

17 February 2020

Att: Lyn Beverley  
Committee Secretary  
Select Committee on Financial Technology and Regulatory Technology

**illion response to Question on notice –Senate Select Committee on Financial Technology and Regulatory Technology inquiry into the current state of Australia’s FinTech and RegTech industries**

Digital Data Capture (DDC)

- DDC, sometimes referred to as screen scraping, is the process of collecting screen display data from one application and transferring it so another application can display or use it. This is always based on the consumer’s consent and will typically facilitate access to a financial service.
- Within the financial sector, this technology is widely used by lenders, financial management applications, personal finance dashboards and accounting products to retrieve customers’ financial data with their consent.
- DDC technology is a useful data transfer tool that is used consistently and safely to deliver substantial value to consumers and data holders.
- Through its subsidiary, illion Open Data Solutions, illion provides access to over 150 financial institutions’ transactional information.
- DDC needs to continue to operate in parallel to the Open Banking framework as an essential value adding technique.
- The continued utility of DDC relates to real-time data provision; simplicity of customer onboarding; level and quality of data availability; and providing a redundancy fail-safe in the future world of Open Banking, for example, in a period when a financial institution’s API is offline.
- DDC is also a useful tool enabling smaller organisations, who are not yet participating in Open Banking to compete, they would otherwise be shut out of the system. Conversely DDC also enables larger organisations to access information from pre-Open Banking smaller organisations. Without DDC we will likely face a “have and have not” information structure benefitting larger institutions

- Many banks and credit unions and most non-bank financial providers in Australia use DDC to improve customer experience and make their processes more efficient and affordable.
  - DDC is a critical mechanism to empower consumers and facilitate competition in provision of consumer credit.
  - Illion believes DDC technology will provide an important benchmark to assess the performance of Open Banking. We note the current rollout of the CDR will take many years and may be subject to additional delays. There is a need for a mechanism to be available for smaller lenders and service providers such as brokers to provide access to digital bank statement data in the interim.
  - DDC provides a valuable tool for organisations of all sizes - international banks, peer to peer lenders and mortgage brokers – in providing a customer friendly method to securely share bank data. Over 80% of consumers choose to use DDC services when presented with the choice and the overwhelming majority are happy they have been able to use it.
  - Illion maintains robust security measures to ensure that DDC is the most secure, efficient and convenient means of collecting and transferring customer account data with consumer consent. Illion has never had a data breach and we're not aware of any examples of any breach using DDC.
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- Banning DDC would cause untold damage to the fintech industry and their clients. Millions of Australian consumers rely on fintech applications that utilise DDC for budgeting, investing, accounting and creating a streamlined digital lending experience. DDC is essential to the core value and utility that these applications provide to both consumers and businesses. Banning it would cripple businesses, negatively impact consumers and send the industry back by 5 or 10 years
  - Removing this technology would lead to the cost of credit going up because it becomes far more manual and costly for businesses to assess and provision credit. It will also lead to access to credit going down – especially for the financially excluded and those that can least afford it.
  - It's incorrect and misleading to compare the UK model to Australia. In the UK, bank statements were not used as part of credit assessment. They started rolling out open banking in January 2018 after years of preparation, but they were not replacing an existing technology. They'd had comprehensive credit reporting in that market for some time. Australia is different because millions of consumers and businesses are relying on this existing technology.
  - The customer is and should be in control of their own data – the core principle of a Consumer Data Right. It's the customers right to share information if they choose to do so.
  - DDC allows consumers a greater pool of consumers to access appropriate credit, given the increased visibility that lenders have of a potential borrower's income and expenditure via DDC – which includes enhanced accuracy and minimisation of fraud risk.

