

# Can you embrace digitisation if you only accept wet signatures?

White Paper V 1.0

Aneta Murdza

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# 01

## INTRODUCTION

An increase in use of electronic signatures has been observed across a number of sectors including Wealth, with the trend accelerating. In the light of COVID 19 pandemic. Wealth management firms have had to review and adapt their approach to how they carry out their business. How much has changed and is an electronic signature really the only way forward?

# 1 INTRODUCTION

## 1.1 Background

It was not that long ago, when the first national lockdown was imposed and as hard as it is to believe, 8 months down the line, we are in this position again.

Back then, in our [New Norms](#) series we explored what it meant for financial services industry and the rapid changes the business were required to undertake to enable them carry on in the new, remote way.

### *The continued increase of e-signatures...*

Electronic signatures have been gaining popularity over the years however it was the pandemic and the restrictions imposed on communities, combined with customer expectations that have resulted in a massive jump in the acceleration of digitisation and implementations of solutions across businesses.

“ Citi has noticed 300% increase in online account openings amongst commercial clients (\*) ”

How much has changed though and is an electronic signature really the only way forward now?

“ Intelliflo DocuSign functionality saw a 1189% increase in uses during the 2 months of the pandemic. The back-office provider compared aggregated user data from February, before Covid had hit the UK, with the respective data from April, when the lock down was in full swing.\* ”

As we enter the second national lockdown, it's worth revisiting how electronic signature implementation can support business' in the long run, and the place it takes in the overall digitisation journey.

*“Out of 534 respondents, 68% expect less frequent face to face communications when it comes to ‘a new normal’  
59% respondents anticipate “greater efficiency brought on by the increased adoption of technology”.\* ”*

*Integration of electronic signatures into the claims processes within one of the biggest insurance providers in the UK resulted in 5 days savings in processing time and net £45k savings in the first year, providing numerous other benefits to their customers and employees.*

• Source - <https://www.moneymarketing.co.uk/news/e-signature-use-soars-tenfold/>

• Source - LV= Claims Back Five Days in Processing Time with Online Signatures: <https://www.youtube.com/watch?v=TZ5kXth71hU&t=4s>

## 1.2 Customer expectations

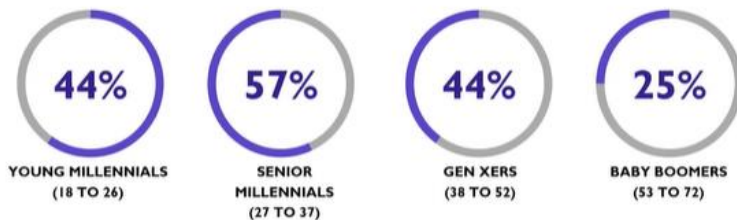
Results of a recent consumer survey in Spain suggest that digital access in insurance has increased almost 30 percent since the start of the pandemic. At the same time, the level of customer satisfaction within digital delivery in insurance was the lowest ( in comparison with other sectors) with “hard-to-use tools” being referred to as the main barrier. (1)

When it comes to the Account Opening process as an example, according to “Account Opening – run it like you own it” survey undertaken in 2019, more than half of the consumers would prefer to open account via digital channels or mobile app as opposed to traditional methods using, pen and paper.(2)

The idea of having to print off document, sign it, find an envelope, get to a post office, buy a stamp and post it seem to have become increasingly less popular across the generations, consigning pen and paper to the past.

### CONSUMER PREFERENCES

Prefer to open a new account via digital channel/mobile app



Source: FIS PACE Study, 2019

It's the upcoming wave of the customers, Millennials, who are the most tech savvy. 'HENRY', short for 'high earners not rich yet', will drive the changes the businesses will need to implement in timely manner in order to meet their expectations when it comes to customer journeys. This is the generation that will shape the services in the years to come and doing nothing is no longer an option.

OneSpan

- **Source** - Digitizing your Customer Onboarding and Account Opening in a Time of Crisis - <https://www.onespan.com/resources/thank-you?source=/resources/webcast-digitizing-your-customer-onboarding-and-account-opening-time-crisis>

Ways of communicating have been evolving for years however physical distancing and numerous quarantine measures introduced meant that the process needed attention and instant action.

