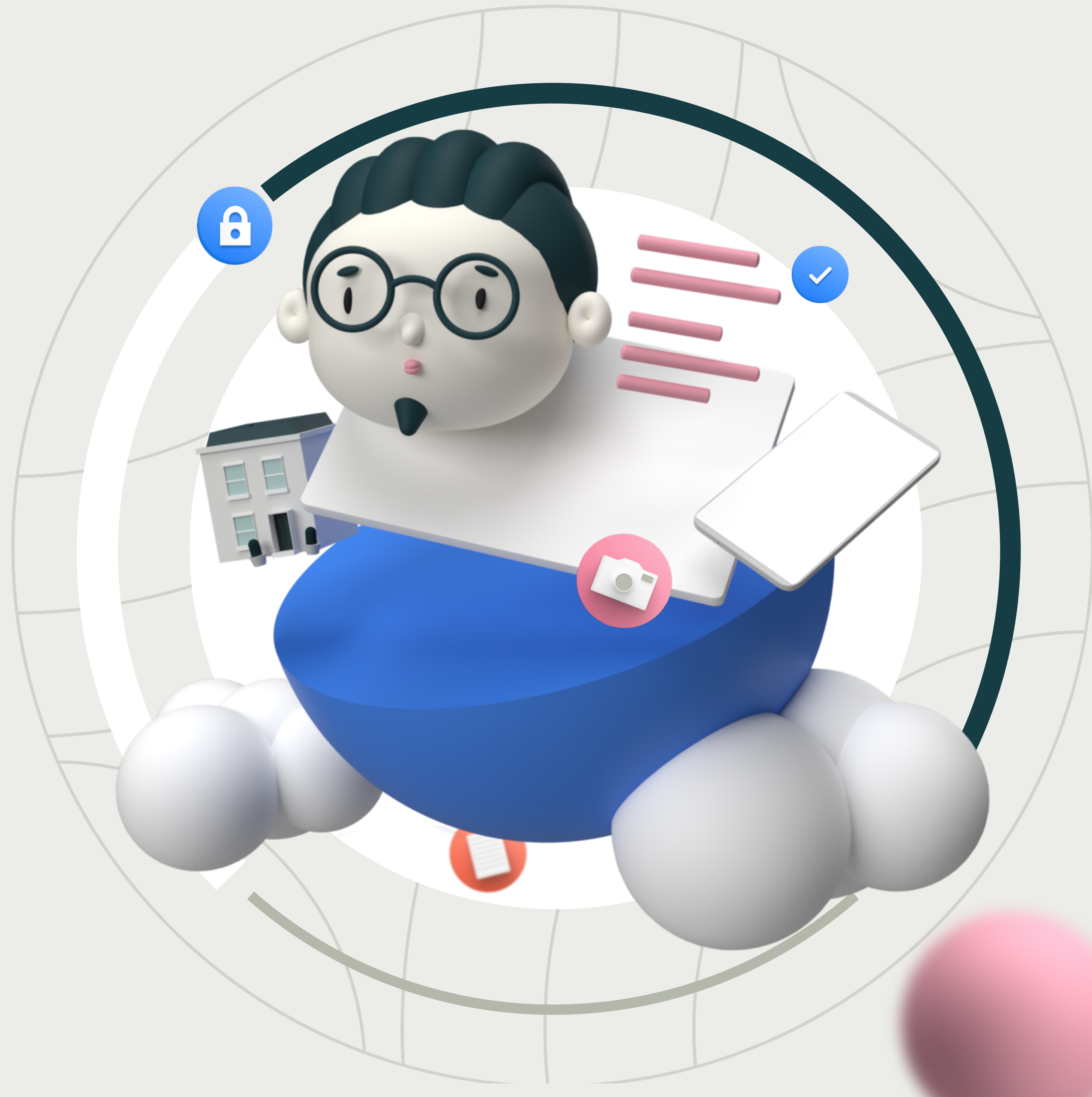


A GUIDE:

# Digital ID Verification

Meeting new client expectations  
in conveyancing



# Embracing change in 2021

Consumer demand for digital solutions has accelerated through the pandemic across all sectors and industries. There are many implications of this for legal firms and Thirdfort's Co-founder Olly Thornton-Berry discusses some important ones in The Future of Conveyancing section at the end of this guide.

The immediate impact, however, is that meeting evolved client expectations through delivering a superior digital experience will likely be the most important competitive advantage to firms in the coming years. It will be that which separates the law firms that thrive, from the ones that struggle to win new business.

An important part of this experience is AML checks. Many businesses in the property space, from law firms to estate agents, now offer their clients the opportunity to verify their identities and complete onboarding administration through their smartphones.

Besides meeting the client's expectations for a quick and easy way to confirm their identity, the move to digital has significant business benefits for the tech enabled firm:

- The lower risk of fraud provides firms with protection from increasing rates of cyber crime.
- Safe harbour from recourse in fraud cases if the conveyancer abides by the new standards for digital identity verification set by HM Land Registry.
- Reduced time and cost in processing new clients has a direct impact on profitability.



# Everything you need to know

Most conveyancers are no longer asking whether to adopt digital identity verification tools, but how to assess and choose the best provider.

This report gives you the facts in plain English so that you can make informed decisions about your journey to reaping the rewards of digital identity verification.