- illion believes DDC is a critical mechanism to empower consumers and facilitate competition, valued by consumers, is secure and cost-effective, and is making a significant contribution to the competitive dynamics in the current market. Illion notes the inclusion of DDC in ASIC's December 2019 revision of the Regulatory Guide 2019 (RG209), validating its use and confirming the efficiency it provides to verification processes. According to ASIC:

*"Developments in relation to open banking and digital data capture services will affect the accessibility, and cost of obtaining, transaction information and an overall view of the consumer's financial situation. These kinds of services may also help licensees to streamline their process—for example, potentially enabling licensees to complete both inquiries and verification of consumer information."*<sup>1</sup>

- We also believe the technology should be recognised and facilitated under the updated version of the ePayments code and permitted to operate in conjunction with Open Banking.

Please find attached three supporting documents which also address the questions taken on notice by illion during the Senate Committee hearings. The first of these is an infographic which summarises two surveys we undertook with illion ODS customers, on their experience using DDC in comparison with manually reviewing bank statements or estimates provided by their customers. The survey demonstrates the strong positive feedback from customers on attributes including: accuracy of income/expense estimation; incidence of statement fraud; speed of processing and accuracy; and accurate identification of over-indebtedness.

In the survey we asked approximately 7,000 customers a series of questions and received circa 640 responses. Our customers broadly fall into two categories; mortgage brokers (~560 responses) and lenders (~80 responses), and whilst the responses are remarkably similar we think it is useful to present the results back split by category.

The results are strongly supportive of the efficacy of using bank account information through DDC

- to more accurately identify the levels of expenditure
- that when expenditure is identified it is higher than previously disclosed, and
- that statement fraud is reduced.

All of these factors are essential to enabling a Bank a quick, cost effective, way of meeting regulatory obligations (e.g. RG209) and for a Broker to help a customer get what they want, a mortgage, quickly.

Importantly, our customers are strongly supportive of how easy to use and efficient our products are – meaning that this is one of those rare instances where companies can be both more compliant, reduce cost and improve customer experience.

We have attached the read outs of the surveys in full and would draw your attention in particular to the following responses which in our opinion are a strong argument for ensuring ongoing access to Digital Data Capture solutions to assist lenders and introducers efficiently meet their responsible lending obligations.

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<sup>1</sup> Australian Securities and Investment Commission (2019). *Regulatory Guide 209 Credit licensing: Responsible lending conduct*, p. 43.

	<u>Yes</u>	
	<u>Brokers</u>	<u>Lenders</u>
Is the estimation of expenses more accurate?	84%	77%
Is the amount of expenses different?	73%	70%
If different, are they higher	75%	81%
Is there less statement fraud	59%	78%
Is there more than 20% less fraud?	43%	78%
Can you more easily identify over indebtednes	85%	89%
Does using illion make you more efficient	97%	99%