Increasingly, financial services organisations have started accepting electronic signatures and 'wet' signatures have become the less preferred option.

Some firms might have accelerated their digital delivery agenda already in place, some decided to put all the efforts in place to put in place strategic solutions that will serve them and their customers in the years to come whilst others could have implemented tactical solutions to cope in the unprecedented time, leaving the strategic steps 'for later'.

Research undertaken by iPension Group suggests that continued increase in use of electronic signatures is also expected by the Adviser population.



- **Source** - <https://www.linkedin.com/company/ipensions-group/>

### 1.3 Increase in electronic signatures implementations

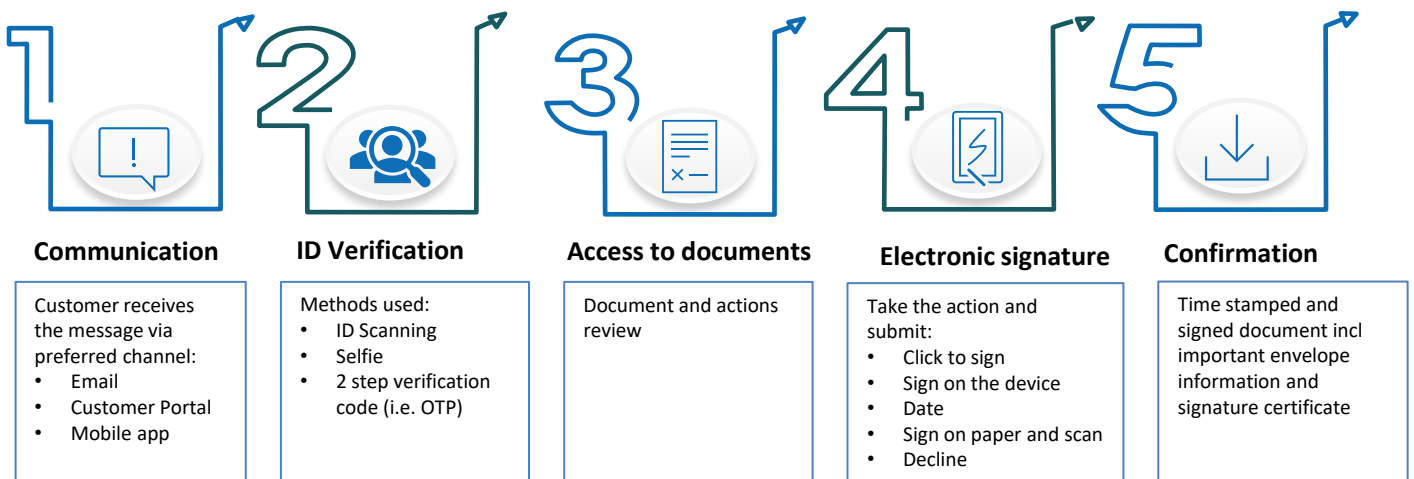
The ever increasing use of digital technology, internet, cryptography and mobile devices means that documents can now be signed anytime, anywhere.

Electronic signatures allow the customer to open, maintain and close their investment accounts at lower cost. For insurance firms claim assessments or policy agreements are key areas of benefits. Integration of electronic signature into the claims processes within one of the biggest insurance providers in the UK resulted in net **£45k savings in the first year**, providing numerous other benefits to their customers and employees.

Whilst over 85% Financial Services institutions offer digital account opening process, most don't offer end to end digital account opening experience.

The average time to onboard a customer e.g. open new account, apply for pension product, life insurance, mortgage takes between 1-7 days.(?)

Implementation of electronic signature can have a massive impact on the overall time. The process usually follows the key 5 steps enabling the customer to sign the required documentation in minutes, in a safe and secure environment, wherever they are (providing they have the access to internet).



If implemented properly, electronic signatures help wealth management providers realise numerous benefits. There are number of e-signing solutions on the market that provide add on solutions to an existing email platforms, with end to end encryption, exacting authentication, no portals or logins requirements for the recipient, secure reply, legal proof receipts, a tamper-evident seal audit trail which can be integrated into the existing business processes, providing benefits to businesses and customers. DocuSign, Adobe Sign, Onespan, Forensic are just a few examples.

At Simplify we help companies to re-engineer their processes and document the customer journeys to support the use of electronic signatures.