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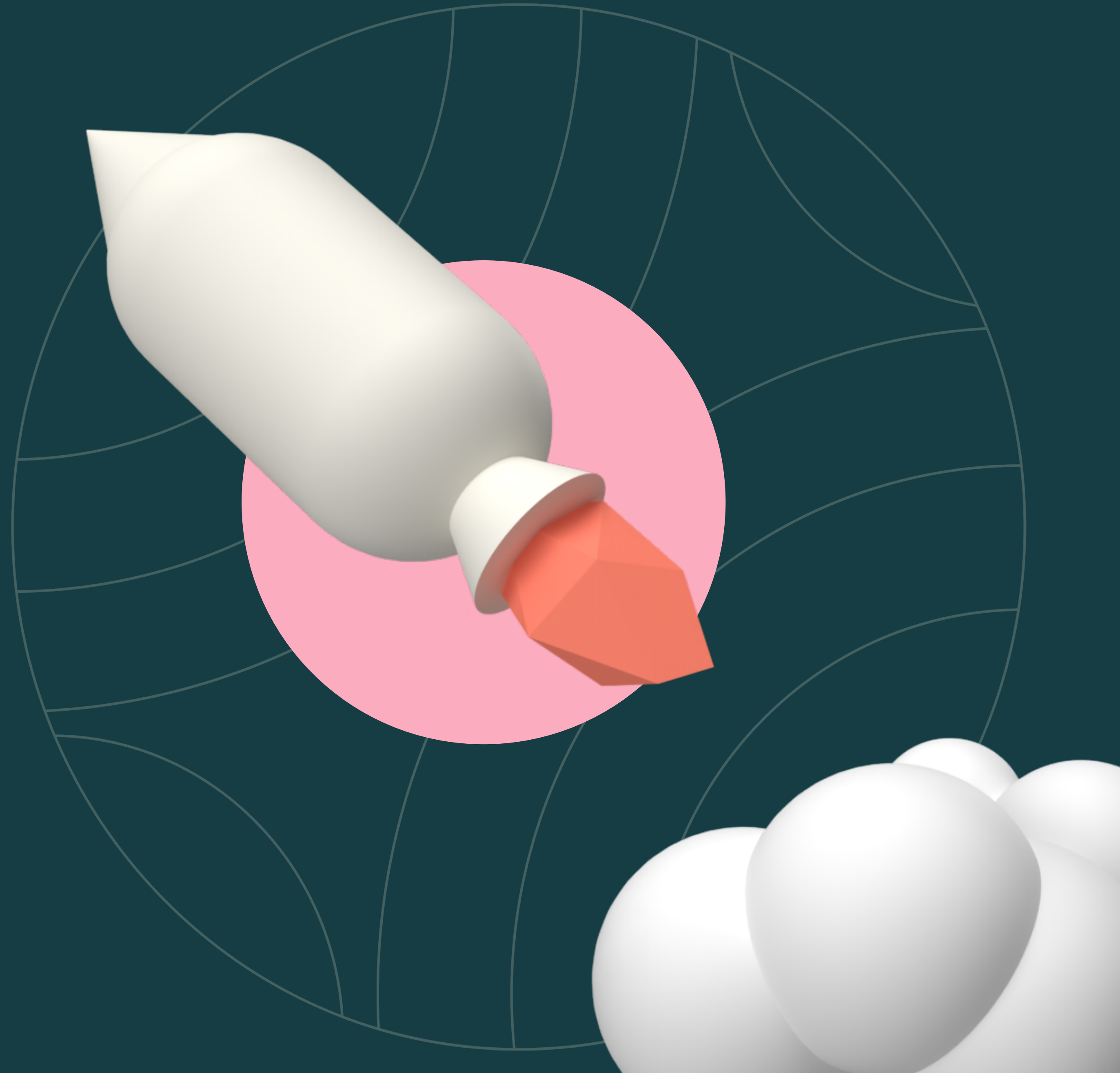
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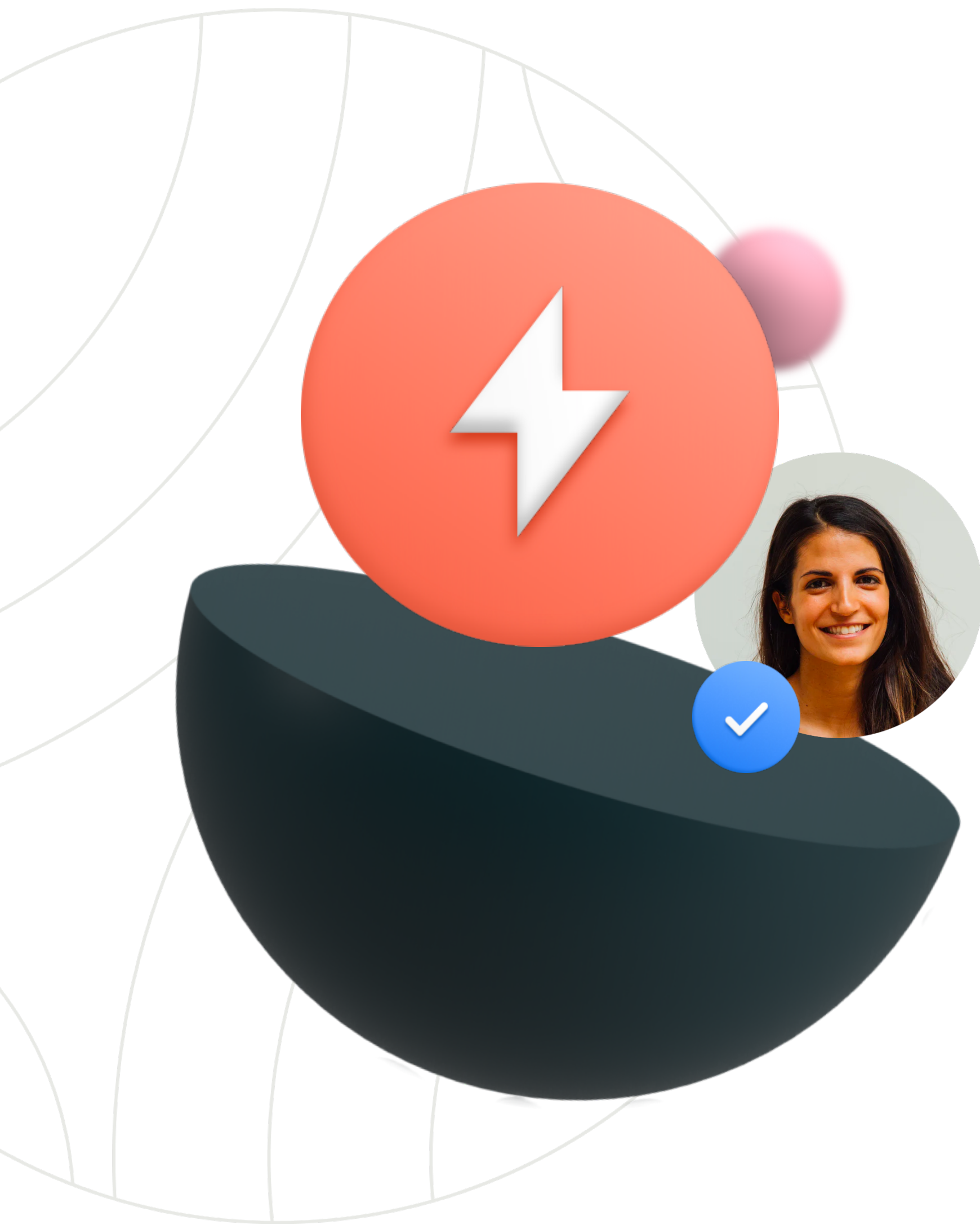
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**The (near-ish) future of conveyancing**



# Onboarding clients in 2021





## **Traditionally, onboarding new clients could take days, if not weeks.**

The old world of onboarding involved ID document scans and bank statements being emailed, or posted, to solicitors, or even asking the client to physically bring them into the office. This is an insecure and burdensome process that no client is likely to appreciate in 2021.

Today's forward thinking law firms are benefiting from a complete overhaul of the costly manual way of onboarding new clients. With the help of new technologies such as Thirdfort's solution for AML checks and

secure digital onboarding, they are providing clients with the fast, seamless onboarding experience they now expect. And not only that, by removing a sizeable chunk of administration tasks from their workload, they're running more efficient businesses.

