



9 September 2024

Treasury
Langton Cres
Parkes ACT 2600

By email: CDRRules@treasury.gov.au

Dear Sir/Madam,

Consumer Data Right Rules: consent and operational enhancement amendments consultation

Please find below our submission in relation to this consultation.

About illion

illion is a leading independent provider of data and analytics products and services across Australasia. The organisation's consumer and commercial credit registries make up a central component of Australia and New Zealand's financial infrastructure and are used to deliver end-to-end customer management solutions to clients.

As a data insights and analytics business, illion transforms data into complete and actionable information, and believes that quality data is the foundation of its continued success in helping businesses (including banks) manage risk and secure appropriate consumer outcomes.

illion currently services a large range of authorised deposit-taking institutions, asset finance companies, business lenders, personal loan providers and brokers of each of these products. illion's role is one of education, consultation, and solution provision in each of these markets.

illion are one of the largest providers of Bank Transaction data to Mortgage Brokers and Credit Providers in Australia, at present data is almost exclusively sourced using Screen Scraping. illion Bank Statements has over 5,000 customers using our service (including over 750 bank and non-bank lenders) with over 47m transactions being retrieved on a weekly basis from over 2.7m individuals in the last 12 months.

illion is a strong supporter of the CDR, illion Open Data Solutions was one of the first organisations to become an Accredited Data Recipient and illion offers customers solutions that enable both Screen Scraping and CDR as the data source.

We believe our position gives us an understanding of the challenges faced by the lending and mortgage broking segments when looking to adopt CDR as a data source.

Response to proposed rule changes

1. Do you support the proposed rule change? Why/why not?

Yes. Throughout development of the Rules, Standards and Guidelines, collaborating bodies have inadvertently architected a system to shift a mostly unregulated industry directly to a complex, highly regulated end-state. Rather than replacing data access methods alone, the Rules, Standards and Guidelines focus on all aspects of consumer experience, backend process and operational capability which has resulted in significant operational complexity and high implementation / compliance costs for industry. These rule changes represent a step towards removal of some of these unintended consequences.

2. What benefits (if any) would the rule change have for your organisation, other organisations, and/or consumers?

These changes would have little immediate benefit to illion, but cumulatively benefit the CDR regime. They would enhance clarity during consent provision and alleviate frustration felt by business consumers. Most importantly though, these changes would open the door to ADI's which stand to benefit the most from CDR adoption.

3. What implementation challenges (if any) would your organisation, other organisations and/or consumers face as a result of the rule change?

Every rule change and standard iteration imposes recurring implementation cost to the industry. Where consumer experience is concerned, we would like to see fewer, more substantial updates which make it easier to justify investment costs.

4. What would be the impact of not proceeding with the proposed change?

As a leader in data sharing amongst non-bank lenders, illion wishes to emphasise that that simplification of the rules is necessary for a transition from Digital Data Capture to occur. We strongly support the proposition to expand circumstances for holding CDR data as a data holder, to accredited non-bank lenders. In the absence of similar exemptions, when non-bank lenders emerge as Data Holders we will be far more likely to witness the same pattern as was the case with the Banks (with significant operational complexity and high implementation / compliance costs likely to inhibit the rate of adoption).

5. Are there any other matters that should be considered when assessing the proposed rule change?

Whilst these amendments focus on the consumer and offer benefit to data holders, we encourage Treasury to look broader at the impact they may have on industry participation. In particular, we emphasise concern over availability of de-identified data which is required to maintain high quality services (discussed below).

1. Consent Review

1.1. Allowing a data recipient to bundle CDR consents, so that consumers can give multiple consents with a single action.

For a disclosure consent to be fulfilled the recipient must, by nature, work in partnership with an intermediary. In most cases, intermediaries do not offer direct to consumer services beyond that of facilitating data sharing. Without provision of consent there is no service to be provided and the consumer should instead be directed to disengage. Previous Rule amendments which allowed a disclosure recipient to be specified, rather than selected, were congruent with the intermediary business model and this proposal is a logical extension. illion foresees no harm in allowing the bundling of primary consents if it can be demonstrated they are all 'reasonably necessary'.

1.2. Allowing a data recipient to pre-select the elements of an individual consent that would be reasonably necessary for the data recipient to provide the good or service.

Whilst decision fatigue may already be reduced through consent bundling (1.1), pre-selection is still the optimum consumer experience. illion is supportive of measures to increase the availability of anonymised data (which has been sourced via CDR channels) for intermediaries. Data access is core to maintaining a high-quality service for both consumers and data recipients. Use of de-identified data remains in accord with the DMP and presents no harm to consumers, so permitting pre-selection for this use case would further assist in reducing decision fatigue. To avoid ambiguity, illion suggests specifying consent types which cannot be preselected (e.g. direct marketing).

1.3. Simplifying the information a data recipient is required to provide to the consumer at the time of consent

In an effort to maintain high standards of ethical conduct, illion has observed that progressive disclosure is the best way to increase consumer confidence. Transparency is better achieved through clear communication as opposed to information overload. illion's stance is consistent with Treasury's research findings and we look forward to these principles being applied here and in other components of the consumer journey.

