

Inquiry into Future Directions for the Consumer Data Right Submission from Finder

Thank you for giving us the opportunity to provide input into this inquiry into Future Directions for the Consumer Data Right (CDR). Finder continues to be very supportive of the CDR, which we believe will empower Australians to take control of their personal data and use this information to make better financial decisions.

[Finder.com.au](https://finder.com.au) (Finder) is Australia's most visited comparison website, with more than 2.6 million Australians using our site each month¹. We help consumers to compare products across more than 100 categories, including credit cards, home loans, transaction accounts, savings accounts, insurance products, superannuation, telecommunications and energy. Our purpose is to help people make more informed decisions, and our guides, calculators and comparison tables enable better decision making across a range of complex products and services. Finder is proud to be an Australian fintech business that has succeeded in growing internationally, and we now have offices in Sydney, New York, London, Toronto, Manila and Wrocław.

Given our experience in providing comparison and switching services, this submission focuses predominantly on the topic of switching and how this could be encouraged through the introduction of write-access to the CDR. We also share some details on switching in the industries set to be covered by the CDR, as well as high-level views on how write-access could be used to enable payment initiation through the CDR. A summary of our recommendations can be found below:

- Introduce write-access to enable frictionless account switching as the top priority for the future of the CDR. This will allow Australian to turn their CDR data into real life savings.
- Leverage the New Payments Platform to enable payment initiation through the CDR but seek clarity on the cost of using their proposed Mandated Payment Service.
- Apply the CDR accreditation rules to the other data sharing arrangements currently being used by the financial technology community to add regulatory oversight to this practice.
- Introduce a centralised approach to consent management across the CDR regime to help consumers to manage their CDR consents in one place.

¹ 2.6 million average unique monthly audience (Oct-Dec 2019), Nielsen Digital Panel

Switching & write-access:

One of the goals of the CDR in Australia is to increase the likelihood of better outcomes for consumers in the sectors where it is applied. As ACCC Chairman Rod Sims put it [back May 2018](#): “This new right will improve consumers’ ability to compare and switch between goods and services on offer. We expect the scheme to encourage competition between service providers, leading not only to better prices for customers but also more innovation of products and services.”

Australians will benefit from the CDR when they use their newly available information to not only make data-driven comparisons but also switch to products and services that offer more value. The CDR framework as it stands will certainly help customers to compare their options in the sectors where data is made available, but it will not help the consumer with switching.

This is why the highest priority for the future of the CDR in Australia should be to introduce “write-access”, particularly with a focus on enabling switching between products and services. We see the topics of “switching” and “write-access”, which were raised as separate issues in the issues paper, as closely linked and critical for this inquiry, so we will address both topics at the start of this submission.

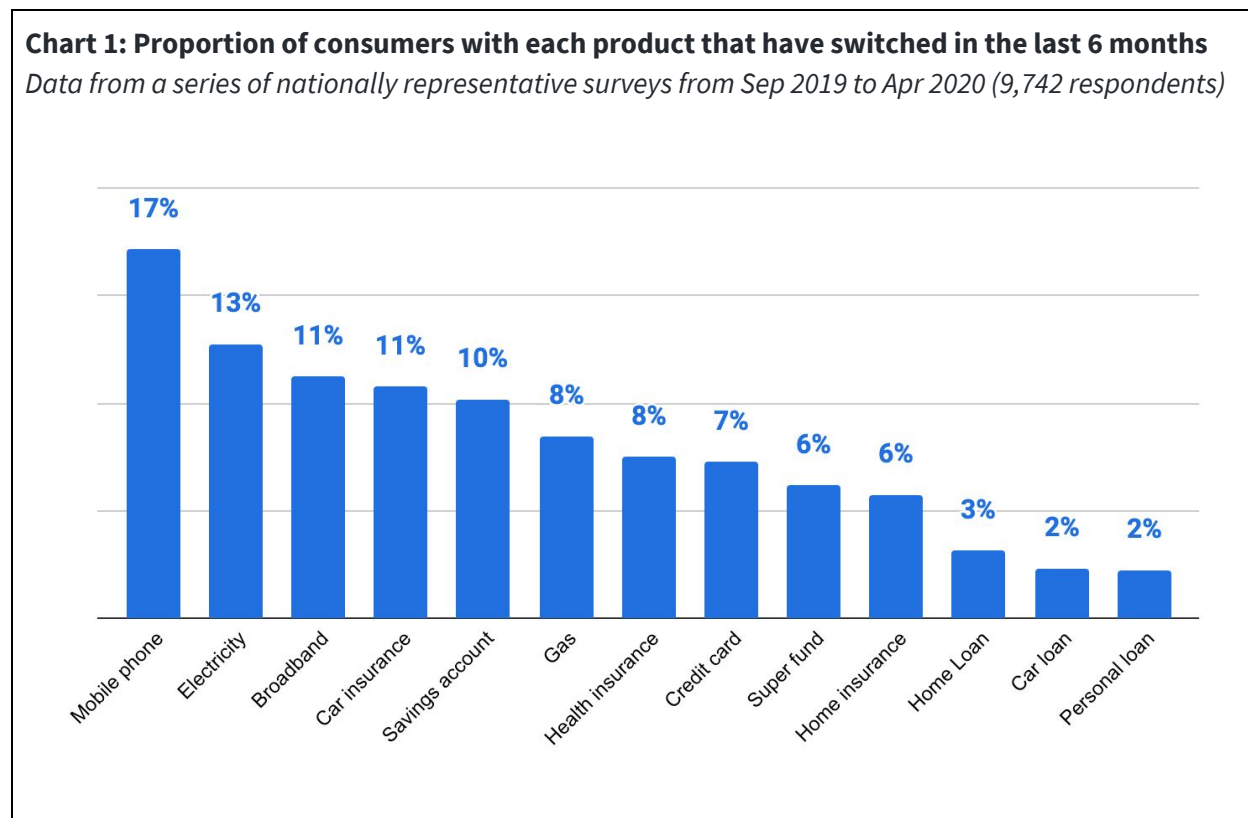
Finder consumer research on switching:

