



DECISION PROPOSAL 318 - NON-BANK LENDING STANDARDS

The Australian Finance Industry Association (AFIA) is the only peak body representing the entire finance industry in Australia.¹ We appreciate the opportunity to respond to *Decision Proposal 318 - Non-Bank Lending Standards* ('Decision Proposal 318').²

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.

Introduction

AFIA welcomes the opportunity to respond to Decision Proposal 318, to present our views and recommendations concerning the Consumer Data Right (CDR) data standards ('the standards') as they apply to the Non-Bank Lending (NBL) sector.

This submission underscores our commitment to ensuring the standards are not only effective but also tailored to the unique characteristics and operational needs of the NBL sector.

AFIA recognises the efforts of the Government in extending the CDR to the NBL sector, welcoming the commitment to enhanced consumer rights and market competitiveness.³ However, AFIA cautions against the proposed one-size-fits-all approach to the banking and NBL sectors, due to the unique and diverse characteristics of the NBL sector.⁴ As AFIA discussed in our previous

¹ [Australian Finance Industry Association \(afia.asn.au\)](https://afia.asn.au).

² Commonwealth Treasury, *Decision Proposal 318 - Non-Bank Lending Standards* (July 2023), <https://github.com/ConsumerDataStandardsAustralia/standards/issues/318> ('DP 318')

³ AFIA Submission to Treasury on the *Competition and Consumer (Consumer Data Right) Rules 2020* (6 October 2023). ('The Rules')

⁴ AFIA Submission on *Decision Proposal 316, the Non-Bank Lending sector alignment for the Consumer Data Right (CDR) ecosystem* (25 August 2023). ('DP 316')

submission, the benefits of the CDR must be balanced against the '*significant time, resource and compliance costs that coincide with implementing CDR for new participants in the CDR ecosystem*'.⁵

We recommend careful consideration of the technical feasibility and substantial implementation challenges, particularly for smaller NBL entities.⁶ NBL entities, particularly smaller operators with limited resources, may have greater challenges in implementing these changes in a short time frame. In our previous submissions, we emphasised the need for long timeframes to be provided for implementation, noting the four-year implementation period (2018-2022) that occurred with Open Banking, compared to 12 months for NBLs.⁷

In our previous submissions, AFIA emphasised the unique product categories that make a like-for-like treatment of the banking and NBL sectors inappropriate. As we have previously noted, many NBL organisations do not hold deposits, have transaction accounts, or manage the types of data typically held by banks. The existing banking-centric standards do not address many of the intricacies of NBL products. The current alignment with banking standards may inadvertently compromise consumer experience.⁸ These fundamental differences necessitate the development of bespoke data standards for the NBL sector, separate from those applied to banking.

AFIA advocates for the establishment of bespoke data standards for NBL, distinct from those in the banking sector, to reflect the unique nature of non-bank lending products and services.⁹ As banking and NBL products and industries develop into the future, necessitating rule updates and maintenance, banking and NBL rules be developed separately to avoid confusion and ensure the appropriate standards are tailored to the appropriate products. These standards may naturally flow from a common foundation between banking and NBL, with consistent language where this already occurs. AFIA proposes developing a minimal, canonical set of data points for key data domains like Customer, Product, and Account, aligning where possible with banking sector standards, yet versatile enough to support all NBL lending types.

Further, AFIA acknowledges the intended co-development of the rules and standards, and reiterates our position that the standards cannot be reasonably finalised until after the draft rules for CDR's application to NBL have been finalised, given the data standards give practical effect to legal obligations which cannot be known until after the relevant rules have been finalised.¹⁰

⁵ AFIA Submission to Treasury on the *Consumer Data Right rules and data standards design paper for non-bank lending sector* (1 February 2023).

⁶ AFIA, *The Rules*, October 2023

⁷ AFIA, *The Rules*, October 2023; *DP 316*, August 2023.

⁸ Data Standards Body, Decision Proposal 317 on BNPL Product and Account Detail, (10 October 2023)

⁹ AFIA Submission to Treasury on the *Consultation on the Exposure Draft of legislation to enable action initiation in the Consumer Data Right (CDR)* (14 October 2022)

¹⁰ AFIA, *DP 316*, August 2023

There are potential complexities and cost burdens associated with a blanket approach the two sectors, reducing the flexibility by which to amend the rules and standards in the future. Specific consideration of unique products such as Buy Now Pay Later (BNPL), and Fleet products such as Novated Leasing, is needed to ensure the rules and standards are fit-for-purpose. AFIA advocates for a targeted approach in areas like instalments, payment aggregation, and the inclusion of additional properties for better transparency and functionality.

