

Consumer Data Right Open Finance Sectoral Assessment - Non-bank lending

TrueLayer submission

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Contact

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Thank you for the opportunity to provide a submission in response to the consultation regarding the proposed extension of the Consumer Data Right to the non-bank lending sector.

Executive summary

TrueLayer supports the extension of the CDR to non-bank lending and considers that this will increase participation in the CDR and ultimately encourage competition in the lending sector. However, there are a number of current issues with Open Banking that should be addressed as a priority prior to extending the CDR to Open Finance, including the need to provide more incentives for businesses (including non-bank lenders) to participate in the CDR and use CDR data to provide services to consumers.

About TrueLayer

TrueLayer is a global open banking platform that makes it easy for anyone to build better financial experiences. Businesses of every size use TrueLayer to power their payments, access financial data, and onboard customers across the UK, Europe, and Australia. Founded in 2016, TrueLayer is trusted by millions of consumers and businesses around the world.

TrueLayer is headquartered in the UK and is Europe's leading open banking platform. We were the first-mover in the UK with over 98% coverage of the market and 90%+ coverage across key European markets. We are headquartered in London, and route over half of all open banking traffic in the UK, Ireland, and Spain with industry-leading conversion rates. We provide API-only based technology and do not use less secure data capture methods like screen scraping.

In Australia, TrueLayer is an active Accredited Data Recipient and participates in the CDR ecosystem as an accredited intermediary providing “B2B” data collection and aggregation services.

TrueLayer’s vision is for the financial system to work for everyone — so we're opening up access by putting fintech at people's fingertips.

We do this by providing easy to use APIs that enable instant payments, insights and data access, and empower anyone to create smarter financial services and remove the friction from finance for consumers.

Extension of the CDR to Open Finance

Given TrueLayer’s vision of Opening Up Finance, we welcome the proposed extension of the



CDR to Open Finance. Commencing with non-bank lending is logical given the growing demand for CDR-enabled use cases that rely on a holistic view of a consumer's finances. We believe non-bank lending and credit products (including credit cards) can be accommodated within the existing rules and standards with minimal modification.

Extension of the CDR to Open Finance, in combination with Open Banking, has the potential to ignite a new generation of financial products, giving consumers more control over their financial lives and injecting competition into sectors that have stood still for too long. Just as importantly, the extension of CDR to Open Finance would enable existing finance-related use cases to transition from screenscraping, or hybrid screenscraping and CDR models, to become fully CDR-enabled services. This would be an important step in encouraging greater participation in the CDR and offering of CDR-services at a greater scale to consumers. Key examples of the use cases that would be supported by extension of the CDR to non-bank lending are:

1. **Consumer and business lending:** addition of non-bank loans, other lending/credit facilities including non-bank credit cards, would enable CDR to provide a comprehensive view of finances to support responsible and efficient lending decisions.
2. **Debt consolidation and budgeting:** a holistic view of debts (with bank and non-bank lenders, or other credit providers) could be surfaced via CDR and consolidated to help consumers manage debt.
3. **Financial literacy, planning and wealth management:** helping consumers plan for their future, prepare for life events and understand and feel good about finance.

Improving competition between lenders

One of the important objectives of the CDR is to encourage competition and innovation in designated sectors. The consultation paper seeks views on whether designation of non-bank lending would improve competition between lenders, including levelling the playing field with banks.

Determining the scope and timetable for extension of the CDR to non-bank lending will require an appropriate balance to be found between encouraging competition through mandatory provision of data by non-bank lenders, and ensuring that the ability of non-bank lenders to compete in the lending market is not unduly impaired by CDR compliance costs.

Extending CDR datasets to cover products offered by non-bank lenders (including non-bank issued credit cards) is vitally important to ensuring that the CDR can provide a safe and secure means for a consumer to obtain a comprehensive view of their finances and receive the benefit of tailored products and services. Non-bank lenders will play an important role in using the CDR to compete with banks in providing lending and credit products to consumers, and doing so with innovative and differentiated offerings. Given this, we consider that it will be important for the Government to do as much as possible to encourage non-bank lenders to participate in the CDR as data recipients prior to mandatory data holder obligations commencing. This should include removal of the current reciprocity requirements in the CDR rules, given the processes underway to designate the sector for mandatory data sharing and would be consistent with the



Government's response to recommendation 6.9 of the *Inquiry into the Future Directions of the Consumer Data Right*. In our experience there is genuine demand from non-bank lenders to participate in the CDR but the current reciprocity requirement applying to non-bank lending providers has and continues to operate as a significant disincentive to seek accreditation and transition to using the CDR.

Addressing existing issues with Open Banking to ensure the success of Open Finance

Similarly to Australia, the implementation of Open Finance is the subject of active consultation in the UK. However, the context in which those discussions are occurring in the UK is vastly different to that in Australia where development of CDR-enabled services is still nascent. In the UK there are over 5 million consumers who are using Open Banking and over 400 third party providers who support a broad range of use cases through provision of both account information and payment initiation services. The development of Open Banking services has also occurred in circumstances where there is, in effect, a ban on screenscraping.

In Australia, while there is now a growing number of accredited data recipients (ADRs), the number of active ADRs is still relatively low and there are very few ADRs (other than ADIs) providing B2C services directly to consumers. While the "V3" CDR rules were a positive step forward to encourage greater participation by B2C providers, these measures were constrained by the current regulatory regime which imposes very high compliance requirements on ADRs in relation to use and disclosure of CDR data and derived data.