# What is digital identity verification?

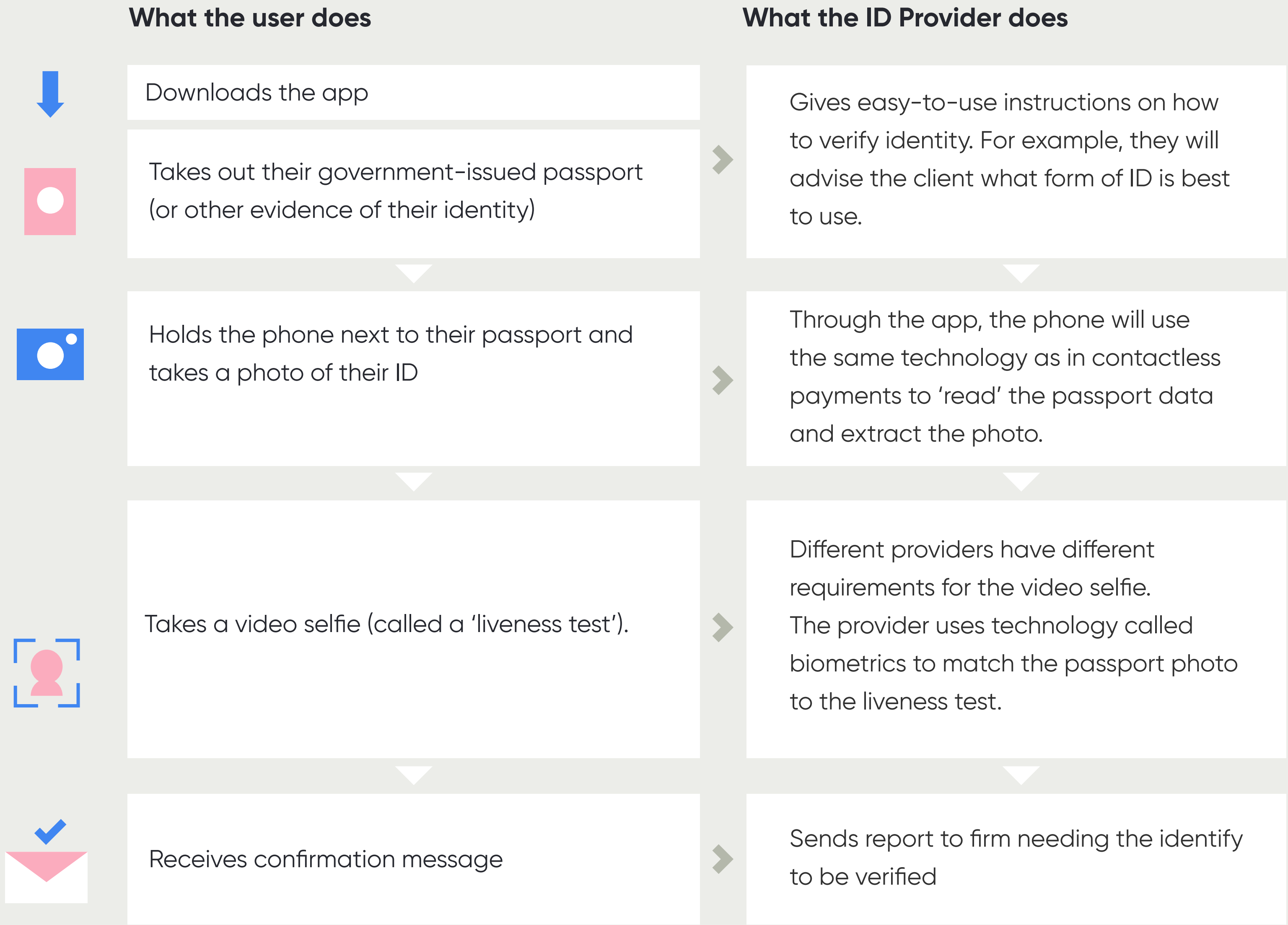




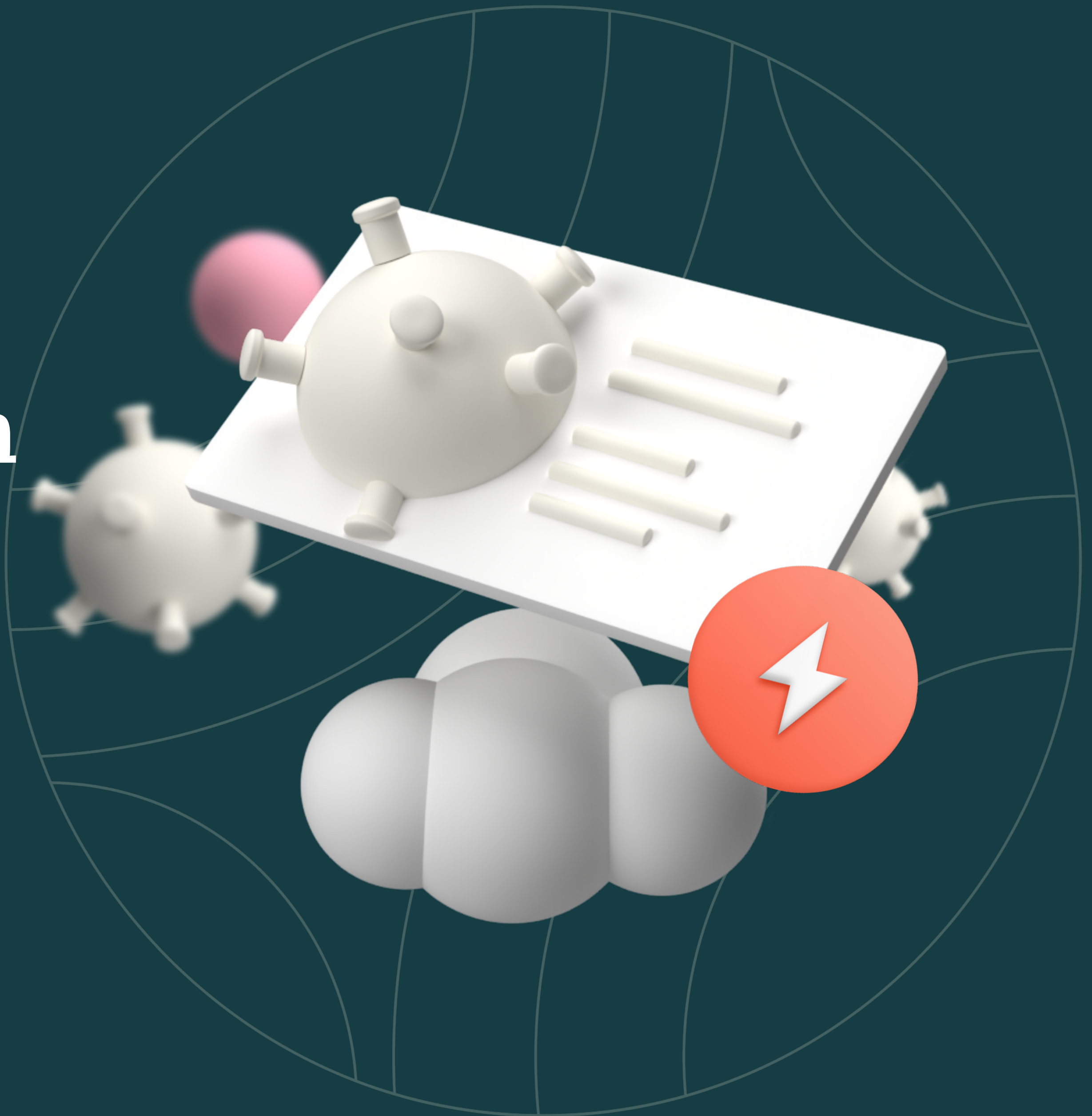
With increasing demand, comes increased supply and there are now a plethora of different ID technologies available to legal professionals, including various types of facial recognition and biometric analysis.

According to new government standards, a modern ID verification check would follow the format outlined in this diagram:

# A Modern ID Verification Check



Beyond COVID-19,  
digital ID verification  
brings benefits to  
every firm



# A formidable weapon against fraud and money laundering

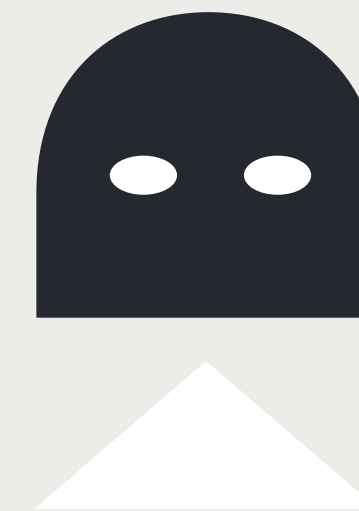
Fraud in the UK continues to rise at a rapid pace – with types of fraud ranging from identity theft to using naïve consumers as ‘money mules’ to launder money.

Cyber risk is a key challenge for UK law firms and, according to a recent survey report from PwC, is considered to be the second greatest threat, after COVID-19, to firms meeting their ambitions over the next two to three years.



In 2018, **71%** of fraud was property fraud – valued at £216m.

Today's Conveyancer



There were close to **225,000 cases of identity fraud** reported in 2019. Identity fraud cases made up 61% of total fraud cases recorded to the NFD.

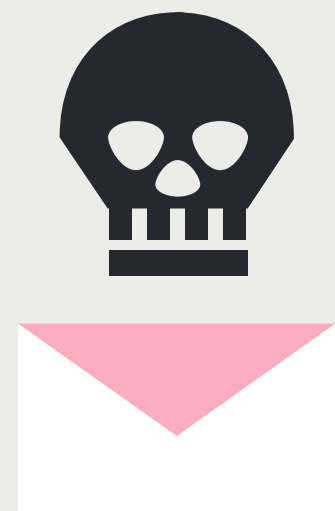
Cifas



Money laundering costs the UK economy **£37 billion** every year

National Crime Agency





**Email hacking or business email compromise ("BEC") fraud, as it is more formally known, costs businesses in the UK millions of pounds each year. In 2018 Lloyds Bank reported that the total amount of BEC fraud in the UK had increased by 58%**

Traditionally, law firms had little choice but to take on the risk of looking after identity documents and taking responsibility for safeguarding their client's personal data while they were doing manual ID checks.

The problem with this system is that fraudsters are becoming increasingly sophisticated, and older technologies like unencrypted email are easy targets for criminals. In the case of an email hack or postal interception, it's not straightforward as to who takes the blame, and to be completely secure, both electronic and physical documents need a level of surveillance and security that only experts in security can provide, often at significant cost.

By choosing a digital identity verification provider which uses the latest, groundbreaking security measures and anti-fraud technology,

firms can in a large part mitigate the risk of both traditional and new forms of fraud.

Electronic identification is a formidable weapon against crime, to the extent that digital verification was given a regulatory endorsement in the Fifth Money Laundering Directive (5AMLD).

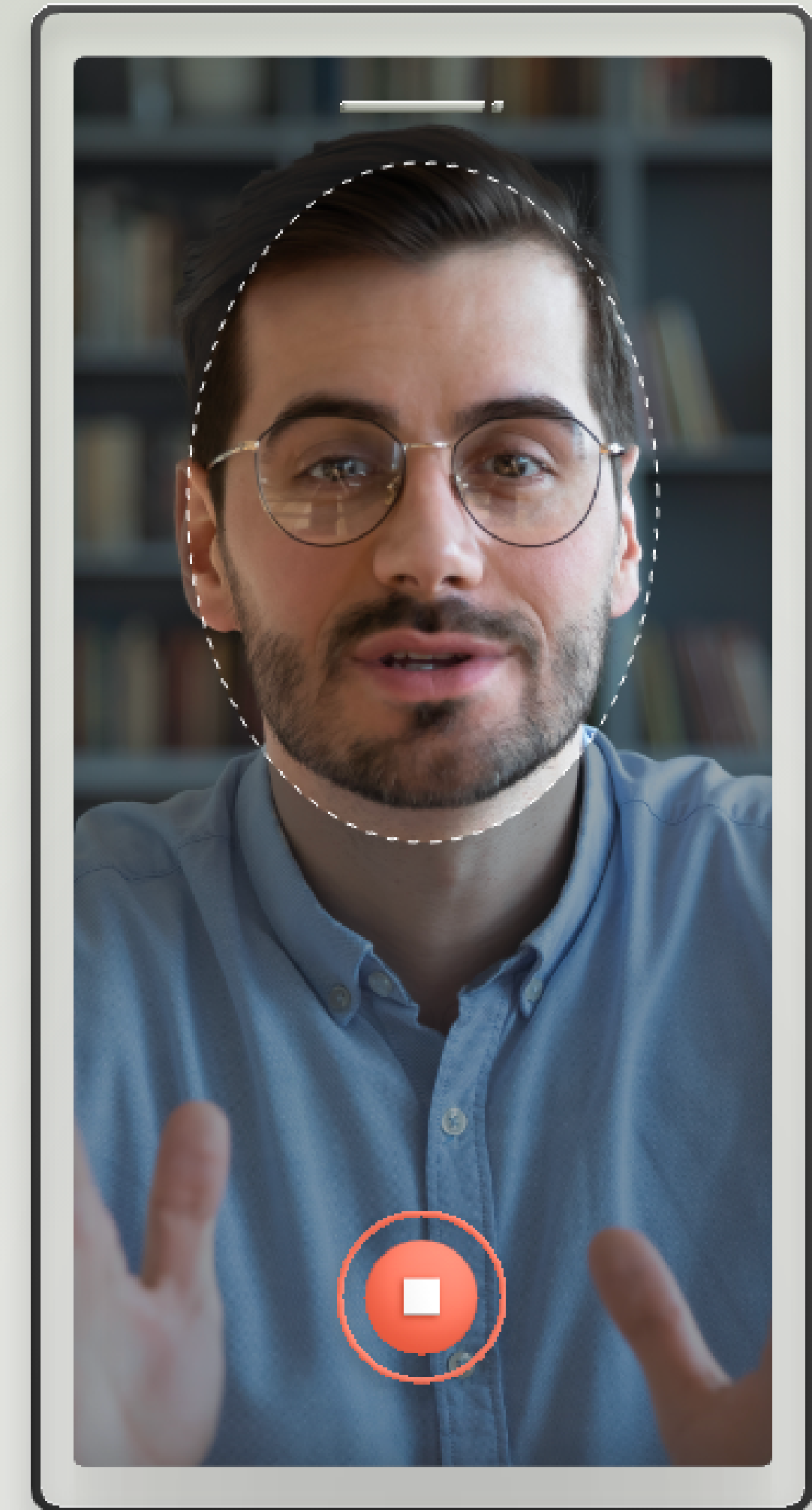
There is now a growing body of regulations and guidelines about digital identity verification.

