



11 May 2020

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

Via Email: data@treasury.gov.au

Dear Sir/Madam,

Consultation — *Inquiry into Future Directions for the Consumer Data Right (Issues Paper)*

As a major Credit Reporting Body in the Australian credit landscape, illion (formerly Dun & Bradstreet Australia and New Zealand) welcomes the opportunity to provide this submission to Treasury, regarding the *Inquiry into Future Directions for the Consumer Data Right* (the Inquiry).

illion is a strong supporter of the implementation of a Consumer Data Right (CDR) in Australia. The CDR framework will provide substantial benefit to financial services consumers, transforming the way they interact with the banking system by providing the ability and tools to safely share data with different lenders, other financial institutions and FinTech companies. In doing so, consumers will be able to access the most appropriate and economical financial products to suit individual needs. Likewise, granting access to consumer data will ensure providers will be able to offer innovative products at more competitive rates. illion believes that intermediaries, such as credit reporting bodies, will be critical to the practical implementation of the CDR in Australia, beginning with Open Banking.

In many ways we are Australia's oldest FinTech. We have been in the data market in Australia for over 130 years so we have deep industry expertise. We have set up our own FinTech, Credit Simple, now with over one million members in Australia. We also run FinTechs, including subsidiary illion Open Data Solutions (formerly Proviso), the leading aggregator of banking data in Australia.

illion's digital infrastructure is relied upon by over 15,000 corporate and government clients, and over 1.7 million consumers. It is vital that regulatory reforms in our sector satisfy consumer demands and continue to foster an environment that enables agile data solutions.

About illion

illion is a data and analytics business, operating in Australia since 1887. Using extensive credit and commercial databases, we assist banks, other financial services providers and other businesses to make informed credit and risk management decisions, and help consumers access their personal credit information. Our data assets, combined with our end-to-end product portfolio and proprietary analytics capabilities, enable us to deliver trusted insights to our customers in the banking and finance industry and facilitate confident and accurate decision making. illion is the major provider of Income and Expenditure verification to the Australian market place; we perform 850,000 checks per month and have over 3,500 customers. In many regards we are best placed to comment on aspects of open

banking as we are a major provider of the services open banking wishes to bring about in a “pre-open banking world”.

Comments on the Issues Paper

1. Expand the functionality of the Consumer Data Right

illion is seeking further clarity on the status of intermediaries to better understand how data analytics services will continue to play a role within the new Open Banking framework. We believe this is currently ambiguous, and therefore request a clear definition of intermediaries such as illion Open Data Solutions, of whom there are a broad range, fulfilling a broad spectrum of functions.

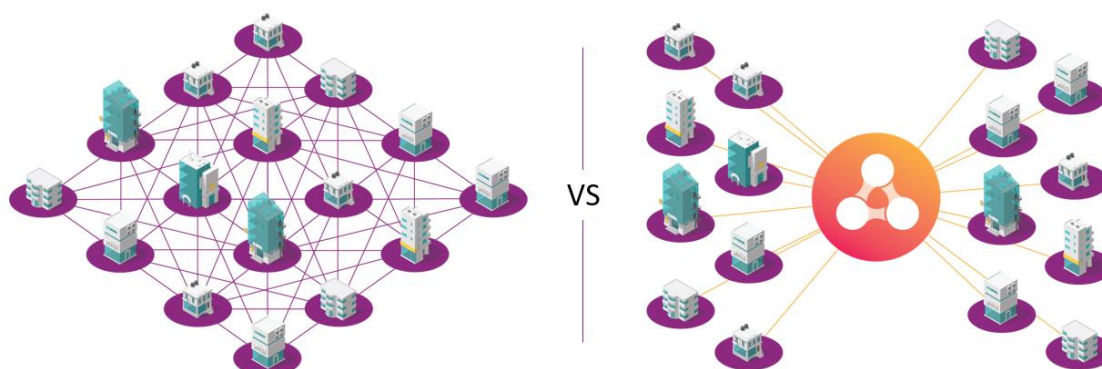
It is essential that intermediaries such as illion Open Data Solutions are accommodated within the implementation of the Consumer Data Right and, thus, the eventual and effective roll-out of the Open Banking system. Currently, illion Open Data Solutions offers automated bank statement retrieval technology combined with high-speed analysis of income and expenditure data to hundreds of financial organisations in the Australian market. The technology incorporates robust security measures on par with security standards used by the major banks, encrypting data with 256 bit encryption and secured by 2048 bit keys. Consumer data is always processed in Australia, while independent external security personnel are engaged to carry out annual, detailed audits, including penetration testing. Importantly, consumer log in data is securely handled in line with industry best practice.

