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To whom it may concern,

I am writing with regards to the National Consumer Credit Protection Amendment (Mandatory Comprehensive Credit Reporting) Bill 2018. As an academic researcher in consumer finance, I am interested in the outcome of the bill with regards to the universal provision of credit, the cost of credit, and competition in the financial services sector. I have engaged in discussions with a number of individuals from bank and non-bank lenders, credit bureaus, industry bodies, and academia in considering the proposed amendments. The general sentiment is that comprehensive credit reporting should be good for the industry, in line with international evidence.[1]

Based on the experience of other countries, the introduction of credit sharing should improve the amount of loans funded and the cost of loan funding for good borrowers, as bad credit risks or borrowers with a risk of fraud are removed from the pool of potential borrowers. Borrowers should be encouraged to treat their credit scores "as an asset, thereby functioning as a mechanism for borrower discipline."[2] On the other hand, several non-bank loan providers have indicated that a lack of consistent credit information (under the negative reporting regime) has hampered their ability to manage credit risk in their loan books.

The outcomes for individuals on the lower end of the credit spectrum may be negative; evidence from Dun and Bradstreet's implementation of CCR in New Zealand has indicated as much.[3] This may lead to the growth of so-called 'credit-cleaning' businesses or the introduction of products specifically targeting the borrowers with adverse events in their credit histories.

In regard to the specific implementation of the bill.

[1.17] Requiring large ADIs to submit 50 percent of their credit accounts by 28 September 2018 with the balance due by 28 September 2019. This may ease the burden of implementation for large ADIs. Evidence from Sweden[4] around the expansion of a credit registry indicates that banks may have an incentive to downgrade high-quality borrowers to retain informational rents. With a staggered implementation deadline, there is an incentive for large ADIs to only report lower-quality borrowers by the first deadline. Following the second deadline, auditing of the data supplied by credit providers will remain important.

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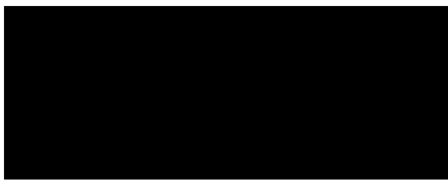
[1] https://www.sciencedirect.com/science/article/pii/S0304405X06002170
[2] https://econpapers.repec.org/article/eeeeecrev/v_3a44_3ay_3a2000_3ai_3a10_3ap_3a1951-1980.htm
[3] http://dnb.co.nz/article-wp-comprehensive-credit-reporting.html
[4] https://academic.oup.com/rfs/article/30/9/3269/3852481

[1.100] Ensuring that the information is accurate. Experimental evidence from the United States[5] indicates that 26% of study participants found material errors in their credit histories. Consumers need to be made aware that even comprehensive credit data is not infallible, and that they remain responsible for maintaining accuracy in their credit history.

[1.129] Identification information. International evidence[6] suggests that credit reporting is improved with unambiguous borrower identification (for example through a social security number or national identification number). Mandatory CCR may be undermined to some extent if borrowers are able to mislead credit providers as to their identities.

Yours sincerely,



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[5] https://onlinelibrary.wiley.com/doi/abs/10.1111/joca.12017
[6] https://www.sciencedirect.com/science/article/pii/S0261560612001787