# HM Land Registry's 'safe harbour' from recourse

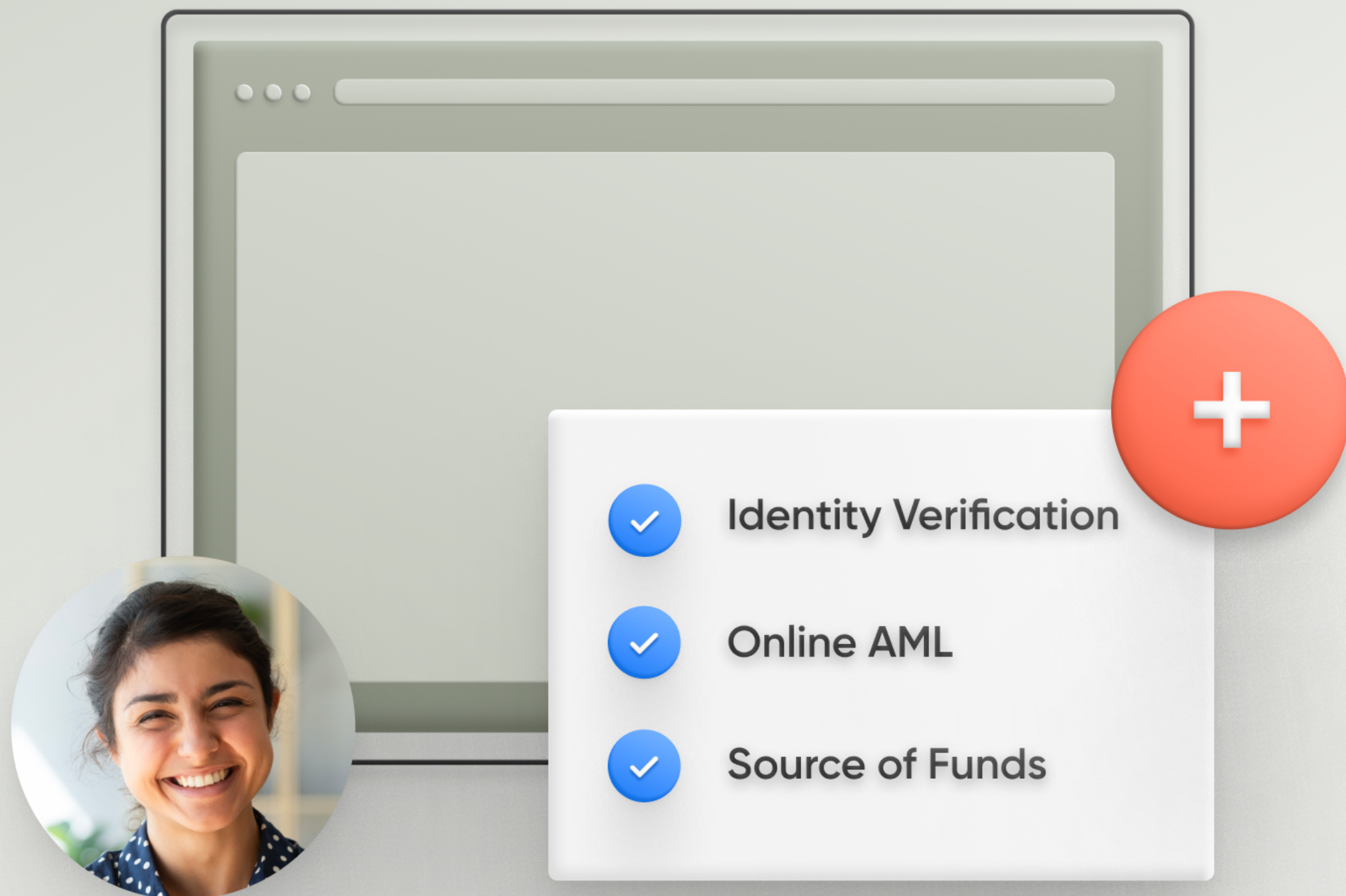
**The Government is taking steps to accelerate the adoption of digital verification in the AML process, as there is growing evidence of its value in fraud reduction and accuracy.**

HM Land Registry has recently published a set of guidelines called the Digital ID Standard, which set a high bar for the sophistication of accepted identity verification solutions. These guidelines now provide clarity to conveyancers that by using digital tools which achieve the standard to manage the AML process, they will have discharged their duty on identity verification in connection with land registration applications.

Through achieving the digital ID standard, lawyers will not only be less likely to fall victim to a fraudster, but if in the unlikely scenario that they do, they will be protected from any recourse claim by HM Land Registry.







## New-found efficiencies for firms

With digital ID verification, there is no manual checking or chasing of documents, and all other checks such as PEP or sanctions are automated and handled in one online platform. This means that every hour previously spent chasing missing documents or manually checking them can be spent progressing the transaction.



# A defining competitive advantage of 2021

**Popular new banks, like Starling and Monzo have brought digital ID checks to the mainstream.**

An increasing percentage of clients now expect a firm's onboarding process to be easy, completed in minutes and digital. Few clients will want to send important documents through the post or by email. And post-pandemic, enforcing in-person meetings will be so off-putting as to force potential clients to find an alternative solution.

By matching clients' expectations of a slick, quick digital experience which they can

complete in their own time, a firm will maximise their ability to win new business. In contrast, offering clients an experience that they perceive to be outdated or inconvenient will lose firms potential new clients and damage relationships with existing ones.

Those firms that embrace new technologies stand to benefit greatly from winning the clients who've moved away from those firms which haven't.