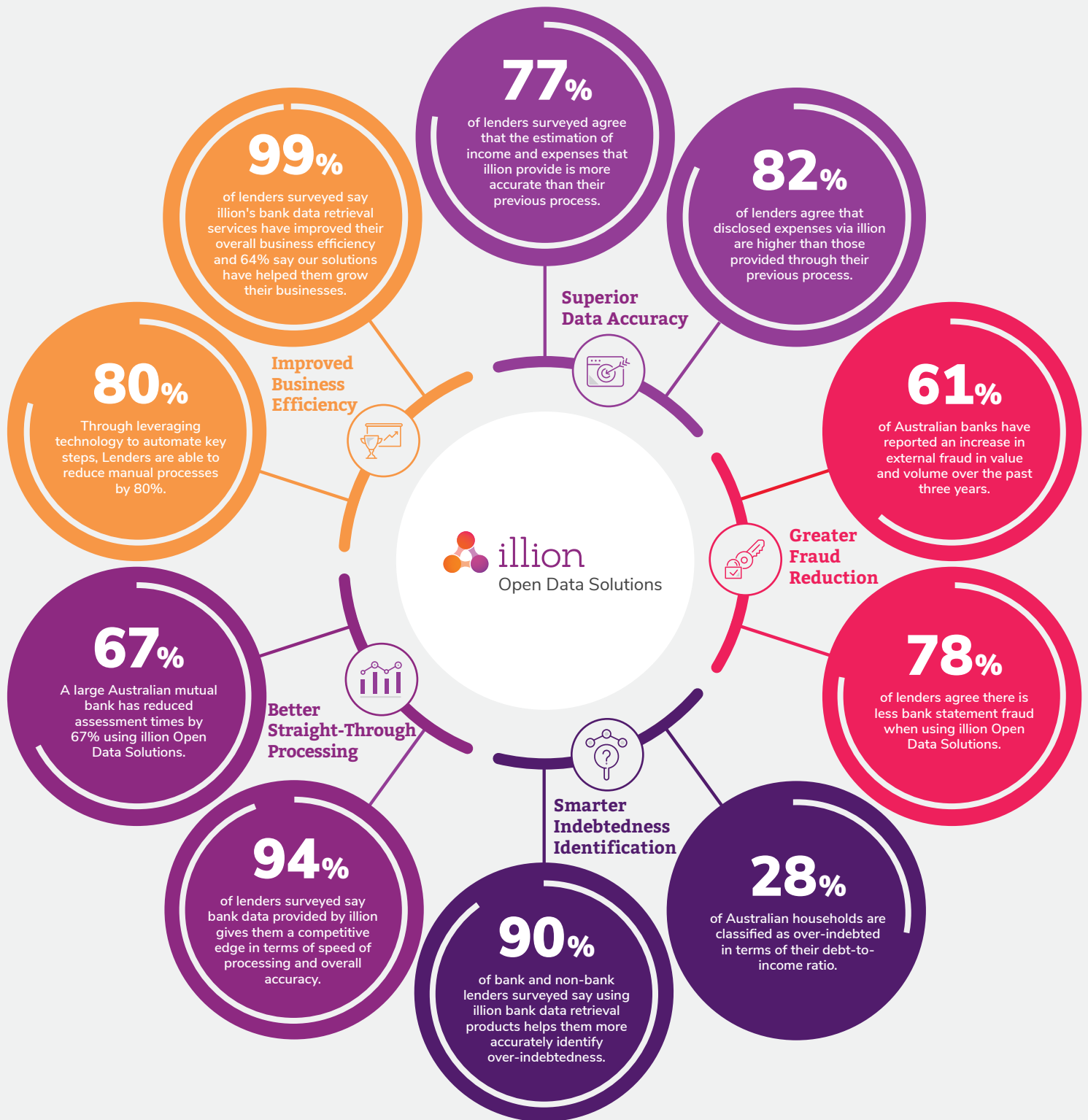
Please contact me if you require anything further.

Kind regards,

Simon Bligh,  
CEO



# Bank and Non-Bank Lenders in Australia and New Zealand trust illion Open Data Solutions' leading bank data and analytics to verify key income and expense information to make responsible decisions.



**Sources:**

- KPMG Global Banking Fraud Survey 2019
- illion Responsible Lending Survey A&NZ 2019
- MortgageOrb.com – contributor: Sanjeev Malaney, founder and chief executive officer of Capsilon Corp
- illion case studies
- ABS Household Income and Wealth Survey – Financial year 2017/18 (July 2019)
- RBA's Financial Stability Report



