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CDR Sectoral Assessment for the Open Finance sector - Non-Bank Lending Response from Brighte

Brighte Capital Pty Ltd ("Brighte", "we") welcomes the opportunity to make a submission to the Treasury, on the Sectoral Assessment for the Open Finance sector, in specific regard to non-bank lending.

About Brighte

Brighte is on a mission to make every home sustainable by offering consumers a fast and easy way to pay for solar, battery and sustainable home improvements. Recognised as one of Australia's fastest-growing tech companies, Brighte's sustainable homes platform is helping Australians bring home the benefits of solar energy to accelerate home electrification.

Founded in 2015, Brighte has to date helped over 90,000 households get solar sooner, partnering with over 2,000 SMEs nationally and processing more than \$1 billion in finance applications. A purpose-led business supporting the power shift to the home, Brighte reduces household CO2 emissions each year by more than half a million tonnes with its residential energy solutions and has facilitated the installation of more than 600 MW of new solar new generation so far.

Brighte has added significant value to consumers, small and medium businesses, and the Australian economy since it began operations. Brighte has helped drive uptake of rooftop solar, solving the friction problem by offering a simple, transparent, and convenient point of sale finance product, which addresses the upfront cost barrier by allowing it to be spread out over time.

Our submission

Brighte is supportive of the Consumer Data Right (CDR) and the expansion of the regime to the broader financial sector, inclusive of non-bank lending. We firmly believe that CDR will empower Australians to take control of their personal data and in doing so will help them to make better financial decisions. We also believe that the secure sharing of data has the potential to foster innovation and boost competition, resulting in improved services and the creation of new business models that ultimately benefit the consumer.

The success of the regime is contingent on an economy-wide rollout, giving Australians greater access and control over all of their financial data. Brighte believes that the expansion of CDR to encompass non-bank lending will bring enormous benefits to consumers by providing them, and financial service providers, with a more comprehensive view of their financial standing.

On the following pages we have provided feedback on specific sections of the consultation paper, but as a summary:

- Brighte is supportive of the expansion of CDR to the financial sector, provided that consumer benefits and protections are front and centre when determining data holders and datasets.
- Brighte is supportive of the expansion of CDR to the non-bank lending sector provided the cost burdens are considered and there are mechanisms that support smaller lenders and fintechs in becoming compliant.

Section 1: Data Holders and datasets

What non-bank lending data should be included?

As noted by the Treasury, the primary objective of introducing CDR to any given sector is to generate consumer benefits from access to data. Based on this primary objective, it is our view that there is a strong case for expanding the CDR to the financial sector at large, inclusive of non-bank lending and Buy Now, Pay Later.

The Buy Now, Pay Later (BNPL) model has disrupted the traditional lending model by providing accessible, fast and affordable finance. In recent years, BNPL has grown in popularity with an expected 6.1 million Australians holding a BNPL account with at least one provider - that equates to 30 per cent of the adult population.¹ That said, BNPL only accounts for 1.7 per cent of the broader payments ecosystem.² As such, BNPL consumer data and product use data would be instrumental from a consumer benefit perspective. This data sharing would both facilitate the creation of new business models, and help existing businesses strengthen their own processes and procedures.

1. Benefits for new business models.

Access to this data through the CDR would facilitate the innovation of use cases that give customers greater oversight over their finances, thus preventing them from overextending themselves. For instance, a BNPL account aggregation platform that allows customers to see all their BNPL accounts in one place. This will become even more beneficial once 'write-access' is implemented and said account aggregation apps are able to initiate payments.

2. Benefits for existing business models

Brighte's core product offering is a BNPL product. Our 0% Interest Payment Plan allows solar vendors to maintain a smoother cash flow, mitigate business risks such as missed payments, and acquire new customers by providing a point-of-sale solution. Our business model relies on an accurate assessment of a customer's capacity to repay. While we have strong internal processes and lending practices in place – as demonstrated by our low rates of arrears and hardship – access to BNPL CDR data would help us to more accurately determine a customer's ability to make repayments.

¹ ASIC, [Buy now pay later: An industry update](#), November 2020,

² Parliament of Australia, [Mobile Payment and Digital Wallet Financial Services](#), October 2021

What data holders might be suitable?

As outlined in the consultation paper, a key objective of the sectoral assessment is to determine whether an existing definition can be leveraged to establish the boundary of scope for non-bank lending in CDR. The consultation paper puts forward the definition of credit facility in the Australian Securities Investment Commission Act 2001 (ASIC Act) or the definition of financial sector entity in the Financial Sector (Collection of Data) Act 2001 (Collection of Data Act). We believe that leveraging either of these existing definitions would be problematic. The ASIC Act may cast the net too wide, while the FSCODA regime is not suitable.

