



05/02/2023

Director – Payments Strategy and Policy Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

CONTROLABILL- Submission to the Payment System Strategic Plan

Dear Sir/Madam

The team at Controlabill Pty Ltd thanks Treasury, its responsible Director and Secretariat for the opportunity to comment on and propose solutions for review and consideration. We would appreciate the ability to engage further and share more detail with Treasury should it require more information.

In terms of credentials, I have a background as a 26-year banker in both the UK and Australia and as a former Executive Lead in Marketing at 3 of the big 4 banks. I was also the Retail Lead for Australia's largest energy retailer in the private sector and one of the largest utility billers in the public sector. I believe this background is of use when considering the roles of the various parties– Customers, Biller and Banks I would like to provide the following as Controlabill's and my insight into payments in this country and from a consumer behaviour standpoint which has been absent in payments strategy over the last decade

Synopsis

Controlabill fully supports the aims of Treasury in relation to the development of a Payments Strategic Plan. But we believe the plan needs also to consider more than the nuts and bolts of payments. Our company focusses on the upstream Authorities that enable the largest sector of payments which has been largely overlooked by the industry.

While we support the thinking that payments are inseparable from open banking and that of the Consumer Data Right (CDR), we also believe that optimised outcomes for consumers will never be achieved with a solution designed or controlled solely by market players with oligopoly power, such as those within the banking and other service markets. It is not in their interest to enable competition.

Controlabill has submitted a contribution to multiple Payments and CDR strategies and their RFI's over a period since 2010. The common theme to our responses has been that solutions developed by lawyers and regulators tend to be driven by the needs of the industry. As a result, they consistently reflect a lack an understanding of the needs of the customer and market they service.

Rather than answer the same questions, looked at many times, our first question is who is the plan for?

Much of the supplied brief has re-referenced industry hygiene issues that the users of payments and the CDR who are ordinary customers and households just simply expect the industry to get right. The users and the buyers of these systems want something more. Something relevant, with a pathway and a timetable, and clear performance and financial benefits to them.

Current direction and strategic outcomes are predictable

- The 2023 Strategy as it is being examined is unlikely to help many of the people it is setting out to help. It is too complex and will be poorly understood by all but the most sophisticated consumer. The go forward strategy should enable customer centric solutions and be simple to use.
- Much of what has been or is being developed is based on previous initiatives from the UK. The UK stats are clouded, but on a more detailed analysis indicate that its similar Payments and CDR model have suffered a very low uptake – Usage of open banking and the CDR is less than 6% after 5 years but only 1% usage of Open Banking and CDR requests are for the purposes of switching after 5 years. Most of the remaining 5% usage are to help build a budget. Many analysts have written about complexity in those markets being a barrier to uptake. We should look at why we insist on being a follower in payments.
- To achieve many of the industry stated benefits, the customer will be required to concentrate their arrangements to a single institution. This will cause collapse of the industry into fewer hands. So rather than incentivise competition it will in fact reduce competition in favour of the largest players.
- it is the belief of the writer that certain other features of currently proposed solutions may have a profound impact on privacy and may lead to extreme hardship in certain segments of the community.

Recommendations

To avoid the unintended consequences of planned models, Controlabill recommends the following measures.

1. Treasury to conduct its own research through focus groups of customer segments and its own independent modelling to examine the impact of current and future payment products on competition, privacy, and consumer economic welfare,
2. Treasury should create an advisory panel to provide voice of the consumer, consisting of experts with a consumer background along with ACROSS and Uniting Care,
3. Conduct detailed analysis of the financial behaviour of various segments of consumers and their banking behaviours to develop a predictive model. This model should utilise the household income and expenditure models of the ABS but on a more frequent and granular level,
4. Treasury to independently re-examine the payments product development process which was not conducted at arms-length by the previous Government,
5. Extend the examination of the RBA to include its role in payments. It is the writer's belief that regulators should not have dollar investments in designing market solutions. This can lead again to unintended consequences such as the RBA continual promotion of the closure of BECS.
6. Treasury should promote the sell-off of BECS to interested parties to create real competition in payments rather than promoting its closure. Most users of BECS do not need more than its batch settlement 6 times every day and don't need a longer transaction description they just need lowest price and highest reliability,

7. Treasury fully examine the comments of Hesse regarding unnecessary complexity in Payments. Treasury should approach Banking Day for a copy of its article titled Cuscal Expert 28/06/22.
8. Treasury look to reporting disclosures of the RBA and ACCC that supports a proper understanding of markets. Current reporting is insufficiently granular leading to inadequate insight. "You can't manage what you can't measure".
9. Treasury should promote the development of ancillary financial products that work with payment initiatives that will assist customers to budget for the essentials. Much is written about BNPL regulation, but consumers often use these products in the absence of an understanding of their commitments and discretionary cash flow.

The Consumer and the Household

We have approached the problem by understanding customer behaviour, spending patterns and utilisation of the payment system. We have identified a need for simple effective understandable and easy to use solutions. These are not the outcomes of previous payment systems strategies. What follows should be a concern of those looking at the strategy.

The Australian consumer banking market has the following basic characteristics.

- 18 million customers and 10 million households.
- 97 Banks (ABA).
- 4 banks have nearly 50 million accounts. Reporting granularity makes it difficult to get a better insight of the rest of the market,
- Accounts are often maintained by consumers with the aim of "moving money around" to manage liquidity.
- Commonwealth bank has 17 million accounts and is the likely winner from any trend to consolidation that will be become necessary to allow customers to see all their bills in one place. This unexpected consequence will seriously impact competition even for NAB and ANZ who are set to lose significant market share. The remaining banks do not have the resources to build products against the complex criteria and interoperability necessary to compete.
- Seventy percent of a typical household's expenditure is recurring and non-discretionary. These are the must pay bills of the average household and have around 230 bills to pay each year. These amount to an average of \$71000.00 per household and the average income is \$102 000.00 a very large and increasing percentage manage money week to week (ABS).
- "One in eight people in Australia, including one in six children are living in poverty" Released on the eve of Anti-Poverty week, ACOSS has found, the cost-of-living pressures continue to put households under strain". Yet the payments industry is promoting taking money the moment it is available from customer accounts with ongoing real time look ups of account balances. Bills get paid but no food on the table.
- Australia is one of the wealthiest countries in the world, yet we have one in eight people and one in six children living below the poverty line, 'There are 3.3 million people in Australia desperately struggling to pay the bills and put food on the table. "There are 761,000 children who are denied a good start to life" (ACOSS).

