

Mr Ian Powell
Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
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Parliament House
Canberra ACT 2600

By email: corporations.joint@aph.gov.au

3rd July 2024

Dear Committee Secretary,

Wizr Limited's response to inquiry into the financial services regulatory framework in relation to financial abuse

Wizr (ASX: WZR) Wizr is purpose-built to improve Australians' financial health. Wizr is an ASX-listed non-bank lender that offers unsecured personal loans and secured vehicle loans to Australian retail customers. Since its inception in 2017, Wizr has written over \$1.7B in loans through its digital lending platform. In addition to Wizr's lending platform, Wizr is unique in the market as the Wizr platform combines its lending business along with financial tools and products to help customers make smarter money decisions. Wizr has reimagined the consumer financial journey through its award-winning proprietary Wizr platform to improve the financial health of our customers.

Wizr's comprehensive policies, processes, and technology enable us to emphasise customers' financial health, expand beyond the transactional relationship, and contribute to identifying, managing, and reporting financial abuse.

1. What specific policies, systems, processes or other safeguards does your business have in place to identify, respond to and report suspected financial abuse occurring to your customers?

Wizr's policies, systems, and processes enable our business to proactively identify and manage cases of customers suffering financial abuse.

There are several customer touchpoints whereby Wizr can identify customers who may be suffering financial abuse. Wizr's relationship with its customers is not

always a continuous day-to-day relationship (i.e. like an authorised deposit-taking institution). Rather, Wisr's relationship with its customers is based on specific events being primarily: (i) the application for a loan; and (ii) repayment of that loan.

Wisr has the opportunity to identify financial abuse at the following points in the loan process:

1. At the time a customer applies for a loan;
2. If a customer misses repayment(s) or fall into arrears; and/or repayments
3. When a customer requests financial assistance.

Wisr's policies set out the processes by which financial abuse can be identified at the stages listed above.

A. Customers applying for a loan

All credit applications require customers to pass strict identification, know-your-client (KYC), and verification checks, which include a combination of sophisticated automated technology-based controls, manual controls, and human checks, such as phone calls with applicants.

Additionally, over the past 12 months, an average of 90% of all loan applications have originated through Wisr's brokers' network. Brokers have an obligation to perform preliminary checks and assessments of their clients. This reduces the risk of encountering financial abuse cases at the application stage.

Notwithstanding the above, there are instances where Wisr identifies cases of financial abuse at application stage. These cases relate mainly to:

- Joint credit applications where one party is not aware of the application;
- Joint credit applications when one party is or may be the victim of coercion, domestic or family violence;
- Cases of identity theft/identity takeover; and
- Elder abuse.

Wisr's policies and controls that facilitate the identification, management and reporting of these cases include:

- Fraud controls (i.e. identifying fraudulent or falsified documents);
- KYC & biometric identification processes (i.e. identifying applications made by one person for another without authority); and

- Credit policy:
 - Wizr’s comprehensive credit policy ensures we meet ASIC Regulatory Guide 209 enquiries and suitability tests. To do this, the credit policy sets out several credit controls and requirements that must be met for a loan to be approved and settled.
 - Relevant controls include:
 - For all applications:
 - Reviewing general, additional living expenses and commitments via 90 days of bank statements and making additional enquiries to understand the relationship between parties where regular transfers are observed and confirm the relationship with these parties e.g. customers declared single but transfer money regularly to the same person in these case we make additional enquiries as to the relationship
 - For joint applications:
 - Requiring that both loan applicants be beneficiaries of the loan for joint applications. This means that Wizr avoids situations where an individual takes a loan to pay someone else’s debt or one party obtains credit without the knowledge or express consent of the other party.
 - Capturing marital status and making enquiries about it if the information provided shows inconsistencies. For example, this includes cases where an applicant declares marital status as single but Centrelink statements show otherwise or where marital status is declared single but bank statements show regular transfers to a specific individual.
 - For direct single applications:
 - Phone calls are scheduled with direct customers (those who do not come to Wizr through brokers). These calls are made for verification and additional information purposes.

