

Comprehensive Credit Reporting in Australia: usage and benefits

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Executive summary

Credit reporting in Australia has allowed for comprehensive data – such as information about a consumer's current loans and repayment status – to be shared for over a decade. Arca has now gathered insights and data to demonstrate the effect of these reforms. The data shows that comprehensive credit reporting is a success story for Australian credit providers and consumers.

Participation in comprehensive credit reporting is now widespread: the vast majority of the consumer credit industry is sharing data. There is also progress towards further participation in the specialist automotive lending sector. There is still limited uptake amongst buy-now pay-later credit providers and other small loan providers; Government raising the prospect of mandatory participation could help.

The evidence from participating lenders is clear: comprehensive credit reporting has led to better access to cheaper credit for the Australian public. Comprehensive credit reporting has led to:

- **Higher, better credit scores:** Once comprehensive data is considered, more consumers are seen as a lower credit risk, receiving higher credit scores and better access to loans. Those scores are themselves better predictors of risk, giving credit providers greater comfort to lend and allowing better decisions.
- **Improved financial inclusion:** Comprehensive data has supported higher approval rates, giving more consumers access to credit. This includes loans to those with previous defaults: credit providers will now lend based on recent positive behaviour. The comprehensive data has also supported innovation, which means that consumers who were previously ineligible may now receive a loan offer of some form, and that the lowest risk consumers can receive cheaper credit.
- **More robust consumer protection:** Comprehensive data is better at predicting default risk, and gives credit providers extra insights into each consumer, which means those at greatest risk of over-indebtedness can be better protected from harm.
- **Faster decisions and simpler applications:** In many cases, consumers no longer need to take complex steps to provide banking data, and fewer files need time-intensive reviews and back and forth. Quicker decisions give consumers confidence that they can meet their financial goals.
- **Improved competition:** Smaller, innovative credit providers have been able to enter the market and compete using comprehensive data, which places downward pressure on prices. More competition also drives improvements to service delivery and user experience for consumers.

For all these benefits, there is still room for improvement. Australia's credit reporting system is limited by international standards, containing less data for shorter periods of time. Larger credit providers can and do access their own data about credit balances and usage – all highly predictive of risk – but others cannot.

Modernising credit reporting in Australia with a series of targeted reforms would drive more benefits for Australian consumers: better access to credit, improved support in times of difficulty and more competition leading to lower prices and better products and services.

Who is Arca?

Arca is an industry association focussed on the use of credit reporting and consumer data. We bring together Australia's leading credit providers and credit reporting bodies to improve data protection and use, and to make credit more visible, accessible and easily understood. Our vision is to make credit work for all Australians.

Our Members include banks, mutual ADIs, finance companies and fintech credit providers, as well as all of the major credit reporting bodies and, through our Associate Members, many other types of related businesses providing services to the credit industry. Arca's Members collectively account for the vast majority of all consumer lending in Australia.



Background and context

What is credit reporting?

Like other developed economies, Australia's credit market is supported by a credit reporting system under which:

- Credit providers share certain types of data about their customers and the loans they have provided to credit reporting bodies.
- Credit reporting bodies securely hold this information, and for each consumer develop a rating or a score which is an indication of the creditworthiness of that individual (i.e. the risk that that consumer will default on a further loan).
- Credit providers then access this information (including the credit reporting body score or rating) – including information supplied by other participants – for limited purposes, including to allow them to assess whether to approve an application for credit or to identify and help customers at risk of defaulting on their loans.

Australia's credit reporting system provides an easy to access, objective source of truth for credit providers assessing loan applications and managing their credit portfolios. It empowers providers to make better lending decisions, extend credit to more consumers¹ and to support their customers during times of hardship. The credit reporting system exists to address information asymmetries which otherwise prevent the efficient operation of the credit market, and as such is an important piece of Australia's economic infrastructure.

International bodies such as the World Bank and the OECD have recognised the important role of credit reporting and how it can benefit borrowers and support productive use of capital.²

Credit reporting in Australia

Australia has had a credit reporting system for several decades. Initially, that system only contained records of applications for credit and 'negative' information, such as information about when a consumer had defaulted and whether they were bankrupt.

Following a review by the Australian Law Reform Commission, the law governing credit reporting was updated in 2014 to allow for more information to be included. These changes allowed Australia's system to become 'comprehensive', in that it now contains positive information about individuals, the loans they hold and the repayment they made. The benefits of a comprehensive system have been recognised by the Financial System Inquiry and the Productivity Commission.³

To support that new comprehensive system, Arca developed the business-to-business rules for data sharing (the Principles of Reciprocity and Data Exchange (PRDE)), as well as the technical data standards to support the sharing of information. Uptake of comprehensive credit reporting took some time: many large credit providers announced they would participate in 2017, with participation increasing markedly over the next years.

Despite the reforms and more recent expansions to include reporting about financial hardship, Australia's credit reporting system is limited, containing less information for shorter periods of time than other jurisdictions.⁴

The purpose of this publication is to show the effect that moving to comprehensive credit reporting has had in Australia, for both consumers and the credit industry. We have provided data to demonstrate the changes that comprehensive information has made possible. The publication also explores areas where Australia's system could be modernised to achieve further benefits which are already being realised in other jurisdictions.

¹ Research has found sharing data increases access to credit, especially for underprivileged or vulnerable cohorts. See Turner and Varghese, [The Economic Consequences of Consumer Credit Information Sharing: Efficiency, Inclusion, and Privacy](#) (2010).

² See the World Bank's [General Principles for Credit Reporting](#) and the OECD's [The Economic Consequences of Consumer Credit Information Sharing: Efficiency, Inclusion and Privacy](#).

³ See [Financial System Inquiry: Final Report](#) (2014) pages 190-192 and Productivity Commission, [Data Availability and Use](#), Report No 82 (2017), pages 20, 102-103 and 555-558.

⁴ See Appendix A to [Arca's submission](#) to the Productivity Commission's inquiry into Harnessing Data and Digital Technology.



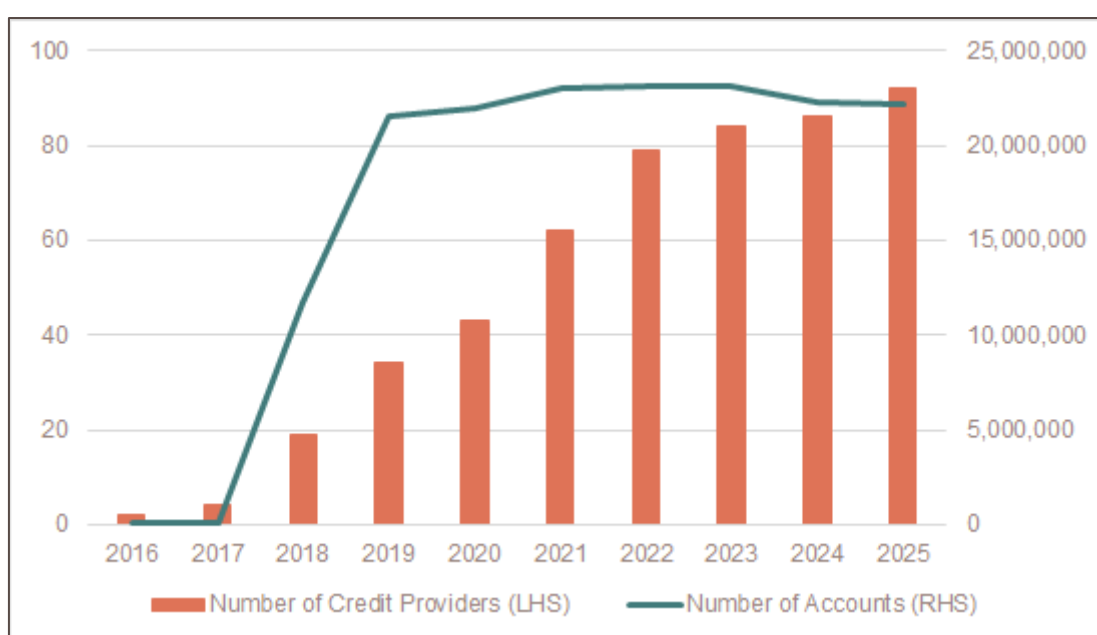
Uptake of comprehensive credit reporting

Arca has previously published material about the uptake of comprehensive credit reporting. Below are updated numbers and information since the most recent of those publications.

Comprehensive credit reporting is now widespread...