Finder agrees that many Australian consumers could be getting a better deal on many of their products and services but tend to remain with the same provider for extended periods, even in the presence of more competitive offerings. The [Finder Loyalty Tax Report](#) from March 2020 demonstrated exactly this phenomenon. Based on the analysis of four common financial services products in Australia (home loans, credit cards, health insurance and savings accounts), our research team found that 8 million Australians are being hit by the so-called “loyalty tax” and paying more for financial products than necessary by sticking with the same provider. We estimate that the average Australian could save up to \$8,496 across these four products if they switched providers, but, in spite of this, the average Australian consumer has been with their chosen provider for each of these products for over seven years.

These findings are backed up further by the [Finder Consumer Sentiment Tracker](#) (CST). The CST is our live, nationally representative study of the Australian public that surveys a minimum of 1,000 consumers per month. We ask the same questions month-on-month to track consumer sentiment on key issues related to personal finance in Australia, and each month we also add one-off questions to understand consumer attitudes towards topical issues.

One of our ongoing questions in the CST asks whether in the last six months consumers have switched providers across a list of the products that we compare. We now have a significant evidence base for this question and can see that switching is less common with banking products like home loans than it is with utilities like mobile phone plans or energy plans.

We've outlined a summary of the findings from this question in Chart 1 below. It shows that 17% of mobile phone users in Australia have switched to a new mobile phone plan in the last six months compared to just 3% of Australians with a home loan that have switched their home loan. Rates of switching are also low for insurance products such as home insurance and health insurance, but there is more activity in the market for car insurance.

