illion
Formerly Dun & Bradstreet

15 April 2020

Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

By email: fintech.sen@aph.gov.au

Dear Sir/Madam,

Secondary Consultation – Financial Technology and Regulatory Technology Inquiry

As a major Credit Reporting Body within the Australian credit landscape, illion (formerly Dun & Bradstreet Australia and New Zealand) is grateful for the opportunity to provide this submission to the Senate Select Committee on Financial Technology and Regulatory Technology (**the Committee**), following the decision to realign the focus of this Inquiry to the unfolding COVID-19 pandemic and its consequences for the FinTech sector.

To date, illion has contributed to the Inquiry in the form of a written submission (Submission #13) and the appearance of two company representatives before the public hearing in Melbourne on 30 January 2020:

- Mr Simon Bligh, Chief Executive Officer, illion
- Mr Luke Howes, Managing Director, illion Open Data Solutions

In many ways we are Australia's oldest FinTech. We have been in the data market in Australia for over 130 years so we have deep industry expertise. We have set up our own FinTech, Credit Simple, now with over one million members in Australia. We also run FinTechs, including Proviso (now illion Open Data Solutions), the leader in its field.

illion's digital infrastructure is relied upon by over 15,000 corporate and government clients, and over 1.3 million consumers. It is vital that regulatory reforms in our sector satisfy consumer demands and continue to foster an environment that enables agile data solutions.

1. Digital Data Capture and Open Banking

illion believes that delaying the introduction of Open Banking (scheduled for 1 July 2020) is the only sensible option. Former ACCC Chair Graeme Samuel publicly advocated for the postponement of Open Banking, noting, "We can't have an inadequate or inappropriate introduction of Open Banking." Mr Samuel's assertion that now is not the right time is a common-sense view that shows sensitivity to the complexities confronting this industry.

In digital data capture (DDC), industry has a solution in place that works, with no indication from ASIC that there is any harm caused to consumers by this technology. Appearing before the Committee on 27 February, Commissioner Sean Hughes observed that "there's no evidence of which we're aware of any consumer loss from screen scraping."

As such, illion favours the delay of Open Banking to ensure that organisations can focus their energy on critical business issues, including continuing to provide efficient services to their customers. The 'intermediary' issue remains unresolved; therefore, it is essential that a level playing field remains for lenders and consumers. This will provide clear guidance in a fast-moving and fluid environment.

2. ePayments Code

The ePayments Code, which regulates consumer electronic payment transactions and is currently subject to review by ASIC, should be amended to simplify guidance for DDC technology and provide additional safeguards for consumers who are engaged with businesses using this capability.

illion notes the inclusion of DDC in ASIC's December 2019 revision of Regulatory Guide 209 (RG 209), validating its use and confirming the efficiency it provides to verification processes. According to ASIC:

> *"Developments in relation to open banking and digital data capture services will affect the accessibility, and cost of obtaining, transaction information and an overall view of the consumer's financial situation. These kinds of services may also help licensees to streamline their process—for example, potentially enabling licensees to complete both inquiries and verification of consumer information."*

illion is seeking a more definitive statement — including in relation to the ePayments Code — so that there can be no misunderstanding with respect to the appropriateness of the use of DDC in the current environment.

This will facilitate the continuation of lending processes, and an understanding of whether individuals have lost capacity (through their hardship investigations). illion believes it is time to be explicit regarding the application of DDC technology.

illion would like the ePayments Code to be updated as soon as possible to deliver greater transparency to industry and consumers.

3. Mandatory Comprehensive Credit Reporting (CCR) & CCR reform

Mandatory CCR contains very important requirements for the hardship flag. The current climate induced by the outbreak of COVID-19 is exactly the sort of scenario where the hardship indicator comes into its own. Lenders can be very clear where individuals may need additional support. illion encourages the Federal Government to bring the *National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Bill 2019* forward and to work constructively with the Opposition to ensure it passes.

It is more important than ever that lenders can make fast, accurate, reliable decisions that are fair for the consumer but also meet responsible lending obligations. In this unusual context, with displacement of income and circumstances constantly shifting, the old regime — which can take many months for payment difficulties to emerge — will not be effective.

We need much more dynamic processes to enable difficulties to arise sooner. The Government should actively encourage more organisations to participate in these practices, to enable more effective lending to occur. The situation to avoid is another shock due to bad debt and inappropriate lending processes.