Data held by Arca and its subsidiary indicates that the vast majority of consumer credit accounts are now within the comprehensive credit reporting system. As at June 2025, 92 financial services credit providers were participating in comprehensive credit reporting, and supplying information on over 22 million accounts. The graph below shows how these figures have changed since 2016.

Chart 1: Participation in comprehensive credit reporting over time



We note that:

- Participation in comprehensive credit reporting increased very significantly in 2017 and 2018. More recently the number of credit providers who have signed the PRDE (the key precursor to participating) has continued to grow. In recent times more smaller credit providers have become PRDE signatories and started to participate.
- The number of accounts on which information is being reported has remained relatively steady since 2019. Based on the credit providers who participate, we estimate that these 22 million accounts represent the vast majority of consumer home loans, credit cards and personal loans in Australia. In 2021 Arca estimated that 94% of the then regulated consumer credit accounts were in the comprehensive system.⁵

As participation continues to grow, regulators and other stakeholders should increasingly take comfort that consumers' credit reports are more complete, and that this information can be used by credit providers to support good decisions.

⁵ This figure did not include BNPL credit which, at the time, was not regulated under the National Consumer Credit Protection Act 2009.



... but varies between sectors

While participation in comprehensive credit reporting is now very widespread, there are still some differences in participation rates based on market segments.

Areas where there is scope for further participation includes:

- **Buy now Pay later credit (BNPL credit):** Several providers that offer BNPL credit as part of a wider portfolio participate in comprehensive credit reporting. The new BNPL regime now requires credit providers to participate in order to offer BNPL loans of \$2000 or more.⁶ We are yet to see more BNPL providers participate because of these reforms; most providers have reduced new limits to under that \$2000 threshold. There are still some very large specialist BNPL providers not participating in credit reporting.
- **Small and Medium amount credit contract lenders:** Many specialist credit providers that offer these products do not supply data to Australia's major credit reporting bodies.

Continued non-participation in these areas could be good grounds for Government intervention. Experience has shown that the prospect of mandatory participation can effectively change behaviour.⁷ Data about these consumers would lead to better decisions and potentially improved access to credit for millions of Australians; the benefits seen from credit reporting are set out in the next section.

More credit providers are in the process of participating

Historically, participation has also been lower amongst automotive credit providers. This is starting to change: large providers who offer automotive loans as part of a wider portfolio are participating, and there are now several smaller specialist automotive providers who use comprehensive credit reporting. Two large automotive credit providers yet to participate have started work to implement comprehensive credit reporting:

- One of those providers has finished its planning phase and moved to implementing both contribution and consumption of comprehensive information.
- The other provider included comprehensive credit reporting in its pipeline of system upgrades with an estimated start date of early 2027.

Both providers have highlighted that consuming comprehensive data will add value to their businesses and lead to better outcomes.

Comprehensive credit reporting data is being used

Credit providers typically participate in comprehensive credit reporting (i.e. supply their own data) because they want to access comprehensive data supplied by others. Experience has shown that this is occurring:

- Credit reporting bodies now offer products for their credit provider customers which provide structured summary versions of comprehensive data for easy use in the context of credit decisions. Credit providers make information requests to access this data; records of those requests are shown as “enquiries”.
- Credit providers have regularly told us that participation in comprehensive credit reporting is a common point at which to update their internal decision making policies and processes to take advantage of the data that is now available to them.
- A particularly common use of comprehensive data is to check for liabilities that the consumer has not disclosed on their application for credit. Arca prepared a survey for credit providers which was completed through a series of roundtables run by Perpetual. All mortgage and unsecured lenders who responded to the survey indicated they used comprehensive data to detect undisclosed liabilities.

The section below sets out data demonstrating the specific benefits that have arisen from use of comprehensive credit reporting data. In short data shows that comprehensive credit reporting has led to:

⁶ Since June 2025, the regime in the National Consumer Credit Protection Act 2009 has required some BNPL providers to access information only available if they sign the PRDE and share information about their current accounts.

⁷ See [Arca's submission](#) to the Review of Australia's Credit Reporting Framework at pages 93-94.



- higher credit scores, which reward positive repayment behaviour and represent more consumers as being at a lower risk of future default;
- improved access to credit, including for customers looking to establish themselves again after previous loan defaults;
- innovations that would not have otherwise been possible, such as lower-priced loans for lower risk customers;
- simpler application processes for both consumers and credit providers;
- faster lending decisions; and
- improved competition in consumer credit, which in turn puts downward pressure on interest rates and encourages all parties to improve their products, user experience and customer service.



The effect of comprehensive credit reporting

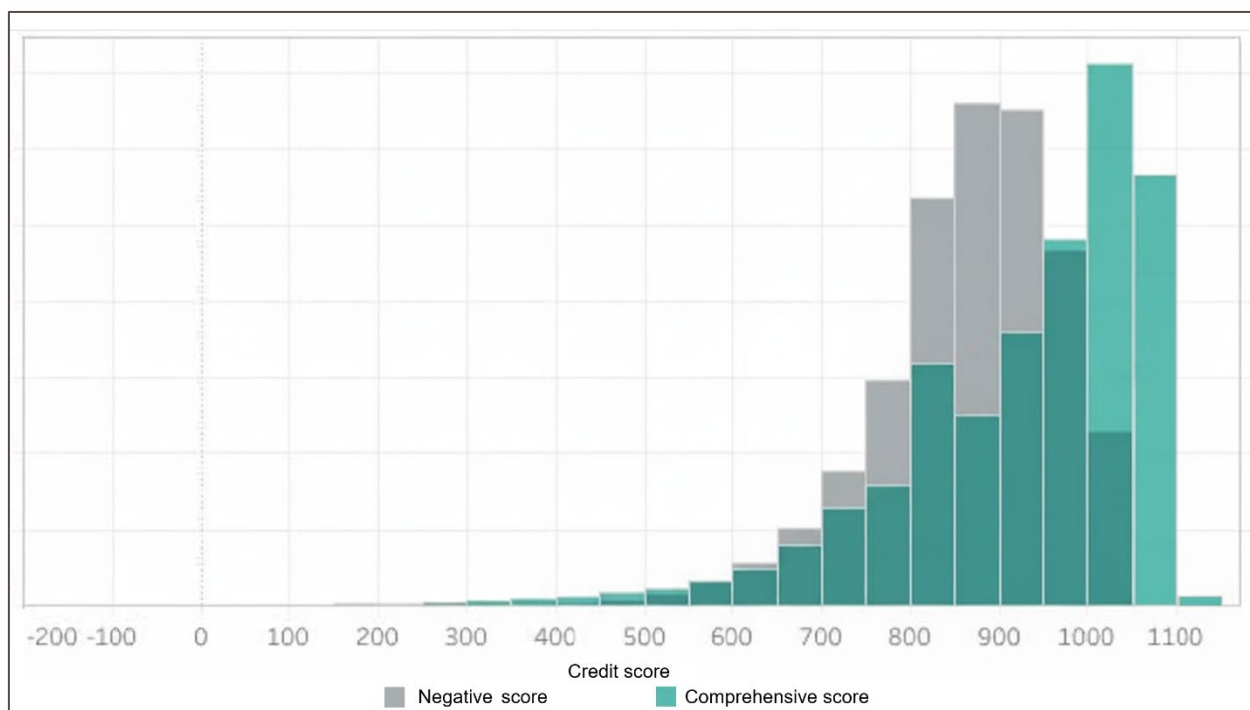
Credit scores have risen

Both credit reporting bodies have provided information to Arca that, for most Australians, adding comprehensive data has **increased credit scores** (i.e. led to those individuals receiving a score which indicates a lower risk of default).

This outcome is clear from score distribution charts produced from industry data. These score charts reflect a large cohort of consumers at a single point in time and compare the scores for those consumers based on negative and comprehensive data. The charts show that, on average, comprehensive scores are higher. Also, in aggregate terms the number of consumers who receive a higher score is far larger than those who have a lower comprehensive score. The bar charts below show a distribution of negative scores and comprehensive scores across consumer mortgages (Chart 2) and credit cards (Chart 3) portfolios.⁸

These align with previous academic studies which have found that once more data is added, a majority of consumers receive higher credit scores.⁹

Chart 2: Distribution of scores across consumer mortgages portfolio



In Charts 2 and 3, the distribution of scores drawn from negative data (grey) is overlaid with the same distribution for scores drawing on comprehensive data (teal). The pale teal components effectively show the number of additional consumers in that segment of scores once comprehensive data is considered.

