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The Treasury, Langton Crescent
Parkes ACT 2600
CDRRules@treasury.gov.au

**CDR rules: consent and operational enhancement amendments
Consultation paper**

Please find below the response of Controlabill Pty Ltd in relation to draft changes to the Competition and Consumer (Consumer Data Right) Rules.

Controlabill Pty Ltd thanks all parties to the above for the opportunity to comment.

We note that the ABA recently published a research study carried out by Accenture, that revealed extremely poor utilisation rates for open banking. As a result, there have been calls for a reset of the CDR from many parties.

Controlabill has offered comment in previous consultation rounds on open data and the CDR, and we enclose our submission from 2020 which predicted the current outcome and situation. Simply put, open data and the CDR is mired in complexity, regulation, and cost without a simple consumer proposition that middle-income family households can understand and use.

There is still an opportunity to correct this and set up an interim customer centric solution - one designed around what consumers have repeatedly requested - a simple centralised solution. In doing that such that it does not exclude competition in the longer term.

Treasury and the ACCC cannot expect solutions to come from those with vested interests in its failure and it is entirely possible that the CDR has been guided into a space that is incomprehensible to average middle family households. This needs to change first.

Further rule changes are pointless. Investment and energy should be redirected and refocused to the establishment of a core value proposition which will make it easier for the greatest number of consumers to find better deals on a platform they can easily understand and use.

We support calls for a 'back to basics' rethink as without substantial direction change the CDR has failed and no amount of further regulation targeting micro market situations will save it.

The CDR's original objective was to help people switch. In 2010, Government understood that changing direct debits was a barrier to switching. It remains so, and the CDR in its present form won't change this fact. We have received feedback from Comparators that identifies extensive losses in the sales pipeline where customers give up and switching is just too hard.

The current model also has unintended consequences, including unimaginably complexity as APIs hit billers and banks from hundreds of sources.

Every piece of research undertaken by Banks, Visa Mastercard and the CDR advisory group found customers want a simple central solution that they can understand.

Controlabill answers Q 5 with a proposal for a model that:

- Provides households with a simple tool to manage all their payment authorities in one place
- Shows consumers how much they are spending on recurring expenditure
- With a simple click allows utilisation of the CDR through comparators and Brokers to secure better deals.
- Single click approval of the better deal and associated mandate management.

For the consumer, this offers the chance to view all authorisations, payment, and CDR activity in one place.

Controlabill would appreciate the opportunity to provide more detail on its solution to low adoption.