# 02

## Benefits

## 2.1 Benefits

Integration of electronic signatures into the business process will help not only to meet requirements of today but also tomorrow.

The benefits of electronic signatures within Wealth Management increase considerably, given the customer expectations and volume of the financial transactions.

The changes introduced during the pandemic have considerably accelerated wide acceptance of electronic signatures.

Key benefits of electronic signature include, but are not limited to:



### Improved Customer Outcomes

- Quicker and simpler consumer journeys
- Flexibility to sign at chosen time and location
- Reduced cost – printing, posting, stamps
- Safety – enables social distancing to be maintained



### Process efficiencies

- Faster transactions
- Streamlined processes
- Reduced administration time
- Reduced use of paper
- Reduced cost for the business



### Leverage technology

- Enables remote working
- Addresses Information Security
- Enables process efficiencies to be realised



### Risk Reduction

- Reduced risk
- Increased security through the use of available solutions i.e. exacting authentication, secure encryption, a tamper-evident seal

Whilst the electronic signature acceptance by firms may differ i.e. AgeWage allows on screen signing whilst Pensionbee requests signature to be scanned; adoption of electronic signature considerably impacts on the end to end customer journey and helps organisations realise numerous benefits. Yet, we still see examples, where even some of the bigger players within the UK's financial services market do not fully adopt technology in that aspect.





# 03

## Regulatory and legal position

### 3.1 Regulatory position

Whilst some firms and customers have been using e-signatures for years, others resisted the change, sticking to the traditional methods like pen and paper. Although electronic signatures have been legal, the adoption was awaited for a long time. Amongst reasons like cost and time investment, transformation agendas - regulatory concerns and legal validity have been often quoted as main reasons.

The Pandemic has also changed this perception - governments and regulators around the world provided assurance to firms when it comes to legality and regulatory aspects, confirming that activities once required to be conducted in person can now be performed digitally. (3):



20th April 2020

FCA confirmed that its rules do not 'explicitly require' wet signatures and that electronic signatures are permitted. FCA also recommended that regulated firms, including advisers consider advice in respect of the legal position and reminds firms to consider any related requirements in the Principles for Businesses and general rules to ensure that, when a client signs a document electronically, this does not make it more difficult for the client to understand what they are agreeing to.



2nd April 2020

The Pension Regulator in its update recommends to allow electronic signatures and documents. The Regulator asked trustees to 'encourage other third party providers to do the same (e.g. fund managers) referring to the statement from government in that respect.



ISA regulations already include guidance in relation to Applications in writing. 'In writing' includes faxes of signed application forms, scanned copies of signed application forms attached to emails and email applications with electronic signatures. The Electronic Communications Act 2000 definition is used in this aspect.



September 2020

*"We believe Qualified Electronic Signatures are the right long-term component of that digital future. They have added security and the digital nature of the resultant document will enable joined-up and automated processing elsewhere in the transaction"*\*

\*Source- <https://hmlandregistry.blog.gov.uk/2020/07/09/electronic-signatures-in-conveyancing>

The changes made during the pandemic helped firms to take necessary steps to accelerate the digitisation and meet the customer expectations so awaited in this area.

## 3.2 Legal stance of electronic signatures

In summary, electronic signatures are valid under English Law.

Whilst most agreements concluded under the law of England and Wales do not need to be recorded in any particular form, for those transactions which are subject to certain requirements, such as to be “in writing” or “signed”, it has not been clear whether these requirements can be satisfied electronically. For years, this lack of clarity in the law has been discouraging businesses from executing documents electronically even when it would be quicker and easier to do so.

### The Electronic Act 2000

May 2000

UK Act which confirms admission of electronic signatures however doesn't explicitly confirm its validity. (4)

### eIDAS.

eIDAS ('electronic identification and trust services') was set out in order to provide consistency to regulations in the EU on electronic signatures. It confirms that an electronic signature cannot be denied legal validity on the basis it is electronic and that electronic signatures are admissible in evidence in legal proceedings. (5)

Jul 2014

### Law Commission Report

The Law Commission produced a report on validity of electronic signatures. (6)

Sep  
2019

### Government response

In light of COVID 19 pandemic, the position was subsequently reviewed and affirmed by the Government on 3 March 2020 (7).

