



Four listed fintechs say they'll be smashed by credit report rules

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Highlight: Plenti, **MoneyMe**, Harmoney and Wisr allege major banks are conspiring against them by restricting access to crucial credit file data they use to price loans.

Body

Major banks are plotting to restrict access to data in consumer credit reports that non-bank lenders rely on to assess loans, a move that would smash the ability of many fintechs to accurately price credit and wipe out some players, according to four ASX-listed competitors to the big banks.

Proposed changes to the Credit Reporting Code are anticompetitive and should be halted by the Office of the Australian Information Commissioner (OAIC), which is reviewing the measures, says a submission from the four companies - Plenti, **MoneyMe**, Harmoney and Wisr - seen by The Australian Financial Review.

[Link to Image](#)

Dominic Lorrimer

The personal lenders are critical of a lack of due process, alleging restrictions have been pushed through by the board of the Australian Retail Credit Association (ARCA) based on the positions of representatives from the major banks and credit bureaus, without sufficient regard to the negative impacts on competition.

The restrictions to the [so-called "soft inquiry" framework, which allows alternative lenders to examine credit report data](#), would "lead to the demise" of some competitors and "vastly reduce the ability to compete for those that do survive", the submission states.

The start-ups have told the OAIC the changes will be "enormously detrimental" and a "setback [to] hard-fought gains in industry competitiveness" after the fintechs have spent years building smoother digital application processes compared with major banks and have just reached profitability.

The fintechs say the ARCA consultation process has involved deliberate conflation by major banks of issues relating to the access to types of data with data integrity, "attempting to provide plausible cover for changes to the status quo that would be substantially to their benefit".

The proposal will make it "impossible" for non-banks and fintechs to provide accurate pricing, forcing the fintechs to lift pricing to protect them from higher credit risk and driving many customers back to the big-end-of-town lenders.

Push into personal lending

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ARCA chief executive Elsa Markula pushed back on the suggestion the fintechs had not been included in the consultation process. She said it involved a wide group of stakeholders under "the fundamental principle that each organisation has an equal say". As overseer of the code, ARCA "must weigh competing interests and objectives from various groups of stakeholders", she said, adding the "effect of the framework on competition" was considered.

Major banks are making a renewed push into personal lending given ultra-competitive conditions in mortgages and business lending.

Under the proposed changes, the fintechs will no longer be able to tap a broad set of credit report data now available under a regime known as Access Seeker. This includes information on repayment history at other lenders and information on whether a customer has made a prior credit inquiry.

These numbers are fed into proprietary pricing and credit risk models at the non-banks to determine whether a loan will be offered, and at what price. Under the changes, the non-banks will only be able to access a customer's credit score as determined by the credit bureau.

Plenti will deliver its full-year results to the ASX on Wednesday. Collectively the four fintechs seeking a review of the decision have about 700,000 customers and personal loan books of about \$4 billion - similar to the size of Commonwealth Bank's.

Between them, the fintechs have a combined market capitalisation on the ASX of \$250 million. But their shares have struggled, down between 50 per cent (Plenti) and 95 per cent (**MoneyMe**) over past five years, amid questions about a lack of scale, higher funding costs and larger losses as some customers struggle to repay in the higher rate environment.

The four companies say they are strong supporters of the "comprehensive credit reporting" regime and were each among the first credit providers and suppliers of consumer CCR data. They say arguments made by proponents of the changes, that the fintechs will be able to reprice offers once they do a full credit file check, are disingenuous as this could run foul of regulations preventing "bait and switch" pricing.

They are urgently asking the OAIC, which has traditionally rubber-stamped decisions of ARCA relating to the code, to intervene and "preserve the scope of data available".

They have suggested the OAIC engage with federal Treasury to ensure the changes are consistent with a broader independent review of the credit reporting framework now under way.

The Australian Competition and Consumer Commission is also monitoring the issue and may be motivated to act if the OAIC fails to respond.

Graphic

Four listed fintechs allege major banks are conspiring against them by restricting access to crucial credit file data.

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