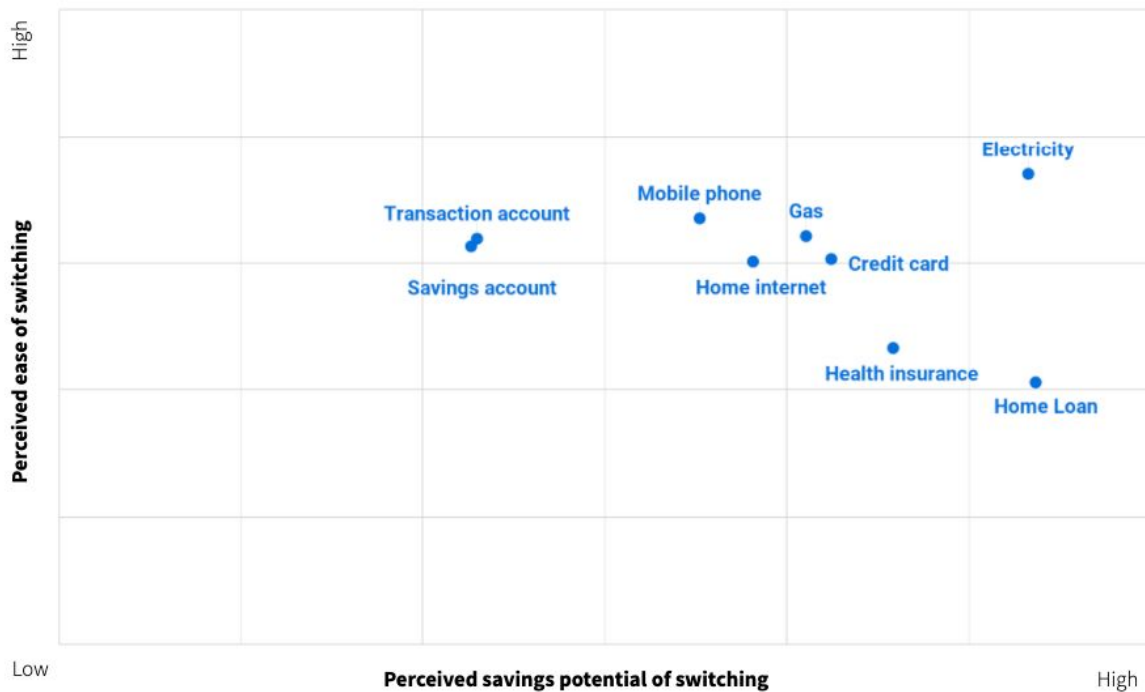


We have also used the CST to see how Australian consumers would rank a list of products based on how easy they think each product is to switch, as well as how much they think they could save if they did switch. As can be seen in Chart 2 below, this has produced some interesting differences. For example, home loans were perceived by respondents as the most difficult product to switch but also the product with the highest savings potential. In contrast, the perceived benefit of switching savings accounts was low but the perceived difficulty of switching was also low.

It's also interesting to compare the findings from Chart 1 and Chart 2. You might expect to see the highest switching rates from Chart 1 in the products where there is a high perceived benefit of switching and a high perceived ease of switching in Chart 2. Electricity is one example where this is the case, but mobile phone plans do not fully align with this theory, despite being the clear leader in the switching rates in Chart 1. Mobile phone plans are perceived by Australians as the second easiest product to switch, but they don't have a high perceived benefit of switching. One conclusion could be that ease of switching is more important than the perceived benefit of switching in a sector.

Chart 2: Perceived ease of switching compared to perceived savings potential for the switch

Data from a nationally representative survey from Jan 2020 (1,020 respondents)



Our findings for home loans are particularly relevant as they are in line with the interim report from the recent [ACCC Home Loan Price Inquiry](#) released in April 2020. The ACCC found evidence that the potential benefit of switching home loans is significant but also that consumers are right in believing that comparing and switching to a better home loan deal is difficult. The ACCC points to a lack of price transparency as one important reason for this and also found evidence of the “loyalty tax” with existing bank customers that tend to pay more for their loans than new customers. As a result, the ACCC actively encouraged Australian consumers to “shop around” for the best rates on the market.

Write-access overview:

Finder has consistently advocated for the introduction of "write-access" to the CDR in Australia. To date, the CDR legislation in Australia legislates only for "read-only" access to the data made available, and this position stands in contrast to most other implementations of open banking in jurisdictions like the UK, Japan and the European Union. As a summary of our definition of the difference between these two levels of access:

- **Read-only:** Allows accredited data recipients to view a customer's data that is held by other organisations and to use this information for activities like insight generation or account aggregation.
- **Write access:** Allows accredited data recipients to obtain access to a customer's data that is held by other organisations and to use this access for activities such as account switching and payment initiation on the customer's behalf.

In summary, a read-only version of the CDR gives consumers powerful insights about the way they spend money, but it is a write-access enabled version of the CDR that gives consumers the power to act on these insights quickly. Without write-access, a consumer would still have to go through the same slow process to change providers or make/cancel a payment. Write-access to the CDR could act as an antidote to the inertia we can see in our research above.

Write-access for switching:

As stated previously, the goal of the CDR is to give Australians the information they need to make better decisions, and to give them the tools to act on those decisions quickly. Adding write-access to the CDR to enable frictionless switching between products will be the single biggest driver for turning newly available datasets into realised savings for consumers. Finder also believes that switching in this way (with the right safeguards put in place) could be more secure and reduce the risk of manual errors in application forms.