Mar 2020

### Industry Working Group

?

**Government to establish a group of industry experts to monitor the use of electronic signatures and advise on potential changes and related aspects in order to support the businesses.** (It's currently unclear as to when the outcomes of this Industry Working Group will be published.)



# 04

## Considerations

## 4.1 Considerations

Whilst there are numerous benefits of using electronic signatures, the following points should be considered by firms when implementing electronic signatures (\*):



### Intention to authenticate

For the signature to be valid, the signatory's intentions to sign and be bound by the document need to be clear and any relevant evidence may be required.

### Regulations

Any applicable regulations or requirements must be satisfied e.g. the requirement for the signature being witnessed in applicable scenarios



### Technology

The Regulation is technology-neutral and doesn't mandate use of particular technology. Because of the pace of technological change, the Regulation should adopt an approach which is open to innovation and recognises that technology keeps evolving. There are many integrated e-signing solutions allowing companies to sign contracts with their customers online, meeting specified requirements to ensure its validity.

### Document type

There are certain types of documents or document categories for which electronic signatures are not appropriate. E.g. wills and trusts, powers of attorney, declarations given under oath. Details of exclusion should be confirmed by the legal counsel.

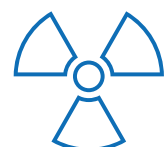


### BREXIT

In case of the UK no longer being subject to the Regulation, this would not mean any imminent changes to the law and market practice in respect of electronic signatures. Under English law, any form of electronic signature (and related certificate) would still be admissible in evidence to determine the authenticity or integrity of an electronic document. Irrespective of the Regulation, the key question for an English or Scottish court is whether the electronic signature demonstrates an authenticating intention.

### Risk of fraud

Whilst consideration to fraud needs to be given, this is not different to any other type of signature. Wet signatures are not free from fraud risk. Handwriting does change over time so do wet signatures too. What is more, no one firm relies solely on a signature. The use of combination of proofs of identity and signature is the best and most secure method.





# 05

## Conclusion

## 5.1 Conclusion

The ever increasing use of digital technology, internet, cryptography and mobile devices means that documents or agreements can now be signed anytime, anywhere.

It is clear that sole reliance on a paper and wet-ink signature shows lack of customer experience understanding and inflexibility.

One of today's reasons for competitive advantage in financial services is that businesses and customers are able to complete transactions faster and securely. The aid of digital signing can only support this.

The ever increasing demand for mobile financial transactions and digital interactions is expected to be met by end to end digital process. Whilst some of the core processes are being automated, in reality, there are yet too many challenges to providing fully digitised end to end process.

Face to face interactions will remain to an extent and will play an important part in transactions in the years to come however firms need to develop facilities that support digital ways to serve customers who prefer digital or remote interactions now and tomorrow.

E-signatures, especially when accompanied by the digital identity verification and authentication technologies, can facilitate remote self-service as well as support advisers, accelerating digitisation and improving customer experience.

Jackie Boylan, head of Fidelity's FundsNetwork, notes:

*"Even as social distancing measures are relaxed, many firms are likely to rely upon digital measures of communicating with clients – rather than face-to-face – for some time, and therefore it's important platforms are able to support them with this.*

*Electronic signatures are likely to play an increasing role in these interactions, and processing of documentation."*

Whilst considerations are required in respect of implementation of suitable electronic signature, there's no doubt that the recently observed acceleration in the use of electronic signatures will only continue.

It will shape the future for financial services organisations and customer expectations, delivering great efficiencies for both as a result.



# 06

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- 7) Government response to the Law Commission report Electronic Execution of Deeds: [Written statement - HCWS143](#)
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PLC Magazine [Electronic signature platforms key contractual issues](#)  
  
Money Marketing [Digital signature benefits outweigh risks](#)

**The increase in the use of electronic signatures will only continue. It will shape the future for financial services organisations and customer expectations, delivering great efficiencies for both as a result.**

For help with re-engineering your processes, documenting the customer journeys or support with the use of electronic signatures, get in touch with us today:

[info@simplifyconsulting.co.uk](mailto:info@simplifyconsulting.co.uk)

[www.simplifyconsulting.co.uk](http://www.simplifyconsulting.co.uk)