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HIGHLIGHTS

79 credit providers participating in CCR

Over 23 million accounts representing 94% of regulated credit accounts being reported

\$2.1 trillion of lending, representing 92% of total household lending, now reported

First BNPL and telco credit providers participating in CCR

BACKGROUND

Since 2016 the Credit Data Fact Base has tracked the shift to comprehensive credit reporting (CCR) in Australia. The report provides an industry wide summary of participation in CCR, highlighting progress across industry sectors and product types.

ARCA produces this report to provide a 'window' into the credit reporting industry, supporting informed discussion on credit reporting in Australia between industry, government, regulators, and other stakeholders.

METHODOLOGY

Industry has chosen to participate in CCR under the Principles of Reciprocity and Data Exchange (PRDE), a set of industry rules developed and administered by ARCA. These rules ensure all credit providers (CPs) and credit reporting bodies (CRBs) participate on the same terms irrespective of industry sector, product type, or number of accounts.

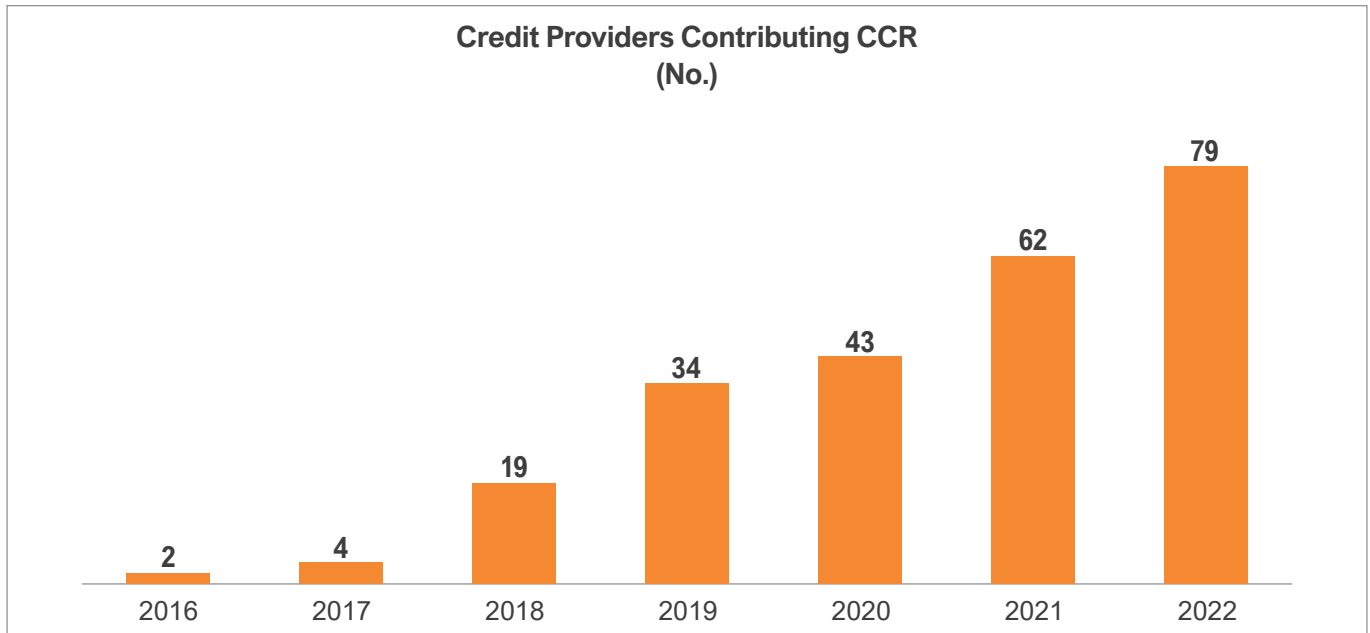
This latest report is based on PRDE participation as at July 2022, and has been produced with the support of individual credit providers participating in CCR under the PRDE, and through collaboration with the three major consumer credit reporting bodies in Australia (Equifax, Experian and illion) who collate and aggregate CP data into consumer credit reports. Data on the total number of accounts (split into product types) for individual credit providers is provided to ARCA by the CRBs. No information relating to individual consumers is shared. Likewise, ARCA has excluded any information from this report that would enable an individual credit provider to be identified.