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Open Data Solutions

# illion Open Data Solutions Responsible Lending Survey

Bank and Non-Bank Lenders

September 2019



# Lenders trust our bank data to make responsible decisions

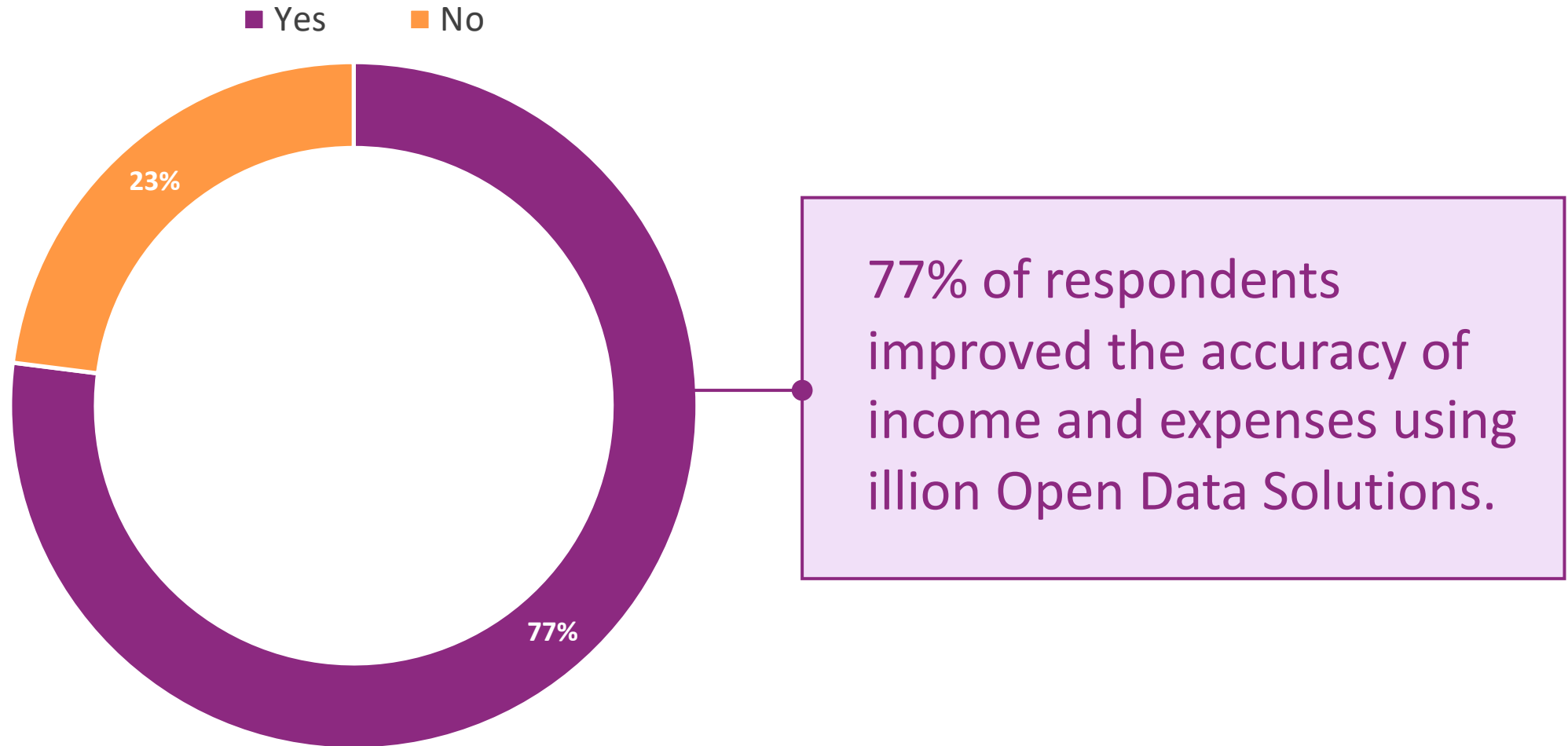
**In August 2019, illion Open Data Solutions (ODS) asked 400 lenders – who use our bank data retrieval products – how we have helped improve their business.**

**What we discovered was amazing.**

- 99% of survey respondents said using ODS helped improve their overall business efficiency
- 95% told us they had gained a competitive edge in terms of speed of processing and accuracy
- 76% said the estimation of income and expenses was now more accurate
- Lenders told us using ODS helped them with AML & KYC compliance and the mitigation of fraud
- In fact, respondents awarded ODS a score of 4.4 of 5 for overall value add to their business!