Today the largest proportion of bills are settled using the BECS Direct Debit system. Each year, 1.3 billion such transactions are processed, and we estimate 130m authorities are held to drive this system. Obtaining and managing these authorities is a broken, inconvenient, and expensive process for billers and consumers alike. Banks are not involved in this part of the process currently as it is usually attached to the sales /service aspect of the customer relationship with the service provider. It is widely recognised that direct debit authority management is a significant barrier to competition and as such to innovation.

The Controlabill model vastly reduces the upfront costs. Treasury should refer to RBA analysis on the cost of various payment channels though this is now quite old. No data we could access was available on new payment channels costs. Moreover, the Controlabill model is the only one able to bring together pre-authorised payments from any channel such as Cards or BECS and bring together this data without the need for anticompetitive consolidation. Our model takes 15mins a year to set up and review and could be assisted by help for some segments being provided by Australia Post for fee revenue.

Last year we wrote to the Treasurer and to Treasury to illustrate how the data held in these authorities could enable the CDR and help the average household save \$ 9000.00. We did not receive a reply.

“Granting access to open banking could become just too hard if accessibility also leads to paralysing complexity”.

In previous submissions we referenced the cautionary words of Alan Fels that open banking would be resisted. “Open Banking is good in principle, but I suspect effective implementation will be difficult and resisted in countless ways by banks”.

We agree, but we also warned that complexity would become an issue, which it has demonstrably become. But it is not too late to save the situation.

- Under current models it remains and will remain difficult to switch banks or accounts because so much effort is required to contact all billers and all the banks and card companies necessary to update all your direct debits and credit card authorities,
- No bank has 100% share of wallet, and the average number of financial relationships has vastly blown out on a household basis. As a result, multiple open banking requests are necessary to build a picture of an individual or a household and these need constant renewal.
- To add to this complexity there is the issue of joint and several account ownership at both the bank and the biller. It remains clouded to us how the privacy complications arising from this will be managed.

We offer a solution, which is based around centralised Authority management, but extends beyond that to meet the requirements of the CDR.

We continue to propose a hub, supported by legislation, separate from banks and billers and at ‘arms-length’ from interested parties. Our solution contains three key elements that we call the A, B, C of open banking:

- Authority management App and biller API’s (not well managed under current strategy)
- Budgeting and Bill Smoothing (properly managed will result in new innovative products and services)
- Centralised management of Open Banking, Broker and Comparator Delegations and CDR authorities (makes a complex process simple)

We believe that our proposal meets or exceeds all the expectations and requirements of a Treasury payments strategy and for the CDR. It will.

- a) Expedite easier switching of vendors,
- b) Save households and businesses thousands of dollars directly and indirectly through better budgeting, better product selection and loan risk assessment,
- c) Offer efficiencies to Billers, Brokers, and Comparators,
- d) Be independent of any payment system and is agnostic to BECS or NPPA in how it links all Banks, Bank accounts, Credit Cards, and all Biller service providers,
- e) Provide open access to all parties while providing the consumer with complete control over that access,
- f) Promote competition and supplier innovation in a substantive way and at a speed that other potential solutions may not.

“Treasury aims for Payments and the CDR will never be achieved with solutions that are designed or controlled by market players with oligopoly power”.

There is an understandable tension between oligopolists’ desire to reduce churn, minimize costs, maximise profits and the goals of Government, Regulators and Consumers which are to maximise competition, innovation, and utility while minimising price.

After multiple failed attempts at self-regulation, it seems clear that banks will not willingly make it easier to switch and to increase competition. We should expect similar behaviour from other large oligopoly service providers in Energy, Insurance and Telecoms.

It has been our experience that while large billers see the advantages of centralised authority management and the efficiency that it un-locks, they also enjoy the status quo, as it provides a barrier to switching and product churn.

Moreover, self- regulated oligopolies provide no internal pressure for innovation and change. It is noteworthy that no bank in Australia provides an active/ predictive, set-and-forget budgeting service, though this is a core reason for being for a bank or financial advisor. Similarly, no biller consortium has come forward to make direct debit authority management simpler.

Also, it is unclear to us how Regulators can distance themselves from shareholder relationships and possible monetary returns, particularly where there are complex market effects.

The Royal Commission, the RBA, the ACCC and the Competition Commission recognise and have expressed disappointment with progress to achieve innovation and competition. Left to the vested parties, it is entirely possible that this important matter may be dragged out for years.

Centralised authority management offers a simple yet elegant way to provide a centralised gateway for managing open banking authorisations, renewals, and delegation of CDR rights to various brokers and comparators.

We propose the creation of a hub, independent of banks and billers and independently managed as a piece of customer infrastructure.

This hub entity would be entirely consumer focussed with a completely different governance model. Less input from banks and billers and more from consumers, small business, and consumer lobby groups.

This simple customer centric business model works with and enhances existing initiatives. In this way the CDR can be used to remove one of the key barriers to both switching and to competition in a solution which is complimentary with open banking and adds to its functionality.

Data held, in these authorities holds the key to understanding and unlocking the **who pays who, how much, when and for how long, and from which bank or card account**. Pulling this together enables a simple consolidated view into a household and or businesses suppliers and their **market competitive** essential expenditure. Consumers get full control of their own data and who they share it with in our model.

A stand-alone model offers many advantages

As a piece of stand- alone, open access infrastructure, this model can be delivered more quickly than could normally be achieved by large organisation timeframes and has been designed to have little or no impact on supplier systems.

A further advantage of our proposal is in how it differs from open banking in that it allows no access to discretionary spending information. This may appeal to many consumers who don't want others looking into their private spending (a very large segment). For those that don't mind, our model remains complementary with open banking where the customer might also wish to see their full historic budget position. So, consumers can choose to forward budget for their recurring bills only, or alternatively, choose to get a full picture of their spending across all their relationships.

A centralised authority management system can be easily enhanced to provide a centralised gateway for managing open banking authorisations / renewals and delegating CDR rights to various brokers and comparators for other services.

Our solution has three elements the ABC of Payments and the CDR

Element A:

Authority management App and biller API's

The solution is simple and very cost effective. Element A is fully scoped and costed.

Key functionality includes.