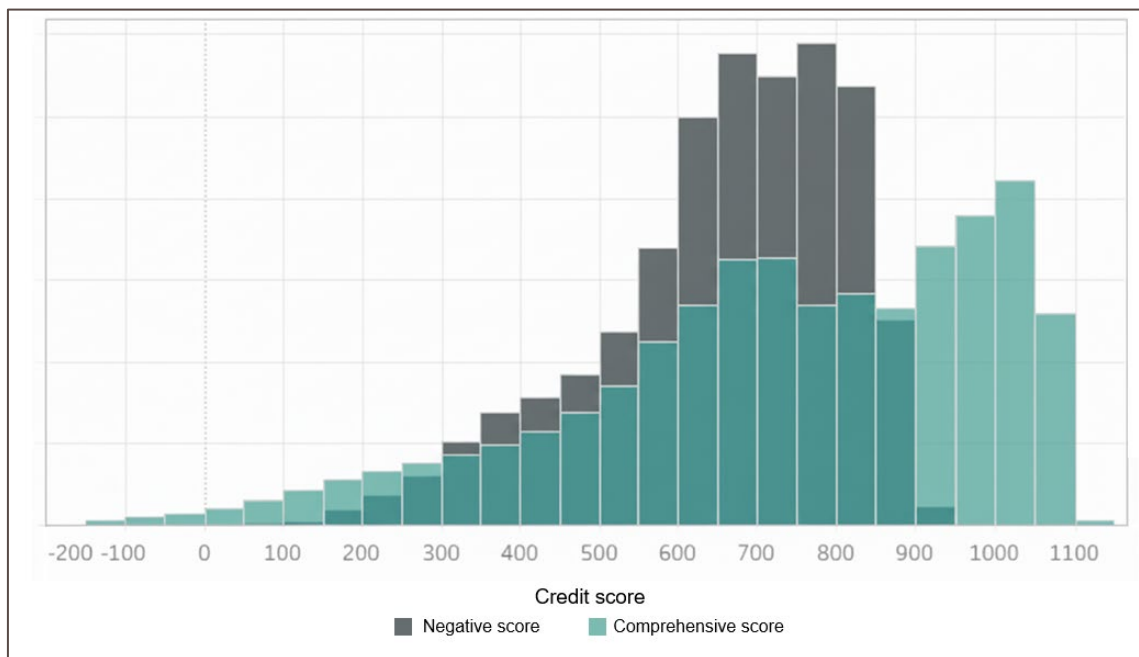
With comprehensive data, scores have increased on average (i.e. the curves in Charts 2 and 3 have shifted to the right). The use of comprehensive data also means that consumers can be better distinguished based on their actual risk level. This is shown in Charts 2 and 3 by the wider spread of the curve and is particularly evident in Chart 3.

⁸ In both cases, the same negative and comprehensive scores suggest the same risk of default.

⁹ See Andrew Grant, University of Sydney Business School, *The Impact of the Introduction of Positive Credit Reporting on the Australian Credit-seeking Population*, August 2019.



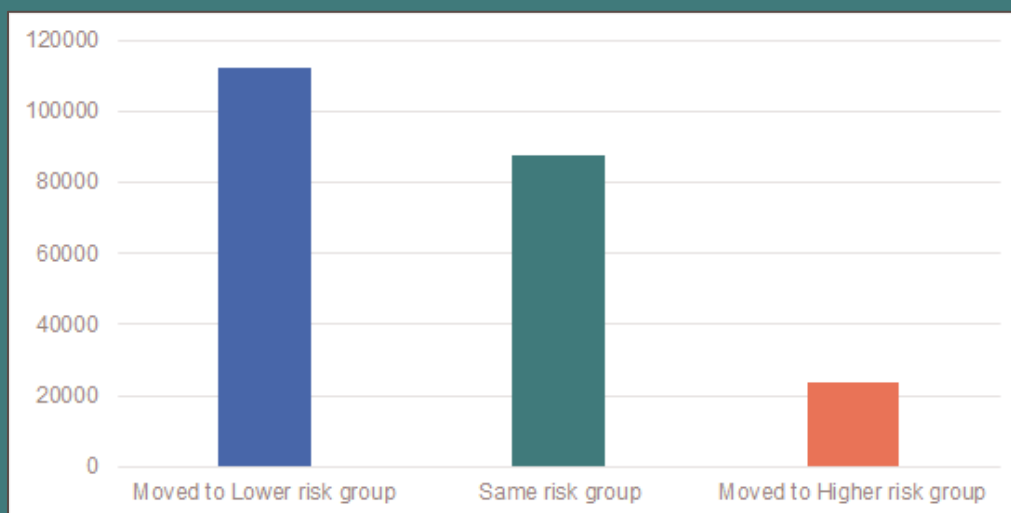
Chart 3: Distribution of scores across credit cards portfolio



Case study 1: More consumers seen as low risk using comprehensive data

One credit reporting body conducted an analysis of a credit provider's portfolio of over 220,000 consumers, comparing whether consumers in that portfolio would have been categorised as low risk, medium risk or high risk based on their negative and comprehensive data. The analysis showed that just over half of the consumers were in a lower risk group for their comprehensive data than they were for their negative data: see Chart 4.

Chart 4: Number of consumers who changes risk group based on comprehensive data



The analysis showed that just over 50% of consumers were considered a lower risk once their comprehensive data was considered. By comparison, 39% of consumers were in the same risk group, and only 11% of consumers were in a higher risk group based on their comprehensive data.

The biggest change was in the consumers categorised as low risk. While only 12% of consumers were in the low risk group based on negative data, over half were in the low risk group once comprehensive data was considered. Being in the low risk group improves access to cheaper credit.



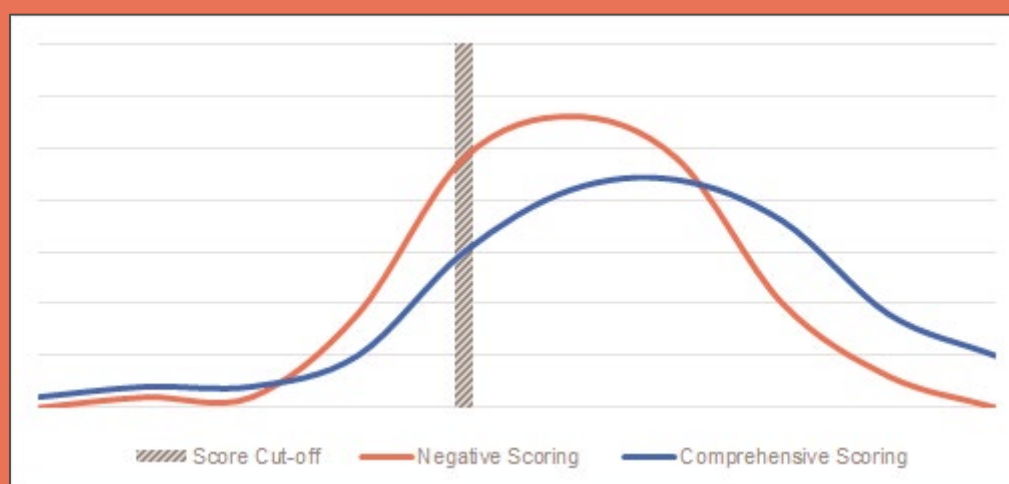
Case study 2: Comprehensive data led to higher scores and better visibility of risk

One smaller non-bank lender compared the credit scores of applicants for personal loans using different products provided by its credit reporting body partner:

- A scoring product using only negative data ('Negative Scoring')
- A fully redesigned comprehensive data scoring product ('Comprehensive Scoring')

The differences in the distribution of scores between Negative Scoring and Comprehensive scoring are shown in Chart 5.

Chart 5: Distribution of applicant scores



The Comprehensive Scoring product showed more consumers with higher scores, representing lower risk. This is shown through the shift to the right of the curve in the Comprehensive Scoring line in Chart 5.

The Comprehensive Scoring product also provided a wider spread of scores, allowing the credit provider to better distinguish consumers based on their risk of default than available using Negative Scoring. This benefit was greatest for medium risk consumers.

Credit scores are more accurate

Including comprehensive data has very significantly improved the predictive power of credit scores (i.e. the extent to which they accurately predict the risk a consumer will default).

Predictiveness of credit scores and scorecards is typically measured through a statistical measure called a Gini coefficient. In this context, a Gini coefficient of 0 means that the score has no predictive power at all; a Gini coefficient of 1 would mean that a score/scorecard could perfectly predict whether a consumer would default on a loan.