At a top level, introducing write-access to the CDR that enabled switching would mean that a CDR consumer could give an accredited CDR participant the authorisation to switch a product or service on their behalf. The accredited CDR participant could then use this authorisation to close the consumer's old account and open a new account with a new provider. This process is simple on paper but there are a number of complications that need to be considered from a practical and legal perspective. In the breakout boxes on the following pages, we discuss some areas that should be considered for account switching through the CDR in the industries where the CDR is set to be enacted.

Considerations for switching in energy:

Overall, the market for energy products in Australia is well-suited for frictionless switching enabled by the CDR. In most instances, there is not much difference in the tangible product being delivered when consumers switch providers, so the “switch” occurs predominantly at a contractual level. This makes energy a good industry for more efficient account switching. As we saw above in our consumer research, there is also more appetite for switching in the energy market in Australia than in many other sectors:

- Electricity is viewed on average as the single easiest service to switch. Gas comes in third behind mobile phone plans.
- Electricity is also seen on average as the product/service with the second highest potential savings from switching providers (behind home loans). Gas is seen less favourably in fifth position.
- 13% of Australians with electricity plans have switched to a new plan in the last six months.

There are some sector-specific considerations that need to be taken into account before frictionless switching through the CDR can be enacted in the energy market, though. Firstly, the National Energy Retail Law (NERL) states that energy retailers must get “Explicit Informed Consent” when entering into a new contract with consumers². The NERL is relevant to all jurisdictions in the National Electricity Market, including Queensland, New South Wales (including the Australian Capital Territory), Victoria, South Australia and Tasmania. However, there are some jurisdictions such as Western Australia where it doesn't apply.

This requirement for explicit informed consent requires the retailer to clearly, fully and adequately disclose all matters relevant to the customer. Consent for the arrangement then has to be given by the customer – in writing, verbally or by electronic communication generated by the customer. To switch providers via the CDR, it would have to be possible for consumers to provide explicit informed consent through the CDR. The CDR participant facilitating the switch would also need to take responsibility for disclosing relevant information for the contract, to allow customers to make informed decisions before switching. A further complication in the market for energy is that the law, providers and level of competition varies significantly by jurisdiction.

As with other products/services sold with contracts, careful consideration should also be given to how to include the cost of exiting an energy contract in the development of switching frameworks for the CDR in the energy sector. In some instances, the cost of breaking a contract can mean that the potential savings gained from a cheaper contract are counteracted. One solution here would be to include exit fees as a mandatory data point in the billing data designated for inclusion in the CDR for energy. This would allow any potential savings to the customer to be fully representative. Further to this, the time remaining on a contract would be another important data inclusion needed

² Sections 38-42, NERL

for the CDR to allow accredited data recipients to accurately show the cost of switching to a new plan.

Considerations for switching in banking:

Switching banking products is complicated for consumers. There are multiple differences between the products on offer, and the best product for a consumer is not always necessarily the cheapest one. As we saw in our research above, there is more inertia in banking products than in utilities – particularly for more complicated products like home loans. It’s also important to note the differences between attitudes to switching for different banking products:

- Home loans are viewed as the hardest thing to switch but with the highest potential to save money.
- Transaction and savings accounts are seen as middle of the road in terms of switching difficulty, but they’re seen to have low returns in terms of the potential benefits of switching.
- Credit cards are seen as more difficult to switch than a bank account but with higher potential savings.

There is a clear case for frictionless switching enabled through the CDR for all of these banking products – particularly complicated products like home loans. In the case of home loans, our research from the CST and the recent ACCC Home Loan Inquiry both found that the cost savings presented in these products for the average consumer is significant but also that achieving these savings is challenging. The ACCC Home Loan Inquiry references the CDR as one solution to this, saying that it “will improve consumers’ ability to compare and switch between home loan products and suppliers”. We agree that under the current CDR framework, the customer and product data made available will help customers to compare products and make informed decisions. However, the way the CDR is currently structured means that it will not create the seamless account switching that is often linked to the regime. Allowing the CDR to enable this frictionless switching will be crucial for the CDR to really deliver on its stated goal of increased competition and better outcomes for consumers.

In terms of transaction accounts in Australia, Finder research from November 2019 found that 45% of Australians are still with the same bank that they were with as a child. This is in spite of the supposed “tick-and-flick” system that has been in place for these accounts since the [Treasury review](#) on the topic in June 2011. The related [ASIC rules](#) state that when a consumer wants to switch their transaction account from one bank to another, their new provider can contact their old provider to get a list of their regular direct debits or credits made to and from their old transaction account in the past 13 months. The consumer can then decide which regular direct debits and/or credits they would like to switch to their new transaction account. In theory, a consumer can sign one form authorising all of this to happen, but, while full data on the usage of this service is not

readily available, we know that some banks only provide this service when requested directly and not as a clearly available service.