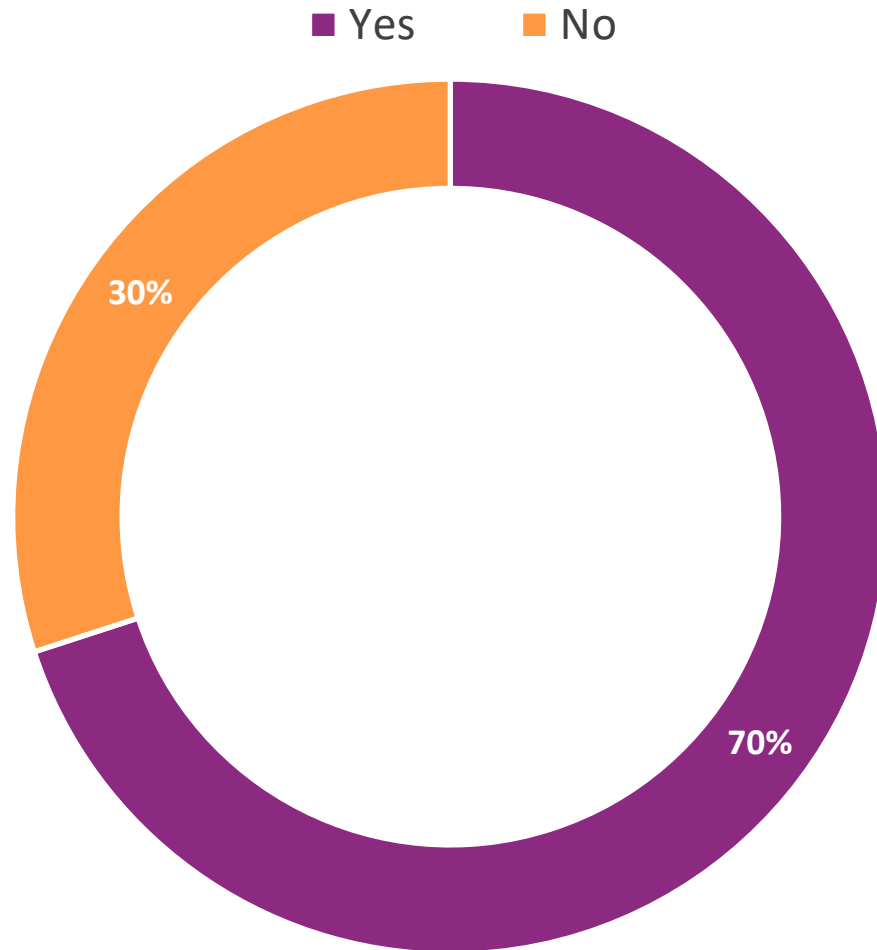


# Is the estimation of income and expenses that we provide more accurate than your previous process?





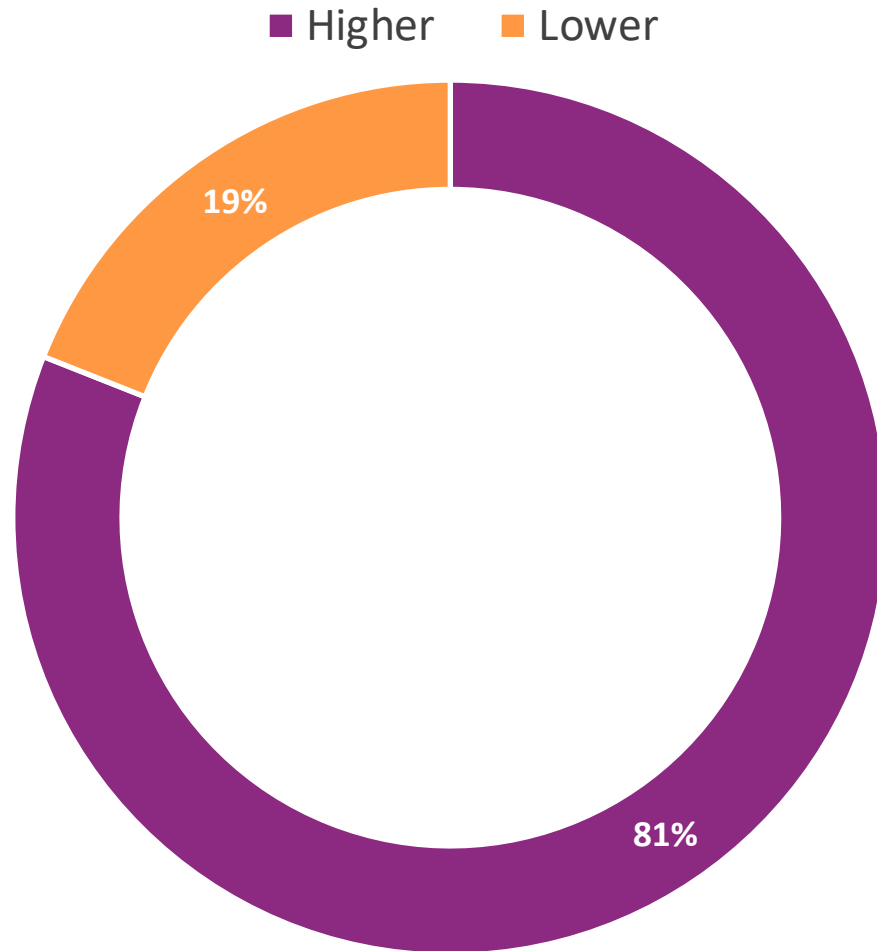
# Are the disclosed expenses different (in amount) from those provided through your previous process?



70% of lenders found that 'declared expenses' differed in amount using illion Open Data Solutions.



# If your answer to the previous question is YES, are the disclosed expenses



...and 81% of lenders found that actual expenses were higher in amount using illion Open Data Solutions.



Please tell us  
how much higher  
disclosed  
expenses are  
when using illion  
Open Data  
Solutions