Yours sincerely,
Bernard Wright
CEO, Controlabill

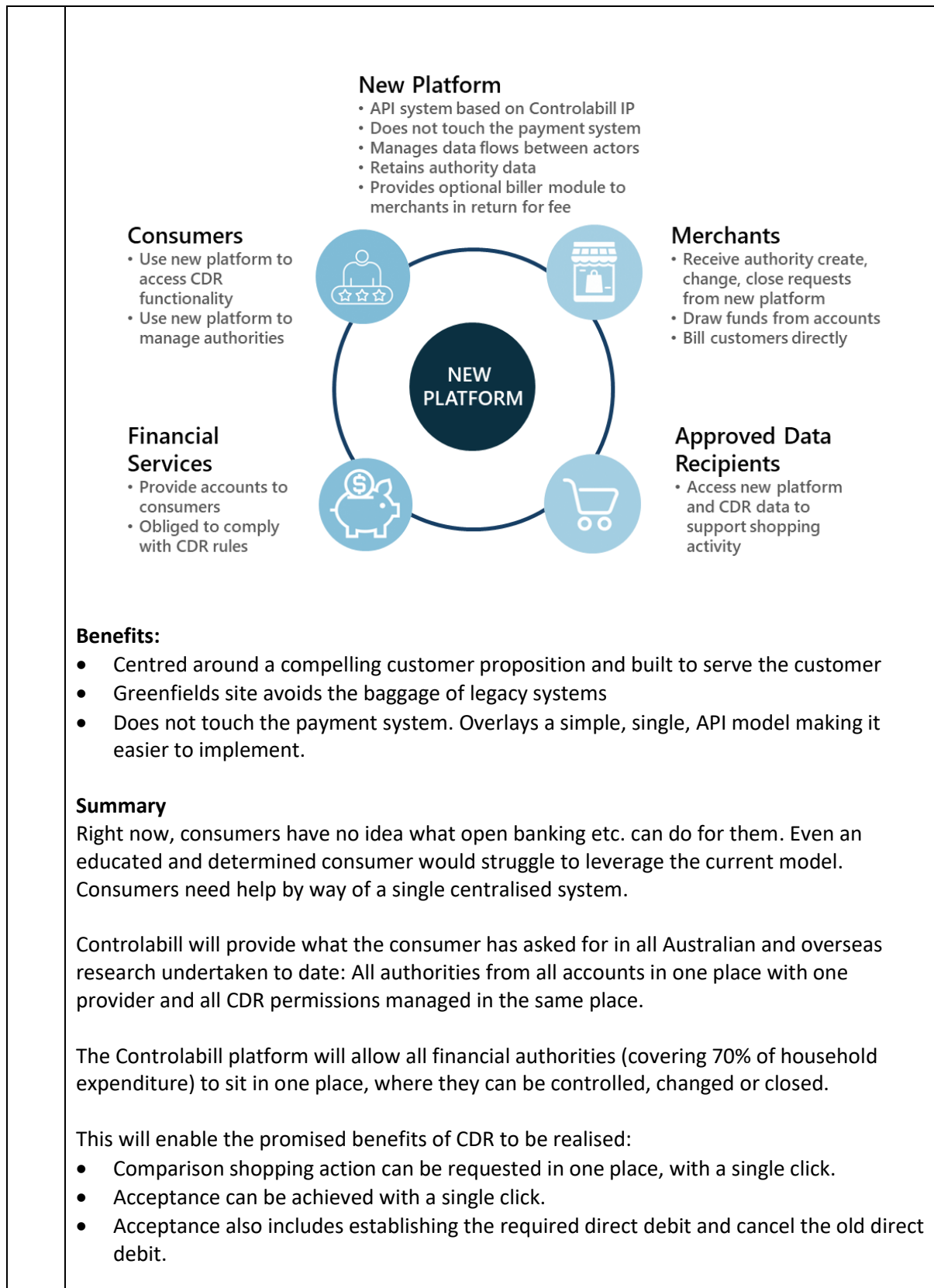
Attachments:

1. **Table of Controlabill Responses**
2. **Controlabill response to Inquiry into Future Directions for the Consumer Data Right: 21/05/2019**

**Attachment 1:
Table of Controlabill Responses**

#	Question
1	<p><i>Do you support the proposed rule change? Why/why not?</i></p> <p>Controlabill does not support the rule changes as it believes that the proposed rule changes will have no impact on consumer adoption.</p> <p>At present rates of adoption, the program has demonstrably failed. Rule changes alone will not impact this. Constant changes layer complexity and compliance cost without consumer benefit. Regulating consumer protection in the absence of any scale household product is counterproductive.</p>
2	<p><i>What benefits (if any) would the rule change have for your organisation, other organisations, and/or consumers?</i></p> <p>Controlabill believes that the proposed rule changes will have no impact other than to raise compliance costs for financial institutions and other billers</p> <p>By choosing to ignore its own consumer research, the program has doomed this initiative to failure due to poor consumer adoption.</p> <ul style="list-style-type: none"> • The program’s own research has identified consumer desire to have all authorities (mandates) located in a single view. • The program has not responded effectively to this demand. Each financial institution provides a view of mandates managed by that institution. No aggregated view is available. As a result, the usefulness of the program is diminished.
3	<p><i>What implementation challenges (if any) would your organisation, other organisations and/or consumers face because of the rule change?</i></p> <p>Controlabill believes that the proposed rule changes will raise institutional compliance costs.</p>
4	<p><i>What would be the impact of not proceeding with the proposed change?</i></p> <ul style="list-style-type: none"> • Controlabill believes that the proposed rule changes will have no impact on consumer adoption. • With such low consumer adoption rates, the rule changes can have no effect as no-one can be impacted. • Controlabill believes that in its current form, the program is a demonstrated failure. • Controlabill proposes a fundamental rethink of the program that brings the consumer to the centre of its thinking: • The program’s own research has identified consumer desire to have all authorities (mandates) located in a single view. • The program has not responded effectively to this demand. Each financial institution provides a view of only the mandates managed by that institution. No aggregated view is available. As a result, the usefulness of the program is diminished.