- i. Customer registration and authentication,
- ii. Customer detail changes and delegations,
- iii. Customer biller provider details,
- iv. Customer budget planning,
- v. Biller, Bank authority changes,
- vi. Biller Admin modules via API.

This system provides for a singular view of all recurring expenditure and a seamless set up of a 'forward looking' budget that takes just 15 mins to set up for the year ahead. Change of single bank or account details or biller takes just 30 seconds. Move home, and everything is changed with a couple of clicks. Lose a credit card – "couple of clicks" not hours on the phone.

Set up is self-initiated but, could be delegated to another party by the customer (say Australia Post, a Bank, Fintech, H&R block or a non-profit for those users that might find it difficult to set up and manage for themselves). These could be supported by a series of purpose-built call centres that

would both assist disadvantaged groups by phone and contribute to indigenous and regional employment.

Our process could also fully replace Centrepay which is administratively difficult for billers.

Element B

Budgeting and Bill Smoothing

This includes third party services, lines of credit and other dedicated accounts such as a two-account services to support bill smoothing (explained in more detail in the attachment). Essentially, all income enters the income account, and a smoothed amount is paid into the “pay bills” account. This leaves discretionary expenditure in the income account and all recurring bills fully accounted for. Services such as overdrafts or lines of credit could be provided by third parties to assist in bill smoothing.

Element C

Centralised management of Open Banking, Broker and Comparator Delegations and CDR authorities

Notification to billers and banks that a certain comparators or brokers have been given CDR authority to act on their behalf. This essentially becomes a hub for Centralised management of Open Banking and CDR authorities.

Opportunity for direct intervention from Government.

There is precedent for such intervention. Government had to legislate the CDR to push very reluctant banks to Open Banking. Similarly, the RBA had to structure an operating model for payments to create a mutually owned Industry infrastructure model where thirteen banks are shareholders and have funded the development.

Intervention would be in the form of:

Legislation

We believe the review must recommend legislation to get full cooperation of all billers even though very little will be required of them.

Funding

A review will need to look at various operating models and recommend a go-forward approach. Options include.

a) Shareholder funding

Top 100 billers are about 95% of the direct debit system. We suggest that in the same way as the RBA created a “mutually owned industry infrastructure for NPPA with contributions from shareholders then the inquiry might replicate that with a Biller entity or ‘Mutual’ where for a share holding, several billers (say 10) are invited to invest \$1 million. Returns for said shareholders are efficiency gains far exceeding this figure plus substantial ROI and annuity revenue streams,

b) Funding by Government loan or possible Government agency

Paid back from entity access (customer approved sale of big data to banks and brokers) and transaction revenues over 5years with a return on capital to Government. Fastest to market approach,

c) *Venture Capital or Private Investor*

Venture capital will need to see research, market modelling and a pricing strategy that gives an acceptable ROI and be guaranteed operational certainty. Some months to obtain and probably slower to market albeit faster than current proposals.

In Summary

In a post Covid economy it is entirely appropriate and timely for Government and Regulators to seek out the best and fastest and most efficient ways forward for the payments industry and the CDR. Many Consumers and Businesses are, or will be, in hardship and in need of every assistance and in the shortest time frame possible. Our solution is easy to implement makes switching easy and will deliver substantially better household budgeting outcomes that are simple to set up and the data held will drive significant product savings across the whole spectrum of expenditure. In competing for business there will be an uptick in related product innovation and competitive pricing.

Best Regards,

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06/02/2023

Controlabill responses to consultation questions

Key principles	1	What are your views on the proposed key principles? Are there other principles that should be included? Please provide an explanation.
		Fails accessibility tests it is not simple, not low cost and removes choice by eliminating other options. Inefficient as it is likely to lead to consolidation and therefore, less competition. Refer to our submission
Key priorities	2	What are your views on the proposed key priorities? Do they provide enough certainty on what the key priorities are for the Government? Are there other matters that should be included? Please provide an explanation.
		Key priorities do not reflect consumer and merchant priorities. These include anything that is important to consumers or merchants: Refer to our submission
Key initiatives	3	What are your views on the proposed key supporting initiatives? Are there other initiatives that could be included in the Plan? Please provide an explanation.
		Refer to our submission
	4	Do you have any feedback on the proposed approach for any of the initiatives (as outlined in Attachment B)? Please provide an explanation.
		Refer to our submission
	5	What are the key milestones for key initiatives that you would like to see included in the Plan? Are there any conflicts between milestones or pressure points that need to be considered in revising the roadmap?
		There should be target dates for consumer and merchant adoption Refer to our submission
Process for reviewing the Plan	6	What are your views on the proposed review process and engagement arrangements? Please provide an explanation.
		Voice of consumer and voice of merchants will not be heard under these arrangements.
	7	Are there any other sections or topics that you would like to see added to the Plan? Please provide an explanation
		Refer to our submission

Supporting information and Appendices

- 1. The importance of Direct Debit**
 - a. Relevance of Direct Debit to the CDR**
 - b. The attraction of Direct Debit**
 - c. Addressing the pain points of Direct Debit**

- 2. Introduction to Controlabill**
 - a. Current situation business environment**
 - i. The Consumer Value Proposition**
 - ii. The Biller Value Proposition**
 - b. Proposed Solution**
 - c. Implementation Approach**
 - d. Required Investment**

1. The Importance of Authority Management

Direct Debit is the heavy lifter of the recurring payments market. While the direct debit system is one of the fastest growing payment solutions and meets the needs of most billers settling six times per day, a lack of meaningful authority management improvements over many decades has impaired the customer experience and satisfaction with the channel, together with much reduced innovation and market competitiveness. Several very expensive attempts to fix this problem have either failed or not meaningfully met regulatory or Government policy objectives. Current initiatives will also fail to deliver the required integrated solution.

While obtaining authorities is the responsibility of billers, there has been no attempt to build a common solution that centralises this function for consumers. Today, it is an expensive and inefficient process for both billers and customers. These authorities are expensive to obtain and are held separately by each biller. We propose a different, centralised model.

We estimate that around 130 million authorities exist in Australia today and using our proposal for aggregation or centralisation could achieve cost improvements for billers of around \$10 to \$20 plus per authority managed while charging billers around \$2 for the service.

The process we propose, could be built quickly in conjunction with Controlabill and supports several different operating models. We believe the hub can quickly establish a \$100 million business, driving efficiency dividends of around \$1 billion for billers.