Concurrently with progressing Open Finance, we consider that there needs to be a dedicated focus on resolving the known issues that have arisen in the banking sector to ensure that existing issues are not replicated across sectors.

Screenscraping

Participation in CDR is entirely voluntary and there is currently no planned transition for prohibiting screenscraping in sectors where the CDR applies. As such the task of selling the benefits of CDR-enabled data access is made more difficult, particularly given the CDR-specific privacy regime that applies to CDR data compared to the regulation that applies outside the CDR. We consider that consultation needs to occur now about a phased transition for prohibiting screenscraping so as to incentivise CDR participation and that this should not be delayed until a review process after payment initiation has been implemented (as currently outlined in the Government's response to the *Inquiry into the Future Directions report*).

Optimising consumer experience

There is a need to undertake a review of CDR consent processes and notifications, and make necessary modifications to rules and standards, to reduce unnecessary friction. This should



include exploration of alternate consent, authentication and authorisation mechanisms including app to app consent journeys, and streamlined ‘purpose-based’ consent flows. More extensive CX testing of CDR consent flows should inform the review of consent processes.

Enabling centralised dashboard management should also be considered as a priority issue prior to the further rollout of the CDR across new sectors. A proliferation of dashboards will occur as new sectors are added to the CDR, resulting in poor consumer experience and discouraging businesses to use CDR to provide services to consumers. For example, in the example on page 9 of the consultation paper relating to Ellyse, if we assume that Ellyse has one telecommunications provider, one energy retailer, two banking providers, a non-bank credit card and one non-bank loans, for one data sharing arrangement with an ADR she would complete 6 consent journeys and be provided with 6 data holder dashboards to manage (and 6 CDR receipts following establishment of consent) and in addition she would also have an ADR dashboard and a CDR receipt from the ADR.

Creation of an implementation/oversight entity with a mandate to address compliance issues and drive accountability

The Open Banking Implementation Entity (OBIE) has been a key factor in the success of Open Banking in the UK to date, and has been recognised by the recent announcement about the establishment of a Joint Regulatory Oversight Committee (JROC). The JROC will continue to oversee the implementation of the CMA’s Open Banking order but also have an expanded role beyond Open Banking to Open Finance. The JROC will be jointly led by the Financial Conduct Authority and the Payment Systems Regulator but importantly will have independent and accountable leadership. We consider that there is a similar need in Australia for an oversight entity, functionally separate to the ACCC and OAIC as regulators, that has a mandate to address ecosystem implementation and compliance issues and represent the needs of all ecosystem participants.

Proposed designation of merchant acquiring services

We consider that designation of merchant acquiring services should not occur at this stage of the rollout of the CDR. Instead there should be a dedicated focus on implementing new sectors and functionality (such as payment initiation) that will support commercially viable CDR use cases. It is not clear that there would be sufficient commercial demand for information relating to merchant acquirer’s accounts to justify designation at this time.

Access to such data might enable merchants to gain insights about how their customers behave, and how their fees compare to other merchant services available in the market, or possibly an account aggregation use case for accounting purposes. However, these are niche use cases which will be worthy of further consideration at a later time, but should not be progressed as a priority when there are other initiatives that have greater potential to encourage participation in the CDR.



Additional comments in response to consultation questions

In the table below we have provided comments in relation to several of the discrete questions/topics raised in the consultation paper.

TRUELAYER

Issue raised in Consultation paper questions	TrueLayer comment
Which non-bank lending entities should be designated as data holders	Any provider of a lending product or facility (consistent with the examples outlined on page 15 of the Consultation paper) and similar products that are relevant to obtaining a complete picture of a consumer's finances - such as Buy Now Pay Later products.
Privacy considerations	There are no additional privacy considerations for non-bank lending datasets that have not already been thoroughly considered in the course of implementation of Open Banking in the CDR. To the contrary, in our view there is an urgent need for reform of the regulatory regime for the CDR to ensure that there is an even playing field for providers of CDR-enabled services compared to providers of services that rely on screenscraping and other data capture methods. In this respect implementation of Open Finance should be considered holistically together with the outcomes of other processes such as the current CDR statutory review.
Cost/regulatory implications for potential data holders and for particular datasets and barriers for data sharing	Many non-bank lenders will have technology systems that do not raise the complexities that were faced by many ADIs in implementing the CDR across multiple legacy technology systems. There are also now a number of vendors providing Open Banking data holder solutions in the market who would be able to extend their service offerings to cater for Open Finance relatively swiftly. That said, the compliance cost in terms of finance and



	<p>resources should not be assumed to be trivial - many non-bank lenders will have limited resources (especially compared to the banking sector) and in many cases those resources will be essential to establishing themselves in the lending market, or continuing to compete effectively including by using CDR data. Imposition of data holder obligations may impact the viability of some providers, such that an appropriate threshold for mandatory participation will likely need to be considered.</p>
Eligible consumers	<p>For individual and business consumers, eligibility should be consistent with the current CDR rules and the ACCC's current approach and guidance for determining when products are publicly offered in the banking sector should also apply.</p>
Phasing of obligations	<p>Consumer-specific datasets should be prioritised before the implementation of product reference data given the connection between consumer datasets and the use cases we have outlined above in our main submission.</p>