	<ul style="list-style-type: none"> • The program should place consumers and billers at the centre of its thinking and create a compelling consumer proposition that will also appeal to merchants. • Such a model is proposed in Controlabill’s response to question 5.
<p>5</p>	<p><i>Are there any other matters that should be considered when assessing the proposed rule change?</i></p> <p>There is currently no solution that can deliver open banking in any scale. If the current model were to succeed, there would need to be a recognition of demographics and financial literacy of the largest proportion of middle family Australians. The CDR cannot be achieved without a fundamental rethink and redesign of the program to provide a single view of all household recurring payments that make up 70% of household expenditure in Australia [ABS, 2016]</p> <p>Every piece of research undertaken by Banks, Visa Mastercard and the CDR advisory group found customers want a simple central solution that they can understand.</p> <p>The Controlabill proposal offers consumers the following: Provides households with a simple tool to manage all their payment authorities in one place Shows consumers how much they are spending on recurring expenditure With a simple click allows utilisation of the CDR approved comparators and Brokers to secure a better deal. With a single click allows acceptance of the better deal and deals with associated Authority management in one place.</p> <p>The Controlabill solution Controlabill can provide a simple, single API-based solution that will deliver all the functionality of open banking.</p> <p>Because Controlabill is not a payment platform, it can overlay any existing payment platforms without need for integration. Controlabill can commit to the following:</p> <ul style="list-style-type: none"> • Creation of a separate legal entity to deliver this service, with Board structure to include Treasury oversight. • Go-live within months of agreement. • Investment required to build and promote platform to be less than 1% of investment made in CR compliance expenditure to date. • Break even in year one of operation. • Billers will not be forced from their existing arrangements. Alternatively, Controlabill can offer an API-based module to billers that will save them up to \$20 per instance of opening, closing, or modifying a financial authority. • Controlabill will consult with Treasury to define and deliver all Treasury requirements in relation to performance, security, compliance, probity, and social responsibility. • After an agreed period of successful operation, Treasury will have an option to purchase 100% the separate legal entity. Purchase price and terms to be determined at agreement stage.



Attachment 2:

Controlabill response to Inquiry into Future Directions for the Consumer Data Right: 21/05/2019



21/05/2019

Secretariat,
Inquiry into Future Directions for the Consumer Data Right
The Treasury
Langton Crescent
PARKES ACT 2600

CONTROLABILL Submission to 'Inquiry into Future Directions for the Consumer Data Right'

Dear Mr Farrell,

Controlabill Pty Ltd (Controlabill) and its directors thank Treasury, its Secretariat and Mr Farrell 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 of the implementation program with the inquiry should it wish to move forward.

Synopsis

We fully support the aims of Treasury in relation to CDR but believe that they will never be achieved with a solution that is designed or controlled by market players with oligopoly power, such as those within the banking and service markets.

We 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
- Budgeting and Bill Smoothing
- Centralised management of Open Banking, Broker and Comparator Delegations and CDR authorities

We believe that our proposal meets or exceeds all the expectations and requirements of Treasury for the CDR in that 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.