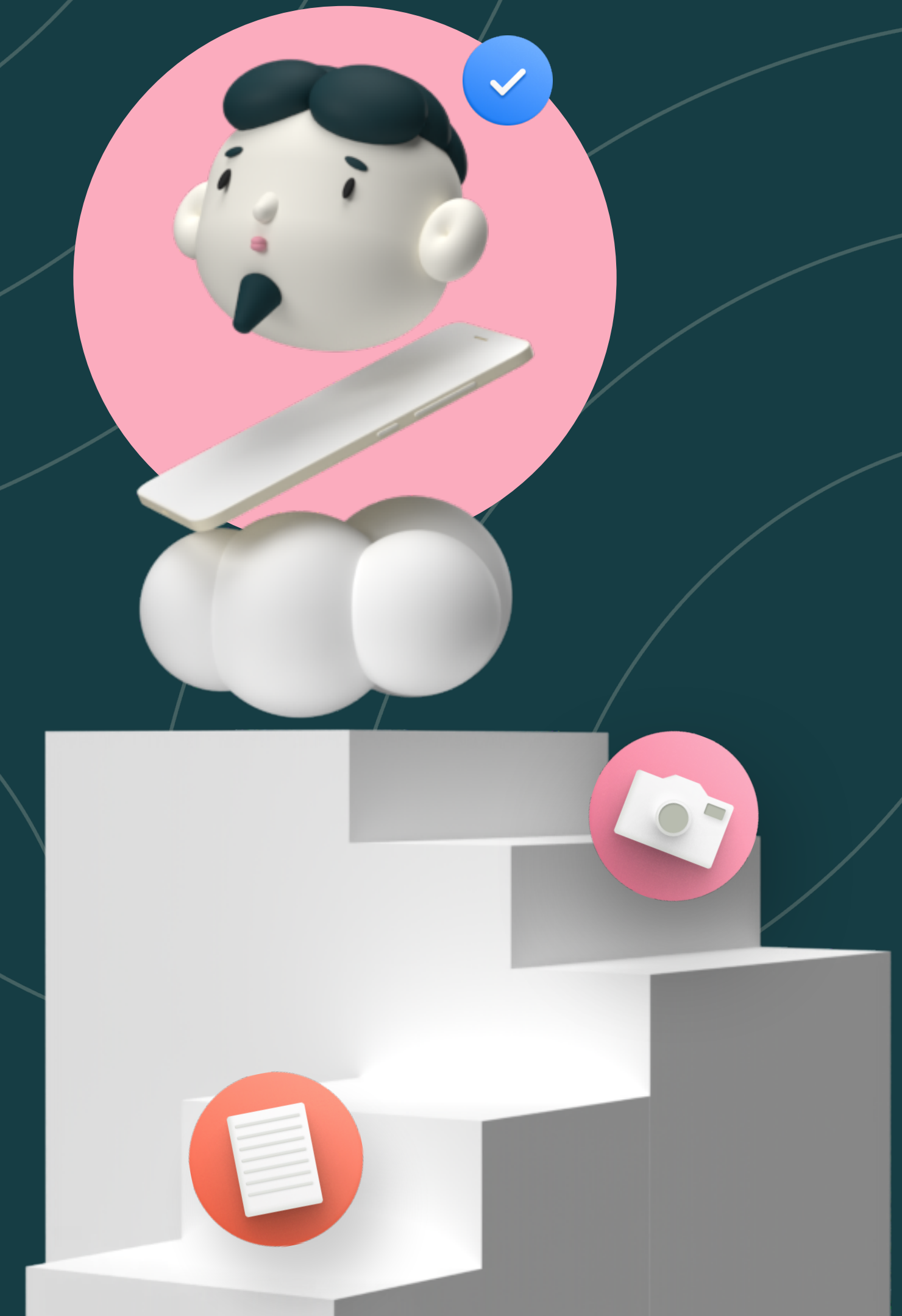
Mishcon de Reya

“

Since implementing Thirdfort's data solution, Mishcon de Reya's onboarding period – for straightforward matters – has been reduced from days to minutes with a reduction in cost and an increase in client NPS (net promoter score – a measure of client satisfaction)

**Mishcon de Reya LLP**

# The government encourages firms to adopt Digital ID verification





“

We've had great feedback from our clients as to how easy the platform is to use, and it has saved me a lot of time that can be better spent doing tasks that actually add value for my clients.

**Birketts LLP**



**Until recently, many businesses with AML regulations had questions around the legal responsibilities and risks involved in using new technologies to complete the KYC process.**

In response to this, the Government has published a Good Practice Guide (GPG45). Specialist government agencies are now honing these guidelines into actionable advice for specific industries. Because property is such a target for money launderers and fraudsters, HM Land Registry is one of the first to spearhead policy innovations and publish guidelines around digital ID checks.

On 12 March 2021, HM Land Registry published its first Digital Identity Standard. It offers conveyancers a 'safe harbour' if they verify the client's identity using a provider that meets the

new standard, or carry out the necessary steps to verify the client's identity.

This means HM Land Registry will not seek recourse against those conveyancers who comply with the standard if their client was not who they claimed to be. It applies to both residential and commercial clients.

You can read the full requirements on [Gov.uk](https://www.gov.uk/guidance/digital-identity-verification-requirements).



Case study:

# Penningtons Manches Cooper move to digital ID verification

Penningtons Manches Cooper is a leading UK and international law firm that provides high-quality legal advice to both businesses and individuals.



# The problem:

**With the 2020 restrictions, Penningtons Manches Cooper ran into unforeseen problems: clients could not come into its offices to have document copies certified, and were also unable to go to the post office or other professionals to have them certified elsewhere.**

As an emergency measure, like many law firms at the time, it chose a quick-fix solution – a video conference call. A fee-earner would get onto a video call with the client who displayed their documents through their computer's camera.

It was immediately clear that this solution was laborious. It took hours to guide the client through the process, capture screenshots, save these, and send them to the Risk team – only to have the Risk team raise concerns about the clarity of the images. The truth was that often the screenshots were illegible, so the fee-earner and client had to start all over again. This cost not only time, but also came at the expense of a positive start to the client relationship.



“

Thirdfort understands what lawyers need to achieve, and the compliance we must work within.

**Penningtons Manches Cooper**



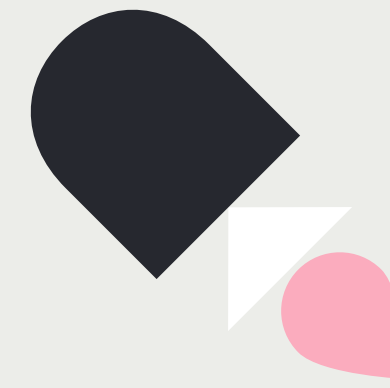
## The solution:

Penningtons Manches Cooper decided to adopt Thirdfort to digitise their onboarding process. The reasons were firstly to allow clients to get their identities verified from their homes, and secondly to verify the identities of overseas clients without having to courier documents back and forth.

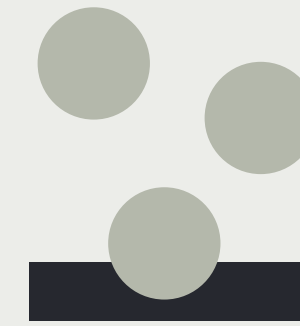
Following the successful implementation in the UK offices of Penningtons Manches Cooper, the firm has now rolled out Thirdfort across its international offices as well.

## The outcome:

In addition to giving their clients a convenient, hassle-free experience of digital ID verification, Penningtons Manches Cooper has reported a few positive outcomes...



Client onboarding time has been significantly reduced



Fee-earners are freed up for other work as they are no longer doing the administrative tasks of ID verification



The firm feels assured that the online solution is more secure as it no longer has to work with copies of documents



A more positive start to the client relationship as the stress of getting certified copies is removed from the process – this applies especially to overseas clients



# Digital ID checklist:

Eight questions to ask before  
you choose your digital ID  
verification provider



SECTION A: THE VALUE TO YOUR FIRM

1. Will your clients find it easy to use?

- 2. How will you get the efficiency benefits of digital identity verification?
- 3. Will your firm achieve 'safe harbour' from a recourse claim by HM Land Registry in the event of fraud?
- 4. Check the provider's compliance with data regulations such as GDPR

SECTION B: THE VALUE TO YOUR FIRM

- 5. How will your ID solution integrate with your Case Management System?
- 6. What security is in place?





SECTION C: ABOUT FUNDING AND THE CONTRACT

- 7. Decide on the best funding and contractual options for your firm
- 8. Understand any 'extras' to your contractual fee

1. Will your clients find it easy to use?

User experience is one of the key benefits of digital identity verification.

**You should confirm that the solution you're considering:**

-  Has clear instructions and is easy to use. There should be no technical jargon and each step should be obvious even to novice users.
-  Offers a high level of support to those users who do run into problems. For example, at a minimum, support should be offered through the phone, live chat and email.
-  Covers the countries where you operate. Most digital providers will have solutions for most passports around the world.
-  Can be used by a smartphone anywhere, as long as the phone is connected to the internet.

The provider should be able to explain to you how it has ensured that the solution is accessible to novice and less digitally-savvy users. It should also be able to give you statistics such as the percentage of verifications that are successful over a period of time (called the 'completion rate').

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2. How will you get the efficiency benefits of digital identity verification?

This technology should be a time saver, not a time suck. It's important to understand how a provider will support your business and your clients if they have technical issues or questions.

**The provider you're considering should:**

- ✓ Provide a well-designed, clean and well-signposted verification process for your clients so that incomplete or failed attempts are minimised.
- ✓ Good-quality providers will have a dedicated support team to help your clients so that it won't be your team on the hook to answer client's questions about how to use the app.
- ✓ Report results to your staff in the format best suited to your business. You should be able to download results as spreadsheets or in PDF format at minimum.

You could ask the provider you're considering if they have any data around the average time saved per ID check. This will allow you to calculate a rough estimate of how much you'll save versus the cost of implementation.

By implementing Thirdfort in their businesses, our customers cut the average time spent onboarding a client by 80%, with a reduction of the average number of days to onboard going from 5 to 1.



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3. Will your firm achieve 'safe harbour' from a recourse claim by HM Land Registry in the event of fraud?

It's important that the solution you are considering achieves HM Land Registry's Digital ID Standard.

The provider you're considering should:

-  Understand the requirements of the Digital ID Standard, and why they are important to your firm
-  Be able to read the NFC chip data from biometric forms of ID such as passports, and EU ID cards.