ARCA has also reviewed a range of publicly available data sources to estimate size of the total market size that could participate in CCR, revealing opportunities to improve the value of credit reporting to industry and consumers alike.

CCR PARTICIPATION – ACCOUNT NUMBERS

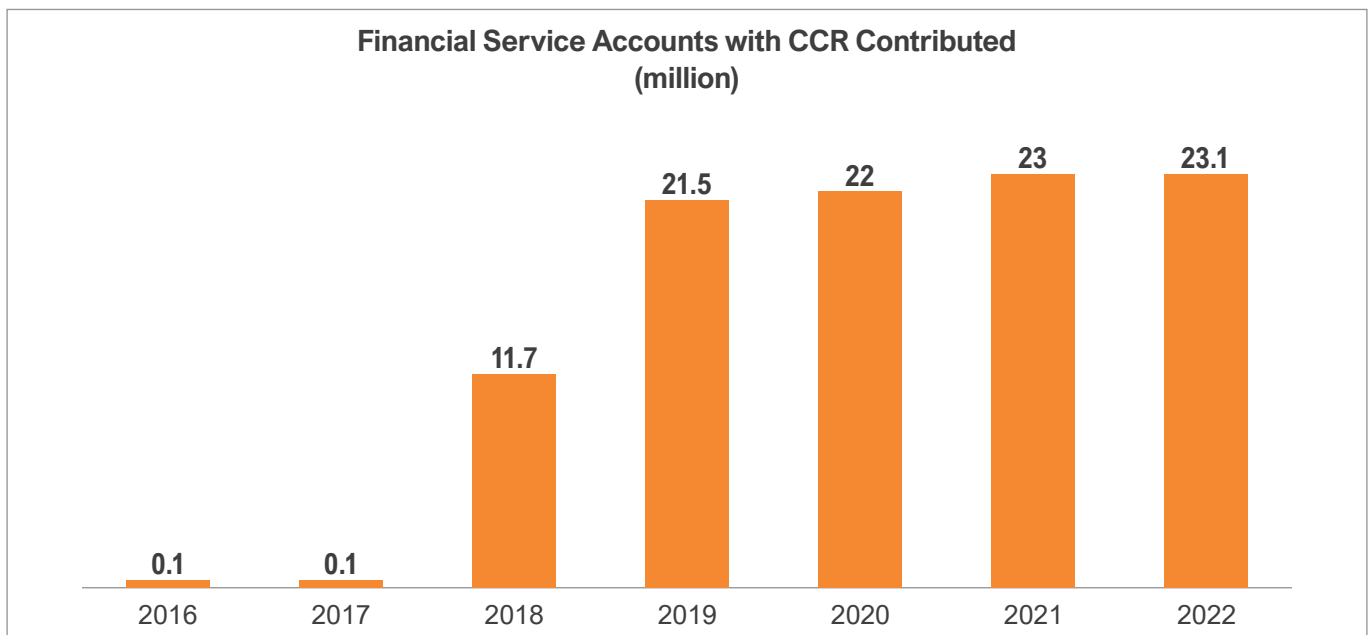
Fig 1: Number of Credit Providers Contributing CCR | Total 79

As at July 2022, 79 credit providers (CPs) had signed up to the PRDE industry rules to participate in CCR. Figure 1 below highlights that CCR participation was minimal until 2018 when the total number of CPs contributing CCR information on their accounts increased significantly to 19. The number of CPs participating then more than doubled to 43 during 2020 and has almost doubled again since then.



The number of financial service accounts¹ having CCR supplied also increased dramatically in 2018, reflecting the start of participation by all 4 major banks. Their migration to CCR extended into 2019, contributing along with other new participants to the further significant increase in 2019. Growth in accounts being supplied has continued, reaching over 23 million accounts by 2022.