Not only does this proposal support all the visions and hypotheticals in the briefing paper. It could also become the authentication and delegation hub for all consumers and businesses using the CDR or open banking and manage this efficiently going forward. Our research shows high levels of comprehension and forecast adoption.

Treasury aims for the CDR will never be achieved with a solution that is designed or controlled by market players with oligopoly power, such as those within the banking and service markets.

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.

We agree with Alan Fels when he said last year "open banking" is good in principle. "But I suspect effective implementation will be difficult and resisted in countless ways by banks".

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.

We also believe that complexity will become an issue:

- It remains difficult to switch banks or accounts because so much effort is required to contact all billers to update all your direct debits,
- No bank has more than 40% share of wallet and the average number of financial relationships is 3.2 per household. As a result, multiple open banking requests are necessary to build a picture of an individual or a household,
- Then there is the issue of joint and several account ownership and the privacy complications arising from this.

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

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. Similarly, no biller consortium has come forward to make direct debit authority management simpler.

Also, it is unclear to us and some Regulators how the NPPA can distance itself from its shareholder relationships and possible monetary returns, particularly where there are complex share of wallet effects with multiple banks being involved in any customer relationship and where those relationships extend beyond the 13 shareholders.

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.

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

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 simpler 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.

We have approached the problem by understanding customer behaviour, in their spending patterns and their utilisation of the Direct Debit system.

- Sixty percent of a typical household's expenditure is recurring and non-discretionary. These are the must pay bills and households have around 230 bills to pay each year. These amount to an average of \$71000.00 per household.
- Today the largest proportion of bills are settled using the Direct Debit system. Each year, 1.3 billion such transactions are processed, and we estimate 120m 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 management is a significant barrier to competition and as such, innovation.
- We estimate each household has given an average of 12 such authorities to their providers but, they have no way to conveniently or effectively manage them.

However, the data held, in this clunky distributed system, one authority with each biller, holds the key to 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.

Why stand alone?

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 and screen scraping, in that it allows no access to discretionary spending information. This may appeal to many consumers. It remains complementary with open banking and screen scraping tech 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:

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.

Set up is self-initiated but, could be delegated to another party by the customer (say, a Bank, Fintech, H&R block or a non-profit for those 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 particularly clunky 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.

Government needs to be directly involved

This proposal will need 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 NPPA 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 slowest 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 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.

Overall, because we only improve set up and storage of payment authorities, we are agnostic to any payment systems that do the transactions and because we never enter the payment system or make any payments. We are a **simpler but effective, efficient, and cheaper solution** to build with fewer compliance needs.

This process drives significant benefits to all parties to the system and facilitates other objectives of Government and Regulators such as **Digital Identity**. Household spending patterns and their financial situation are based on real data, developing accurate financial benchmarks that inform best-practice lending standards for Government agencies and credit providers alike.

We have no objection to any information, contained herein, being made public for the purposes of discussion and regulatory strategy development. We have no objection to the review sharing this information with Ministers, the RBA, the ACCC or other parties deemed appropriate.

Final thought

If you want something to change then you must change something!

Regards,

Bernard Wright.
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21/05/2020

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 Direct Debit

While the direct debit system is the fastest growing payment solution, a lack of meaningful system 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.

While obtaining authorities is the responsibility of billers, there has been no attempt to build a common solution that centralises recurring payments 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 120 million authorities exist in Australia today and using our proposal for aggregation or centralisation could achieve cost improvements of around \$10 (conservatively) 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 breath, 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 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 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 AMS system could go a long way to solving 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.

We submit, that with a mandate from Government Controlabill’s AMS system could gain necessary traction and in so doing a significant barrier to competition could be removed and the objectives to improve the nation’s systems as envisioned by the RBA, ACCC and Parliament and many others could be well served, quickly and economically.

