

IN-CONFIDENCE



ASIC

Australian Securities & Investments Commission

GPO Box 9827 in your Capital City

Our Reference: [REDACTED]
Direct Phone: [REDACTED]
Direct Facsimile: [REDACTED]
Email: [REDACTED]@asic.gov.au

14 June 2018

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Dear [REDACTED]

APPLICATION FOR AN AUSTRALIAN CREDIT LICENCE

[REDACTED]

This letter is in reference to the application dated [REDACTED] June 2018 by [REDACTED] (the Applicant) for an Australian Credit Licence.

To help me better understand the Applicant's business and make a complete assessment of the application, I need some additional information about the Applicant's business, as listed in Attachment A.

This information is important as it will help to clarify and verify the information provided in the application. As such, your prompt reply would be greatly appreciated.

Please provide the requested information to me within 5 working days of the date of this letter and please do not hesitate to contact me if you would like to discuss any aspect of this request.

Yours sincerely

[REDACTED]
[REDACTED]

Enc: Attachment A

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Additional Information Required

[REDACTED] (the Applicant)

As mentioned above, please provide the following:

1. The Applicant's written plan that documents its arrangements and systems to ensure compliance with the credit obligations under the National Consumer Credit Protection Act 2009 (the Act).
2. The Applicant's internal dispute resolution procedure in accordance with Regulatory Guide 165 *Licensing: Internal and External Dispute Resolution*.
3. The Applicant's documented policies and procedures for receiving and assessing requests to vary credit contracts upon hardship grounds.
4. A summary of the Applicant's procedures to collect and verify consumer information and to assess whether a loan is not unsuitable for a consumer.

The nominated Responsible Manager:

1. A summary of the experience of the responsible managers nominated in the application. You will need to provide details of each responsible manager's duties and roles for each employer and job title that were listed in the application form.
2. CV of the Responsible Manager
3. Reference letter from past employer advising regulated credit duties performed and for length of service

Apart from the Applicant's compliance plan, we do not necessarily expect you to provide separate documentation for all of the above points. For instance, the written compliance plan may cover some of the other areas. If that is the case, please let me know.

Please contact me as soon as possible if the requested documentation is unavailable.

Dated: 14 June 2018

IN-CONFIDENCE

Our Reference: [REDACTED]
Direct Phone: [REDACTED]
Direct Facsimile: [REDACTED]
Email: [REDACTED]@asic.gov.au

25 October 2018

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Dear [REDACTED]

APPLICATION FOR AN AUSTRALIAN CREDIT LICENCE
[REDACTED]

This letter is in reference to the application dated [REDACTED] 2018 by [REDACTED] (the Applicant) for an Australian Credit Licence.

To help me better understand the Applicant's business and make a complete assessment of the application, I need some additional information about the Applicant's business, as listed in Attachment A.

This information is important as it will help to clarify and verify the information provided in the application. As such, your prompt reply would be greatly appreciated.

Please provide the requested information to me **by close of business 8 November 2018.**

Please do not hesitate to contact me if you would like to discuss any aspect of this request.

Yours sincerely

[REDACTED]
[REDACTED]

Enc: Attachment A

Additional Information Required

[REDACTED] (the Applicant)

As mentioned above, please provide the following:

Proposed business

1. The application form states that the business proposes to engage in credit provider activities. The business description section "*Summary of Procedures and Policies*" mentions credit assistance activities as well.
 - (a) Please confirm all the credit activities that the business proposes to engage in and advise of any amendment to the requested authorisation accordingly. If the business proposes to undertake credit assistance please advise by elaborating the circumstances that will trigger /warrant credit assistance activities.
2. The business is intended to be operated online and marketing, sales and distribution will be conducted primarily online through a range of digital marketing strategies including paid search on google, Facebook advertising and Search Engine Optimisation.
 - (a) Please elaborate the online operation of the business. The Applicant is welcome to provide a diagram or process flow chart for a better understanding of its proposed online business.
 - (b) What is the Applicant's intended target market?
 - (c) Will the Applicant have referral or other commercial arrangements with any other entities?
 - (d) Does the online operation and distribution apply to consumer leases as well? Please demonstrate how compliance with the NCCP will be ensured with online marketing, sales etc.
 - (e) What are the different products that will be offered/marketed under other leases?
3. What is the source of funding for the SACC/MACC/other loans (including consumer /other leases) proposed to be advanced to consumers?
4. For each of the products that the Applicant intends to provide credit for, please detail:
 - The credit related fees, charges, annual cost and interest rates;
 - Any additional product features that the Applicant intends to offer.
 - If the annual cost rate is 48% or close to 48% across the entire range of credit products offered, please advise who the target clientele is and why the Applicant is of the view that its targeted clientele can sustain a 48% annual cost rate?