Australia's utilisation of direct debit is growing quickly, yet we lag the UK and Europe in utilisation. We also lag in improvements in response times to instructions. Organisations like the Single Euro Payments Area (SEPA) are orchestrating continuous and systemic customer focused improvements to direct debit.

a. Relevance of Direct Debit to the CDR

The Centralised Management of Consumer and SME Authorities should be a new process wherein a customer has a data right to access simply the information captured in the Authorities he or she has severally or jointly given. This data should be assembled in a way that simply allows access to the data even though multiple Banks, Bank Accounts or Credit card accounts and multiple biller service providers or subscription service providers may be involved.

Consumers, businesses, and billers are increasingly opting to use Direct Debit (described as a pull payment system, as the biller pulls money from a customer's account in settlement of bills) as the payment channel of choice for all their recurring bills. But, before a single transaction can be undertaken, the biller needs to obtain the customer's authority to allow it to pull that money from the customer nominated account. These **Authorities** contain information such as **who pays who**, from **which bank/ account or card** and **how much, when and for how long**.

Bringing all this valuable data together into one place in a central hub for the customer, creates convenience, time saving, set and forget budget opportunities and a means to administer all their Authorities and CDR permissions.

It will also generate competition (given the customers permission, it will be possible to share this data with multiple specialist brokers and comparators and to manage those permissions easily in one place) and innovation on a huge scale. Moreover, it can be done cheaply and quickly compared to other solutions.

b. The attraction of direct debit

The growth in direct debit not only continues but, the growth is accelerating. This reflects direct debit's efficiency and convenience to both customer and biller.

It is also by far the largest system by value and near the top in the number of transactions. It continues to grow, in depth and breadth, as more and more transactions are converted to subscriptions.

Traditionally Direct Debits were restricted to just the larger non-discretionary payments such as rent, mortgage utilities, and hire-purchase, however, in the last five years many other types of purchase once firmly in discretionary payments are now being channelled into the regularly recurring payments area. Software, music, movies, gym memberships and magazines are now often purchased by subscription rather than one off purchase. Even BNPL relies on direct debit. In areas that are traditionally covered by direct debit such as those mentioned are now offered with a much wider choice of payment frequency. You can now choose to pay your utility bills monthly instead of quarterly, even mortgage payments traditionally paid monthly can be paid weekly or fortnightly, offering considerable savings over the long-term.

c. Addressing the pain-points of direct debit

Direct debit is a very efficient payment mechanism for Billers but has a critical flaw when it comes to user friendliness, in that it is cumbersome and time inefficient to set up, change or stop. The current process stands as a barrier to competition. For the user, managing the system is chaotic and constrained.

The process by which authorities are set up, modified, or cancelled, varies from biller to biller (even though the information taken is always the same), which means, in aggregate, we have a very complicated and difficult to manage system; especially from the point of view of the customer or payer (who has on average 12 authorities to manage) and to a lesser extent the biller. Since regularly recurring payments form, (by value) are the largest share of the average household payments, it makes sense that the management of these payments should be streamlined and devoid of any unnecessary friction.

To ensure the system works as planned, the customer also needs to know they have:

The right money ... in the right account ... at the right time

Getting it wrong for just one of the above could mean late charges, dishonour charges, disruption of service and even credit impairment.

In summary, the problems with the Direct Debit system can be stated as follows.

- **Cost:** Although the transaction costs are lower for Billers, the cost of setting up and managing the Direct Debit can be quite high. While paper systems are gradually being replaced by Phone and Online setup there is still a significant management cost, especially when customers want to change something. Consumers also find the hassle and time cost too high as well.
- **Administrative Burden:** The set and forget concept is great... until it isn't. Everyone that has lost a credit card to which subscriptions are attached knows this difficulty.
- **Lack of Control:** Since the current system is set up individually by each biller, the customer is faced with a wide range of different forms, options, and rules. As such consumers often feel they are ceding too much control. The difficulty of managing such a diverse process leads to the fear that due to a forgotten commitment we may inadvertently overdraw, or worse still be stranded with no way to pay and/or embarrassed when our card is declined unexpectedly.

It is important to note that our system (which just makes the management of these authorities easier) has nothing to do with the actual payments system "plumbing" itself, be it the current BECS, Cards system or NPP. Indeed, whatever system is used, even if both are used in parallel, the underlying authority, and the management of that authority and its extension to the CDR will be a key determining factor of the success of that system.

It is our belief that the friction in the current "system" of Direct Debit management is a significant factor in reducing competition, not only in the banking system but also in areas such as energy, telecommunications, and the more prosaic gym memberships.

The complexity and sheer hassle involved in changing direct debit authorities, often impedes the desire to change banks, credit cards, or suppliers.

It is often said, perhaps cynically, that billers and banks, like the direct debit system the way it is because it reduces churn and creates stickiness. That may be true, but a business or indeed an industry that bets its survival on locking customers in, really has no long-term future. We believe that Government, Authorities and Regulators are duty bound to ensure that the system is designed such that it does not encourage or support such anti-competitive behaviour but, instead enhances it.

Derivative benefits will accrue such as improving lending decision making because customers future expenditure commitments are far more visible and accessible to lenders. This in turn, meets several other objectives of Government and Regulators such as Bank and other service provider switching, Open Banking, and stimulating competition among service providers to the benefit of Australian households. There are also significant efficiency dividends for billers and banks together with cross-sell opportunities. For the consumer, convenience and simplicity drive peace of mind and substantial dollar benefits.

The Controlabill system is the only system with 100% coverage in its solution to the pain and friction of this part of the payment system. In so doing, it would encourage its growth and remove a significant barrier to competition and make our financial system and other large incumbencies such as energy companies more efficient.

Introduction to Controlabill

Controlabill is a small start-up company in a payments adjacency with patents granted over a critical part of the payment system, namely the centralised management of the authorities that drive pull payment systems, such as, but not limited to Direct Debit.

Our Authority Management System will take out the friction associated with Direct Debits, and thereby encourage its growth, improve competition between financial institutions and major billing institutions such as Energy companies, Telcos, Insurance, and many other companies. While we have approached leading industry players, such as major banks, utilities and so on, we have not been able to convince any one of them to, shall we say, break ranks and pursue this concept.

In 2014 Controlabill's IP was granted Patent status. Our two granted patents run until April 2027.