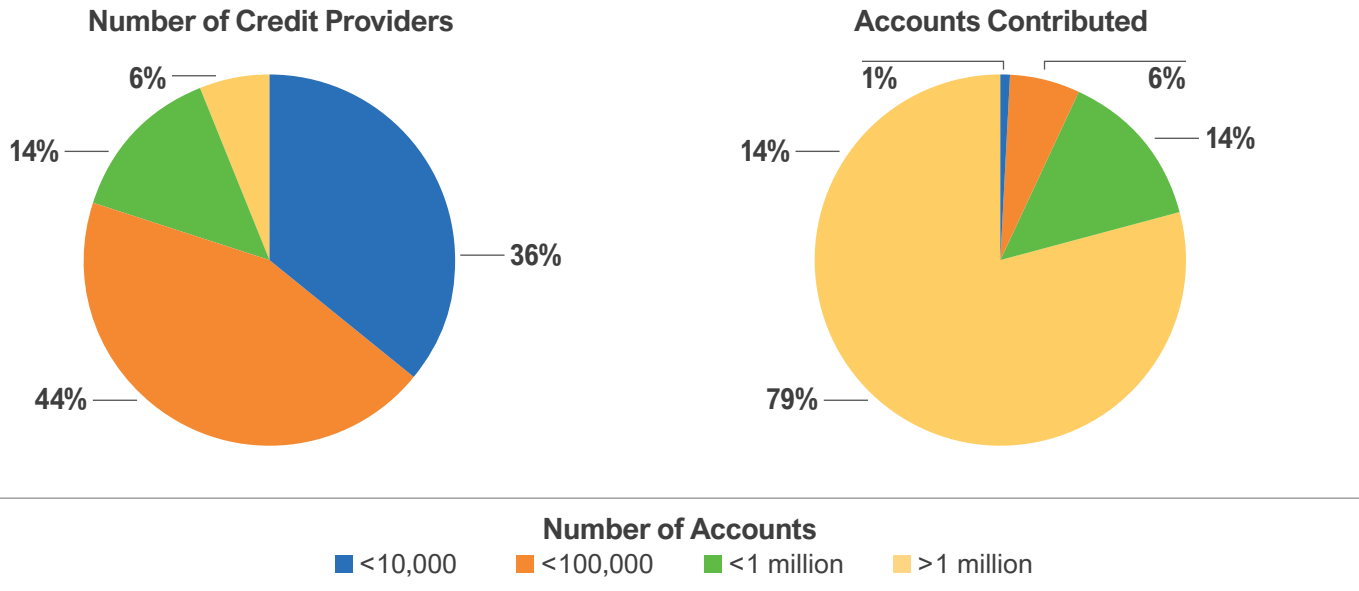
Fig 2: Financial service credit accounts in the CCR system | Total 23.1M accounts



¹ One major telecommunications company started participating in 2021, but their account numbers are excluded from this and all subsequent analysis to maintain their confidentiality

The slower growth in CCR accounts contributed relative to growth in participating credit providers reflects the large number of smaller CPs now participating in CCR since 2019. Figure 3 shows that 36% of credit providers contributing CCR data have fewer than 10,000 accounts, and another 44% have less than 100,000. Collectively these credit providers provide information on only 6% of credit accounts. At the other end of the spectrum, the 6% of credit providers with over 1 million accounts make up 79% of all accounts being contributed (excluding telecommunication accounts being contributed).