5. It is noted that remuneration generated from lending activities will not exceed the maximum cost prescribed under the National Credit Code. Please confirm the following:
- a) For credit assistance business (if applicable) of MACCs and AOCCs, consumer leases, once terms are negotiated, will the brokerage fee be commission based and directly paid by the respective alternate lender? If not, please describe accordingly.
 - b) For credit provision, other than the interest rate, fees and charges are there any other charges / fees that contribute to income? If so, please list them out accordingly.
 - c) How are interest rates determined? Are they fixed or varied depending on the specific circumstances of the borrowers? Describe the factors that the business will consider.
 - d) What would be the range of comparison rate (i.e. a rate after considering interest charge and other prescribed credit fees and charges) and contractual loan term of the credit contracts offered?
 - e) What is the control in place to ensure that credit contracts entered with borrowers are compliant with sections 32A and/or 32AA of the National Credit Code?
 - f) Given that the business distribution is intended to be online and could possible include telephone contact, please describe the arrangements in place to comply with:
 - (i) Regulation 28XXA Small amount credit contracts - requirements for warning on licensee's premises;
 - (ii) Regulation 28XXB Small amount credit contracts - requirements for warning on licensee's website;
 - (iii) Regulation 28XXC Credit assistance in relation to small amount credit contracts - requirements for warning during telephone contact;
 - (iv) Regulation 28XXD Small amount credit contracts - requirements for warning during telephone contact.
 - (v) Please further describe how and at what stage would the business incorporate this warning statements in its portal/online system to ensure its compliance of section 133CB of the National Consumer Credit Protection Act 2009 (the "NCCP Act")

Credit Assessment processes

6. The application form indicates that verification of income and expenses will be outsourced. The business description states the contrary.
 - (a) Please confirm if this function will be outsourced or not.
 - (b) Please advise if the proposed loan management software can identify when the consumer is in default under an existing SACC or has been a debtor under two or more SACCs in the 90-day period before the assessment?
 - (c) How does the business ascertain whether the borrower is already in default in an existing SACC or whether the borrower has entered 2 or more SACCs in the last 90 days?
 - (d) Please elaborate the tools that the Applicants' representatives will adopt in deciding whether a loan is not unsuitable to the consumers after gathering all the necessary financial information from the consumer. Is it a self-developed tool/system or off the market shelf product?

7. We note from the business description that the Applicant will make enquiries about the consumers' financial situation by collecting information about income source, expenses, and income, etc.
 - (e) how does the business decide or what steps does it take to for confirming whether it is reasonable to rely on information provided or whether further enquiries are warranted?
 - (f) Who is responsible for checking this information? Is this online as well?
 - (g) How does the Applicant avoid advancing a SACC loan in such circumstances? (refer to section 131(3A) of NCCP)
 - (h) Please describe the manual checks (if any) and assessments that will be done at various stages of the credit assessment
 - (i) Who is responsible for regularly monitoring and reviewing the online information /credit assessments and manual assessments to ensure continued effectiveness and suitability of loans offered

8. In terms of loan approval supervision and compliance, please further advise and elaborate:
 - (j) If applicable, is the loan approval process fully automated and conducted entirely by the Applicant's system from the beginning to end including final loan approvals?
 - (k) Will there be any review done by the Applicant's representatives and/or Responsible Manager at any stage of the credit assessment process prior to final approval to ensure that loans advanced to consumers are not unsuitable?
 - (l) Who will conduct manual regular audits/'spot checks' /reviews?
 - (m) The process and the frequency of which the Applicant intends to conduct these automated system review(s) and
 - (n) the basis that the reviews and frequency of monitoring is adequate.

(o) The credit assessment process is very light in detail. ASIC requires detailed steps elaborating the procedures for verifying consumer income and expenses and assessing whether a loan is unsuitable.

Please provide:

- i. a copy of the online application form that is used to collect the customer details (front end forms);
- ii. further information on how the Applicant will review bank statement (i.e. the steps involved and what information the Applicant will capture/highlight from the statement). If a form is used to capture information from the bank statement review, please provide a copy of this form;
- iii. what steps the Applicant will take to form a view on whether the loan is not unsuitable;
- iv. how it will address situations where the information provided by the consumer on the application form is different from the information in the bank statements?
- v. the steps taken to calculate living expenses and the basis of calculation

You may wish to refer to section 131(3A) of the National Consumer Credit Protection Act 2009 (the NCCP Act) and paragraph 209.114 of Regulatory Guide 209 Credit licensing: Responsible lending conduct

Responsible Manager (RM)

NOT RELEVANT
ALREADY WITHDRAWN

9. The Applicant has nominated two RMs, namely [REDACTED] ([REDACTED]), and [REDACTED] ("[REDACTED]") as additional RM. Upon request, the Applicant has also elaborated [REDACTED] experience by way of a competence table.