A scoring model with a relatively higher predictive power (a larger Gini coefficient) means that it is better at giving consumers with a lower risk of default a higher credit score, and consumers with a higher risk of default a lower credit score. A more predictive credit score or scorecard helps credit providers to better distinguish between high and low risk consumers and therefore make better credit decisions. The percentages in this section refer to percentage change in Gini coefficients.

The actual increase in predictive power from credit scores using comprehensive data varies based on the product and lending portfolio being considered. Industry data has highlighted that when compared to their scores built on negative data, comprehensive scores are between 14% and 39% more predictive across different portfolios.



Table 1: Uplift of score predictiveness

Portfolio	% increase in predictiveness
Mortgages	39.7%
Auto loans	25.9%
Fixed personal loans	16.5%
Credit cards	14.3%

Scorecards made by credit providers for deciding on loan applications have also improved in predictiveness. One mid-sized credit provider found that their scorecard was 14% more predictive once comprehensive data was added. The inclusion of information about whether the consumer is currently meeting their payment obligations greatly improves the ability to distinguish between individuals where their negative information looks very similar.

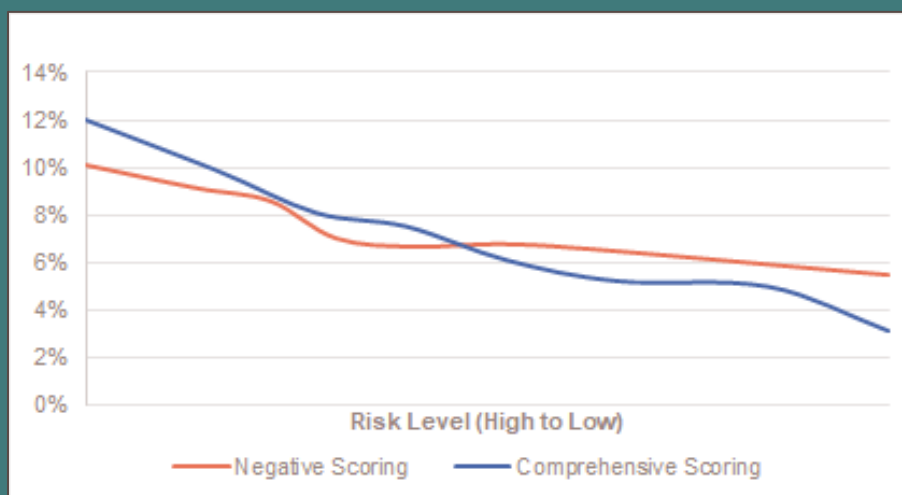
Case Study 3: Comprehensive data allows better prediction of defaults

The smaller non-bank lender from Case Study 2 compared how their Negative Scoring and Comprehensive Scoring products allowed them to predict likelihood of defaults in consumers with a score above their cut-off threshold.

A more predictive scoring product should lead to a stronger correlation between the risk level suggested by the product and the realised default rate. In other words, a more predictive scoring product would have given more of the consumers who defaulted a lower credit score (indicating higher risk) at the time they applied for credit.

When the risk level and realised default rate are represented in a single chart, such as Chart 6, a more predictive product should lead to a relatively steeper, more consistent downward line (with a bigger range between the default rates realised for consumers scored as low risk and high risk).

Chart 6: Default rate vs Risk level (High risk to low risk)



The Comprehensive Scoring product produces a wider range in the default rates (from 12% at higher risk to 3% at lower risk) and a steeper downward line in Chart 6 than the Negative Scoring product. These outcomes indicate that the Comprehensive Scoring product better predicts defaults: i.e. more of the defaults realised would have been predicted by that product in the form of lower credit scores.

The Comprehensive Scoring line also has a more consistent downward trajectory. By comparison, the Negative Scoring line is flat throughout the medium risk segment, because the default rate realised was broadly the same even as scores rose for medium-risk consumers. This outcome means the Negative Scoring product was less predictive, giving the credit provider less certainty that a higher score means that consumer is a lower credit risk.



Credit providers can lend more...

The higher credit scores and better risk prediction of comprehensive data has allowed credit providers to approve more loans without increasing the level of risk in their portfolio, improving access to credit and financial inclusion. Comprehensive data leads to a 'swap set' of:

- Consumers who would previously have been rejected (i.e. based on their negative data), but can now be provided credit; and
- Consumers who would previously have been provided credit, but who now would be rejected.

In line with the changes to credit scores, the experience has been the first category (i.e. consumers who can now access credit) is larger than the group who would now have their applications declined. Multiple credit providers have told us about their experiences moving to comprehensive data and using it to provide more loans without increasing their overall default risk:

- One credit provider has recently started using comprehensive data as part of its decisioning on a particular portfolio of loans, and has conducted analysis on how their decisions could have changed had they been using comprehensive data previously. The analysis found that if they had used comprehensive data earlier, it would have allowed them to approve 90% of previously rejected applications without a significant increase in the risk of the default. Approximately 1% of previously approved applications would have been rejected had they used comprehensive data. The combined effect of these two changes would have been to expand lending without an increase in overall default risk.
- A second mid-sized credit provider compared the performance of their comprehensive scorecard and score cut-off to one without comprehensive data. They found that for the same level of risk, using comprehensive data, between 5 to 10% additional applicants could potentially be approved. The effect of the change varied across products and market segments, but the biggest effect was on consumers they had not previously lent to, allowing them to better compete in the market.
- One large credit provider advised us of similar results, finding that their approval rate on personal loans and credit cards increased by over 6% without a change in their predicted default rate.

Case Study 4: Comprehensive data supports lending to first home buyers

One mutual credit provider has recently increased their focus on providing home loans to first home buyers.

First home buyers are often seen as a comparatively high-risk market segment, as they often seek to borrow a high proportion of the property's value (i.e. loans with a high loan to value ratio).

Comprehensive data has given the credit provider comfort to expand lending to some first home buyers, while keeping their overall arrears low. For example, all things being equal, first home buyers with strong comprehensive credit scores are within their risk appetite, whereas those with lower scores are not.

The credit provider has been able to realise:

- A flow of applications from potential first home buyers that is 2.5 times higher than the industry average
- A market share amongst first home buyers that is 3 times their overall share of the credit market
- Overall low arrears on their portfolio first home buyers

Theory suggests that a more predictive credit scoring approach gives credit providers two broad options:

- **Expand lending:** Provide more loans, for the same level of risk/defaults.
- **Reduce defaults and lower cost of credit:** Provide the same amount of loans, but reduce the riskiness/expected defaults within the portfolio.



Industry analysis highlights what this means for credit providers in practice. One credit reporting body has performed an analysis of a given lender's portfolio, in which it compared the options available once comprehensive data (and the more powerful comprehensive score) was considered. The analysis showed that:

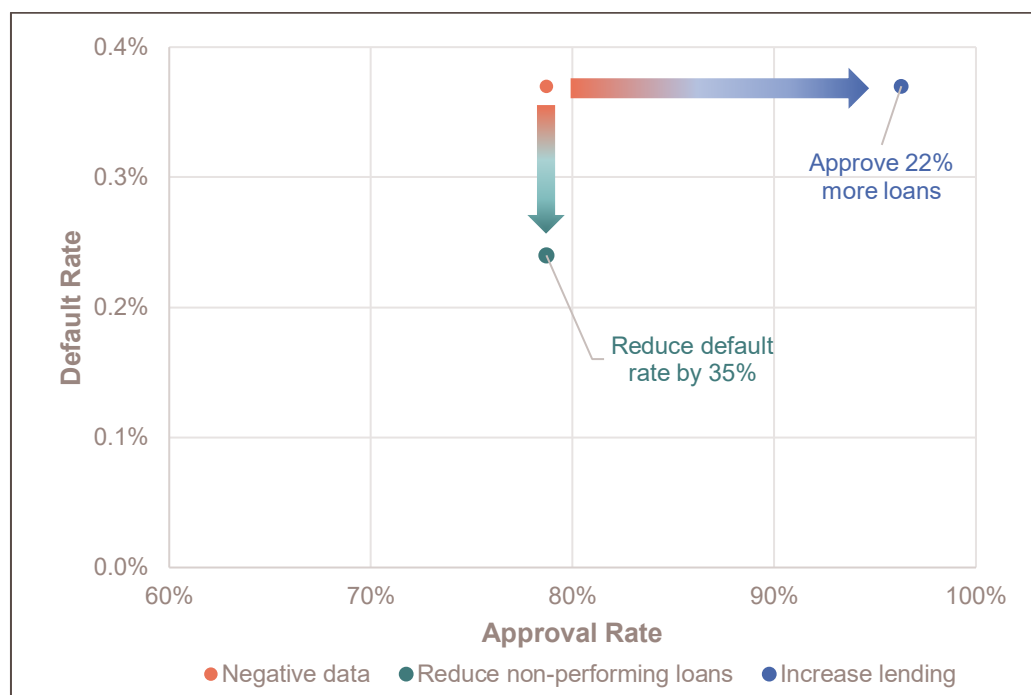
- If the credit provider wanted to continue to provide the same amount of performing loans, by using the more predictive scores/data they could reduce the number of non-performing loans they provide. Specifically, the comprehensive data would lead to approximately a third fewer non-performing loans being approved; the reduction in credit losses could have reduced the cost of credit by up to 40 basis points.
- If the credit provider was willing to accept the same number of non-performing loans, by using the more predictive scores/data they could increase the number of performing loans they provide. Approximately 10% more performing loans could be approved based on the comprehensive data, which could have increased lending by approximately \$155 million.