■ 0-20% ■ 21-40% ■ 41-60% ■ 61-80% ■ 81-100%

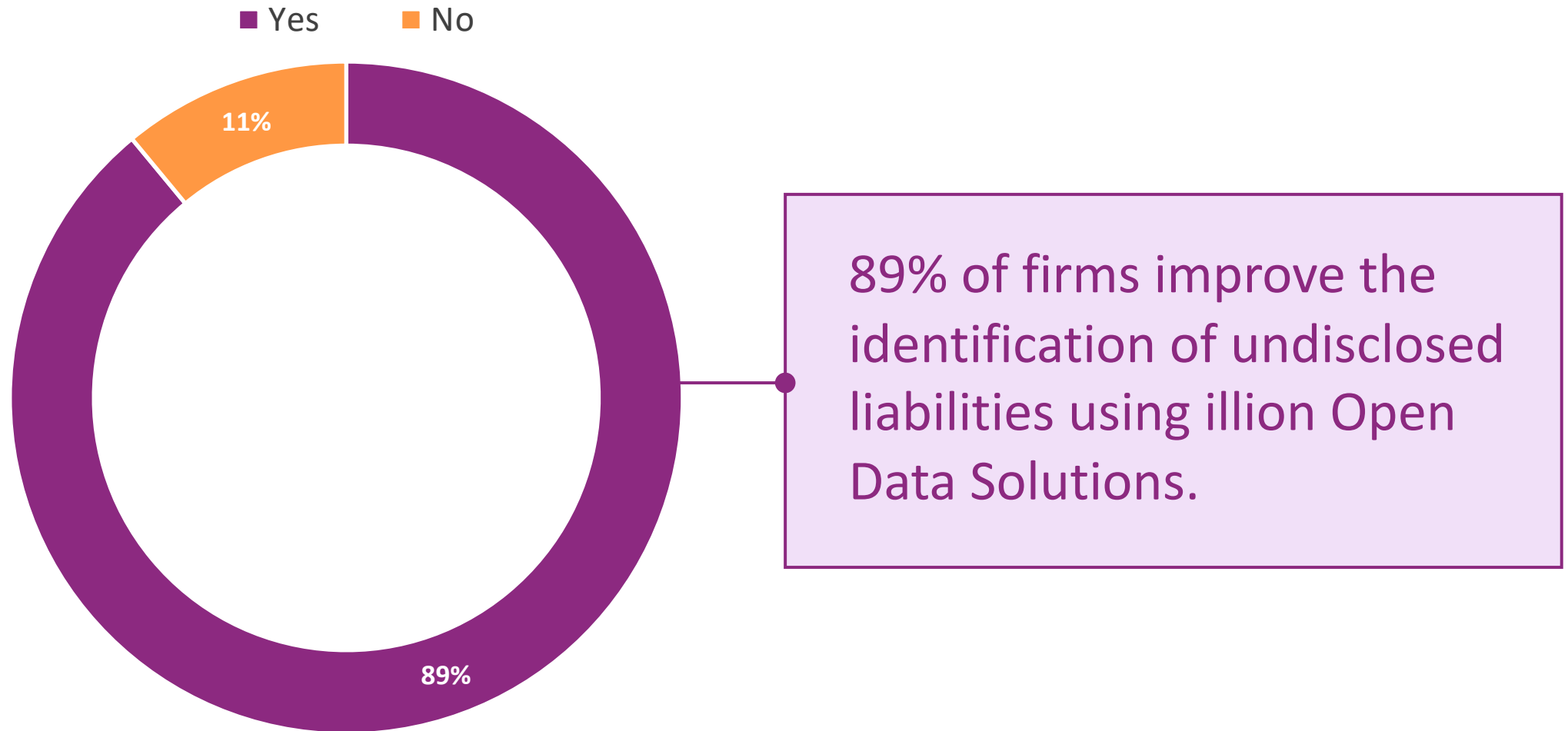


0%  
81-100%