Thirdfort worked closely with HM Land Registry in their development of the Digital ID Standard. Whilst other providers are able to read NFC chips, we believe we are the only one to read them to the standard HMRC requires.

Thirdfort reads the digital signature and signing key of the document, which is what confirms the document as being government-issued. By comparison, other providers have NFC technology, but it will only confirm that the passport has a chip, not that it's government-issued.

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**4. Check the provider's compliance with data regulations such as GDPR**

Privacy and the safeguarding of confidential personal data should be a primary focus for all digital ID verification solutions. It's important to ensure that any solution you use has carefully aligned its technology and processes with legal data requirements.

**You should confirm with a prospective provider:**

- ✓ How they handle your clients' data generally and also internally, and with its own suppliers.
- ✓ If they function as the data controller or the data processor – and which data points it controls or processes.
- ✓ How long the provider and any of its suppliers retain your and your clients' data.
- ✓ How a user can make a SAR and request for their data profile to be deleted in adherence with the right to be forgotten.
- ✓ Whether the provider has a privacy policy that is in plain English and accessible to all users.

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5. How will your ID solution integrate with your Case Management System?

Some digital identity verification providers offer 'out-of-the-box' integration solutions, while others are able to support bespoke integrations tailored to you and your firm. While using a bespoke solution can have its benefits, it is often quicker and easier to set up and get started with an 'out of the box' solution.

**Check that the provider:**

-  Has explained the different implementation options available.
-  Provides a complete list of 'out of the box' CMS integrations they already support (if they support any).
-  Lets you first test the solution as a stand-alone product before you decide whether to commit to a bespoke integration.



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6. What security is in place?

It's important to understand how the provider will increase your level of protection from cyber attacks.

**Questions to ask:**

-  Does the provider have cybersecurity accreditations?
-  Are you satisfied that any external security experts that the provider contracts with have a track record in the security sector?

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**7. Decide on the best funding and contractual options for your firm**

Some of the funding will be upfront cost and may be considered to be capital expenditure. There will be a portion that will be operating expenditure. Make sure that the solution that you choose matches how you want to fund your digital identity verification system.

**You should ensure that the provider gives you options:**

-  If you do few checks a month, a Pay-As-You-Go option will suit you best.
-  If you are confident of doing a higher number of checks a month, you should be offered a monthly contract with volume discount and the ability for your unused allowance to rollover.
-  If there is a lock-in period, it should be kept to a maximum of 12 months (if over a year, lock-in periods might pose additional risks for your firm as your needs might change over time).

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**8. Understand any 'extras' to your contractual fee**

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Some providers will charge supplementary costs that sit in addition to the initial per check fee that you are quoted. Hidden costs can dramatically increase the amount you need to pay, even if the stated cost per check seems low. This is a common marketing tactic to be aware of and understand before deciding on a supplier.

**Ask the provider if they charge extra for:**

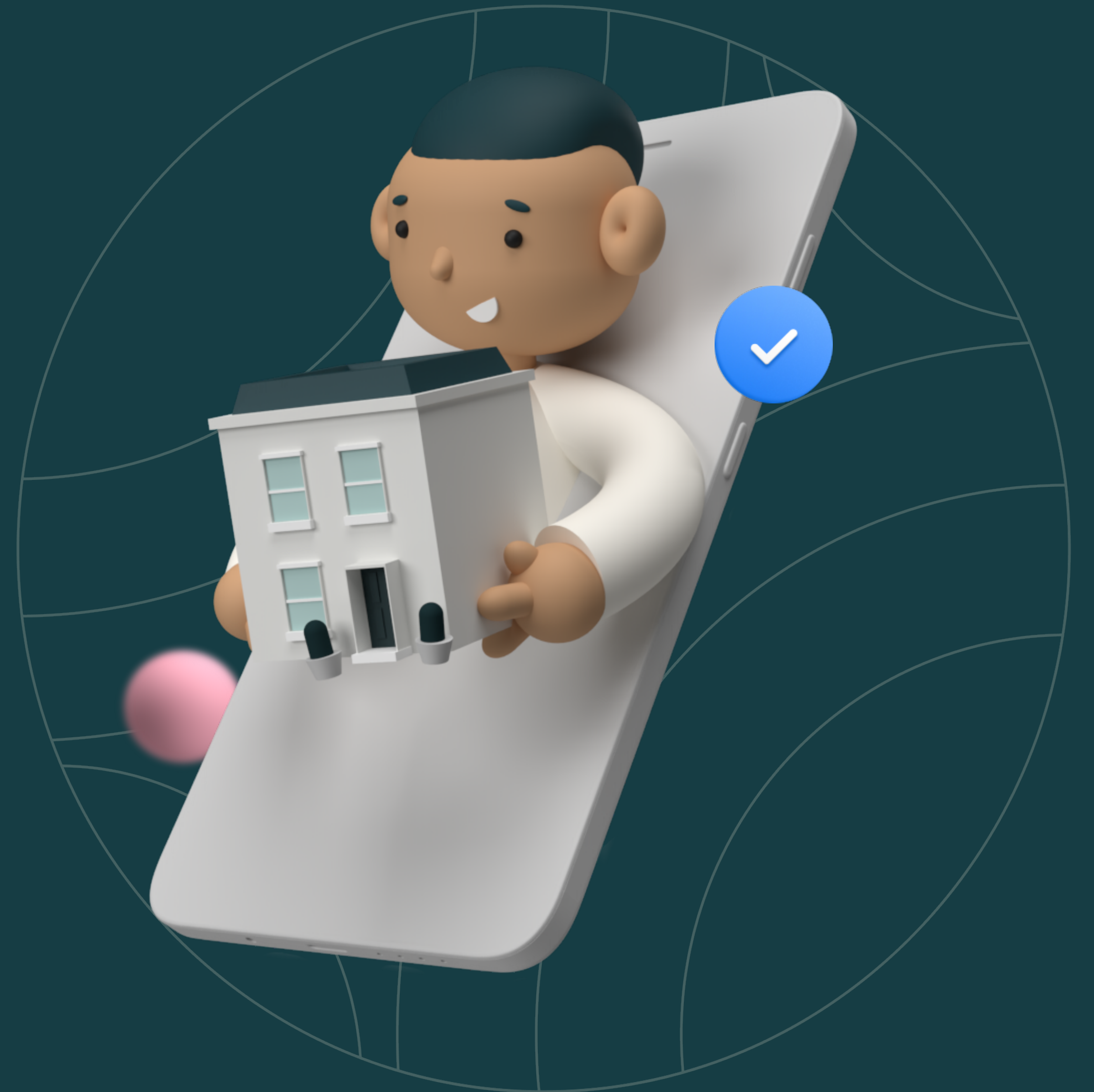
-  Incomplete, failed and repeat ID checks (the provider should charge only for completed checks).
-  Dedicated support for clients.
-  Additional users within your organisation .
-  Any other functionality that you might use regularly.

Make sure that you weigh up these extras for the present year as well as your future situation. For example, in the future, you might need more staff members to access the solution.



# The (near-ish) Future of Conveyancing...

by Olly Thornton-Berry  
Co-founder & MD at Thirdfort





Olly Thornton-Berry, Co-founder & MD at Thirdfort

**It's almost a cliché now to say that the pandemic has accelerated the digital transformation of... well, everything by about 10 years. As the Co-founder of Thirdfort, I see, everyday, the huge**

**changes in how our customers and their clients have adopted technologies to solve new challenges.**

Personally, I think we'll see a partial regression back to traditional ways of doing things as we come out of lockdowns. Some practices will attempt to reclaim the 'normality' of a pre-Covid world, which will lead to an even clearer split between those firms which embrace change versus those that don't. This situation holds a huge opportunity for conveyancers to boost their businesses by keeping up with the expectations of digitally empowered homebuyers, and future proofing for the next wave of transformative technologies heading our way.