These cover.

- Centralisation of the establishment, change, suspension, or cancellation of Authorities given by a consumer or small business that facilitates a payment.
- Using data in the authorities for the purpose of the creation of a recurring payment budget and its separation from discretionary payments,
- Bill smoothing across the quantum of said expenses.

As previously stated Controlabill's solution never touches the payment system. This makes it an extremely low-cost build compared to other solutions past and present. It is entirely indifferent to the plumbing of the payment itself and is indifferent as to whether the payment is settled using BECS or NPP or Credit Card, for example.

Controlabill's IP drives significant benefits to all parties to the system and facilitates other objectives of Government and Regulators such as a cheaper way of providing an entry point and a management point to most of the Consumer Data for CDR in Open Banking and its extension to Telco's, Utilities, and Insurance

The hub App is also able to utilise real data rather than HEM, algorithmic or other static data in budget systems or statements of position. Also, what we propose will substantially increase capabilities like process improvement and efficiency dividends. It will also create a new product innovation platform, build customer trust through customer intimacy, while also driving time savings, improved credit scores and monetary benefits to consumers including the reduction of late payment fees (currently circa \$350 per household).

The founders of Controlabill foresaw this need and have created and protected a system which removes the problems.

At its core, Controlabill's patented system is a customer centric, secure, cloud-based management system where a customer can setup, manage, modify, and cancel all his or her Direct Debits. From this core Controlabill has also developed concepts for money management, budgeting, bill smoothing, account switching and CDR permission management

Centralised authority hub delivers on the objectives of the CDR for competition and switching

1. Much simplified, real-time updates of authorities. Instructions can be enacted online in real time
 - a. One at a time add, remove, or change a single provider,
 - b. All together (when changing Bank, Bank Account or Credit Card details or moving home) takes seconds, not hours,
2. 360-degree acknowledgement in real time
3. Authorities never touch value transactions therefore the system is a much simpler build and allows separation of essential payments from discretionary spending,
4. Data in the authorities allows for a forward projected household budget that can be set up in minutes by the data owner (or delegated to specialists),
5. Smoothing of bills is designed into the system. Multiple set up options exist using one or two accounts such that income is deposited in one account and monies for essential recurring expenditure is switched to a “Pay bills” account,
6. “Pay bills” accounts may carry overdraft or line of credit facilities to manage timing differences,
7. Data in the hub may be easily shared with multiple entities, leading to product innovation,
8. The more the system is be used, leads to stronger authentication and stronger digital identity,
9. Can be used for loan assessment and better credit scores and consequent pricing,
10. Authority categories allow for specialist brokers/comparators to be selected and managed under the CDR and a consumer may wish to pick several, one for each category, the app makes this process simple to manage. Savings per household are substantial as indicated. Multiple brokers may be chosen from many,
 - a. Finder can look at all categories but specializes in credit cards,
 - b. Compare the market can do all categories but specialize in general insurance as does Choosi,
 - c. Lendi and Mozo do Lending and Home loans,
 - d. iSelect specialize in health insurance.

Recurring household expenditure

Recurring payments now represent 70% of household expenditure. This increase is likely to continue as billers increase bill frequency and more shift to recurring subscription models and inflation continues to bite. Additionally, consumers enjoy the convenience of “set and forget” payments that avoid late fees and provide peace of mind.

The market is saturated with budgeting solutions and most of these are static and look backwards into history. Controlabill will show a simple method to not only set up a household budget that looks forward and takes only 15 minutes to do, but once done will also be truly set-and-forget for the consumer for at least the year ahead. This service could also be delivered by trusted advisers.

We believe it is well understood that the direct entry system is the largest payment system in the recurring expense arena with around 10 million households conducting over 100 million transactions monthly (more than 1.3 billion annually) in Australia alone and growing rapidly. These statistics would suggest that the greater part of every household’s recurring budget is already settled via this channel. Other channels such as BPAY/ OSKO and Post Billpay are reducing in size.

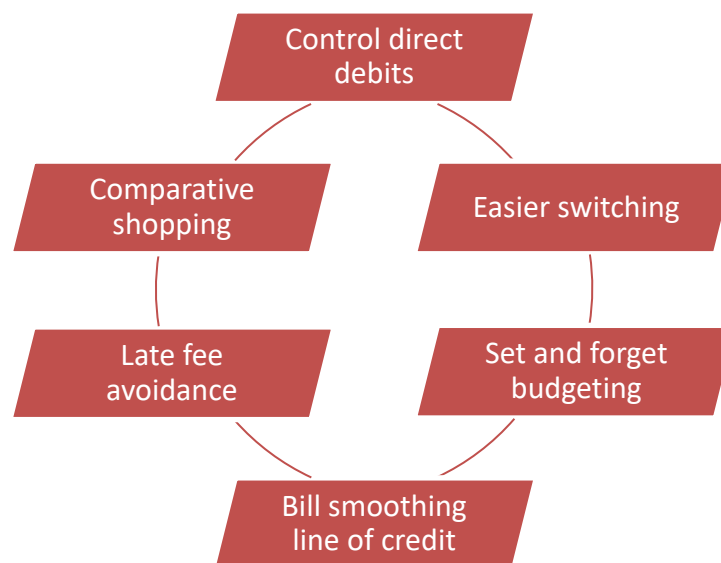
Analysis suggests that there are circa 130 million authorities driving this system and the information contained in them is critical to the objectives of the CDR. Centralising this data at the customer level also leads to potentially better interest rates (which is the simplest benefit to achieve) and better delegation to specialist brokers and comparators.

The next figure constructs a typical family budget using the same 2016 Household Income and Expenditure Survey Latest data. which concluded that the typical household expenditure exceeds \$70,000.