2. Introduction to Controlabill

Controlabill is a small start-up company in a payments adjacency (it makes no payments) 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 (AMS) 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. On the other hand, we do hold the patents to the business model which we know by research is much needed

In late 2013 early 2014 Controlabill raised capital funding of \$600k which proved wholly inadequate to get the job done. Since then, we have tried to partner with many organisations singularly and collectively illustrating for each the substantial competitive advantage they would get domestically and globally.

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

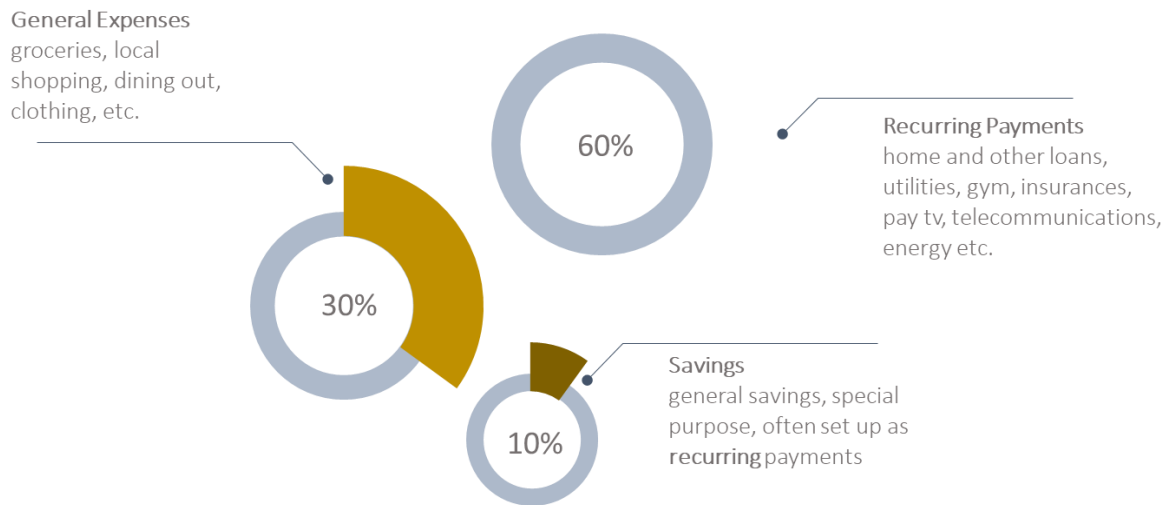
Centralised authority hub delivers on the objectives of the CDR for competition and switching

1. Much simplified, real-time updates of authorities. Instructions can be enacted online in real time (previously weeks);
 - 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 (previously weeks),
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.

a. Business environment

Recurring household expenditure

Recurring payments now represent 60% of household expenditure. This increase is likely to continue as billers increase bill frequency and more shift to recurring subscription models. In addition, consumers enjoy the convenience of “set and forget” payments that avoid late fees and provide peace of mind.



Source: ABS Data 2016

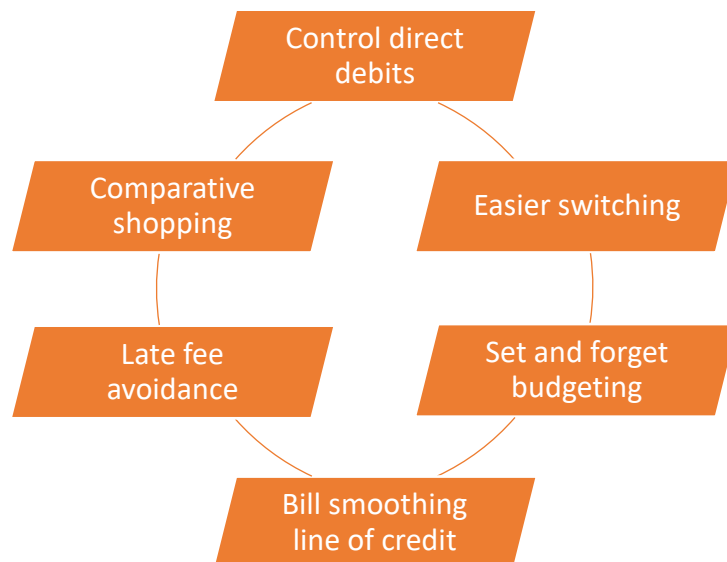
The market is saturated with budgeting solutions and most of these are static and look backwards into history. Controlabill will show a simple method to not only set up a household budget that looks forward and takes only 15 minutes to do, but once done will also be truly set-and-forget for the consumer 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 8.5 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 and Post Billpay are reducing in size. Analysis suggests that there are circa 120 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 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 is simple. Controlabill achieves this in its process framework

