

Secretariat
Inquiry into Future Directions for
The Consumer Data Right
The Treasury
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SUBMISSION PAPER:

Inquiry Future Directions for the Consumer Data Right

This Submission Paper was prepared by Prospa Group Limited (ACN 625 648 722). www.prospa.com.au

Prospa Group Limited (“Prospa”) welcomes the opportunity to provide a submission to the Inquiry into Future Directions for the Consumer Data Right (‘CDR’).

1. A little about us – “Prospa”

Prospa is currently Australia’s #1 Online Small Business Lender¹, operating out of our Sydney headquarters. Prospa has supported small businesses with funding of more than \$1.4 billion and employs over 250 people in Australia.

Prospa offers Small Business Loans between \$5,000 to \$300,000 and a Line of Credit for up to \$100,000, as our standard product offering. Further, Prospa is a participating lender in the Government’s Coronavirus SME Guarantee Scheme. We offer funding of up to \$250,000 through a Back to Business Loan and a Back to Business Line of Credit, as part of the Scheme.

All customers of Prospa are small businesses with all funding decisions achieved by assessing well over 450 data points, including turnover, profit & loss, business tenure, size and industry sector.

¹ Market position for online balance sheet lenders to Australian small businesses, based on Prospa’s volume as a percentage of total market volume in 2017 as reported in KPMG “The 3rd Asia Pacific Region Alternative Finance Industry Report”, November 2018; USDAUD FX rate of 0.767.



Prospa uses a sophisticated risk-based scoring methodology developed over our more than seven years of lending to small businesses. We verify the specifics of every small business applicant using data from sources such as (but not limited to): ASIC's website, Equifax, bankstatements.com and the Australian Tax Office.

2. Prospa's impact on the Australian economy

A recent independent study conducted by RFi Group and the Centre for International Economics on behalf of Prospa, revealed the positive economic impact of Prospa's lending to small business in Australia. See full report here: https://howto.prospa.com/rs/317-LRS411/images/PRO028_EconomicImpactReport_FA03_Digital.pdf.

Based on the results of this study, Prospa has contributed \$5.6 billion in total to Australian nominal GDP and helped maintain 80,000 annual FTE positions since 2013. These findings demonstrate that by providing small business owners with fast, simple access to finance, Prospa is not just directly contributing to its customers' revenue and jobs, but to the wider Australian economy.

3. General comments

We are very supportive of an expanded CDR regime that improves access to affordable credit for small businesses, promotes competition and generates good customer outcomes. We also believe that maximising participation in the CDR (including any expanded rights) across the economy is crucial to ensuring the confidence of individual consumers and small businesses, in the regime.

4. International context

We believe that while interoperability between Australia's regime and those of other jurisdictions is an important goal, the priority should be developing a CDR regime that is optimal for Australia. That said, we believe that a study of similar regimes (including PSD2) and their implementation can be used to inform and guide the approach in Australia.

5. Read access

We are supportive of the creation of a non-mandatory consent taxonomy for the CDR regime.

We recommend that, rather than applying a single consent taxonomy to both small businesses and individual consumers, a bespoke consent taxonomy should be made available for small business customers. Small business customers have different characteristics, behaviours and needs to individual consumers.

Accordingly, a consent taxonomy that is appropriate to individual consumers may not also be appropriate to small business customers. In order to ensure maximum participation in the CDR (where the policy regime includes a consent taxonomy) from small businesses, standards and terminology should be tailored and appropriate to the specific attributes and practices of this customer group.

Additionally, we believe that the CDR regime should include a separate regulatory framework for intermediaries in relation to write access.

This regulatory framework should be tailored and appropriate to the right to write access. For instance, the regulatory framework for intermediaries in any new write access regime would need to include bespoke security and consent obligations, in order to inspire customer confidence in exercising that right.

6. Switching and write access

We recommend the CDR be expanded to include write access, particularly payment initiation. We believe that this would help alleviate barriers to switching, including behaviours that are particular to small businesses.

We believe that the introduction of write access (and payment initiation specifically) into the Consumer Data Right regime would:

- **Enable fintechs to develop products and services that help small businesses to operate and grow.** For instance, the payment initiation right in the United Kingdom and Europe has led to the creation of services that make it easier for small businesses to switch to the most suitable provider and that help small businesses improve cash flow management.
- **Alleviate behavioural barriers to switching.** We believe one of the reasons small businesses do not switch from traditional lenders is because they want all their information (both business and personal financial information) in one place. The current read access regime (including the existing provisions for Open Banking APIs specifically) overcomes this by enabling interfaces that aggregate

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financial information across multiple products, and therefore enable small businesses to compare multiple products. The introduction of a right to payment initiation could make switching even easier than if the CDR regime was limited to read access.

We also believe the goods and services enabled by a right to payment initiation would help small businesses recover from the economic impact of the coronavirus. Further, by helping to alleviate barriers to switching, a right to payment initiation would support fintechs in developing competition to traditional financial service providers. This would, in turn, promote access to affordable credit.

7. Linkages and interoperability with existing frameworks and infrastructure

We are very supportive of interoperability between the CDR and existing frameworks and infrastructure, including the New Payments Platform.

The Report of the Review into Open Banking, published in December 2017, recommended that the CDR regime should allow for competing approaches to data sharing. We believe that a similar approach should be applied to any further iterations of the CDR. Specifically, the exercise of CDR rights should be one of a range of options for small business customers seeking to engage in the digital economy (including payments). Interoperability between the CDR and other frameworks and infrastructure is consistent with that objective. Interoperability can create inherent efficiencies for fintechs seeking to leverage multiple systems to offer a particular product or service or an ecosystem of products and services. This enables a wider range of avenues for individual consumers and small businesses to engage in the digital economy.

Kind regards,



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