Compare and Save Product	Annual Payment	Pay by Direct Debit	Possible Savings from Supplier Comparison	Your Savings
Mortgage	\$30,000	Yes	\$2,500	
Medibank	\$2,000	Yes	\$400	\$388
Car Insurance 1	\$1,000	Yes	\$200	
Car Insurance 2	\$1,000	Yes	\$200	
Life Insurance	\$600	Yes	\$100	
Income Protection	\$1,200	Yes	\$200	
Home and Contents	\$1,800	Yes	\$400	
Pets	\$500	Yes	\$100	
Phones	\$3,500	Yes	\$500	
Internet	\$1,200	Yes	\$300	
Pay TV	\$1,200	Yes	\$300	
Personal Loan	\$5,000	Yes	\$1,000	
Car Lease	\$5,000	Yes	\$1,000	
Credit Cards x 3	\$6,000	Yes	\$2,000	\$2,315
Electricity	\$4,000	Yes	\$400	
Gas	\$2,000	Yes	\$200	
Sub Total	\$66,000		\$9,800	\$2,703
Non-competitive Payments				
Rates	\$1,200	Yes		
Water	\$1,200	Yes		
Car Registration	\$1,400	Yes		
Subscriptions x 3	\$400	Yes		
Sub total	\$4,200			
FINAL TOTAL	\$70,200			

Importantly, all the elements of this hypothetical budget can be paid for by the set-and-forget direct debit system. The figure also suggests possible savings are to be had, should permission be granted to a Broker or Comparator to use this information to get a better deal. Our research suggests savings of near to \$10,000 could be achieved per average household if only their data was better structured and in a format that giving permission to a third-party broker or comparator was simple. Controlabill achieves this in its process framework

Value Proposition for Consumers



Controlabill's IP can capitalise on a wealth of consumer-led data to.

1. Control direct debits

Gives a single point control to the consumer for the purposes of easy establishment, changes, suspension, and cancellation of their Authorities. If a household had the details of its providers and the authorities given, in a central app then moving home, moving bank, moving supplier is two second task,

2. Easier switching

This allows also for simple switching and authorised information can be passed to third parties for the purposes of soliciting competitive offers,

3. Set and forget budgeting

The establishment of a forward-looking budget is a set and forget process that takes 15 minutes with a single biller set up in as little as 20 seconds. Once set up, payments are made automatically, saving late payment fees and any blemishes to a credit score. Saves time and provides peace of mind in managing finances stemming from a once-a-year set-up. Assists in the building of a digital identity of a customer, their recurring spending patterns and their financial situation based on real data, the extent to which a consumer may be able to fully provide this data to a credit provider may result in significant pricing benefits in loan applications Research shows a 40- 65% household uptake of this budgeting process. Time poor customer love it because it saves time and removes the late payment risk. Cash poor customers because it ensures payment and gives peace of mind. Organised people because it does what they do more efficiently and disorganised because it brings control,

4. Bill smoothing

Assist the customer to separate essential payments from discretionary payments and to provide for them by a regular transfer to the bill payment account. A line of credit or overdraft may be established to manage timing differences,

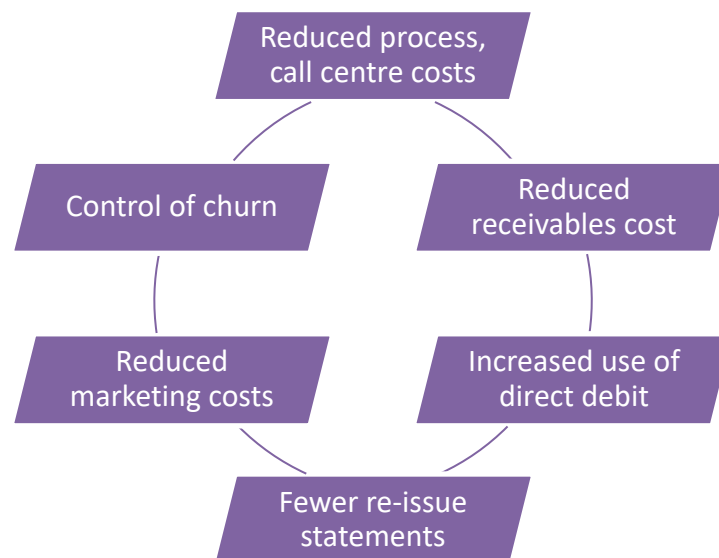
5. Late fee avoidance

Assist the consumer in saving hundreds of dollars (typical household is \$350) per annum in late payment fees,

6. Comparative shopping

Sharing data for loan consolidation for sharing with trusted brokers financial planners and comparison business,

Value Proposition for Billers



1. Reduced Process and Call Centre costs

Billers prefer direct payments for multiple reasons related to control of their receipting processes, lower transaction costs and savings in reminder bills. A centralised management facility that makes it easy for billers to establish and manage via API to facilitate daily electronic file update and retrieval. Online access to consumer authorities for the full statutory period,

2. Reduced receivables costs

Direct debit is cheaper than other payment channels and billers are in control of payment timing. Cost of obtaining the authority is reduced dramatically. Our process charges a low set fee per authority created or changed and an ongoing maintenance fee that is significantly cheaper for the biller,

3. Increase the use of direct debit

Most billers attempt to increase the usage of this channel and the proposed process will provide incentive for consumers to use it as they gain better control,

4. Fewer re-issue statements

The process of bill smoothing will improve the paid-on time ratio reducing other costs,

5. Reduced marketing costs

Consumer control breaks down resistance to direct debit leading to greater uptake and lessens the need for expensive marketing and incentives to use Direct Debit,

6. Control of churn

Billers' real time information relating to a cancellation request, alerts retention teams to achieve improved retention and customer lifetime value.

Proposed Solution

We propose the creation of a piece of National Infrastructure, in consortia with Controlabill, Government, and other potential trusted parties.

This National Infrastructure will provide the backbone to understanding actual cash flows of customers and the suppliers they use. The infrastructure will be platform-based, separating a customer's recurring payments from discretionary spending while automating the Authority process for a seamless and transparent process solution to managing their household expenditure. The platform would capture Authority metadata, providing customer-led insights on spending patterns and the customer's financial situation, while also allowing for digital wallet and other product development.

Firstly, using our solution makes possible the separation of daily life purchases from those must pay recurring payments (60% of the average household's expenditure is on recurring bills) and most of those are paid by direct debit and most suppliers would like to increase the proportion of receivables settled this way.

Our offering has been extensively researched, demonstrating extremely high levels of market attractiveness and household take up. For the consumer this is the only process where an actual operating budget can be set up in 15 minutes for the year ahead, and once set, requires no further action. Aside from being able to provide real data to prospective lenders, this IP has many other benefits to all parties which is explained below.