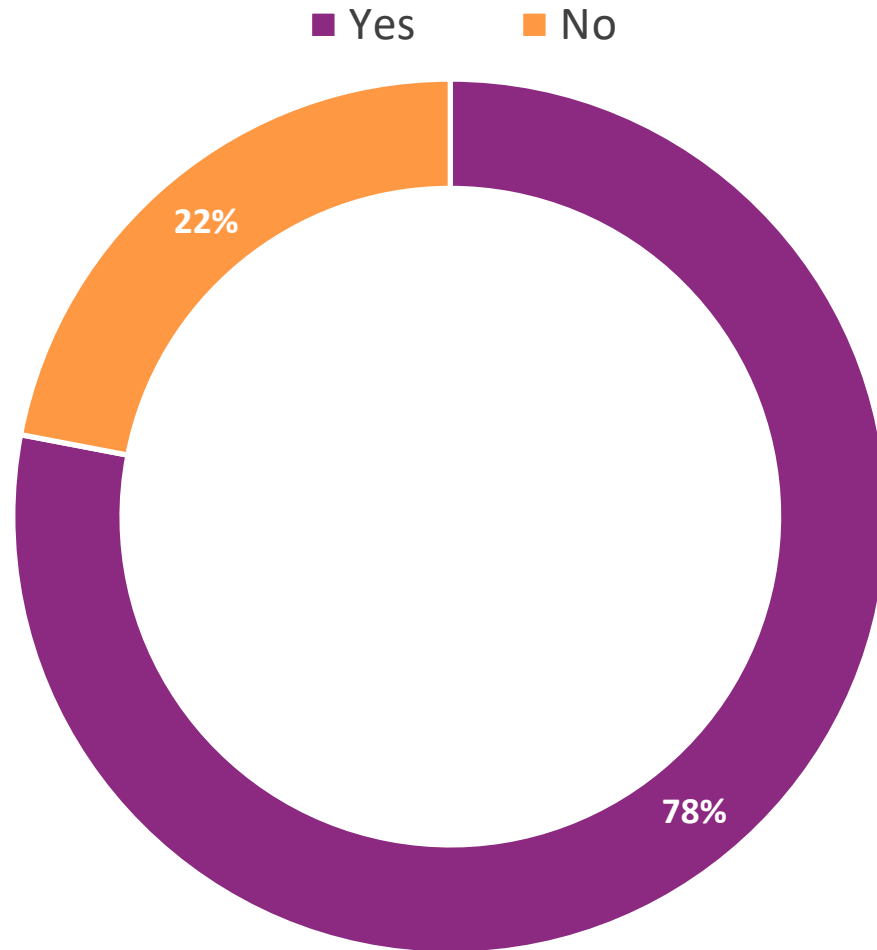
87% of expenses were more than 20% higher in amount using illion Open Data Solutions.



