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19 December 2022

Consumer Credit Unit
Financial System Division
Treasury
Langton Cres
Parkes ACT 2600

By email: CreditReforms@treasury.gov.au

Dear Sir/Madam,

Consultation — *Regulating Buy Now, Pay Later in Australia*

Please find below our submission to the Regulating Buy Now, Pay Later (BNPL) in Australia consultation.

About illion

illion is the 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. We currently service a number of BNPL clients, where we provide credit checks and other services.

Submission

Illion is ultimately supportive of the Government's decision to regulate Buy-Now Pay-Later services, recognising that BNPL is a credit product. BNPL does not exist in a vacuum and bringing it into the broader credit ecosystem will benefit both lenders and consumers. We note that the guiding principles strike a balance between the need to protect consumers from bad actors while enabling a flexible,

innovative market. The cited comparison of BNPL to credit card and small amount credit lending provisions is, we believe, an appropriate one.

Illion as a consumer bureau is most focused on the availability of credit information, including BNPL, to the credit ecosystem. At present a number of BNPL providers do not perform credit checks, as a consequence individuals BNPL obligations with these providers are not part of the information held on Consumer bureau, consequently they are not available to other credit providers (such as Credit Card, Person Loan or Mortgage providers) when they assess the credit position of these individuals. This absence of the individuals BNPL obligations may result in the individuals gaining access to additional credit that they are subsequently unable to service.

We note that options 2 and 3 include a provision for BNPL providers to perform credit checks. Illion strongly support this position as these credit enquiries will then become available to all credit providers (including BNPL providers) when assessing an individual's credit position.

As a bureau we understand that in addition to Credit Enquiries comprehensive credit reporting (CCR) and repayment information providers in enabling a deeper understanding of an individual's credit position. A credit enquiry alone merely informs the credit ecosystem that an individual made an enquiry to access a credit product, it does not indicate the product was accepted, or how the individual met the obligations of the product. CCR data provides a records the credit products that an individual has active and how the individual is repaying those credit products, this can have both a positive or negative affect of the individuals credit score. Including BNPL data in the CCR regime would provide even greater visibility to all credit providers on an individual's credit situation, and for borrowers using BNPL wisely and making their repayments would have a positive impact on their credit score and therefore their access to other credit products. We therefore favour the stronger position taken in options 2 and 3 around provision of and use of this data.

Illion supports option 2 and 3 'as is', and we believe that option 1 (if selected by Treasury as the preferred model) should be tightened to mandate some form of credit reporting or score check as part of the broader 'affordability check' as this will increase the availability and quality of data within the credit information ecosystem. This will assist lenders in making more accurate lending decisions for other products, such as home, personal loans and credit cards. Over time, it will improve the overall vigour of the credit check system and protect consumers from predatory lending practices.

We do have a concern regarding the reference to the 'credit reporting-like BNPL database' currently in operation in New Zealand. This type of option is not supported by Illion as it does not make BNPL information available to the wider credit ecosystem and vice versa. Therefore, it offers only a very limited view of a person's financial position and is consequently of very limited value to both lenders and BNPL providers.

Looking ahead, we note that the discussion paper flags the 2024 review of the comprehensive credit reporting framework as a potential future reform for BNPL; we would support the mandatory inclusion of BNPL under the CCR as part of this process to improve data quality and responsible lending practices.

Conclusion

illion greatly appreciate the opportunity to comment on this important reform, and we would welcome the opportunity to discuss this matter with Treasury further. To arrange a time, or if there are any questions or concerns arising from this submission, please feel free to contact me at any time at [REDACTED].

Yours sincerely,

A black rectangular redaction box covering the signature of Richard Atkinson.

Richard Atkinson

Head of Product