



13 September 2024

Ivan Powell  
Committee Secretary  
Parliamentary Joint Committee  
on Corporations and Financial Services

**Inquiry into the Financial Services Regulatory Framework in relation to financial abuse  
(the Inquiry)**

Dear Mr Powell,

We refer to the evidence provided by Zip Co Limited at the public hearing of Inquiry on 8 August 2024. Zip welcomed the opportunity to assist the Inquiry and to also provide further responses to questions raised in our evidence and to provide a public submission to assist the Inquiry.

**Zip overview**

Zip is an ASX-listed (ASX:ZIP) leading global financial services company, offering innovative consumer centric products that bring customers and merchants together. Zip offers point-of-sale credit and digital payment services, predominately in Australia, New Zealand and the United States.

In Australia, ZipMoney Payments Pty Ltd (**Zip**) (a subsidiary of Zip Co Limited) holds an Australian Credit License. In Australia, Zip operates three consumer products, namely Zip Pay, Zip Plus and Zip Money and has over 2.2 million active customers, and 53,000+ merchants.<sup>1</sup> Zip is a responsible credit provider and takes these responsibilities extremely seriously. At Zip, we pride ourselves on offering products with a strong focus on fairness and financial wellbeing. Our one clear and straightforward purpose is to create transparent, responsible, fairly-priced consumer credit products – something we work towards tirelessly.

**Question 1: what specific policies, systems, processes or other safeguards does your business have in place to identify, respond to and report suspected financial abuse occurring to your customers?**

As an online business from inception, Zip has built or developed a range of initiatives, protections and processes which help to identify and support customers experiencing financial abuse. These are embedded in our product design, technology solutions, our people and our processes.

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<sup>1</sup> as at 31 March 2024.

## **Product Design:**

Zip Pay, our BNPL product, has a number of inbuilt consumer safeguards which help to protect customers and to assist in limiting instances and the consequences of financial abuse:

- Zip Pay has a small maximum initial credit limit of \$1,000 with the average balance outstanding of around \$500.
- Accounts are held in one name only and joint accounts are not offered.
- The Account holder is notified when an Account is accessed, or transacted upon via SMS, email and push notifications. These notifications are also triggered when a purchase or repayment is made or when the customer's Account is accessed by a new device.
- The customer's exposure to higher risk transactions is limited through the blocking of gambling transactions, cash withdrawals or cash transfers.
- Real time fraud monitoring blocks accounts where suspicious activity is identified.
- Accounts are blocked if repayments are not made and our customers also have the ability to put their account on hold.

## **Prevention:**

Zip has processes in place to prevent unauthorised account opening, access and use, which can help to ensure Zip products are not being used to facilitate financial abuse.

Zip takes a number of steps to ensure the individual applying for a Zip product is who they say they are. These steps include collection and independent verification of identification documents, undertaking a credit check, requiring applicants to connect a third party bank account, obtaining confirmation that the applicant's bank account is held in the same name as the applicant and requiring email and mobile numbers for two factor authentication when transacting on, or updating an Account.

Zip also leverages technology to identify customer accounts with suspicious or potentially unauthorised activity.

## **Detection:**

Transaction monitoring protocols are in place which include real-time surveillance of transactions, proactive account takeover detection, measures for preventing remote access scams, and techniques for identifying anomalous purchases. The investigation of transaction monitoring results can also lead to the detection of potential financial abuse impacting customers.

Throughout the past financial year, our fraud team have proactively evaluated over 14,500 account alerts, safeguarding our customers and Zip from identity theft, suspicious activity, unauthorised transactions and fraud.

## **Support:**

While the reported instance of customers experiencing financial abuse is low, we have put in place specific processes to support them. Training has been conducted across customer support, internal complaints and hardship teams on identifying and engaging with vulnerable customers. Teams are also trained on how to respond to claims of financial abuse. Our dedicated financial hardship support team have undergone training to help them identify where family violence including financial abuse may be occurring and processes to support those customers (including streamlined application and assessment processes, debt waivers where appropriate and removing credit file enquiries). Zip has in place processes to which support customers experiencing financial abuse which include:

- enabling a customer to put their account on hold;
- checking that a person acting on behalf of a customer has the appropriate authorisation based on the information available to Zip (such as to validate the powers of attorney, administration or guardianship orders);
- investigating unauthorised transactions identified by our Fraud team or customers;
- refunding genuine unauthorised transactions for customers and supporting customers with changing account information; and
- depending on the specific customer circumstances, Zip will provide financial support and / or financial hardship assistance (in a safe, supportive, timely, and flexible manner) as well as information on how to access specialist support services.

Our Domestic Violence & Financial Hardship support policies were developed in partnership with Good Shepherd. We have worked directly with Financial Counsellors Australia to put processes in place where we expedite requests for debt waivers from victims of financial abuse using the assessment undertaken by the counsellor, rather than conducting our own review, to enable the customer to access support in the quickest, least invasive way possible.

We are also aware that financial abuse is likely under-reported and have published help centre articles on our website in response to this to raise awareness of this issue and how victims can access support.

As a member of the Australian Financial Industry Association (**AFIA**), Zip complies with AFIA's vulnerable customer guidelines and has internal policies and procedures regarding vulnerable customers, financial hardship and unauthorised transactions.

## **Question 2 - what is the extent of suspected financial abuse identified by any such measures in place?**

Where it is identified that a customer is experiencing circumstances that may mean they are 'vulnerable', <sup>2</sup> this is flagged in our systems, to enable future dealings with the customer to be managed with heightened sensitivity and confidentiality.

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<sup>2</sup> Zip considers financial abuse in our definition of vulnerable customers, noting vulnerable customers also has a wider definition to include customers such as those impacted by a change of income, or an illness. More information is available at <https://zip.co/au/page/vulnerability-and-hardship>.

During the 2024 Financial Year, we recorded 978 customers requesting hardship assistance that were identified as being 'vulnerable'. This would include customers experiencing a range of circumstances including homelessness, mental health issues, domestic violence and financial abuse.

**Question 3 - what is the impact of the shift of financial products to online platforms on the prevalence of, and ability of your business to identify, respond to and report suspected financial abuse?**

Zip offers products via online platforms and has done so since our business was established some 11 years ago. Zip has always been an online lender and therefore cannot comment as to the experience of the shift from financial products to online platforms.

**Conclusion**

Zip will continue to review the best practices and learnings from the Inquiry which it can implement. Additionally, it will continue to focus on:

- the ongoing investment in technology, training and resources to detect and prevent financial abuse, and
- the development of stronger relationships with our stakeholders and the community to improve the support we provide to our customers.

Yours sincerely,

A black rectangular box redacting the signature of Sarah Brown.

**Sarah Brown**  
**Zip General Counsel, ANZ**