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Sectoral Assessments  
Consumer Data Right Division  
The Treasury  
Langton Crescent  
Parkes ACT 2600

*By email: [data@treasury.gov.au](mailto:data@treasury.gov.au)*

## **AFA Submission: Consumer Data Right Open Finance Sectoral Assessment**

### **Introduction**

The Association of Financial Advisers (AFA) welcomes the opportunity to provide feedback on the Consumer Data Right Sectoral Assessment for the Open Finance Sector – Non-Bank Lending.

Further, we more broadly welcome this new Open Finance phase of the Consumer Data Right (CDR) and look forward to the consultation later this year on the superannuation sector, which is very relevant to the financial advice sector. The General Insurance sector is also somewhat relevant to financial advice, and we will be particularly interested in the consultation on Government held consumer data.

The AFA welcomes the ongoing progress with the CDR, which ultimately, we believe will be very beneficial for the clients of financial advisers, in that this will assist in the compilation of a client fact find, reduce the cost to provide financial advice and enhance the value of financial advice services.

The non-bank lending sector is of reduced relevance to the financial advice sector, however it is still quite important in the process of forming a single view of a client, and thus beneficial when combined with other client data. As an association, working in the financial advice sector, we have less insight into the non-bank lending sector and the products offered in this sector. Accordingly, we will limit our responses to the areas where we do have a capacity to contribute.

### **Background**

Whilst we recognise that the CDR reform enables consumer access to their data, we are more specifically interested in how the access to this data for financial advisers will better enable financial advisers to support their clients and provide more insightful financial advice services to their clients.

In order to provide financial advice, a financial adviser must develop a strong understanding of the client's financial position, including amongst other things - assets, liabilities, income

and expenditure. The extent of this understanding of the client's position depends upon the scope of the advice that has been agreed with the client, however it is almost always quite comprehensive. The completion of the fact find process is typically a very challenging exercise as clients often do not have ready access to documentation on all their assets and liabilities. Often, they do not have a complete understanding of their sources of income and particularly their spending practices. Extracting information from product providers can also often be time consuming for financial advisers. Having access to real client specific data will make a key difference for financial advisers in terms of the timeframe to prepare the financial advice, the cost of providing financial advice and the level of insight into the client's behaviours.

In terms of life insurance advice, an understanding of all client liabilities is important, as typically clients wish to have enough insurance cover to repay all debt in the event of a claimable event. Equally, an understanding of all assets is important in the consideration of other sources of funding to cover a client in the event of a life insurance event arising.

Often clients do not manage to save as much as they intend to, as they do not have good budgeting practices and spending behaviours. This is often difficult to assess on the basis of a conversation. Often this is an issue that emerges over time, as financial advisers seek to work with their clients to change their cashflow management practices. Real expenditure data can make a real difference in understanding the client's actual situation and their historical behaviours. There are other system based solutions for this, however CDR will deliver genuine benefits.

In terms of superannuation, for most Australians, this is their second biggest investment after their family home, and it is also an area where there are very strict rules on how much can be contributed and when. Inaccurate information can lead to the risk of mis-informed financial advice and thus having access to quality data on a client's superannuation account, and history of contributions, can reduce the risk of providing inappropriate financial advice.

For all of the above reasons, we are very optimistic about the important role that CDR can play in the future of financial advice and the automation of the process of fact finding.

### **Responding to Consultation Questions**

The inclusion of non-bank lending data will play an important role in terms of completing the profile of the client's financial liabilities. It will also play an important role in illustrating the client's expenditure with respect to non-bank lending products, in terms of the payment of interest and the repayment of principal. Leasing information is also relevant, as it explains the client's situation with respect to cars and other assets that are held through leases.

Thus, the inclusion of non-bank lending data in the CDR will assist to complete the picture of client liabilities and expenditure on non-bank loans and other liabilities.

In terms of which groups will benefit the most, it is likely to be those who personally seek to engage in their financial situation and those who access professional advice to better prepare themselves for their future. We would also think that mortgage brokers will be able to leverage the data on non-bank lending products and client arrangements.

It is not immediately evident to us that the inclusion of non-bank lending in the CDR will have a material impact upon competition in this market. This might depend upon how product providers use this data, however we would assume that mortgage brokers already have a very strong understanding of the market place, and thus this will not significantly impact the

competitive positioning. Mortgage brokers already represent a majority of new consumer loans.

We do not believe that we can provide meaningful insight in the following areas:

- Which non-bank lending entities should be designated as data holders.
- How data holders should be defined.
- How to cater for securitisation and white labelling.
- Any need for adaptation of the rules between banks and non-bank lenders.
- Any additional non-bank lending products that should be added to the existing banking regime.
- Government held datasets relevant to non-bank lending.
- The level of standardisation across products in business finance.
- Any privacy concerns specific to non-bank lending.
- The applicability of the existing banking privacy risk mitigations to the non-bank lending sector.
- Any examples of materially enhanced information specific to the non-bank lending sector.

Neither are we in a position to comment on the issues of regulatory burden and cost considerations.

### Concluding Comments

The AFA supports the continued development of the Consumer Data Right and we look forward to when this progresses to a broader set of data that will make it very relevant and beneficial for the financial advice sector. We support the progression through the Open Finance phase.

We would be happy to discuss this matter further, or to provide additional information if required. Please contact us on (02) 9267 4003.

Yours sincerely,



**Phil Anderson**  
Chief Executive Officer  
Association of Financial Advisers Ltd

### About the AFA

The Association of Financial Advisers Limited (**AFA**) has served the financial advice industry for over 75 years. Our objective is to achieve *Great Advice for More Australians* and we do this through:

- advocating for appropriate policy settings for financial advice
- enforcing a Code of Ethical Conduct
- investing in consumer-based research
- developing professional development pathways for financial advisers
- connecting key stakeholders within the financial advice community
- educating consumers around the importance of financial advice

With the exception of Independent Directors, the Board of the AFA is elected by the Membership and Directors are currently practicing financial advisers. This ensures that the policy positions taken by the AFA are framed with practical, workable outcomes in mind, but are also aligned to achieving our vision of having the quality of relationships shared between advisers and their clients understood and valued throughout society. This will play a vital role in helping Australians reach their potential through building, managing and protecting their wealth.