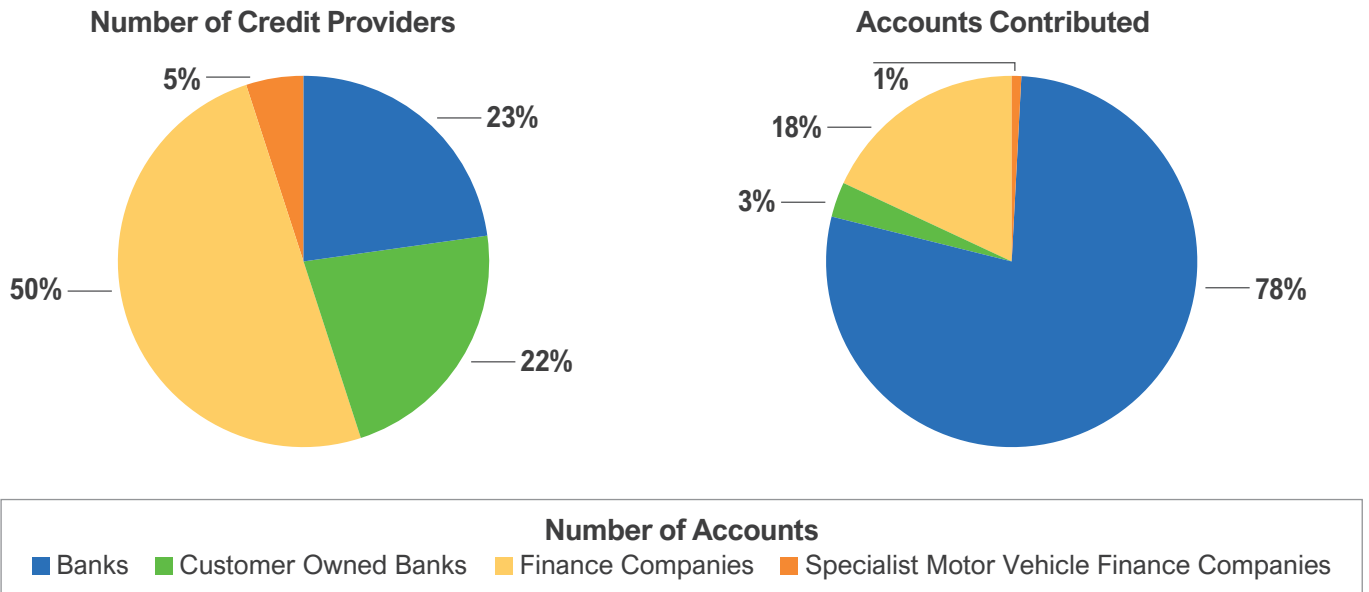
Fig 3: Participation of Credit Providers by Size (Account Numbers)



This concentration of accounts coupled with the high participation by small credit providers demonstrates the value in having the industry rules (PRDE) which enables participation for all on the same terms, irrespective of size. When these small credit providers receive new credit applications from consumers, they are able to access CCR information from all other contributing credit providers despite only contributing a small number of accounts themselves. Aside from improving competition between credit providers and improving the efficiency and cost of providing credit, consumers further benefit from the ‘transportability’ of their credit report between a broad range of lenders participating in CCR, who are able to independently verify the consumer’s credit history and improve turnaround in loan applications.

Participation in CCR by industry sector is summarized in Figure 4. Finance companies including specialist motor vehicle finance providers make up 55% of participating CPs, and around 19% of accounts contributed. The customer owned banking sector also makes up a significant proportion of participating CPs. Overall, 81% of accounts are contributed by the banking sector.

Fig 4: Participation of Credit Providers by Industry Sector



CCR PARTICIPATION – VALUE OF LENDING

Another perspective on CCR participation can be gained by looking at the value of consumer lending being provided by credit providers participating in CCR. Across all types of credit providers ARCA estimates that those participating in CCR account for 92% of the nearly \$2.3 trillion of lending to households.

Combining bank participation in CCR with APRA ADI statistics reveals that the 35 ADI's participating in CCR account for over \$2 trillion of household lending, equivalent to 96% of all ADI lending to households (see table below).

ARCA's analysis of lending by non-ADI's suggests that over half of the \$172 billion in household lending by that sector is not utilising CCR. Of this, nearly 75% by value comprises home lending, though in terms of number of accounts not being contributed by that sector they would amount to only around 5% (see the next section which highlights the participation gaps across other products such as personal and auto loans, and buy now pay later).