4. Expansion of CCR variables

illion strongly recommends that the Committee recommends that the available data that can be shared by credit providers be expanded to include two key additions that can drive better outcomes for FinTechs by allowing them to compete more effectively with major lenders and deliver increased levels of competition to benefit consumers.

- The balance of a credit account – this information assists the credit provider to better understand the level of credit utilisation that a consumer is making of an existing facility. This information available in most of the world provides a potential FinTech credit provider with a better understanding of a consumer's ability to take on more credit.
- The inclusion of repayment history information for energy and telecommunications retailers. This information allows new to credit and younger consumers to leverage their payment information to access credit. This is permitted in New Zealand where Telco and Energy retailers were the earliest adopters of CCR

We can make the credit reporting system much richer and, post-COVID-19, have consumers bounce out with much better credit scores and a demonstrated track record of meeting their repayments. We can report that consumers are making repayments each month via banks or lenders, but we cannot perform the same task for energy or telecommunications.

Allowing FinTechs to develop visibility of this data would dramatically improve their ability to offer innovative solutions to the cohort (typically younger consumers) who have limited data exposed to traditional lenders. The industry should be pursuing ways in which consumers can remediate quickly. Individuals will have impairments where they have not sought hardship or have not previously been eligible, but have now been challenged in the COVID-19 crisis. How do FinTechs facilitate a fast remediation? Integrate existing data — i.e. in energy and telecommunications — into reporting algorithms and the broader credit framework.

5. Marketing of Credit

The old tools and paradigms once relied upon will not stand up in this crisis. illion — and industry at-large — need a way of identifying consumers and businesses that are credit worthy and can benefit from access to credit, more efficiently.

In a depressed economic situation, we need to get capital into the right organisations' hands quickly, to enable them to respond and rebuild quickly. Not allowing businesses to use a credit score as a means through which they can effectively determine their most appropriate potential credit customers.

FinTechs would benefit from a relaxation of the current prohibition on the use of credit reporting information for marketing purposes. Amending the Privacy Act to permit the use of credit reporting data for the purpose of marketing credit products would provide a boost in FinTech's ability to support the growth and recovery of credit worthy businesses and consumers. illion recommends that the Privacy Act be amended to allow credit reporting information for the purpose of marketing of credit products.

6. Amending the Regulatory Framework for Credit Reporting

The crisis brought on by the global pandemic has again reinforced the value of data and information to allow decision making and to facilitate the government planning.

Credit Reporting Businesses provides a critical piece of Financial Services architecture to ensure an effective allocation of capital to consumers and small businesses. They are also an essential input into credit providers compliance with responsible lending legislation. Despite playing this critical role in supporting sustainable economic growth, the credit reporting industry is regulated by the OAIC and it is overseen through a prism of privacy compliance. This is an accident of history given that it was the first private sector industry to have specific privacy legislation imposed on it in 1988.

illion suggests that the credit reporting sector can be a much more significant contributor to the success of the FinTech sector if it were overseen by a regulator like ASIC who have a vested interest in ensuring fairer consumer outcomes. Such a change would bring Australia into line with jurisdictions like the US and the UK who have regulators like the Consumer Finance Protection Bureau and the Financial Conduct Authority. It would also allow a better alignment between consumer regulators like ASIC and the credit reporting industry, so that consumer credit reporting data can be better harnessed to deliver better outcomes for consumers, businesses and the economy.

7. Support for FinTech Ecosystem

illion is strongly in favour of supporting the FinTech ecosystem. In order to preserve and build this ecosystem, the hub process must thrive, and opening up access to visas to attract global talent is important. In a post-COVID environment where international travel is harder and funding sources are more challenging it is more important than ever to encourage entrepreneurs and investors.

There is a clear opportunity to support small businesses via increased R&D concessions and, perhaps, payroll tax concessions. illion believes in the principle of incentives to help people take the risk and, if they happen to succeed, to benefit from the wealth that they create.

As a large investor in FinTechs, illion is also supportive of incentives for investors to add capital and capability and grow these new capabilities in the economy. Naturally, we encourage the Committee to consider any such initiatives.

8. Conclusion

If you have any concerns or questions please do not hesitate to contact me

Yours sincerely,

Steve Brown
Director – Bureau Engagement