(a) Per information provided [REDACTED] is currently a director and sole Responsible Manager of [REDACTED] which is authorised to engage as a credit provider.

(i) Please confirm if [REDACTED] will be a senior manager who is an external service provider?

(ii) Please provide an extract of the service agreement in place between the Applicant and [REDACTED] specifying [REDACTED] roles, responsibilities, authorities, service duration, etc. as an RM of the Applicant.

(b) Further, ASIC records show that [REDACTED] is presently engaged as a Responsible Manager/Key Person/Senior Manager who is an external service provider of [REDACTED] and [REDACTED] in addition to the Applicant's business.

NOT RELEVANT -
COMPANY
NO LONGER
TRADING

ASIC has concerns in relation to the physical capacity of the nominated RM, their ability to manage the multiple responsibilities efficiently, honestly and fairly as required under s47 of the NCCP 2009.

ASIC also has concerns in relation to potential conflicts of interest that could arise in holding the multiple RM positions of credit providers with similar credit products/services.

In light of the above concerns please address the following:

- (i) What are the responsibilities of [REDACTED] as a Senior Manager and/or RM of the Applicant under the external services agreement? The Applicant may wish to provide an extract of which accordingly.
- (ii) In terms of time allocation, the Applicant is required to:
 - o tabulate the workload for the various roles held by [REDACTED] including any other non-credit related roles; and
 - o provide a break down in hours per working week required to be dedicated to each role.

Please note that ASIC may have concerns if [REDACTED] does not allocate sufficient amount of time to the Applicant's credit business and if the supervisory arrangement is inadequate.

- (iii) On what basis is this considered to be adequate /efficient time allocation?
- (iv) Please advise the supervisory arrangements in [REDACTED] absence and explain why this is adequate.
- (v) What are the potential conflicts of interest that could arise from the above multiple roles?
- (vi) How does [REDACTED] intend to resolve any potential conflicts of interest?
- (vii) If the business does not foresee any potential conflicts of interest from the RM's multiple roles, please provide the reason(s) accordingly.
- (viii) Has the nominated RM informed the management and/or compliance of [REDACTED] and [REDACTED] of this concurrent appointment?

[REDACTED] NOT RELEVANT - ALREADY WITHDRAWN

It is noted, among other things, that:

- (c) [REDACTED] experience was mostly related to mortgage broking /management at the various firms at where [REDACTED] was employed. As such [REDACTED] appears to not have any regulated consumer lending /credit provision experience.

In light of the above, it appears that the Applicant will heavily rely on [REDACTED] expertise in consumer credit provision. In this regard, a Key Person condition will likely be imposed on the Applicant's licence naming [REDACTED] as the key person, should a licence be granted.

(d) Please provide the following:

- (i) Completed and signed Statement of Personal Information (attached in email) for [REDACTED]
- (ii) Overseas police and bankruptcy checks as requested earlier in all names used in last 10 years for [REDACTED]

Compliance arrangements

10. To demonstrate that your business has adequate arrangements in place to comply with general conduct obligations, please provide for the business:

- (a) written plan that documents its arrangements and systems to ensure compliance with the credit obligations under the NCCP Act.
- (b) internal dispute resolution procedure in accordance with Regulatory Guide 165 Licensing: Internal and External Dispute Resolution.
- (c) written policy that details the minimum training requirements for its representatives and a documented process for monitoring and supervising representatives.
- (d) documented policies and procedures for receiving and assessing requests to vary credit contracts upon hardship grounds.
- (e) written procedures/policies to comply with responsible lending conduct obligations including the collection and verification of consumer information and assessment of whether a loan is not unsuitable for a consumer.
- (f) Arrangements in place to ensure that any conflicts of interest do not disadvantage clients.
- (g) A brief explanation of the Applicant's arrangements in the event that:
 - a client made a claim against the Applicant's business that required varying the terms and/or conditions of a credit contract or consumer lease; and
 - a client made a claim against the Applicant's business that could not be satisfied by varying the credit contract or consumer lease and required the Applicant to pay compensation to the client.

Please contact me as soon as possible if the requested documentation is unavailable.

Dated: 25 October 2018