In contrast, the UK's "Current Account Switch Service" (CASS) has been far more effective in creating a tick-and-flick system. Launched in 2013, the CASS has high levels of consumer awareness and satisfaction. Research from the most recent [CASS quarterly update](#) from April 2020 showed:

- Consumer awareness of CASS was at 79% of the UK banking population
- 92% of CASS users were satisfied with the overall process
- There were an average of over 80,000 bank switches per month

It's also worth noting that as the awareness of the CASS in the UK has increased, banks looking to win new customers in the UK have started to offer new customers cash incentives for switching to their current account. At the time of writing, [First Direct](#) was offering UK consumers £100 (AUD\$185 on 21 May 2020) to switch their current account to First Direct. This is one example where simplified switching has led to significant benefits to the engaged consumer. If this could be replicated through the CDR, then banks may look to compete in a similar way in Australia.

Another critical consideration that this inquiry will need to explore to enable frictionless account switching in the banking space is the impact of Anti-Money Laundering (AML), Counter-Terrorism Financing (CTF) and Know Your Customer (KYC) regulations. These rules are designed to prevent money laundering and the financing of illegal activity from business activities in the financial, bullion and gambling sectors. Importantly, this regulation applies to a number of products covered by the CDR in the banking sector, including transaction accounts and loans. These rules require that providers of these products check a customer's identity by collecting and verifying information before providing any of the regulated services to them. They also require any business doing these checks to do so in line with the *Privacy Act 1988* (Cth) when handling personal information collected for the purposes of compliance with their AML/CTF Act obligations.

Providers would still need to meet these obligations when setting up a new account for a customer, even if the account switching is conducted through the CDR framework. Depending on each provider's KYC/AML program, the information they need to identify a customer may or may not be available in the designated CDR datasets. If more identification data was to be added to the CDR datasets, then the sharing of this sensitive information through the CDR could create a number of privacy risks that would need further investigation. One solution that could be explored further is to require accredited data holders in the CDR regime that have already undertaken AML/KYC identity checks to pass this authorisation on as a digital token through the CDR APIs to other accredited CDR participants in a way that complies with the relevant laws. Another solution that could be explored is for the accredited data recipient to open the account on behalf of the customer with all but the final identity checks completed. The provider could then do the necessary checks with the customer directly before the account is live. In any case, this is a topic that will need to be addressed by this inquiry to unlock the significant benefits of frictionless account switching for consumers through the CDR.

Considerations for switching in telecommunications:

Of all the sectors where the CDR is set to be introduced, telecommunication products appear to have the smallest issue with customer inertia. This is particularly true for mobile phone plans, where 17% of Australian mobile phone users have switched to a new plan in the last six months. Interestingly, mobile phone providers are seen by consumers as easier to switch than home Internet plans, but the potential savings are seen as greater from switching home Internet plans.

Again, as raised with energy products, many mobile phone and Internet plans are sold with contracts that can be as long as 24 months. This means that careful consideration should also be given to how to include the cost of exiting a contract in the development of switching frameworks for the CDR for telecommunications. For similar reasons, we would also like to see remaining time on a customer's contract included as part of the designated dataset for the CDR in the telecommunications sector.

One interesting consideration in the market for mobile phone plans will be whether consumers will be able to port their telephone number when they use the CDR enabled switching process. Currently, a mobile phone plan provider must port a customer's number to another provider if requested by the user, but the new provider does not necessarily have to accept a ported number. The current process takes hours to complete and requires the new provider to work with the customer and the old provider to verify the customer's consent for authorising the porting of the number. This is important due to the significant risk of identity fraud connected with porting phone numbers, and regulation released in the last few months by [the Australian Communications and Media Authority](#) has made the authorisation process more stringent. The flip side of this increased consumer protection is that it makes it harder for a consumer to switch their mobile phone to a new provider efficiently. As CDR develops and the associated consumer consent process improves, we believe this number porting process could be included within a write-access-enabled CDR for telecommunications products in Australia.