Other industry data has produced similar results. An analysis of a portfolio of mortgages found that by using comprehensive data, credit providers could:

- Approve the same proportion of applications, but reduce their proportion of non-performing loans by 35%; or
- Retain the same proportion of non-performing loans, but in doing so approve 22% more applications.

These two options are shown in Chart 7.

Chart 7: Comprehensive data allows credit providers to reduce default rates or increase lending



Credit providers can also choose a combination of the two options, increasing their lending and decreasing their non-performing loans by smaller proportions. The choices made by credit providers vary based on their market position, risk appetite, and assessment of the economic conditions at that time.

... including to customers with negative information

Increased lending supported by comprehensive credit reporting data includes more lending to consumers with negative information, such as previous defaults.



Before comprehensive credit reporting, these consumers were likely to be excluded from mainstream credit. However, credit providers of all sizes have used comprehensive information to approve loans to this cohort of consumers, improving financial inclusion.

When responding to an Arca-prepared survey, 93% of mortgage lenders and 86% of unsecured lenders indicated that they used comprehensive credit reporting data to consider whether they would be willing to lend to a consumer who had a previous default (i.e. negative information). More recent positive information can significantly improve access to credit for consumers with an aged default.

One mid-sized credit provider reported that 2-3% of their approved applicants had previous defaults on their credit report. In some cases these loans were approved through their standard channels, and in other cases a detailed manual review led to a decision to provide the loan. The credit provider observed that recent repayment history information showing that the consumer was now meeting their payment obligations was important to support lending in these circumstances.

Credit providers can innovate and improve their operations

Comprehensive data allows credit providers to better distinguish the risk levels of different consumers. This advantage has supported innovation, allowing new approaches like lower priced loans to lower risk cohorts and tailored options for those who may previously have been rejected.

Case study 5: Risk-based pricing leads to cheaper loans

One large credit provider has changed its pricing on some credit card and personal loan products.

Previously, all consumers who were approved for a product would receive the same interest rate. Under the changes, the interest rate is linked to the risk that the consumer will fail to make payments.

Consumers who are lower risk are charged a lower interest rate. The credit provider has not increased the interest rates for higher risk consumers. Put another way, consumers are not paying more because of risk-based pricing; some cohorts are receiving cheaper loans.

The credit provider has noted that the changes have helped it compete, especially for lower-risk consumers.

Case study 6: Innovations in decision-making support further lending

One mutual credit provider used comprehensive data to change their personal loan products. They previously offered loans with a fixed maximum loan size and interest rate.

Using comprehensive data, they now use a risk-based pricing model, where consumers that have a lower risk of default receive lower interest rates. This change has in turn enabled them to adjust their products to expand lending to higher risk cohorts, supporting financial inclusion. The credit provider would have previously rejected most applications by these consumers.

The credit provider now uses a flexible, risk-based maximum loan size, which means that consumers with comprehensive data suggesting higher risk will be eligible for a smaller maximum loan size rather than simply being rejected. This approach helps to protect the credit provider from elevated losses and the consumer from over-indebtedness.

Comprehensive data is also used when considering the consumer's ability to afford the repayments on the new loan. For example, applications by consumers with comprehensive data suggesting higher risk may be approved if there is plenty of capacity to make repayments, but declined where there they already have substantial liabilities.

Comprehensive data has supported the credit provider to expand access to credit, while ensuring consumers are not exposed to inappropriate risks.



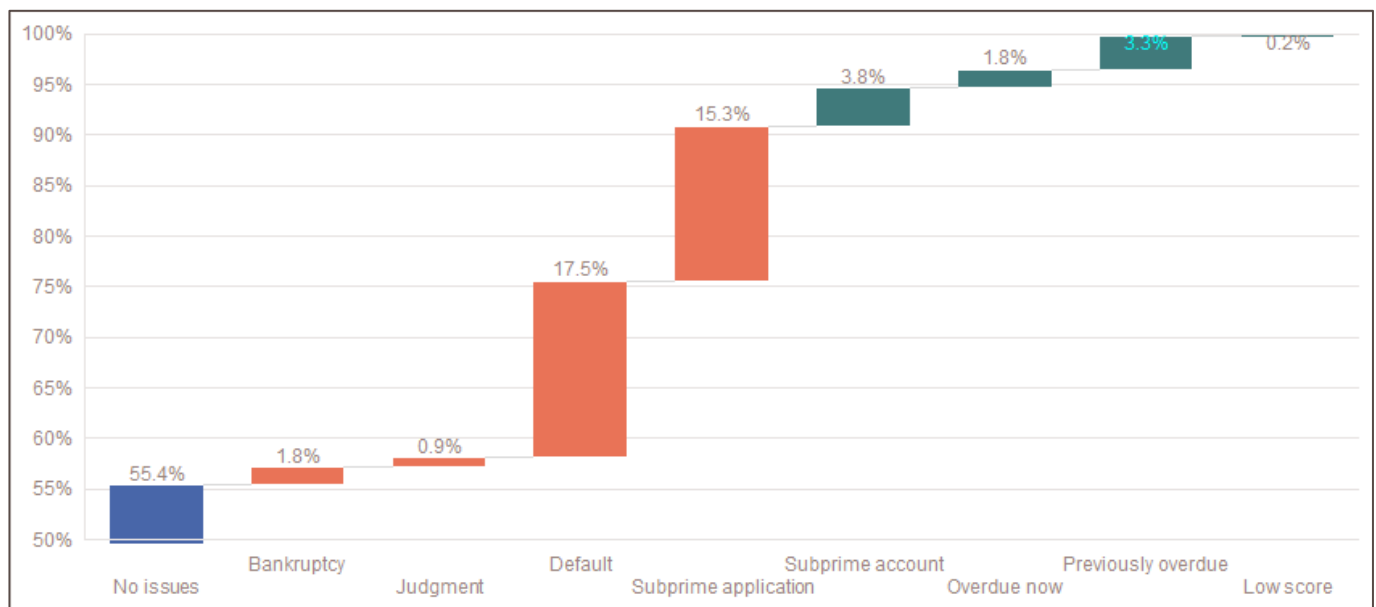
Consumers at risk of over-indebtedness are better protected

While comprehensive data supports more lending and improves financial inclusion, it also allows credit providers to better detect when a consumer is at risk of poor outcomes from further credit, and protect them by rejecting their application.¹⁰

One credit reporting body did a retrospective analysis of the applications a near prime credit provider received, and the extent to which potential warning signs of risk were visible using either negative and comprehensive information. That analysis, shown in Chart 8 below, found:

- 55% of consumers displayed no warning signs using either negative or comprehensive information;
- a further 35.5% of consumers had negative data which could act as a warning, including defaults (17.5%) and applications to sub-prime credit providers in the last 12 months (15.3%); and
- a further 9.1% of consumers had warning signs in their comprehensive data which were not visible in their negative data, including currently being more than 30 days behind on repayments (1.8%) and being more than 60 days behind within the last 2 years (3.3%).

Chart 8: Comprehensive data shows additional warning signs



Access to comprehensive information would empower this and other lenders to make more informed decisions, and potentially refuse applications where further credit would lead to higher risk and poor outcomes for consumers.

Application processes are simpler and faster

Access to comprehensive credit reporting information has allowed credit providers to simplify their application processes, leading to better experiences for consumers. The changes also allow credit providers to better target their resources when considering applications and to more easily make informed decisions.