i. 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. Facilitate 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,

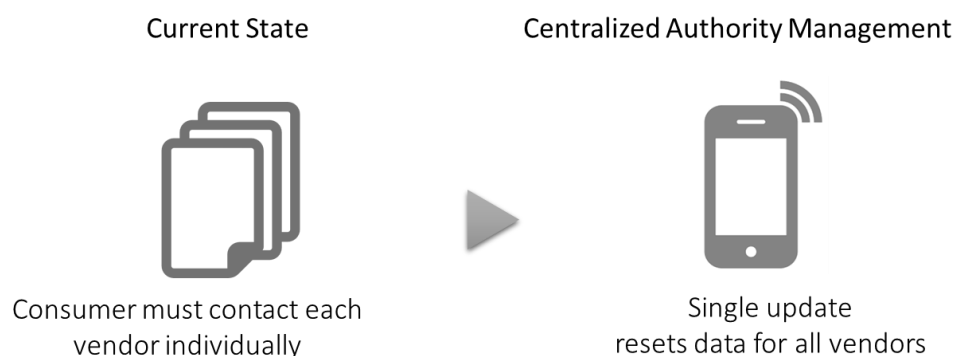
5. Late fee avoidance

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

6. Comparative shopping

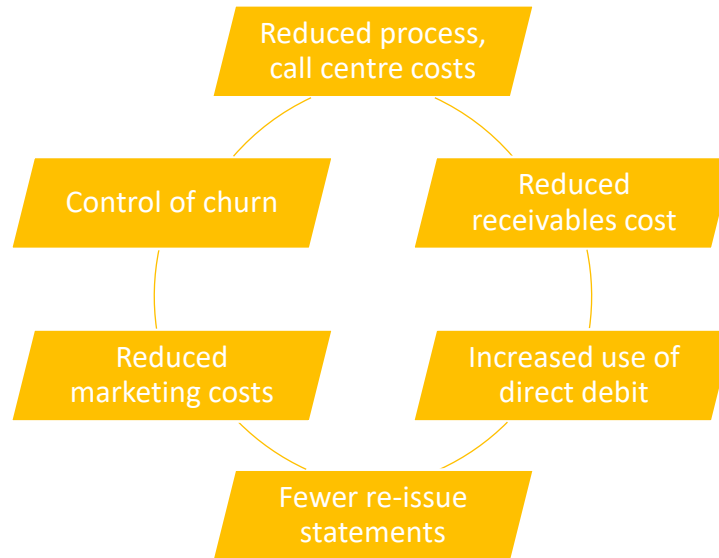
Sharing data for loan consolidation for sharing with trusted brokers financial planners and comparison business,

Centralised authority management also solves a significant consumer problem by providing a very convenient means of managing or transferring direct debits.