Write-access for payments:

Finder is also supportive of the introduction of write-access into the CDR for payment initiation. We envision a digital economy where a consumer can conveniently see all of their future bills in one app on their phone with automated reminders each time a bill is due. With write-access payment initiation enabled through the CDR, this same app could then pay the bill instantaneously from the customer's chosen bank account without the customer being charged a credit or debit card fee, as is often the case for bill payments. Better visibility on bill payments as well as lower transaction costs are both significant potential wins for the consumer from payment initiation through the CDR.

On the practical implementation of this, finding a way to connect the CDR framework to the New Payments Platform (NPP) appears to be the best solution. According to March 2020 statistics from the Royal Bank of Australia, the NPP already accounts for 1.2 million payments a day in Australia and this number is growing quickly. It would make sense for any attempt to build payment initiation into the CDR to leverage this existing platform. Looking at the NPP roadmap, it appears that it already has plans to build a Mandated Payment Service (MPS) that is due to go live in late 2020. This MPS is effectively aiming to enable the third-party payment initiation outlined in the write-access section of the issues papers for this consultation. We are yet to explore the proposed MPS in detail, but it seems that third parties that want to use the MPS can do so in one of four ways:

- As an MPS User (sponsored by either an NPP Participant or Identified Institution, using the MPS service to request payments associated with customer mandates)
- As a Connected Institution in their own right (if they meet the applicable criteria)
- As an Identified Institution who is sponsored by an NPP Participant and authorised to offer MPS services
- As a client of a Connected Institution that can request payments associated with mandates to which they are a party

The only thing that isn't immediately clear is what the cost of using the NPP's MPS for payment initiation would be. Our understanding is that the NPP is yet to establish a fee per transaction for the use of its services, as it is actively trying to grow usage of the platform, but that it is planning to do so in the future. We would welcome further investigation on this topic during this inquiry. We see one of the primary benefits of payment initiation through the CDR as being to reduce transaction fees for consumers, so more clarity on whether this can be achieved through the NPP MPS would be useful.

Leveraging Consumer Data Right infrastructure:

Finder welcomes the inquiry's review into ways to leverage the CDR infrastructure for other purposes. The development of the CDR to date has been transparent and collaborative, with all of the public entities involved consulting on the key issues at every step. This has made it easier for a high-growth fintech like Finder to engage in the process, and we support the continuation of this approach going forward. We would also encourage the elements of the infrastructure that have been developed to be used for other purposes.

One specific example is the accreditation framework that has been developed for the CDR regime. This framework could be used to improve the standards and working practices of participants in other data sharing arrangements already occurring in the digital economy. In particular, we would welcome the inclusion of digital data capture (often referred to as "screen-scraping") in the CDR accreditation program for products and services where CDR data-sharing arrangements have not been introduced. This digital data capture is enabling the open data revolution to happen today and has proved to be an effective way for consumers to share their data with third parties.

The CDR accreditation framework could be leveraged to ensure that all the companies that are using and supplying this technology meet the same standards of information security, privacy protection and dispute resolution as a CDR participant. This would protect consumers, build trust in data sharing and allow companies to build products ready for the future of the CDR. Importantly, this way of accessing data should only be available where CDR APIs for that dataset are not available. This would ensure that the CDR becomes the primary form of data sharing for each sector when it becomes available. Before then though, leveraging the CDR accreditation for other data-sharing arrangements could expedite many of the benefits of the CDR in a safe and regulated way.

Read-access:

Finder continues to be supportive of the significant work done to date on developing the current read-access version of the CDR. We have provided our input on the specific consultations at each step of this process and we will continue to do so as we move towards the live implementation of the CDR.

Looking to the future, one area that we would welcome this inquiry to investigate further is how best to enable consumers to manage their various consent authorisations across the CDR landscape. Our understanding of the current rules is that all authorised consent requests will be stored by the data holder and the data recipient only. No record of this consent will be stored centrally. This means that if a consumer had enabled multiple CDR consents across varied data recipients, they would have to revoke access with each data recipient individually. Even after doing this, if a consumer had experimented with a range of new services made available through the CDR, it is possible that they would not remember to revoke access to one or more of these services. This isn't a great experience for the user.

Finder would welcome a centralised approach to consent management across the CDR regime. This would give Australians a single place where they can see which organisations are accessing their data and how long these data consent arrangements will continue to exist. The ACCC is already developing a register that acts as a central record of the accredited participants in the CDR and we would support a similar approach to provide CDR consumers with a single database that gives them a single view of their CDR data sharing arrangements. To improve security and transparency for this database, blockchain technology could be deployed to make it a distributed digital ledger.