Better detection of undisclosed liabilities

A key benefit from comprehensive information is that it allows credit providers to much more easily detect liabilities that the consumer has not disclosed in their application. This practice is extremely widespread: all mortgage and

¹⁰ As noted above, the group of consumers who will now find it more difficult to access credit is **smaller** than those whose access is improved by comprehensive data.



unsecured lenders who responded to an Arca-prepared survey on this point indicated they used comprehensive data to detect undisclosed liabilities.¹¹

The amount of undisclosed liabilities that credit providers detect using comprehensive information varies, including bases on the products offered and the distribution channels used. However:

- Multiple credit providers have told Arca that there were discrepancies with the liabilities that individuals disclosed on over 10% of the applications they received – in many cases materially more than 10%.
- Information in the comprehensive data about current accounts helps credit providers detect both undisclosed liabilities (i.e. other products that the consumer did not disclose – either accidentally or deliberately), and under-disclosed liabilities (i.e. where the limits on other products were understated).

Before comprehensive information was available, the main option for credit providers to find undisclosed liabilities was to look through bank statements for evidence, a slow and laborious process. For some products, bank statements are no longer requested as part of the application, reducing the burden in applying for loans. There are also time and cost savings for credit providers: one smaller credit provider estimated that they save at least one hour of manual review per application from not having to review bank statement data.

Less need for manual review, and more automated decisions

The presence of comprehensive information means that fewer applications need manual review to verify the consumer's existing liabilities. This difference is most significant where comprehensive data is available up-front as compared to where it is not. One credit provider has experienced a reduction from 30% of files needing manual liability verification to 5%.

One large credit provider found that where applications need manual review:

- the approval rate falls by approximately one third, in some cases due to consumers dropping out of the application process because providing extra information is too burdensome; and
- the decision-making process happens much more slowly – on average an extra two days is needed for credit card applications requiring manual review, and an extra 1 day for personal loan applications.

The extra predictive power of comprehensive information, along with the structured format it is supplied in, has also allowed many credit providers to increase automation in their decisioning processes. These changes are common throughout the industry and extend beyond the largest credit providers. One smaller credit provider increased the proportion of personal loan applications on which it could make an automated decision by approximately 25 per cent, reducing the volumes that needed a manual decision by a credit assessor.

Intermediaries can offer better services

Access to comprehensive information helps intermediaries such as mortgage brokers offer better services to their customers.

Mortgage brokers generally act on behalf of a consumer to access their comprehensive information, and then use that data to inform their advice and services. Feedback from a large mortgage broker aggregator has confirmed:

- accessing comprehensive data allows for them to more quickly understand the consumer's circumstances, and make it easier for them to make an appropriate recommendation;
- Using comprehensive information means the time needed to make a recommendation, apply for the loan and receive a response from the credit provider is reduced; and

¹¹ Failure to disclose liabilities is not always deliberate. Consumers may not remember the details of all their lines of credit. Nevertheless, it is always important to ensure credit providers have access to a true reflection of the consumer's financial situation.



- A flow-on benefit is that the consumer is less likely to be encouraged to apply to a credit provider who will reject their application, which will cause delay and frustration for the consumer.

That aggregator confirmed that their mortgage broker network have accessed information to support between 80,000 and 100,000 customers in the past 12 months.

Loan applications are decided more quickly

The result of the simpler application processes, reduced manual verification and increases in automatic approvals mentioned above is that credit providers are able to make quicker decisions on the loan applications they receive. Fast responses from credit providers are highly valued by consumers, who appreciate the certainty of knowing whether they will receive the loan they have applied for.

Both large and small credit providers using comprehensive information have been able to make quicker decisions:

- One credit provider subject to the mandatory credit reporting regime indicated that median time to approval before that regime commenced was 4.9 days, and is now 1.9 days (although this also includes the effect of other process improvements beyond comprehensive credit reporting)
- Automatic decisioning has allowed one smaller credit provider to reduce their average approval times by two days.

Case study 7: Comprehensive data enables halving of loan decision time

One large credit provider examined how use of comprehensive credit reporting information has affected decision speed.

They found that comprehensive data has improved both the quality and the speed of lending decisions and allows them to better support customers with respect to their existing loans.

Across the two financial years to June 2023, that credit provider saw a 52% reduction in the median time to unconditional approval for applications they received directly through one of their home loan platforms.

Smaller credit providers can better compete

Access to comprehensive credit reporting information has been critical to supporting competition in consumer lending.

The largest credit providers hold their own data about millions of Australians, and in many cases are an individual's main financial institution, meaning they have insights from transactions accounts and other products which can inform their decision making and product design. By comparison, smaller lenders and new entrants hold less internal data, and are more reliant on the information they receive from applicants when they apply for credit.

As such, having access to comprehensive credit reporting information dilutes the advantages of larger institutions, making it easier for them to decide on loan applications and therefore compete based on price and service offering. However, access to a wider set of data than they hold themselves benefits smaller institutions in more indirect ways, in that it allows them to develop systems and algorithms that would not otherwise be possible.



Case study 8: New scorecard developed on comprehensive data promises very significant uplift

One smaller credit provider is implementing a new scorecard which will transform how they make their decisions on credit applications.

Their current internal scorecard is being replaced by one developed by a credit reporting body based on comprehensive information. Analysis indicates that the predictive power of the new scorecard is more than twice that of the current internal scorecard, with an approximately thirty-point increase in the Gini coefficient. This new scorecard will therefore allow them to better predict the likelihood that a consumer would default on a loan.

Based on the size of the credit provider and their customer base, they would not be able to develop such a scorecard independently, and even if they could do it the cost would be prohibitive. The scorecard is only available because the credit reporting bodies have access to comprehensive credit reporting information.

Some of the changes described above, such as faster decision making and improved pricing in turn allow smaller credit providers to compete more strongly. For example, after starting to access comprehensive credit reporting information, one smaller credit provider found that their loan applications doubled, and that performance significantly improved with losses falling by 25%.

Competition is also supported by allowing credit providers to make more nuanced choices about their risk appetite. The small credit provider from Case Study 6 found that their risk-based pricing and strategy changes have allowed them to advertise more effectively and win more business. The extent of this benefit at any given time depends on their risk appetite. For example, in the months after the changes were released:

- application volumes increased 55%;
- monthly issuance of loans increased 80%; and
- the arrears rate rose, but within the tolerance level set at that time.



Modernisation will lead to more benefits

While the current comprehensive credit reporting system has enabled more access to credit, improved competition and consumer experiences, there is significant potential for further benefits to be unlocked. The key to harnessing these benefits is modernisation: reforms focused on the most beneficial changes while building on the advantages of the Australian system and retaining robust protections for consumer privacy.

Credit reporting in Australia is limited by global standards...

Compared to other jurisdictions, Australia's credit reporting system contains less comprehensive information. Data which is commonplace overseas, such as information on the exact amount owing (e.g. the balance of an account), and detailed information about repayments (including amounts due and amounts paid) is missing from the Australian system. Restrictions in Australia on access to repayment information by telecommunications and utilities providers limits incentives for these providers to participate, which in turn creates barriers for new-to-credit consumers seeking to access their first mainstream credit products.

The table below demonstrates the differences between Australia's credit reporting system and those in other jurisdictions.

Table 2: Breadth of credit reporting systems¹²

	Balance	Detailed information about repayments	Telco/utility access to repayment data
Australia	No	No	No
New Zealand	No	No	Yes
Singapore	Yes	Yes	No
United Kingdom	Yes	Yes	Yes
Hong Kong	Yes	Yes	No
Canada	Yes	Yes	Yes
United States	Yes	Yes	Yes
Japan	Yes	Yes	Yes

In addition to containing less data, the Australian credit reporting system allows that data to only be retained and used for a short period of time.

Retention periods in Australia vary from 12 months (for information about hardship arrangements) through to seven years (for information about serious infringements), with most comprehensive information only being available for two years. By comparison, most data is retained for six years within the United Kingdom, and seven to ten years within the United States. The comparatively short retention periods in Australia can limit the benefits obtained from access to that information.

¹² Further detail on the credit reporting systems of other jurisdictions is available in [Appendix A to Arca's submission in response to the Productivity Commission interim report on Harnessing Data and Digital Technology](#).



...and the playing field isn't level

Limits on credit reporting in Australia restrict the ability of smaller credit providers to compete effectively. Larger providers can use data on existing customers such as account balances in their decision making; excluding this data from the credit reporting system means that credit providers with smaller customer bases do not get those same benefits.