These tools are accessible via mobile, tablet or PC app

ii. **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.

b. 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 a prospective lender, 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 admin, 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.**

c. Implementation approach

Our proposed solution contains three elements:

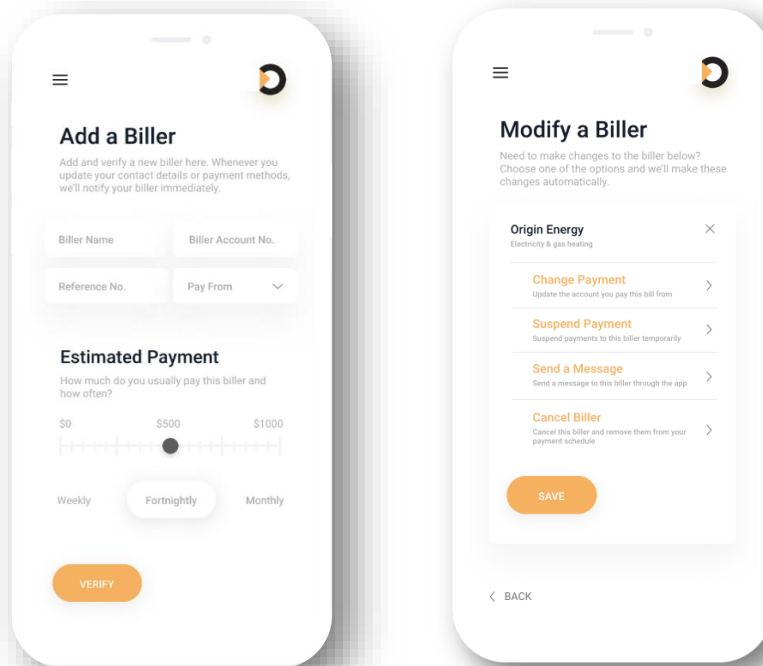
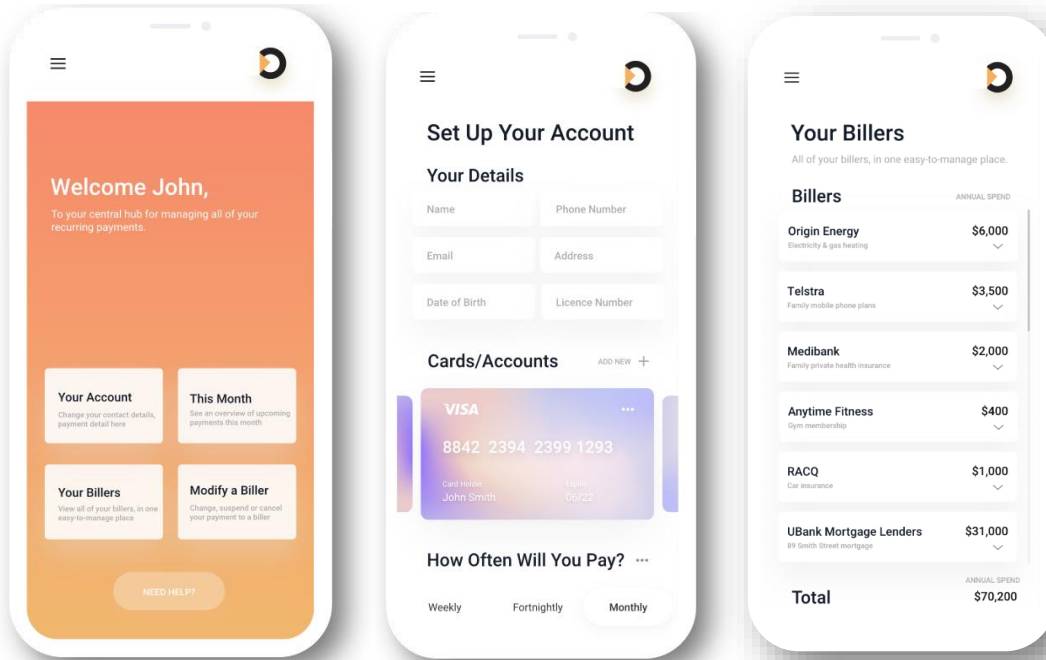
Authority Management

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 APIs 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.