Third party data retrieval, analysis and categorisation services are crucial to maintain in an Open Banking environment due to the benefits offered through this technology to consumers. illion Open Data Solutions facilitates data transfer on behalf of smaller lenders that do not have the resources or technological capabilities to develop and maintain their own application programming interfaces (APIs). The major banks, in comparison, may have the necessary capabilities to source these functions in-house. It is therefore essential to competition that smaller lenders are able to rely on intermediaries such as illion Open Data Solutions in order to compete with major lenders and contribute to competition in the market for the benefit of consumers. This enhanced competitive pressure ultimately contributes to innovation and the development of new technologies, and will ensure that the competitive effects of Open Banking are fully realised.

There are clear advantages in a many-to-many environment from having intermediaries play a role.

Facilitating Data Transfer

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2. Ensure the Consumer Data Right promotes innovation in a manner that is inclusive of the needs of vulnerable consumers

illion believes that delaying the introduction of Open Banking (scheduled for 1 July 2020) is the only sensible option. Former ACCC Chair Graeme Samuel [publicly advocated](#) for the postponement of Open Banking, noting, “We can't have an inadequate or inappropriate introduction of Open Banking.” Mr Samuel’s assertion that now is not the right time is a common-sense view that shows sensitivity to the complexities confronting this industry.

We would also propose that the implementation is also staggered to ensure that smaller ADI’s have a more extended period to adopt Open Banking as they work through the more immediate issues presented by COVID 19.

These smaller ADIs are currently dealing with many competing priorities that will disproportionately impact their ability to participate in Open Banking. These include responding to changes in responsible lending obligations, anti-money laundering challenges as well as increasing the level of digital access options for their members. They would therefore benefit from a staggered implementation of Open Banking that gives them greater flexibility in choosing when they participate.

In digital data capture (DDC), industry has a solution in place that works, with ASIC indicating that there is no evidence of consumer harm from this technology. Appearing before the Senate Committee on 27th February, Commissioner Sean Hughes [observed](#) that “there’s no evidence of which we’re aware of any consumer loss from screen scraping.”

As such, illion favours the delay of Open Banking to ensure that organisations can focus their energy on critical business issues, including continuing to provide efficient services to their customers. The intermediary issue remains unresolved; therefore, it is essential that a level playing field remains for lenders and consumers. This will provide clear guidance in a fast-moving and fluid environment.

Intermediaries such as illion Open Data Solutions use DDC as part of data retrieval, analysis and categorisation services. Noting the widespread use of this technology, we consider that DDC will remain a necessary tool to use during and beyond the initial roll-out of Open Banking.

illion notes the inclusion of DDC in ASIC's December 2019 revision of Regulatory Guide 209 (RG 209), validating its use and confirming the efficiency it provides to verification processes. According to ASIC:

“Developments in relation to open banking and digital data capture services will affect the accessibility, and cost of obtaining, transaction information and an overall view of the consumer’s financial situation. These kinds of services may also help licensees to streamline their process—for example, potentially enabling licensees to complete both inquiries and verification of consumer information.”

illion is seeking a more definitive statement so that there can be no misunderstanding with respect to the appropriateness of the use of DDC in the current environment. The quote below from Scott Farrell in the 2017 Open Banking review indicates a clear recommendation that DDC should continue to provide an alternative method for the acquisition of banking data:

“Open Banking should not be mandated as the only way that banking data may be shared. Allowing competing approaches will provide an important test of the design quality of Open Banking and the Consumer Data Right.”