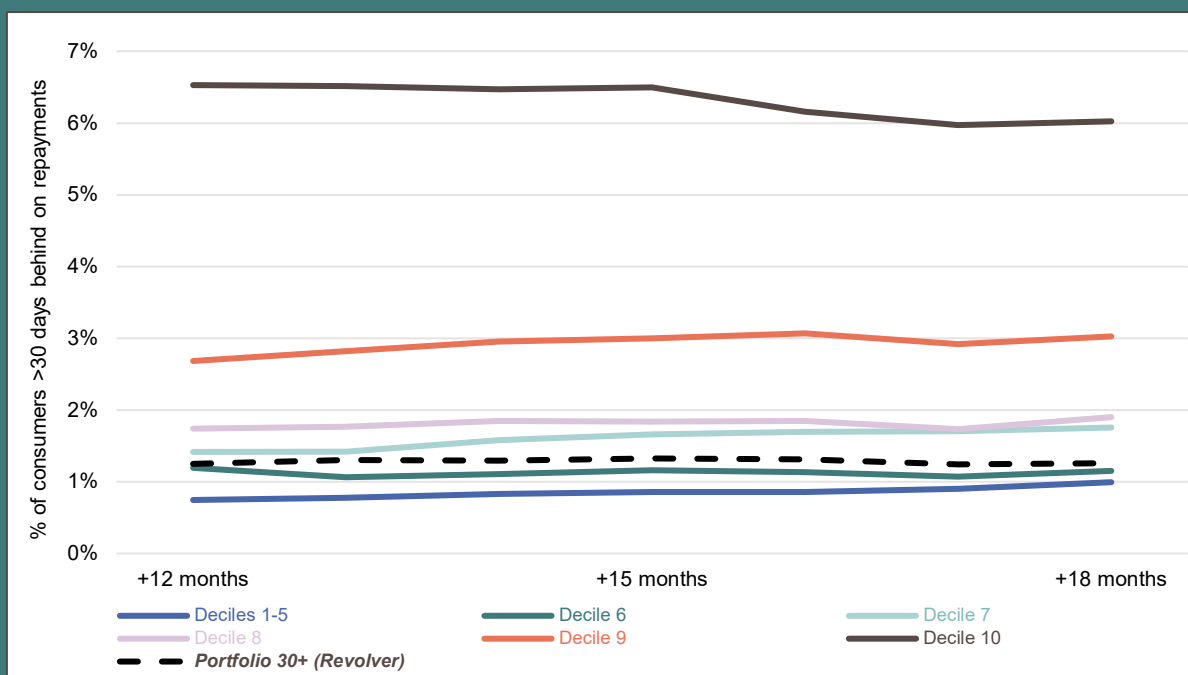
These restrictions are significant as some of the missing information fields are powerful predictors of future performance and credit risk. Larger credit providers have advised that they generally use this information to make better decisions. Smaller credit providers cannot offer these same advantages to their customers.

Case study 9: Information excluded from credit reporting in Australia predicts riskiness

One large credit provider has conducted analysis on how data about how much a consumer actually owes can be used to predict the likelihood that that consumer will subsequently fall behind on repayments.

The credit provider segmented their customers who carry a balance on their credit cards into ten segments, known as deciles, based on the proportion of their credit limit which was used. For example, decile 1 is the 10% of consumers who used the smallest proportion of their credit card limit; decile 10 is the 10% of consumer who used the greatest proportion. Chart 9 shows how likely the consumers in the different deciles were to be behind on their repayments by over 30 days in the next 12-18 months.

Chart 9: High balances are a significant predictor of future missed repayments

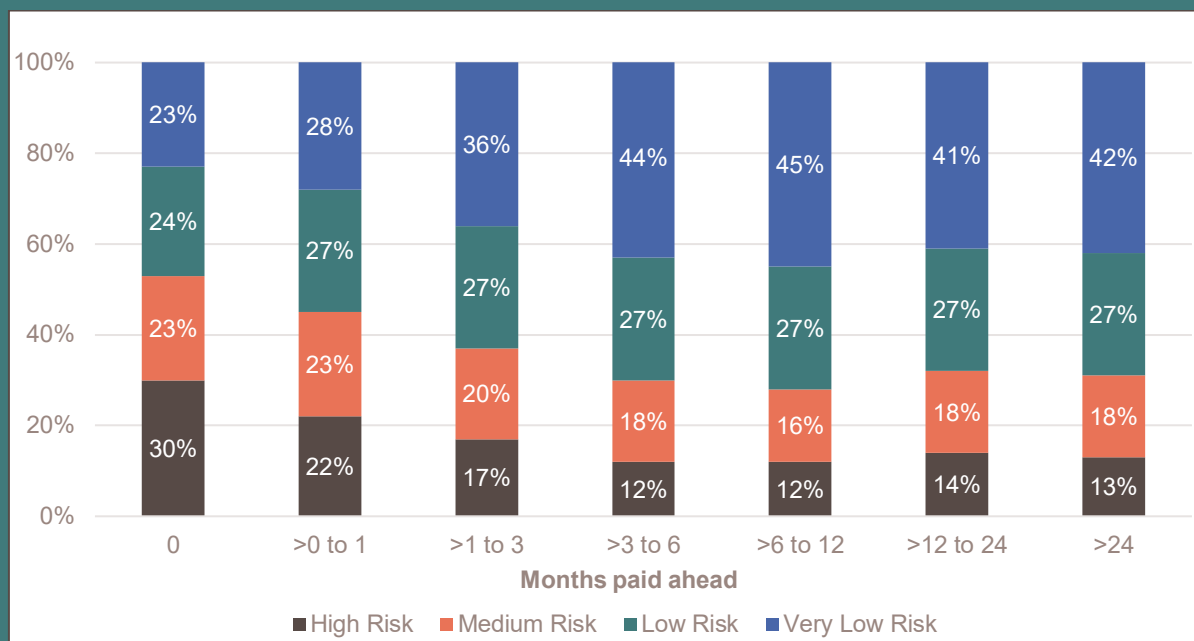


In general terms, the higher the proportion of the credit limit the consumer used, the higher the likelihood that the consumer would be more than 30 days behind in repayments within the next 12-18 months. Those in the top 10% of limit usage (Decile 10, the brown line in Chart 9) were especially likely to be behind on repayments subsequently.



The credit provider also conducted analysis of their personal loan and home loan portfolios, looking at whether the risk profile of the consumer correlated with whether or not they had made advance payments. They found strong correlation: the consumers who had not made advance payments were more likely to be in the credit provider's "high risk" tier, and much less likely to be in their "very low risk tier": see Chart 10 for the detail of the analysis for the personal loan portfolio.

Chart 10: Making advance repayments correlates with being a lower credit risk



Making balance information available would allow other credit providers similar access to these kinds of insights, which could allow for consumers at risk of over-indebtedness based on current behaviour to be protected from further credit which may not be right for them.

Credit providers who use their data about balances and repayments of existing customers find that it is strongly predictive of future behaviour. One large credit provider looked at the data fields they use in their credit risk models, and found that over a fifth of the most predictive fields drew on balance and repayment data. This information is not available for other customers, limiting competition.

That credit provider also found that having this information available provided further comfort to lend to more consumers. The approval rate for new-to-institution consumers applying for personal loans is 20% lower than the approval rate for their existing customers. While there are multiple reasons for this result, ready access to data about existing customers which is not otherwise available is a key factor.

Targeted modernisation of the credit reporting system to include account balances and more detailed repayment data would support further lending and competition, but also better protection for consumers at risk of over-indebtedness.