Government and Regulators have made it quite clear that they would like to see substantially more competition and easier switching and better control of life's administration, and these drivers have been at the heart of the Controlabill solution our design mantra is **save time, save money, and give peace of mind.**

Implementation approach

Our proposed solution contains three elements:

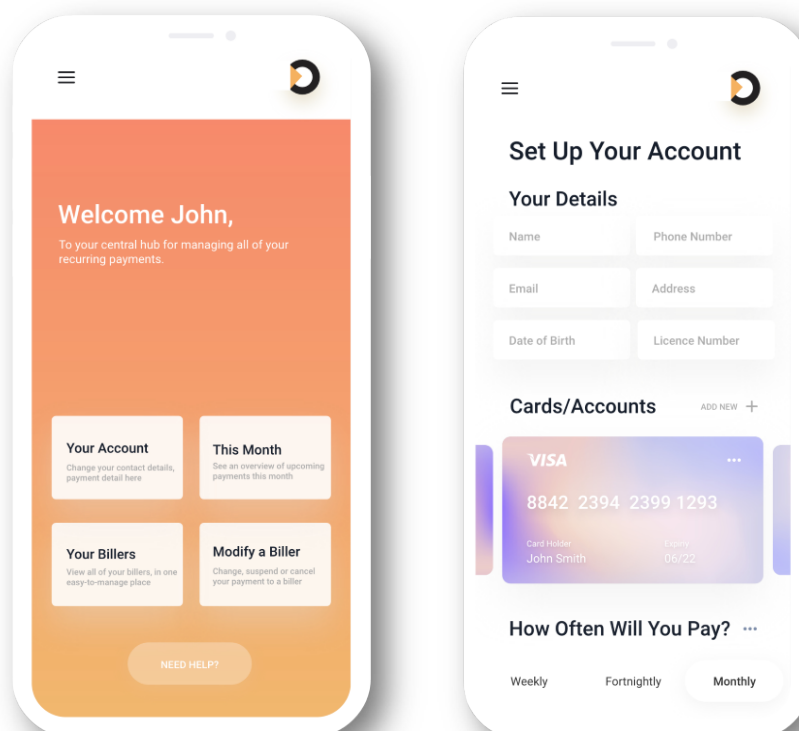
Authority Management

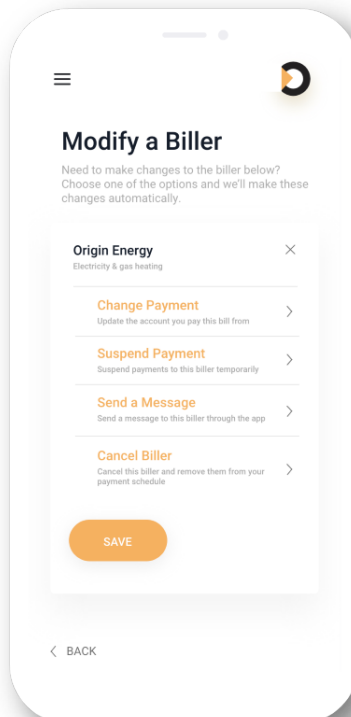
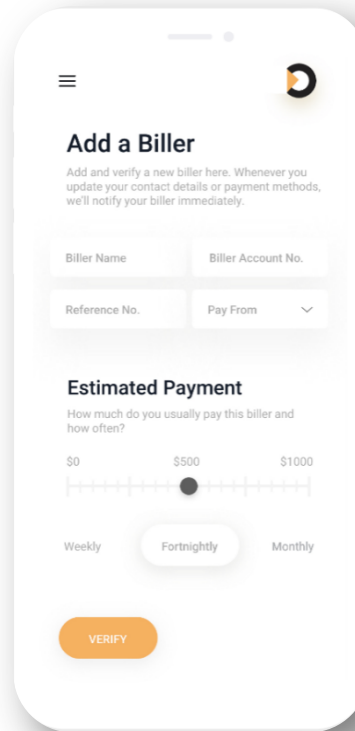
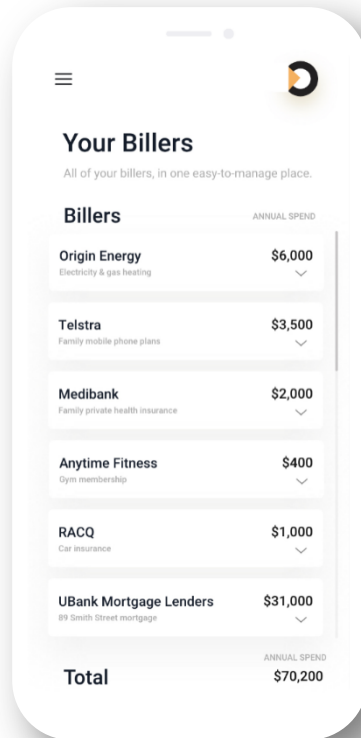
Create the central authority management hub, coupled with a forward-looking budget. Phase one handles all account types that can accept a direct debit from any Bank or Credit Card issuer, either singularly or with multiple accounts at the same time. Phase one also establishes API's with billers.

The basic screens cover: log on and authentication (not shown), home screen, initial set up, a summary screen of your billers and the amounts you pay them annually, adding a new biller and modifying an existing biller.

The system is simple to use, allowing individual biller changes or macro changes to all your billers at once. Changing banks, billers or moving home can be done in seconds.