This will facilitate the continuation of lending processes, and an understanding of whether individuals have lost capacity (through their hardship investigations). illion believes it is time to be explicit regarding the application of DDC technology.

DDC is the process whereby a consumer consents to the collection of their screen display data from an application so that it may be translated and displayed via a second application, facilitated by a trusted third party such as illion. DDC is used widely in the financial services sector by lenders, financial management applications, personal finance dashboards, and accounting products to retrieve customer data. This data transfer technology enables lenders to better understand prospective customers and thereby fulfil their responsible lending obligations under the *National Consumer Credit Protection Act 2009* (Cth). Offering consumers, a convenient and hassle-free way of providing information to a potential credit provider, DDC is a critical mechanism to empower consumers and facilitate competition in the provision of consumer credit.

It is more important than ever that lenders can make fast, accurate, reliable decisions that are fair for the consumer but also meet responsible lending obligations. In this unusual context, as many consumers and businesses are dealing with the by-products of COVID 19, with displacement of income and circumstances constantly shifting, the old regime — which can take many months for payment difficulties to emerge — will not be effective.

We need much more dynamic processes to enable difficulties to arise sooner. The Government should actively encourage more organisations to participate in these practices, to enable more effective lending to occur. The situation to avoid is another shock due to bad debt and inappropriate lending processes.

DDC allows a greater pool of consumers to access appropriate credit, given the increased visibility that lenders have of a potential borrower's income and expenditure via DDC — this includes enhanced accuracy and minimisation of fraud risk. Other market participants, predominantly smaller lenders and FinTechs, also rely on this form of technology to offer their services in a broader industry context where there is significant information asymmetry with larger market participants. DDC technology is therefore making a significant contribution to the competitive dynamics in the current market.

Following the full implementation of Open Banking, there may still be significant use cases for DDC where it can and should coexist with the former. This continued utility may relate to real-time data provision; simplicity of customer on boarding; level and quality of data availability; and provide a redundancy fail-safe, for example, in a period during which an authorised deposit-taking institutions' (ADI) API is offline. illion believes DDC will also provide an important benchmark to assess the performance of Open Banking, at least during its establishment phase.

3. Leverage the developments of the Consumer Data Right with other countries that are developing similar regimes to enhance opportunities for Australian consumers, businesses and the Australian economy

illion appreciates the value of evaluating Open Banking regimes in international contexts. Assessing the merits and implementation of such legislation in foreign jurisdictions can provide invaluable intel for the Australian market, however, we caution against misperceptions that can confuse the roll-out in our local setting. In response to a question at a public hearing for the Senate Select Committee on Financial Technology and Regulatory Technology in February, one industry executive delivered important clarification on the role and applicability of DDC technology in the UK and EU:

Senator SCARR: Again, this is from their [FRLC] submission, and I'm interested in your perspective:

Screen scraping has been banned in the UK and the EU under the Payment Services Directive 2 (PSD2). There is currently a 6 month transition ending 14 March 2020.

Mr Schebesta: Firstly, that's factually incorrect. Screen scraping is banned where open banking provides the information, otherwise they let screen scraping go.

Senator SCARR: So that then comes down to what information is provided under open banking? Is that the—

Mr Schebesta: That's exactly right. Current accounts are working and operating; I've seen the technology, and it's great. But it's not in credit cards, mortgages or insurance; there are all sorts of initiatives—share trading and retirement plans. That is not illegal; that's a misleading statement.¹

There is risk attached to misunderstandings of CDR developments beyond our borders. We believe that it will be many years before Open Banking is widely available to smaller lenders and other important users of bank statement data such as mortgage brokers. Therefore, it is critically important that Digital Data Capture as a technological option continues to be available to Australian consumers and their service providers into the foreseeable future.

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

Yours sincerely,



¹ Senate Select Committee on Financial Technology and Regulatory Technology (2020), Parliament of Australia, Thursday 20 February 2020, Sydney, p. 61.

Steve Brown
Director - Bureau Engagement