1.4. Allowing a data recipient to consolidate the delivery of 90-day notifications to reduce consumer notification fatigue.

This is a logical amendment. illion would like to see this apply to Data Holders as well.

1.5. Simplifying the obligations in relation to CDR receipts

illion agrees that the Data Standards Body is better placed to set out the specific nature of CDR receipts.

1.6. Requiring a data recipient to provide consumers information about all supporting parties who may access the consumer's data at the time a consumer gives a consent

N/A

1.7. Requiring data recipients to delete redundant CDR data unless a consumer has given a de-identification consent

We agree that CDR data should be deleted once redundant and where de-identification is permitted by the consumer, it should be performed immediately (the data therefore immediately ceasing to be CDR data).

1.8. Requiring a data recipient to advise consumers of the marketing activities they will undertake because of a direct marketing consent.

N/A

2. Operational enhancements

2.1. Nominated representatives

Illion is aware this is an issue for consumers and agree it must be overcome for CDR to be viable in this space, but are unable to comment at this point.

2.2. Expanding the circumstances in which accredited ADIs can hold CDR data as a data holder

Illion believes this amendment may prove to be the most pivotal change made to date.

Regarding information disclosure, we caution against making lengthy disclosures mandatory. The information presented to a consumer should have a clearly discernible impact on them. Most consumers would not understand, nor be easily led to understand the implications of transitioning exposure to different privacy laws.

Illion also strongly supports the expansion of circumstances to incorporate non-bank lenders which have become data holders and ADRs, creating a reciprocal regime where there is benefit in providing data into the CDR regime in the form of reduced obligations when receiving data from the regime. Non-Bank lenders should be of sufficient size to bear the burden of secure data management without forcing re-design of their systems and a failure to extend these provisions would create a two-tier system in which non-bank lenders would continue to use Screen Scraping.

2.3. CDR representative arrangements

N/A

2.4. Simplifying data holder requirements – secondary users

N/A

Rule changes specific to the energy sector –

N/A

Other Proposed Changes –

N/A

General feedback on CDR

When Stephen Jones introduced this consultation during his address to the Committee for Economic Development in Australia, he encouraged industry to support the governments work by identifying barriers to adoption of CDR. We take this opportunity to identify what we see as the two largest barriers to adoption in the lending and mortgage broking markets that we serve.

Lenders

For lenders the reason is simple: it's the cost of compliance. If a lender wishes to use the illion BankStatement solution to source bank data during consumer applications, they can implement a solution in a single day. illion is able to charge a fair rate, just for their data access. Contrasted with CDR where the output may be the same however, the process (both initial and ongoing) requires substantial time, effort and expense which is a huge commercial disincentive.

Until this fundamental is addressed, in our view, there will continue to be minimal uptake of CDR. The options for the government appear to be:

- Encourage adoption of CDR through prohibition of Screen Scraping. Noting that there is a risk of unintended consequences in this approach; for example lenders may simply cease to use Screen Scraping whilst still not seeing a business case for the use of CDR resulting in a reduction in choice for consumers.
- Remove the significant compliance burden placed on those seeking to participate in CDR. This might be achieved through exceptions or leveraging existing legislation such as the Privacy Act rather than imposing a new layer of regulation specific to CDR.

illion would strongly suggest the second option.

Trusted Advisers (Specifically, Mortgage Brokers)

Unlike Lenders there is no compliance burden placed on Trusted Advisers receiving CDR data, however, take up still remains almost non-existent.

There is a barrier in terms of the cost of change from Screen Scraping to CDR for minimal benefit, but this is not significant. The main reason we see for the lack of adoption relates to the lending policy of the mortgage providers.

Most lenders require mortgage brokers to provide a consumers transaction data in the form of bank-issued PDF Statements. Via Screen Scraping, illion can source these statements on the consumers' behalf. CDR offers transaction data alone and, without complex data sharing mechanisms in place, the data alone is untrusted.

There is an operational adjustment which needs to occur across the market but again industry is reluctant to change where there is no obvious benefit.

Regulatory input here could be a (positive) catalyst for adoption:

1. The simplest option would be to allow sharing of official statements via CDR, although this incurs added cost on Data Holders to make this data available.
2. Provide formal guidance from regulatory bodies such as ASIC that data sourced via CDR should be incorporated into lending policy as sufficient to fulfill lending obligations.
3. Clarify or introduce provisions to enable simpler data sharing within existing use cases.

Conclusion

Illion welcomes the changes proposed in the consultation paper, In our view they offer useful improvements to the current CDR implementation. However, in our view, these changes (as with other changes that have previously been implemented) fail to address the fundamental reasons that the CDR is not being used in the lending ecosystem.

For the CDR regime to offer an alternative to Screen Scraping for the lending use case it is imperative that the government reduce the restrictive requirements placed on lenders wishing to access CDR data. We call on the government to further simplify the current regulatory regime to allow the CDR to be used to meet its original design goal of enabling consumers to use their data to achieve better outcomes.

If there are any questions or concerns arising from this submission, please feel free to contact me at any time at richard.atkinson@illion.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Richard Atkinson', written over a light grey rectangular background.

Richard Atkinson

General Manager Open Banking and Marketing Solutions