**Hayward Moon**

PROPERTY LAWYERS

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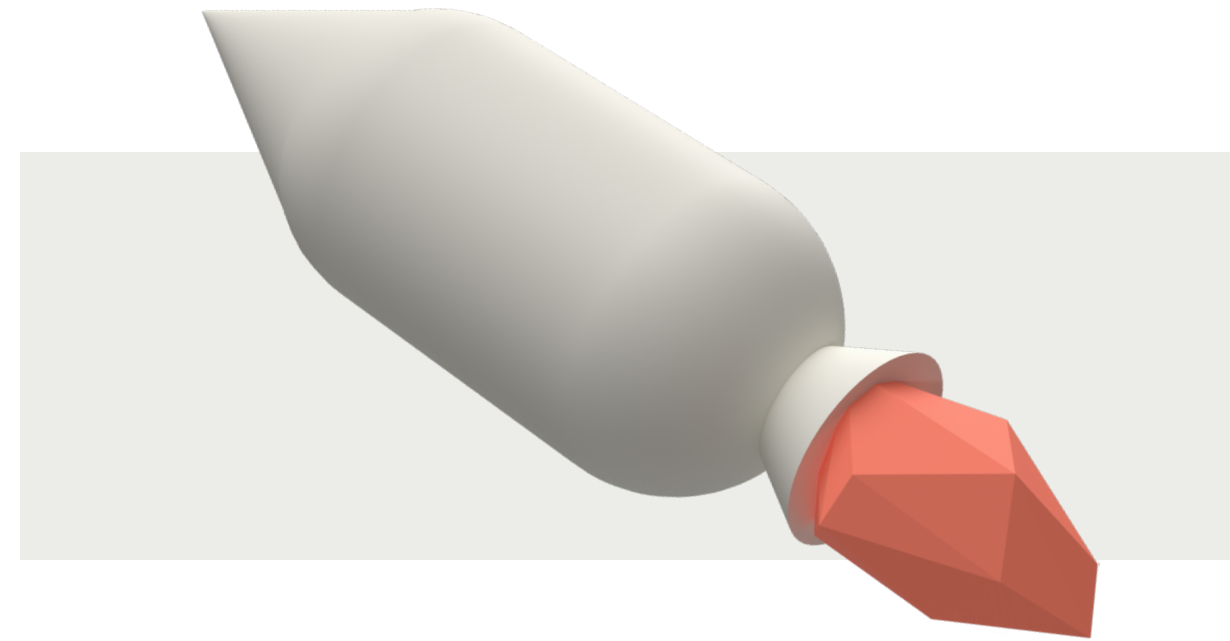
Thirdfort is always improving the app and system. It's made many changes since we started using it. These changes have made the app and system easier to use for both our staff and our clients. Thirdfort also provides exceptional customer service for law firms and our clients.

**Hayward Moon**

# So, what's next in legal tech?

As a provider of technology for lawyers, this is a critical question for us at Thirdfort to answer in order to remain at the cutting edge of innovation. And it's one that myself and my Co-Founder Jack Bigood discuss all the time. We're in constant dialogue with various technologists at the top of their game to ensure we're armed with the knowledge to keep up with the ever increasing pace of change.

Here are some of the bigger ideas which we think will impact home buying over the next decade, and which solicitors and firm owners should be actively thinking about now.



## **Client onboarding will be instant, virtual... and invisible.**

The pandemic has forever changed how and where we work. Many people, including myself and the team at Thirdfort discovered, perhaps unsurprisingly, that an important element of problem solving is fostered through collaborative activities, and the fertile, idea generating informality of just sharing a space with another individual or team.

Solutions to this universal challenge involving virtual reality (VR), like Spatial which is best

described as a mind-blowing VR version of Zoom, are already emerging to help tackle these challenges. The potential of immersive technologies like virtual reality to transform how we do business is immense. Communications giant, Ericsson, which is already using VR for company meetings, has predicted that by 2030, we'll be able to enter digital environments that appear completely real to all our five senses simultaneously.

If this prediction is accurate, and solicitors will be doing more client meetings in alternative digital realities, where all parties are represented by avatars, it opens a number of big questions around proof of identity: How would you prove, legally, that you are who you say you are? How can you be sure that those with whom you are dealing are who they say they are?



To a certain extent, we're already solving part of this problem at Thirdfort with our ID verification tools. However, I don't believe that users will have to re-prove their identity at every interaction, with every party. Jack and I both think it's realistic that the most likely scenario is one where clients will verify their identities only once, with a trusted third party. This will allow their identity to be certified securely and automatically upon entering a meeting, or any other virtual environment where ID is required. It would facilitate seamless transactions with a whole range of service providers without each provider requiring duplicate identity verification processes.

For conveyancers we see this extending to the full AML and KYC process, where all checks like sanctions and PEP checks take place via an automated digital interaction with the third-

party ID provider in nano-seconds at the start of a meeting. In the same way that invisible payments have revolutionised how we use taxis, invisible onboarding will transform how lawyers work with clients.

## **E-signing will be secure, trusted and digital**

Signing deeds and contracts will also be done with an ID-verified click for client, lawyer and HM Land Registry. When you are dealing with a legally valid and verified individual, it doesn't matter if they're a human signing with a pen in front of you or a superwoman avatar clicking a confirmation button to consider a contract legally valid. At some point, in the very near future, we'll look back on written signatures as being a particularly archaic and insecure form of agreement.

That said, e-signing, as we understand it now, could become obsolete within the next decade due to the adoption of the second big innovation I mentioned earlier.







“

Thirdfort was easy to implement and set up, and has revolutionised how we verify the identity of our individual clients

**Penningtons Manches Cooper**



## Property ownership will be held on the blockchain

Without a doubt, blockchain technology will play a large part in the home buying process in the coming decade.

At its core, the blockchain is a ledger with a record of any kind of transaction held on a vast network of computers. As the network is so large, it can't be manipulated which makes that record of ownership immutable, unless you have access to the cryptographic keys held by the owner of the asset. It's the ultimate objective proof of ownership.

Currently, it's over-hyped as the mechanism behind cryptocurrencies, but we're certain that its use cases as an incorruptible record of ownership will have implications for home buying

and conveyancing in the very near future. Already there has been the development of non-fungible tokens (NFTs) which are basically immutable certificates of ownership which are currently being mapped to digital objects, e.g. a document, image, audio or video file to prove their ownership.

NFTs are in the news as they're being mapped to digital art works which are then sold for staggering sums of money, however, we think that this technology will soon be tied to physical objects such as cars and property.

If ownership cannot be forged it will render opportunistic property scams almost impossible. We would expect HM Land Registry itself to become the blockchain upon which the transactions of these tokens are recorded. HM Land Registry have actually been well ahead of



the curve on this, having been exploring the potential of NFTs since 2019. [This recent BBC piece, where their Deputy Director of Digital Services](#), Eddie Davies discusses the future of home buying is very insightful.

NFTs are nascent technology and there are many unprecedented legal questions that need answered before this hits the mainstream. However, it's definitely an area that any legal professionals involved in property law and transactions should be educating themselves around.

## Managing large payments will become trustless and smart

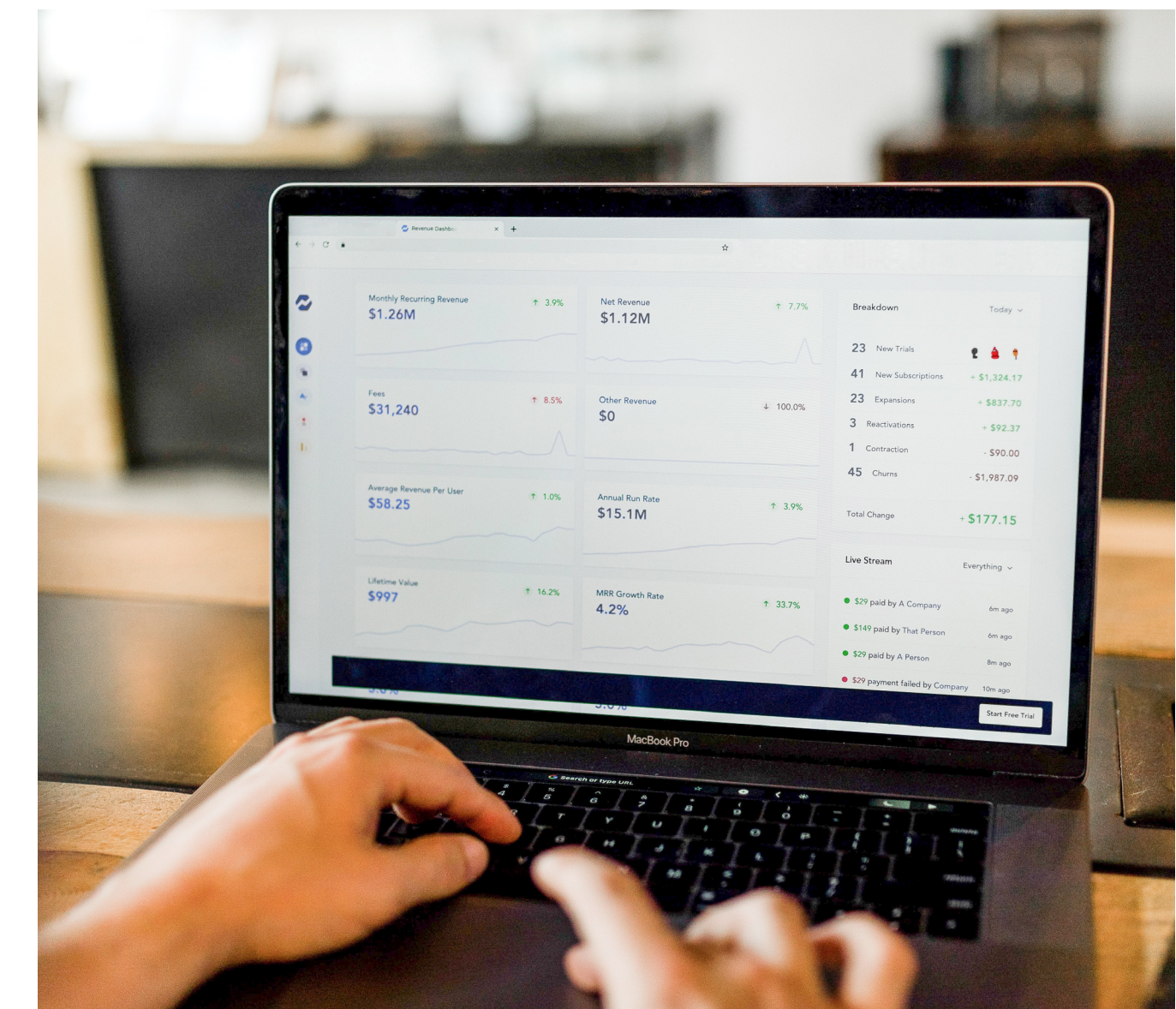
Open banking has already revolutionised source of funds checks, but we've hardly begun to see its potential. Combined with blockchain

technology, it will streamline and cut fraud risk when sending, receiving and reconciling large payments.