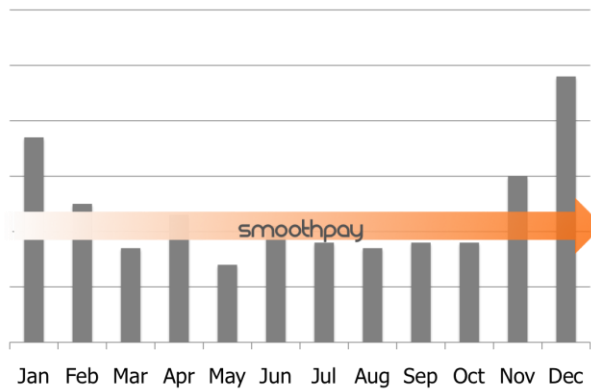
The system is simple to use, allowing individual biller changes or macro changes to all your billers at once. Changing banks, billers or moving home can be done in seconds.

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.

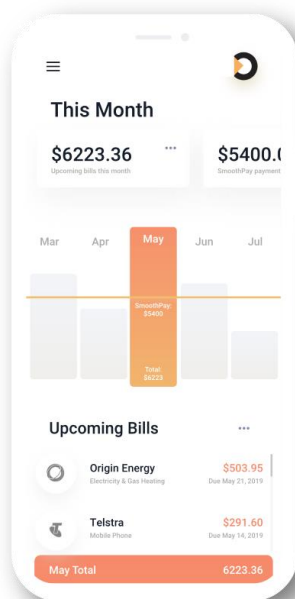


Bill smoothing

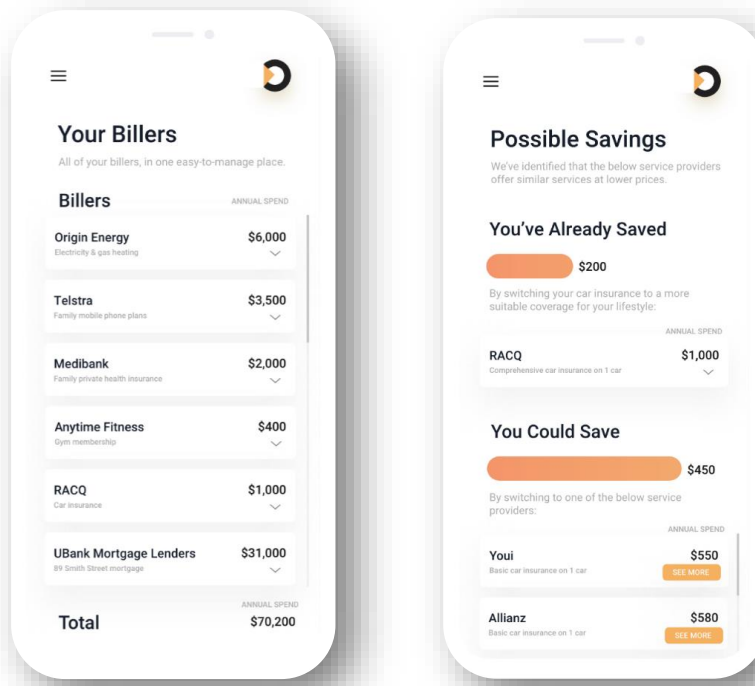
There is significant seasonality in bills and a few above-average months can make budgeting difficult. Smoothpay enables customers to calculate a flat amount per pay cycle and allocate this to their bill payment account. Customers can then choose a transaction/DDA account or another account with a line 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.



d. 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. BACS in the UK created a complete resource centre for direct debit which could be done by BECS, or whichever pull system replaces it in this country to great community benefit. This cost estimate compares most favourably with Tick and Flick, MAMBO where hundreds of millions were invested.

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. It might run similarly to NPPA, EFTPOS or B-pay as another possibility.

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 Pty. Ltd. (ABN 60 118 423 644)

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.