Comment 1 - Alignment with Banking Standards:

Given the unique product offerings and services provided by the NBL sector, many aspects of the existing language in the banking standards are not easily applicable to the NBL sector. The NBL sector would benefit from data standards which are tailored to the unique characteristics of non-bank lending products.¹¹ AFIA has discussed this in our previous submission, noting:

By definition 'non-bank' lenders are not banks. Many members do not hold deposits, have transaction accounts, generate balances that fluctuate daily or otherwise hold the type of data that banks typically hold.¹²

We believe that the proposed standards lean too heavily towards standardisation of the taxonomy between the banking and non-bank sectors, which assumes a like-for-like equivalence of customer, product, and transactional data.¹³ While some NBL products have close analogues in banking, or equivalent offerings such as credit cards and personal loans, many do not. Many NBL products differ entirely in structure, purpose, and provision from any banking products, which may render existing banking standards inapplicable to those products.

Specific considerations for the NBL sector are critical. These include the inapplicability of the 'lending rates' section for BNPL products and Fleet products such as Novated Leasing, the need for amendments in the standards to cater to 'banking or non-bank lending', and the impact of purchase limits and plans for joint accounts or secondary users.¹⁴ We advocate for a more targeted approach in areas like instalments, repayment aggregation for credit cards, loans, and instalments, and including additional properties to provide information on the current state of each schedule in a plan.

For example, we noted in a previous submission that:

¹¹ AFIA Submission to Treasury on the *Consultation on the Exposure Draft of legislation to enable action initiation in the Consumer Data Right (CDR)* ([14 October 2022](#))

¹² AFIA, *DP 316*, August 2023

¹³ *ibid*

¹⁴ AFIA, *DP 317*, October 2023

A NBL lacking the product requirements of, for instance, transaction accounts will also not have the resulting technical build, as it is not necessary for their business. For example, an NBL may operate on a daily batch cycle in processing transactions, rather than processing intraday balance changes. This would mean that they would not have the ability to respond to such API calls... a distinction should remain between the two which recognises that the products and industry differ.¹⁵

AFIA acknowledges the banking standards provide a foundational base from which to develop these standards. However, the standards should be adapted to the specific needs of the NBL sector.¹⁶ Further deviations will be necessary as the sector develops into the future if the standards are aligned in the first instance, risking ongoing complexification. This may pose a challenge to adaptability and increase compliance costs. In addition to the foundational framework, there is a need to develop domain-level data points that address the diverse requirements of NBLs, outside of the commonalities with banking.

It may be possible to identify patterns that are suitable for various types of NBL participants. The standards should align with industry standard data definitions and reference values where applicable, to ease compliance burden and repetition of values. This alignment should be supported by an agreement on taxonomies that is supported by published protocols, similar to agreed banking capability models that can be fine-tuned at lower levels to cater to unique taxonomical definitions required by NBLs. This approach to data standardisation would enhance efficiency and ensure existing standards are synchronised with existing requirements, minimising additional cost burdens and work.

In our previous submission, AFIA identified the following concerns around alignment with banking standards:

1. it requires NBLs to grapple with the entire banking data standards to ascertain which sections do and do not apply to their products.
2. it raises the complexity cost of extending the regime in the future to provide more consumer benefits.

The current approach increases the complexity and cost of extending the regime in the future to provide more consumer benefits. There are aspects of NBL products, for example the availability of each BNPL product for specific merchants (indexed by ABN) and products (indexed by Universal Product Code (UPC)), that could offer substantial consumer benefits if included in the standards.¹⁷

¹⁵ AFIA, *DP 316*, August 2023

¹⁶ *Ibid*

¹⁷ AFIA, *DP 317*, October 2023

While not suggesting immediate incorporation of such data, AFIA emphasises the importance of the capacity for future expansion and the overall extensibility of data standards to achieve comprehensive data portability and maximise consumer benefits under the CDR regime. The current approach of treating NBL data standards as ‘special cases’ within banking standards risks creating an unwieldy collection of exceptions and conditional requirements, leading to a growing compliance and maintenance burden for businesses and the Data Standards Body (DSB), potentially reaching unsustainable levels unless separate standards are established.