Household Lending	ADIs \$Billion	non-ADIs \$Billion	Total \$Billion
Participate in CCR	2,020	76	2,096
Don't Participate in CCR	79	96	175
Total	2,098	172	2,270

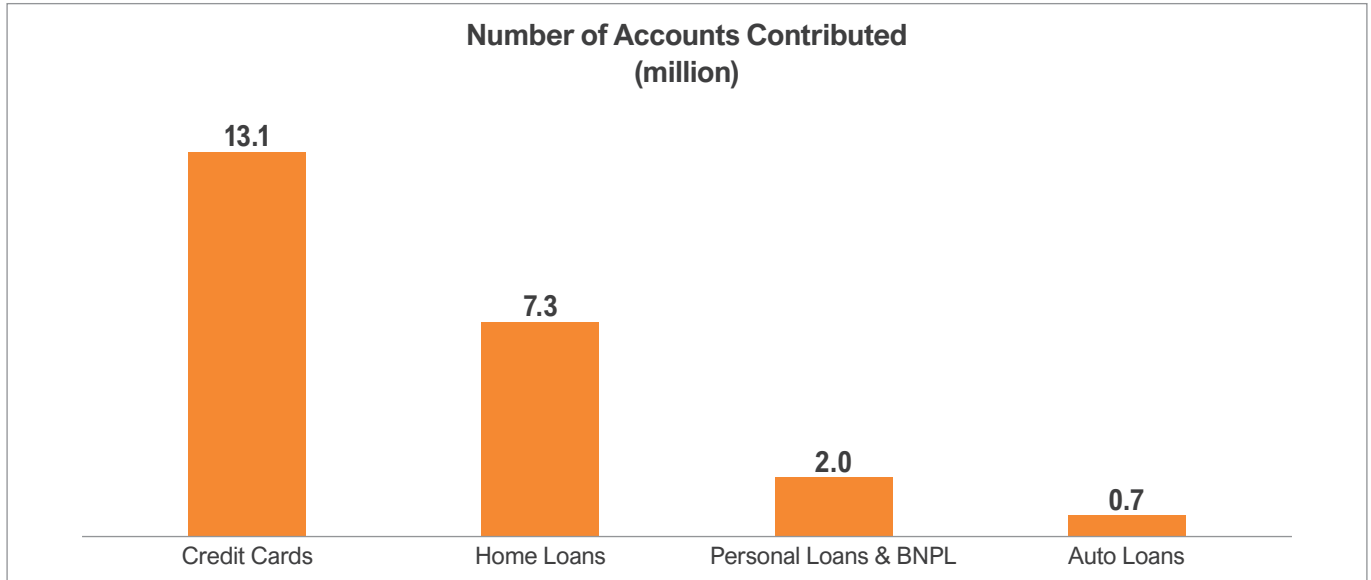
Participate in CCR	96%	44%	92%
Don't Participate in CCR	4%	56%	8%
Total	100%	100%	100%