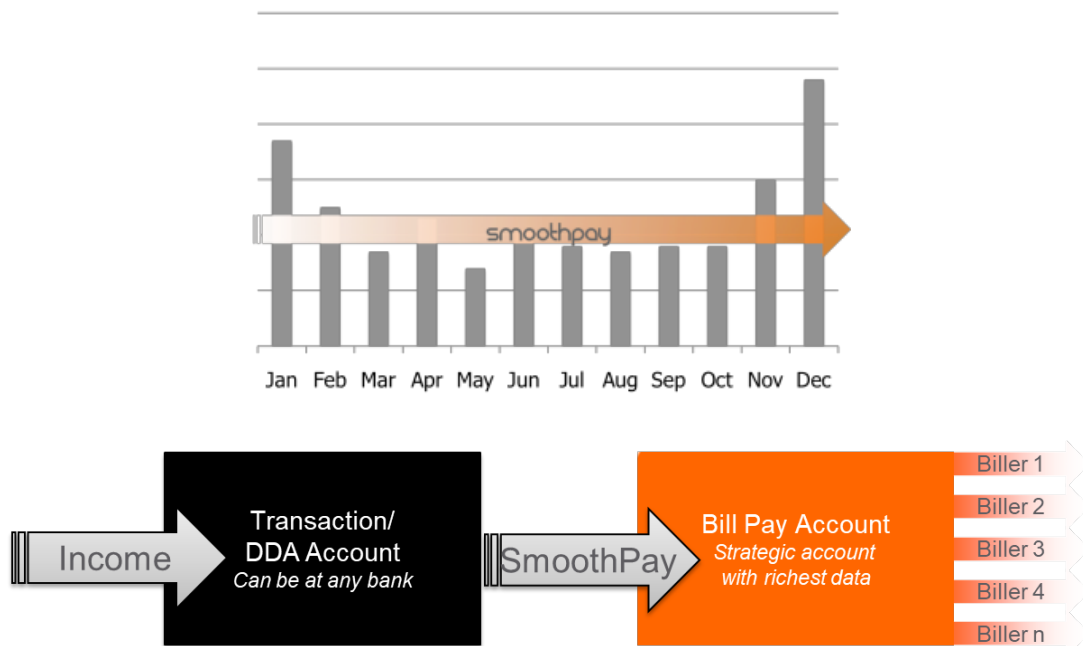
Not shown, is the verification of instructions, which is sent by billers to acknowledge the change instructions have been received and acted on (360-degree verification) Not shown also is the permissions for third party access.



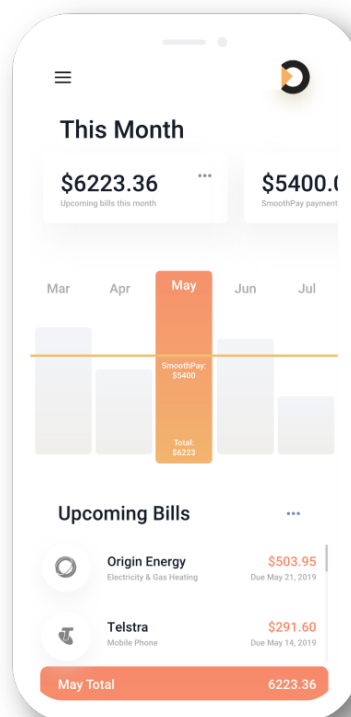


Bill smoothing

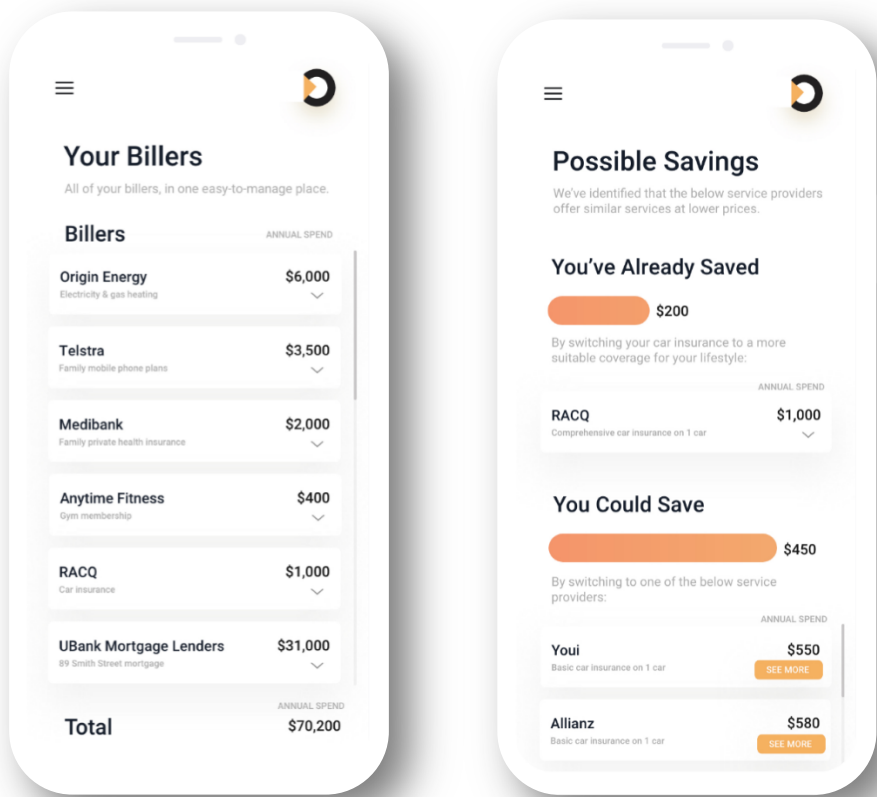
There is significant seasonality in bills and a few above-average months can make budgeting difficult. Smoothpay enables customers to calculate a flat amount per pay cycle and allocate this to their bill payment account. Customers can then choose a transaction/DDA account or another account with a line of credit to manage timing differences. A flat amount per pay cycle is transferred to the bill pay account to ensure all bills are paid on time. Centralised bill smoothing across all bills is simpler and better for consumers, billers, and banks



The bill smoothing screen could look like the following:



Comparison Services – The solution manages permissions that allows for sharing of information with trusted brokers and comparison services to obtain better deals. Once given, the system may make competitive product suggestions and remind you of savings already made and those still to be made.



Required Investment

This solution can be established and marketed to the community for less than \$10m in start-up funding covering the Build, Staffing and Marketing and thereafter, it can be set up to run as a profit centre.

This cost estimate compares most favourably with Tick and Flick, MAMBO where hundreds of millions were invested and wasted

In its deliberations the review might also take a view that this could be established by an independent GOC who would run this to the benefit of the Community and Government policy. A biller consortium could manage this as an independent entity.

Lastly, of course there are a very large number of FinTech's that would benefit from running this as a separate business. For a FinTech this is an entry point into payments and its rich data without needing to get involved in the payments space, which can be complex and expensive. An Apple or a Google could take this global as the processes described here are ubiquitous globally.

Establishment of this central approach can be achieved at a fraction of the cost of current processes because it only improves on the authority process which is ubiquitous. We never get involved with the payment or the payment system in any way.

Controlabill recognises, as does the RBA and the ACCC, that the tension between the payments industry working together on improving systems faces the dual issue of institutional inertia and fundamental conflicts of interest. This has frustrated everyone through Government, Treasury, Regulators Media, and Customers alike.

Controlabill offers a solution that can be built now, faster, and more cheaply for consumers and small business.