Brighte recognises that there are substantial costs associated with becoming CDR compliant. These costs may place undue burden on smaller players and start ups that are just entering the market. We urge the Treasury to consider these circumstances when determining the boundary of the sector in the designation instrument. We would recommend that the Treasury consider an institutional revenue threshold of \$100 million in conjunction with any baseline definition of the sector. This would ensure that smaller lenders are protected against disproportionate technical and regulatory burdens. Moreover, it would mitigate the potential competitive advantage given to other more well-established lenders and banks which may already receive data under the regime, either as Accredited Data Recipients (ADRs) or through one of the other tiered accreditation models.

That said, it is important to consider that any threshold based on revenue or customer size below which a financial entity isn't designated under the CDR exposes the customers of those entities to the risks which Open Finance is attempting to mitigate or reduce, to collect and share data through less efficient and secure means (i.e. screen scraping). As the CDR progresses and new use cases emerge, customers of non-major providers that wish to participate may find themselves exposed to sharing data through clunky systems by providing statements or screen scraping.

Section 2: Cost burdens

As witnessed in the rollout of CDR in the banking sector, the compliance and technical obligations required of banking participants placed undue burden on many non-major ADIs. This was largely a result of a lack of resources. Major ADIs often have large teams dedicated to projects and this is not always the case in start ups and scale ups. With this in mind we urge the Treasury to consider how the cost burden varies depending on the maturity and size of the organisation.

While Brighte is supportive of the rollout of CDR in the non-bank lending sector and welcomes the opportunity to participate in the regime from both a Data Holder and receiver perspective, we do believe that the journey to compliance will be resource intensive and therefore would recommend a phased approach to implementation, dependent on size or maturity of organisation.

In 2021, Brighte saw exponential growth and officially transitioned from start up to scale up. Like many other scale ups in the emerging Australian tech industry we are in the process of reviewing our underlying infrastructure and would need to build this out first to enable the technical work on becoming Data Holder compliant to progress. We currently do not have the APIs in place to support the sharing of data, and do not have a central system where we house the data required to be shared under CDR. Becoming Data Holder compliant would require extensive work and we simply don't have the resources to implement it quickly. As such, we would recommend a phased approach that would give non-major players more time to implement. While becoming CDR compliant will be a difficult task for both major and non-major businesses, we believe that new entrants to the market may find it more resource intensive to implement CDR.

Alternatively, we recommend a 'grace period' where providers that failed to make CDR data available by the deadline will not face enforcement action.

Brighte would also like to flag that Australia is currently facing a tech skills shortage, which amplifies the challenges of acquiring and allocating resources required to implement CDR from a technical perspective.

Section 3: Questions

In this section we respond to the questions from the consultation paper where we think we can add value.

Question 2

- May the benefits of sharing non-bank lending data vary across particular consumer groups; for example, vulnerable consumers?

There may be a segment of consumers that finds it more difficult to get credit as more data becomes available. As such, Brighte urges the Treasury to find a way to balance the concerns surrounding vulnerable customers overextending themselves, with the unintended impacts of increased visibility i.e over-conservative lending restricting access to credit.

This was most recently seen in New Zealand, where the tightening of lending laws under the *Credit Contracts and Consumer Finance Act (CCCFA)* led to significant reduction in pre-approvals and has thus prompted financial advisers to call for a review of the legislative changes. That said, part of the issue in New Zealand was that the regulatory reforms were not accompanied by better access to assess customers, which is what the CDR will solve for.

Question 3

- Would the designation of non-bank lending improve competition between lenders, including leveling the playing field with banks, or lead to greater market efficiencies?

This would be the case for loan products, as non-bank lenders of all sizes would be competing on the same playing field as banks. Making the product data and usage information available through the CDR will allow consumers to compare loan products more easily. We believe that this would drive competition and encourage innovation and the creation of new business models that better suit a customer's needs. In turn, this may help smaller lenders attract and retain customers. This competition would be further amplified once action initiation is implemented for switching.

That said, there is not enough data available in the Australian market to point to significant improvements in competition as CDR exists today in Open Banking. In order to boost competition more work needs to be done to increase industry participation and consumer engagement.

Question 11 & 12

- Are there privacy concerns specific to non-bank lending that should be taken into account when considering the designation of the sector?
- Do you consider the existing privacy risk mitigation requirements contained in the banking rules and standards are appropriate to manage the privacy impacts of sharing non-bank lending data?

There is no material difference between banks and non-banks. That said, the ability to detect and manage breaches will vary. It is critical for data security standards to be imposed on all entities.

Closing comments

Thank you for the opportunity to provide feedback on this consultation paper. We look forward to working with you as the rollout progresses.

Brighte is very happy to provide further information or answer questions on anything provided in this document. Should you wish to discuss, please contact me anneka.diaz@brighte.com.au or +61 407 362 761.