Source: APRA May 2022 ADI Statistics, ARCA Analysis

CCR PARTICIPATION BY PRODUCT

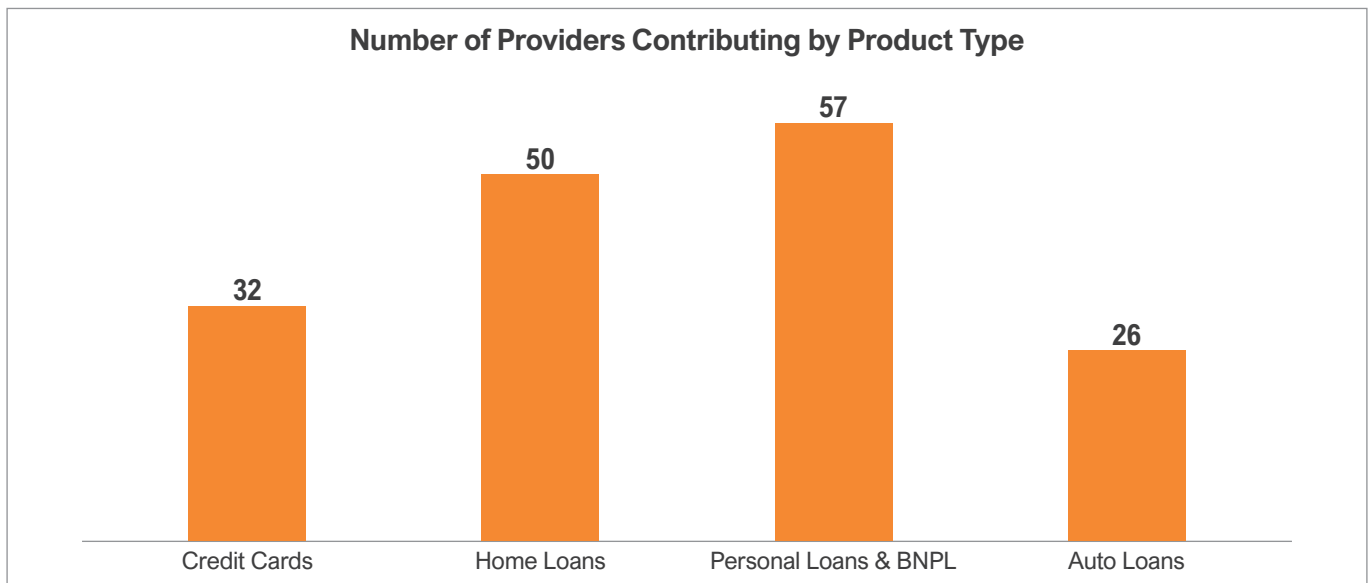
Figure 5 below shows that credit cards² accounted for over 13 million (57%) of the more than 23 million financial service credit accounts for which CCR data is being contributed. Home loans are the next largest product type being contributed with over 7 million (32%) of the total CCR accounts.

Fig 5: Credit accounts being contributed by product | Total 23.1M accounts



While personal loans³ make up a smaller proportion of accounts being contributed (2 million including BNPL), this product is being supplied by 54 credit providers – the largest of any product type (refer to Figure 6). Likewise, motor vehicle loans account for a relatively small number of accounts with CCR being contributed, but this is spread across 26 separate credit providers. This reflects the value these often smaller lenders see in accessing CCR data contributed by larger CPs and providers of other product types. 50 of the total 78 financial service credit providers are contributing CCR for home loan accounts.

Fig 6: Financial service credit providers contributing by product



² Credit cards, charge cards, and overdrafts combined into same category

³ Personal loan category includes payday loans, SACCs, MACCs and consumer leases though relatively few credit providers offering these product types are participating in CCR. BNPL, where shown in Figures 5 & 6, has been combined with the personal loan category due to small volumes