Comment 2 - Longer Implementation Timeframes Are Needed

AFIA has identified implementation challenges with the timeline proposed in our previous submissions.¹⁸ Extended timelines provide more opportunities for stakeholder engagement. Industry participants, consumers, and regulatory bodies benefit from ongoing dialogue to refine and improve rules and standards. It is also essential to allow organisations with limited resources sufficient time to build new and compliant systems. This engagement is crucial for ensuring that the standards are practical and beneficial for all parties involved. As AFIA commented in a previous submission:¹⁹

The proposed implementation timeframe is overly ambitious and does not account for the varied capabilities and resources across the NBL sector”

AFIA suggests extending the timeframes for implementing CDR data standards for NBL, similar to the four-year implementation period seen in Open Banking.²⁰ This roll-out required substantial time for entities to implement systems and compliance processes. A similar, if not longer, timeframe might be necessary for the non-bank lending sector to address its unique challenges. In the NBL sector many organisations have smaller scale than banks and are less able to employ the critical skills for implementation, coupled with resource challenges and limited availability of the skilled resources.

Additionally, due to the different product systems in use between banking and NBL, the existing CDR industry providers have built systems for the banking sector, which may not be appropriate or adaptable for the specific needs of NBLs. The diverse nature of NBLs may also mean solutions require more tailoring between different organisations and product types. Starting with an initial commonality from which to build from could reduce the on-going cost and compliance burdens for NBLs, however attention must be paid to ensuring service providers do not need to ‘reinvent the wheel’ with each NBL customer.

¹⁸ AFIA, *DP 316*, October 2023; AFIA, *The Rules*, October 2023

¹⁹ AFIA, *The Rules*, October 2023

²⁰ Australian Banking Association, Open Banking Timeline, <https://www.ausbanking.org.au/insight/open-banking-timeline/>.

Implementing CDR standards, particularly in the diverse and dynamic NBL sector, will be complex. It will involve both technological changes and compliance with new legal and regulatory requirements. An extended timeframe would allow for a more careful approach to these changes. Developing the necessary technology to comply with CDR standards requires designing, testing, and deploying new systems.

An extended timeframe would allow for thorough testing and debugging, ensuring that the technology systems are reliable and secure upon deployment. Further, rapid changes, particularly in small organisations which represent much of the NBL sector, can disrupt business operations. An extended timeframe would also help with planning and executing changes in a way that minimises disruption to day-to-day operations.

AFIA stresses the importance of a synchronised development process which ensures that the data standards are effectively grounded in the legal framework and are responsive to the specific legal obligations that will govern the NBL sector under the CDR regime. This approach is essential to establishing a coherent, efficient, and effective regulatory environment that supports both the operational needs of NBL entities and the broader objectives of the CDR.

AFIA encourages the consideration of support mechanisms to aid industry readiness, including technical guidance and infrastructure development, ensuring a smooth transition for all stakeholders.²¹

Conclusion

AFIA remains committed to a collaborative dialogue that ensures the expansion of the CDR to the NBL sector is beneficial, equitable, and sustainable. Through continued engagement and open communication between regulatory bodies, industry stakeholders, and consumer representatives, we can achieve a regulatory framework that not only meets the current needs of the NBL sector but is also robust enough to adapt to its future evolution.

To achieve this, AFIA recommends the establishment of clear, sector-specific guidelines and support mechanisms to aid in the smooth transition for NBLs implementing these standards. This should include a more targeted approach in areas like instalments, repayment aggregation, and additional properties for enhanced transparency.

Further, an extended implementation timeframe is necessary to accommodate the significant technical, resource, and compliance challenges that will be faced by smaller NBL entities. AFIA advocates for a timeline more similar to the Open Banking roll-out of four years. This approach is

²¹ AFIA, 14 October 2022

important to ensure better preparation, comprehensive stakeholder engagement, and a more effective adaptation of systems and processes to meet the new data standards.

AFIA seeks to foster a regulatory environment that supports the operational needs of NBL entities with the overarching goals of the CDR. This regulatory framework must be adaptive and responsive, but also forward-looking, and capable of evolving alongside the NBL sector. By advocating for this balanced approach, AFIA aims to contribute to the creation of a dynamic, competitive, and consumer-focussed financial services industry in Australia.