

23 November 2018

Comments on Data61 2 November Working Draft Consumer Data Standards

Thank you for the opportunity to comment on the 2 November 2018 Working Draft of the Consumer Data Standards.

ARCA's focus in respect of the Consumer Data Right/Open Banking implementation process is to help ensure that the data available through the regime will assist with credit provider's risk and responsible lending practices, which will improve lending practices and make credit more available to consumers when they need it and on better terms.

We strongly believe that the first interaction many individuals will have with the Consumer Data Right will be when the individual applies for a credit product and the credit provider seeks to verify the individual's information through the Open Banking regime. Done properly, this will significantly reduce the effort required of the individual to obtain credit and would result in the individual having a favourable view of the Consumer Data Right/Open Banking.

We recognise that Data61 is operating to a tight timeframe of 1 July 2019 and that there will be further opportunity to develop the standards over time. For that reason, we have limited our suggestions for development to matters that will provide significant benefit and which should be reasonably straightforward to implement as part of the initial standards. We note, however, that the process for developing useful data standards would be assisted by further work to understand the likely use cases for the data, which would inform the data that is needed to be available through the standard

It's important to note that the responsible lending obligations under the National Consumer Credit Code involve two elements:

- i. Financial suitability - can the prospective borrower meet the terms of the proposed contract without substantial hardship? This will involve an assessment of the individual's income and expenses. Open Banking will be particularly helpful in assisting the credit provider to verify the financial information supplied by the individual in support of their loan. The need to improve those processes has been a key take-out from the current Financial Services Royal Commission.
- ii. 'Requirements and objectives' -will the proposed contract meet the borrower's needs? For example, if the individual is seeking to refinance an existing home loan to save money, will the proposed contract meet that need? The Australian Securities

and Investment Commission's recent work on credit cards¹ has emphasised the need for lenders to take further action to ensure that they comply with this obligation. For instance, ASIC's REP 580 suggests that credit card providers use Open Banking data to "develop tools to help consumers choose credit cards that reflect their actual needs and use" (see Issue 6, p14).

Data to help verify prospective borrower's financial situation

- **Transaction categorisation** - we suggest the data standards include the categorisation of the transaction, such as the merchant category code. This would allow credit providers to more easily categorise the type of transaction and assist with the verification of the individual's expenses.
- **Credit reporting cross-reference** - ideally the unique ID of the account for consumer credit products would be the same as that used in the credit reporting system. However, if not, the basic and detailed account information should include the account identification that is used by the credit provider when reporting to a credit reporting body. This will improve the ability of a credit provider to cross-match data received through Open Banking with that received through the credit reporting system. For example, it would assist the credit provider to identify whether the individual has disclosed all existing credit liabilities.
- **Account types** - we have previously provided feedback on the available 'account type' and note that some but not all our suggestions have been included, such as auto loans and equipment hire or rental. To improve consistency with the existing credit reporting system, we suggest that these types be included.

Requirements arising from ASIC's credit card work

In ASIC's recent work on credit cards, the regulator has placed expectations on credit providers, some of which are dependent on Open Banking data (see Issue 6, REP 580) and some of which would benefit from Open Banking data (e.g. obligation on credit provider to assess whether a consumer will still be able to repay existing credit cards held with another lender within a 3 year period - see REP 590, p9).

The following additional data in each of the 'Product' and 'Account' components would assist credit providers to meet the regulator's expectations and improve the operation of product comparison tools:

- **Loyalty Programs** - data in respect of points earning capacity for Loyalty Programs, e.g. points per dollar spent; points caps. If credit providers are to create the tool as suggested by ASIC in Issue 6, this is necessary to understand the value of the benefits obtained from the credit card when comparing this to the cost of holding the card.
- **Balance transfers (general)** - the interest rate (e.g. purchase or cash advance) that applies to unpaid balance transfer at the end of the balance transfer period.

¹ See (i) Report 580 *Credit card lending in Australia* (REP 580) which looked at credit card lending in Australia between 2012 and 2017, particularly the consumer debt outcomes over this period and the effect of balance transfer offers; (ii) Consultation Paper 303 *Credit cards: Responsible lending assessments* (CP 303) and Report 590 *Response to submissions on CP 303 Credit cards: Responsible lending assessments* (REP 590) which resulted in ASIC requiring lenders to assess whether a consumer would be able to repay new or existing credit cards within 3 years.

- **Balance transfer (specific offers):**

- Rate
- Period
- Fee

Note: that there is provision in the draft standard for an interest free period for balance transfers (see INTEREST_FREE_TRANSFERS). Zero interest balance transfers are only one type of balance transfer offer. It is important to accommodate other types of balance transfer offers given their popularity with consumers.

The following additional data in Bank Transaction Data would assist to meet the regulator's expectations:

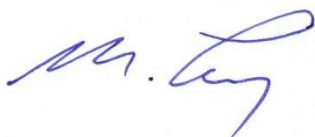
- **Loyalty Programs** - number of points earned in each statement period. Again, this is necessary to understand the value of the benefits that the individual has obtained through use of the card when comparing this to the cost of holding the card.

Other matters:

- **Extensibility** - we note the intention to allow Data Holders to innovate on top of the Consumer Data Standards. Based on our review of the draft legislation and the ACCC's Rules Framework, it does not immediately seem obvious how such extensions will be regulated. For instance, will non-designated data supplied through those extensions be subject to the Privacy Standards? We suggest that this issue be raised with the ACCC.
- **Customer address details** - we have previously provided feedback on this issue and note that our comments have not been adopted. We suggest that further thought be put to this issue.

If you have any questions about our feedback, please feel free to contact me on 0414 446 240 or at mlaing@arca.asn.au or Michael Blyth on 0409 435 830 or at mblyth@arca.asn.au.

Yours sincerely,



Mike Laing
Executive Chairman