CCR MARKET SIZE AND PENETRATION

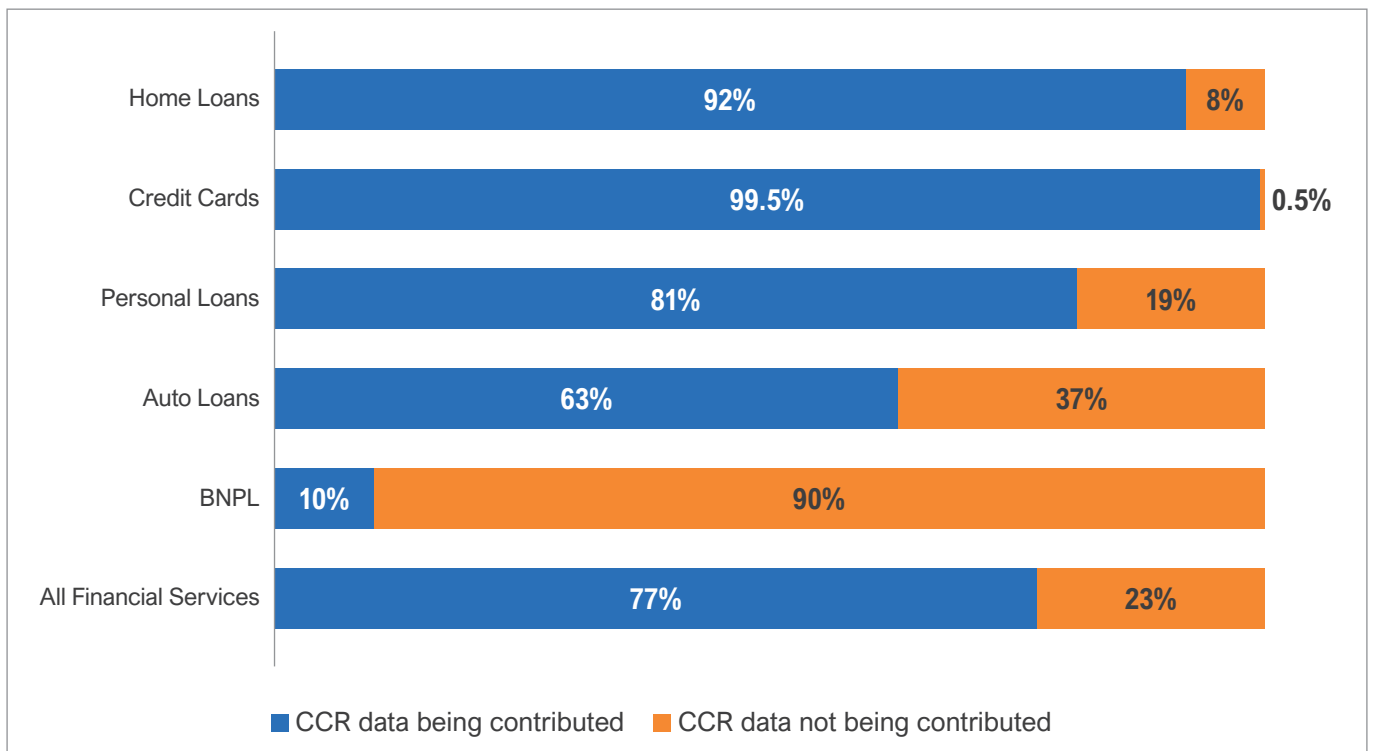
As described earlier, CCR participation has grown significantly in terms of the number of credit providers and the diversity of industry segments they come from. There has also been substantial growth in the total number of accounts and the breadth of product types being contributed.

ARCA has compared participation in CCR with a number of publicly available sources⁴ in order to estimate how far CCR participation has penetrated different industry and product segments. Figure 7 summarises that analysis, highlighting the opportunity for future growth in CCR participation that would improve the value of credit reporting for industry and consumers.


- It is estimated that 92% of all home loans are currently being contributed, with 8% of the market yet to participate
- Future growth in contribution for credit cards is very limited
- There is significant growth potential for participation by personal loan providers (especially from the higher risk payday loan, SACC, MACC, and consumer leasing segments)
- Over a third of auto loans are yet to have CCR contributed
- BNPL is the largest single sector not yet participating in CCR, with only 10% of accounts having CCR information contributed

Including the total BNPL sector, 77% of financial service credit accounts are having CCR contributed (excluding BNPL this number increases to 94%). If all financial services credit providers participated in CCR there would be around 30 million accounts having CCR contributed, an increase of 29% from the current 23 million accounts. There is also a significant opportunity for CCR contribution from retail telecommunication providers, and other utility providers who are yet to participate at all.

Fig 7: CCR Penetration by product sector



⁴ Sources include APRA ADI statistics, ACCC Communications Market Reports, AFIA research on the BNPL sector



**For more information on this
report contact the ARCA team at
info@arca.asn.au**

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