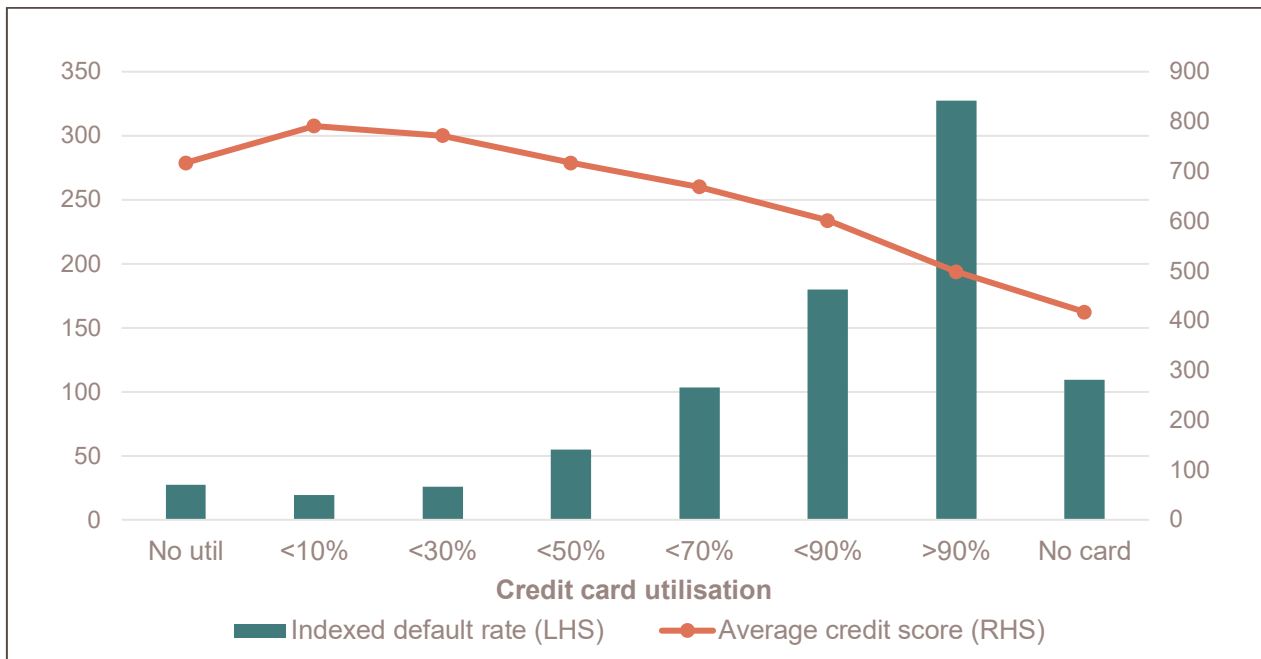
Experience overseas suggests Australia could do better

The experience from other jurisdictions supports the findings from individual credit providers that using more data leads to more lending, better decisions and improved consumer protection. The presence of this data makes those benefits available to all credit providers – both through access to the underlying data and more predictive credit scores.

The United Kingdom credit cards market was segmented based on the proportion of the credit limit which was used ('credit card utilisation'), and the credit scores and relative default rates of those segments were compared: see Chart 11.



Chart 11: Default rates increase with high credit card utilisation



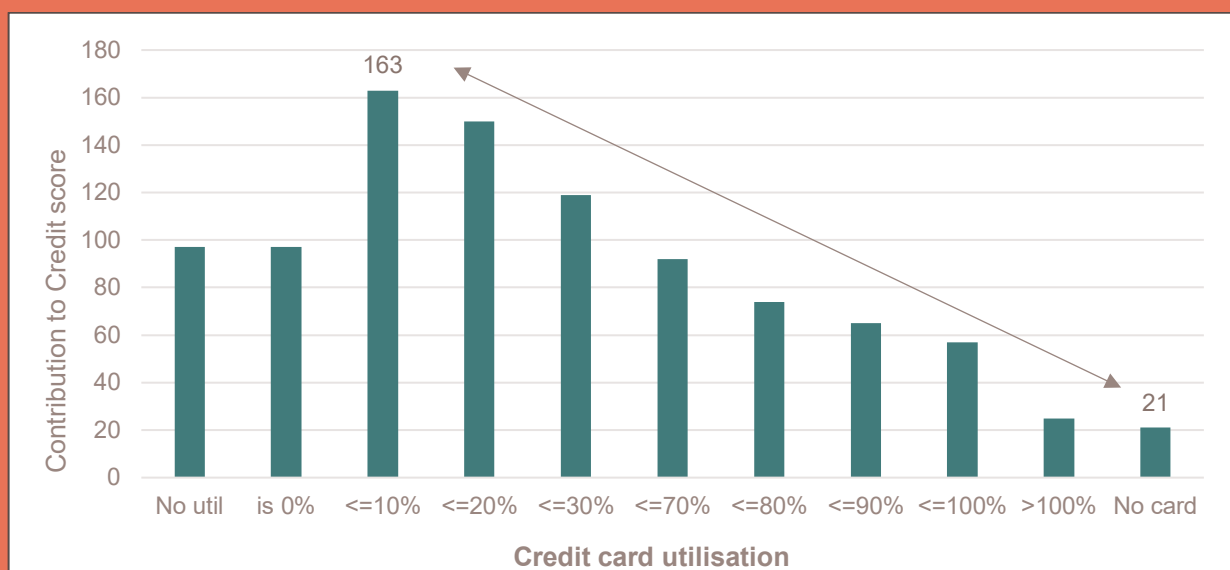
The teal bars show the relative default rate for the different segments (100 equates to the total market default rate). The coral line shows the average (mean) credit scores for the different segments.

The analysis showed that consumers who used a large proportion of their credit card limit were higher risk, and experienced default rates well above the market average. By comparison those who use less than 30% of their credit card limit had low default rates. The default rate for the 90%+ utilisation segment was 17 times that of the segment using less than 10% of their credit limit. Accordingly, there was a strong correlation between higher credit card usage and lower credit scores (i.e. greater risk of future default).

Case study 10: Extra data a key component of UK credit scores

A United Kingdom credit reporting body score simulator analysed the contribution of credit card utilisation to credit scores: see Chart 12, which shows the points attributed to certain credit card utilisation bands.

Chart 12: Credit card utilisation a significant contributor to UK credit scores





In this dataset, credit card utilisation explained 14% in the total movement of an individual's credit score, with lower utilisation meaning a higher credit score. Credit card utilisation contributes towards credit scores because it is data that predicts the likelihood of future default. The data needed to derive this information (especially balanced data) is not available in the Australian credit system, meaning that this risk predictor is unavailable to credit providers.

Modernising credit reporting in Australia

Improving credit reporting to provide further benefits for all Australians need not involve a full re-design of the current system. A targeted set of reforms could deliver more of the benefits that Australia has currently obtained from including comprehensive data.

More data

The most critical area for consideration is adding additional information to the comprehensive credit reporting dataset. Based on the experience with the comprehensive system and the advantages available overseas, the key priorities should be:

- Adding the amount the consumer actually owes (i.e. the outstanding balance), which would allow for utilisation rates to be calculated and used to improve credit decisions.
- Enabling more detailed information about repayments to be reported, such as the date on which repayments were due, the date on which repayments were made and the amount repaid.
- Allowing for reporting of information about repayments for non-financial services credit, such as telecommunications and utilities products.
- Enabling use of 'historical information', such as previously reported credit limits that have since changed.
- including a descriptor of the credit provider's brand, as this can help resolve uncertainty where white-labelling arrangements mean what the consumer sees on their credit report doesn't line up with the brand they associate with their loan.

More use cases

The rules governing the credit reporting system tightly restrict when credit information can be disclosed and used, balancing the privacy of individuals against the benefits that arise from data access. This approach should be retained, but it is time to consider whether there are other use cases which would support good, efficient decision making by credit providers and good consumer outcomes.

Adding a small number of extra use cases would allow credit providers to make more efficient decisions and better support consumers at risk of financial difficulty. Where those consumers receive more timely support, their prospects of recovery are better, supporting their wellbeing and continued financial inclusion.

Some examples of situations where additional use of credit reporting data should be enabled include:

- to help return money owed to consumers;
- to notify other credit providers that a consumer is now bankrupt;
- to assess whether a possible hardship arrangement is suitable for an individual;
- to consider a request to vary the terms and conditions of the loan, such as a move from principal and interest to interest only repayments, or to fix a home loan interest rate;
- to provide alerts of the risk of financial harm to the consumer earlier than are currently permitted (thereby improving the consumer's prospects of recovery and empowering credit providers to meet regulator expectations); and
- for credit management purposes when a ban has been placed on the consumer's credit report.



Improving consumer protection while reducing friction and burden

At present, in the credit reporting system the onus is on consumers to protect themselves from risks of fraud by placing a ban on their credit file, which prevents access to their information. There are significant issues with bans: consumers who do not act are unprotected, removing bans imposes friction and costs, and bans prevent credit providers from using information to protect consumers from risks of default.

Creating a fraud flag or fraud scoring system would remove much of this complexity, providing consumers with consistent, automatic protection and shifting the onus onto other parties. A reform of this nature would remove the costs and complexity associated with the current credit ban system all while better protecting consumers.