B. Customers who miss repayments or fall into arrears for their repayments

WISR actively monitors loan accounts to identify instances of customers missing repayment(s). Additionally, some loan accounts fall into arrears, which triggers a thorough and customer-focused collections process. The collections process includes checkpoints to identify customers suffering financial abuse, such as:

- Communicating with customers by phone and email to understand their financial position;
- Account reviews to discover any hardship and financial abuse flags; and
- Offering hardship and alternative options to manage late repayments,

Additionally, all collections communications and notices advise customers that they may apply for financial hardship. WISR assesses all hardship applications it receives from customers or third-party representatives. Each application is assessed on its merits, as further explained in the point below.

C. Customers who tell us about financial abuse by requesting financial assistance or hardship

From time to time, WISR customers face unforeseen events that cause them to have trouble making their loan repayments. In some instances, the WISR team is able to identify these events and proactively invite customers to apply for hardship. In other instances, customers or their third-party representatives submit a hardship notice to WISR.

To assess hardship applications, WISR considers the duration of the hardship period requested, the reason(s) for the application hardship, and the documentation provided. Upon receipt of all hardship requests, WISR will immediately stop collections procedures, enforcement, or legal action until the hardship application has been assessed.

WISR will review the financial information and proof of circumstances provided by customers facing hardship before issuing a final decision. In circumstances when a customer alleges that they are a victim of domestic violence / financial abuse, WISR will act swiftly to protect victims.

WISR has identified three main instances where financial abuse may occur:

- Where customers have been knowingly coerced into taking out loans in their name or as a joint loan for their partners' needs;

- Where customers have been unknowingly added to a joint loan by their partner; and/or
- Where one party to a joint loan disregards their obligations under the credit contract causing an impact on the second party who cannot afford the contract on their own.

Solutions

Wisr takes a case-by-case approach to resolving situations of financial abuse and follows a customer-centric approach. Wisr has guidelines that prescribe the following actions for cases where an individual requests hardship due to domestic violence or other types of violence.

- Short term solutions include, but are not limited to:
 - Assistance and relief that includes repayment 'break' with no interest charged during a specific amount of time;
 - No Repayment History Information ('RHI') reported during the assistance period;
 - No outsourcing to debt collectors during the assistance period; and/or
 - In-depth investigation of the matter.
 - Suppressing all RHI Credit Reporting on joint loans when one of the parties is a victim
- Long-term solutions include, but are not limited to:
 - Contract variation on a permanent basis;
 - Partial debt waiver;
 - Full debt waiver;

At all times, Wisr will work to protect the personal information of any individuals involved.

Hardship Monitoring

Wisr has a comprehensive hardship register that includes details of the hardship provided and actively monitors those cases, which are regularly reported to Wisr management.

2. What is the extent of suspected financial abuse identified by any such measures in place?

From January to June 2024, Wisr was made aware of 23 cases related to domestic violence through Wisr's internal hardship reporting. Of these cases, the majority fell into the following scenarios:

- Where customers have been coerced into taking out loans in their name or as joint for their partners' needs;
- Where customers have been unknowingly added to a joint loan by their partner.
- Where one party to a joint loan disregards their obligations under the credit contract causing an impact on the second party who cannot afford the contract on their own.

3. What is the impact of the shift of financial products to online platforms on the prevalence of, and ability of your business to identify, respond to and report suspected financial abuse?

Wisr has been a fully digital lender since it commenced operations. As such, Wisr is not able to comment on the shift to online platforms.

Despite the above, Wisr is continuously improving its controls and processes to identify financial abuse, domestic violence or other types of abuse. For example, Wisr has recently improved its ID verification steps by introducing biometrics to help protect victims if perpetrators are applying for loans in their name.