The Ethereum blockchain has risen to become the second most well known after Bitcoin due to a key feature of how it's underlying technology works – Smart contracts. A smart contract is essentially a computer code which can self-execute as well as self-enforce the terms and conditions laid out in a legal agreement.

Smart contracts are already being used to conduct commercial property transactions such as buying, selling, leasing and financing. At the point of finalising a negotiation, the independently verifiable parameters of the deal e.g. ID verification and money hitting a bank account, are programmed indelibly onto the blockchain. Since smart contracts run on a

software code, they don't require documents to be processed manually, and can't be changed once they've been activated. When the parameters are met, the contract executes and value is transferred from the buyer's wallet to the sellers. This could obviously have a big effect on the service that conveyancers provide to their clients.

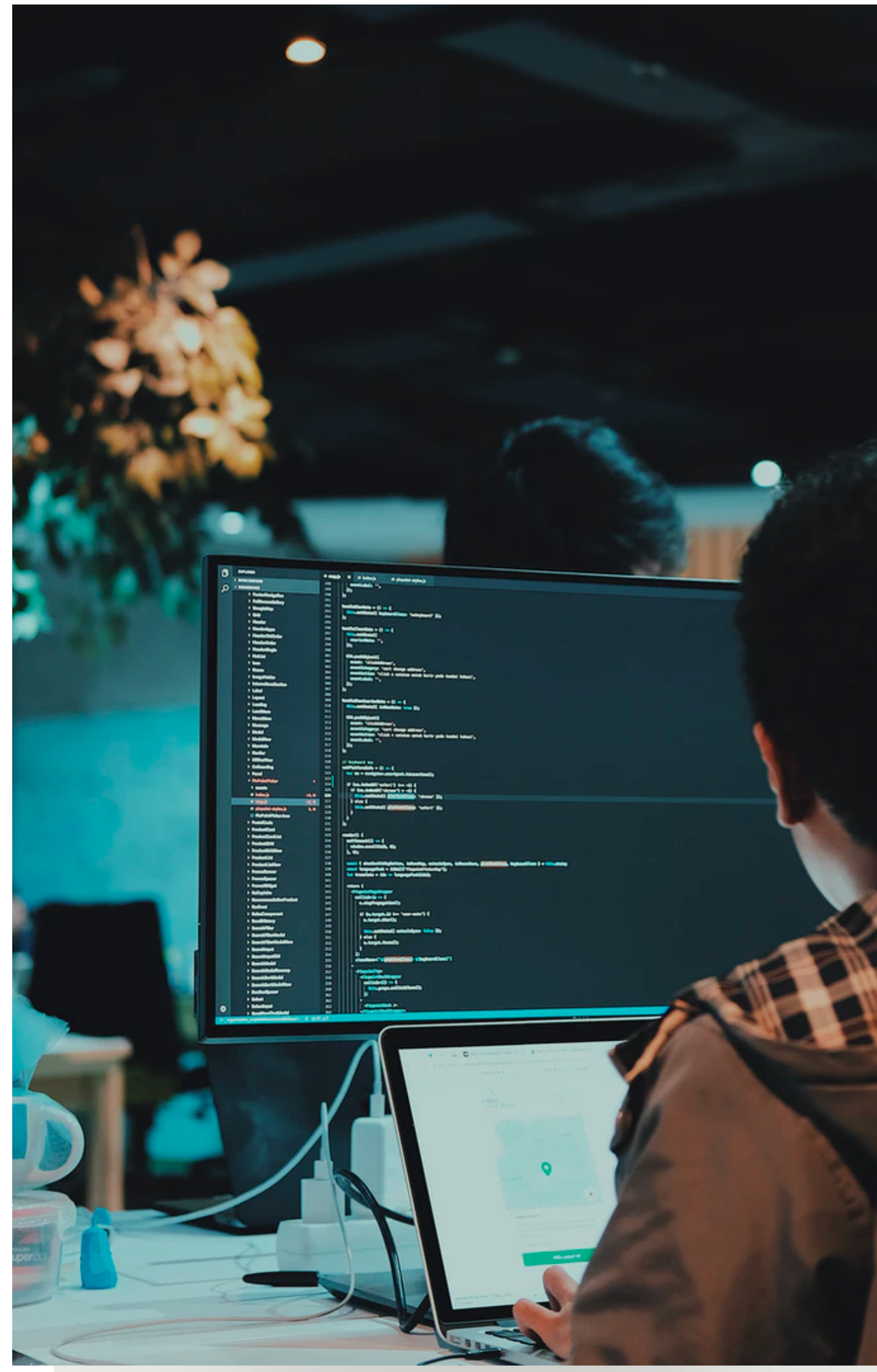




## Human involvement in the home buying process will diminish

Obviously no one really knows whether lawyers will be meeting clients in virtual realities, where AML and KYC checks will be completed before the first word has been uttered. Or whether property purchases will be as simple as creating a smart contract on HM Land Registry blockchain for the transfer of ownership of a non-fungible token representing the real-world property.

The third trend we see as important in the near-ish future is the mass adoption of life automation technologies. It could be that within the next 10 years, the full home buying process will be managed by personal life automation bots, and conveyancers will have little actual interaction with the buyer and sellers personally.



You may already be aware that there are sophisticated automation apps, like Apple's Shortcuts for iOS or Google's Action Blocks, which are natively on every iOS and Android mobile device. These apps create programs which can be set to complete a series of actions, and make on-the-fly decisions around how they react to variable inputs, based on increasingly sophisticated AI and machine learning algorithms.

A possible evolution of this technology is that personal bots will be authorised by their humans to handle all the administration of day-to-day life according to defined parameters such as calendars, financial goals and user-set preferences. I believe it's very likely that this will be a transformative technology and will become mainstream by the end of this decade. And therefore one which conveyancers should be keeping abreast of.

Imagine a situation whereby a consumer identifies a property they like on RightMove.com. They complete a multi-sensory virtual reality tour of the property with an estate agent, which feels sufficiently like they've been to the property that they're comfortable making a purchasing decision.

At the end of a tour where the buyer wants to make an offer, the estate agent could ask for their bid. This would trigger a life automation program to instantly send all the documentation required for AML/KYC and source of funds checks on behalf of the buyer and their giftors.

The conveyancer would request the contract of sale from the seller and any issues highlighted would be prepared by the conveyancer in such a way that the buyer's life bots would be able to ask their human for approval or rejection of specific

items. Once the lawyer was satisfied, they'd send their approval to proceed to the buyer's bot and the transaction could proceed with a click of acceptance from all parties.

A future like this would have operational implications for conveyancers and, indeed, those that provide services to them like Thirdfort. We're keenly aware that for both our business, and that of our customers, keeping an open mind and adapting early to change will be of critical importance as we progress through the 2020s.

### **A future to be prepared for...**

Some of these predictions for where the business and practice of conveyancing are headed in the next decade might seem obvious, others far fetched. They might excite or terrify.

Ultimately, for a firm to thrive, it will be the client's expectations that need to be met. Keeping the client on your side, through delivering the most convenient and simple experience during the home buying process will ensure that any conveyancing firm thrives in the years to come. Helping you to do this is our mission at Thirdfort.

I'll conclude by thanking you for taking the time to read this guide. We hope it leaves you more informed about the nuts and bolts of ID verification technology, empowered to make an informed decision when it comes to providers and with a positive view of what the future holds for the industry!

Best regards,  
Olly





Thirdfort is an app-based solution that lets conveyancers verify client ID and source of funds in minutes. Combining ID scanning technology to check a client's identity with open banking to prove money is from a legitimate source, Thirdfort is being used by award-winning conveyancers around the UK.

## Let's chat



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