

Submission: Consumer Data Right rules Expansion to the non-bank lending sector

Submission by:

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BASIQ

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About Basiq

At Basiq, our vision is Making Finance Easy. Finance is complex and it can be hard for consumers to make informed financial decisions. We see a world where consumers are empowered to make smarter financial decisions and to engage with their finances in new and unique ways.

Basiq enables this by providing an Open Finance API platform for businesses to build innovative financial solutions. Our partners include some of the fastest-growing fintechs and banks in the region. As the building blocks of financial services, the platform facilitates the relationship between fintechs and consumers by enabling access to consented financial data and executing payments.

Backed by Cuscal, over 200 fintechs rely on the Basiq platform to deliver solutions to market.

Overview:

Non-bank lending data is key to enhancing existing Open Banking use cases such as affordability assessments. For this reason, Basiq primary concern with the exposure draft is the in-scope products and data sets as outlined below.

In-scope products and data sets

It is essential the in-scope products and data sets support a comprehensive view of consumer expenses that enable responsible lending best practices.

When considering data for exclusion (or inclusion), we ask that Government consider the impact it will have on the lending decision-making process and whether it will negatively impact the lender or the consumer.

For lenders, context is crucial. Excluding certain information may lead to lenders drawing inaccurate conclusions, resulting in unfair outcomes for consumers including being denied a loan or approved for a loan they can't afford.

We suggest the following information is essential for the purpose of affordability assessments:

- The full loan amount;
- The interest rate;

- Purpose of the loan and how it is spent (particularly for BNPL);
- Grandfather product data (excluding consumer data);
- Information about the method used to make repayments (for the purpose of reducing payment fees, switching payments, and identifying if they haven't included an account); and,
- Any fees and penalties the consumer has paid during the lifetime of the loan.

Excluding financial hardship and repayment history data

We wholeheartedly support initiatives to safeguard those who are vulnerable. However, we're concerned excluding important context may inadvertently harm consumers rather than help them. Knowing a consumer is in a financially precarious situation can enable high-risk lenders and gambling providers to make compassionate and responsible decisions

Please clarify which types of data will be excluded for consumer protection.

Defining 'publicly offered products'

We are concerned that many providers offer products that don't meet the outlined criteria for a 'publicly offered' product, creating a potential loophole for non-bank lenders to avoid compliance.

We suggest it would be more suitable to base this criteria on the volume of uptake. For example, if a product is used by more than X customers it should be considered a publicly offered product. Including a specific threshold will remove any ambiguity leading to non-compliance.

Buy Now Pay Later (BNPL)

Purchase identification key to minimising lending discrimination

When it comes to Buy Now Pay Later, for context it's crucial that data be included about how these loans are spent. In particular, whether they are discretionary or non-discretionary purchases.

For example, for the purpose of affordability assessments, a consumer with BNPL loans is considered a greater risk compared to another consumer using a credit card for the same purpose.

Younger generations are using BNPL as an alternative to a credit card, using loans to pay for essentials like groceries and petrol. Including information about what funds have been spent on can provide the context needed to make better-informed lending decisions that don't discriminate against consumers based on credit type.

Open and inactive accounts

Account information for inactive accounts should be included for lending decisioning purposes. We ask that Government clarify whether this includes open and inactive accounts. By inactive, we mean they have no active payment schedule.