

Inquiry into Future Directions for the Consumer Data Right

Spriggy consultation submission

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Inquiry into Future Directions for the Consumer Data Right

Offering consumers access to their own data has tremendous potential to give rise to new business models that deliver valuable new products and services for Australian consumers.

The potential of these models in financial services has been evident since before the introduction of initial Consumer Data Right (CDR) legislation in 2019. While the common framework for permissioned access to consumer data had not yet been developed, the size of the consumer need was enough to motivate teams like Pocketbook and Raiz to develop the complex, custom-built workarounds necessary to deliver high-quality consumer services at commercial scale.

As the first implementation of the CDR comes to market on 1 July 2020, the common standards for secure sharing of certain transaction data promises to significantly lower the barriers for new models in financial services. However, the opportunity is presently only limited to applications that rely on reading consumer data, leaving open the future of applications that require the ability to modify consumer data or initiate permitted actions on their behalf.

In the same way that resourceful fintechs delivered real world examples of CDR read-access use cases before the realisation of a supporting regulatory framework, there is already a small collection of Australian fintechs demonstrating real-world use cases for 'write access' in Open Banking. Spriggy is one such example, offering a powerful case study in the potential of write access within the CDR. Spriggy's experience also demonstrates the business challenges and consumer compromises in delivering these services today without the support of a CDR that includes write access.

Spriggy offers Australian families a product that helps parents teach kids healthy money habits for the digital world with real-world practice. The Spriggy product is built around a purpose-built mobile app that parents can use to pay pocket money digitally to kids aged 6-17 years old. Young people get their own prepaid Visa card through which they can spend in-store and online. Parents and kids each get their own separate login to the mobile app, through which they may setup regular pocket money schedules, chores and savings goals, receive real-time notifications on spending and lock and unlock the card at any time. Spending is blocked at age-inappropriate merchants.

Before launching in 2017 no such service existed. Spriggy was established to help families teach kids about money in a digital age. The company's primary research indicated that an effective digital financial education experience needed to be based on real funds to sustain long-term engagement and the associated financial education outcomes. At the time, as an early-stage startup, the costs associated with the licensing and infrastructure required to build its own card issuing capability were prohibitive. Following an exhaustive search of prospective alternatives, Spriggy established a novel arrangement with a commercially contracted ADI to deliver the service that met consumer demand.

The financial product is issued by the ADI and distributed by Spriggy. Spriggy builds and maintains the mobile apps used by parents and kids at the core of the customer value proposition. The funds added to the prepaid card sit with the ADI and are not held by Spriggy. Spriggy interacts with the issuing ADI via a securely authenticated API interface, executing customer instructions initiated through the Spriggy mobile apps. The customer can order new cards, add funds from a linked debit card from another institution, move funds between children's cards and savings goals, lock and unlock a card in real-time, view transactions and modify their information on file all without leaving the Spriggy app.

Consumer demand also required that parents were able to transfer funds on to Spriggy cards in real-time, similar to the NPP's proposed Mandated Payments Service. In 2017 no such functionality in the payments systems was available at costs realistic for the application. Responding to consumer demand, Spriggy researched and developed an in-house system that combined common online payment gateways, the



commercially contracted ADI's API infrastructure and significant Spriggy balance sheet funding to offer consumers the ability to add funds to Spriggy cards in real-time. Real-time payment of pocket money to kids' Spriggy cards proved to be a critical addition to the product that drove adoption and significantly increased consumer engagement and educational outcomes.

Since launching in 2017, Spriggy has helped more than 400,000 parents and kids, across millions of teachable moments, build healthy money habits through real-world practice fit for the digital age. While the venture has been tremendously successful, the complex custom-built workarounds necessary to deliver high-quality consumer services at commercial scale have been challenging and expensive to implement. Spriggy has raised \$18 million dollars in private investment to-date, of which the company estimates more than two-thirds goes to developing and maintaining the systems required to support the bespoke arrangements described above.

An effective addition of write access to CDR would dramatically reduce the cost and complexity of delivering the Spriggy service. Instead of negotiating novel commercial arrangements on card issuance or repurposing online payment gateways for modified purposes, Spriggy could have directed those resources towards building deeper user experiences in financial education for families. More importantly for consumers, lower costs from vendors could transfer into a lower cost for the Spriggy service, making Spriggy more accessible for Australian families. The ability to integrate Spriggy's mobile apps to any Australian bank account through write access in the CDR could bring Spriggy and its value proposition to even more Australian families through their own pre-existing bank accounts.

Spriggy strongly supports the Inquiry's examination into how the CDR could be expanded to include write access. Extending the CDR to include write access has tremendous potential to support new and existing businesses to develop innovative offerings that help simplify the lives of Australian families. Based on experiences developing novel applications built upon API integrations with established ADIs, Spriggy recommends consideration for the following matters in extending the CDR to include write access:

- The 2019 legislation and its subsequent implementation establish an effective framework for future extension of the CDR. Continuity of standards with the existing CDR regime offers important certainty for companies' product roadmap planning and is strongly supported.
- Interoperability with existing infrastructure is critical to effective implementation. Working with existing infrastructure ensures faster system-wide adoption and higher certainty of a competitive environment of service providers who are integrated with existing infrastructure.
- Speed to market of any proposed write-access extensions to the CDR should be a key consideration. Startup time horizons and international competitiveness are measured in months and extended or repeated delays in the implementation of proposed standards can significantly impact the ultimate rate of their adoption.
- Any costs associated with executing consumer instructions should be borne by the financial product issuer and not the consumer or the authorised data recipient, given that the financial benefits of the financial product (i.e. net interest margin or interchange) accrue to the issuer of the financial product.
- Consumer protection should be the highest priority in any consideration of extending the CDR. Ensuring informed consumer choice should remain at the centre of the CDR regime supported by appropriate security and accreditation standards for all participants.



Spriggy

Spriggy is an independent financial education technology company based in Sydney, Australia. Our goal is to simplify families' lives by offering purpose-built digital tools that help parents give kids the responsibility to make their own money decisions in a safe and supervised environment. Since launching in 2017, Spriggy has helped more than 400,000 parents and kids, across millions of teachable moments, build healthy money habits through real-world practice fit for the digital age.

Spriggy's work in real-world financial education has challenged the business to build at the frontier of fintech and financial services integration. As a team with a passionate interest in building better products and services for Australian families, we welcome the opportunity to share our feedback and comments on the Future Directions of the Consumer Data Right. If there is anything further we can do to assist, please don't hesitate to contact our co-CEO, Mario Hasanakos at mario@spriggy.com.au. We look forward to the results of the Inquiry and its contribution towards simplifying the lives of Australian families.