# Has using Open Data Solutions products helped you more accurately identify over indebtedness?



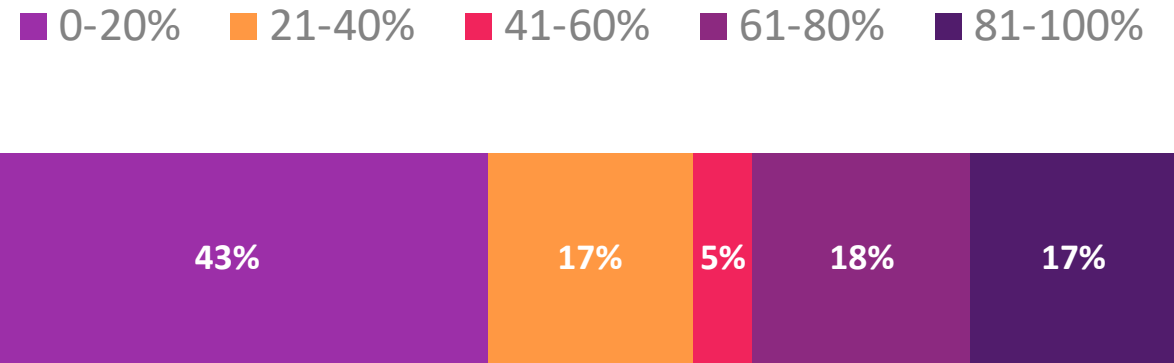
# Is there less statement fraud?



78% of companies reduced statement fraud using illion Open Data Solutions.



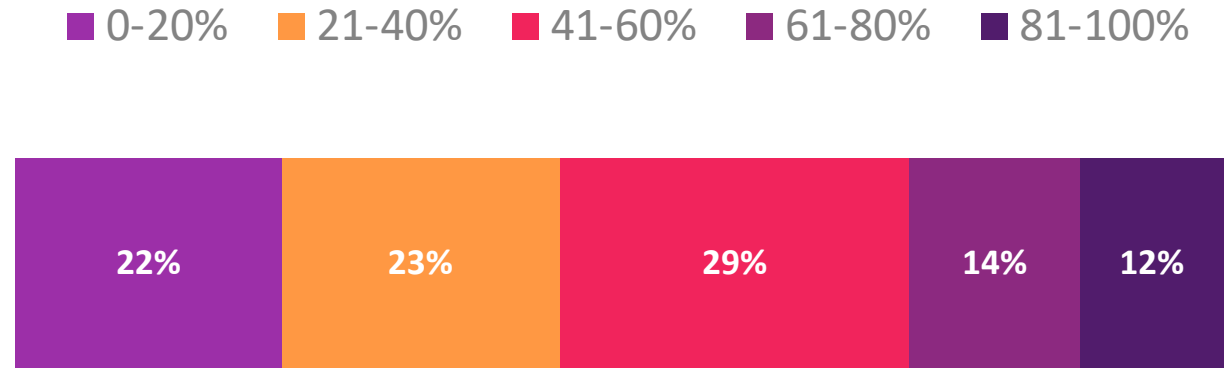
If your answer to the previous question is YES, please provide a range for fraud reduction



...and 57% saw a reduction of more than 20% in fraud using illion Open Data Solutions.



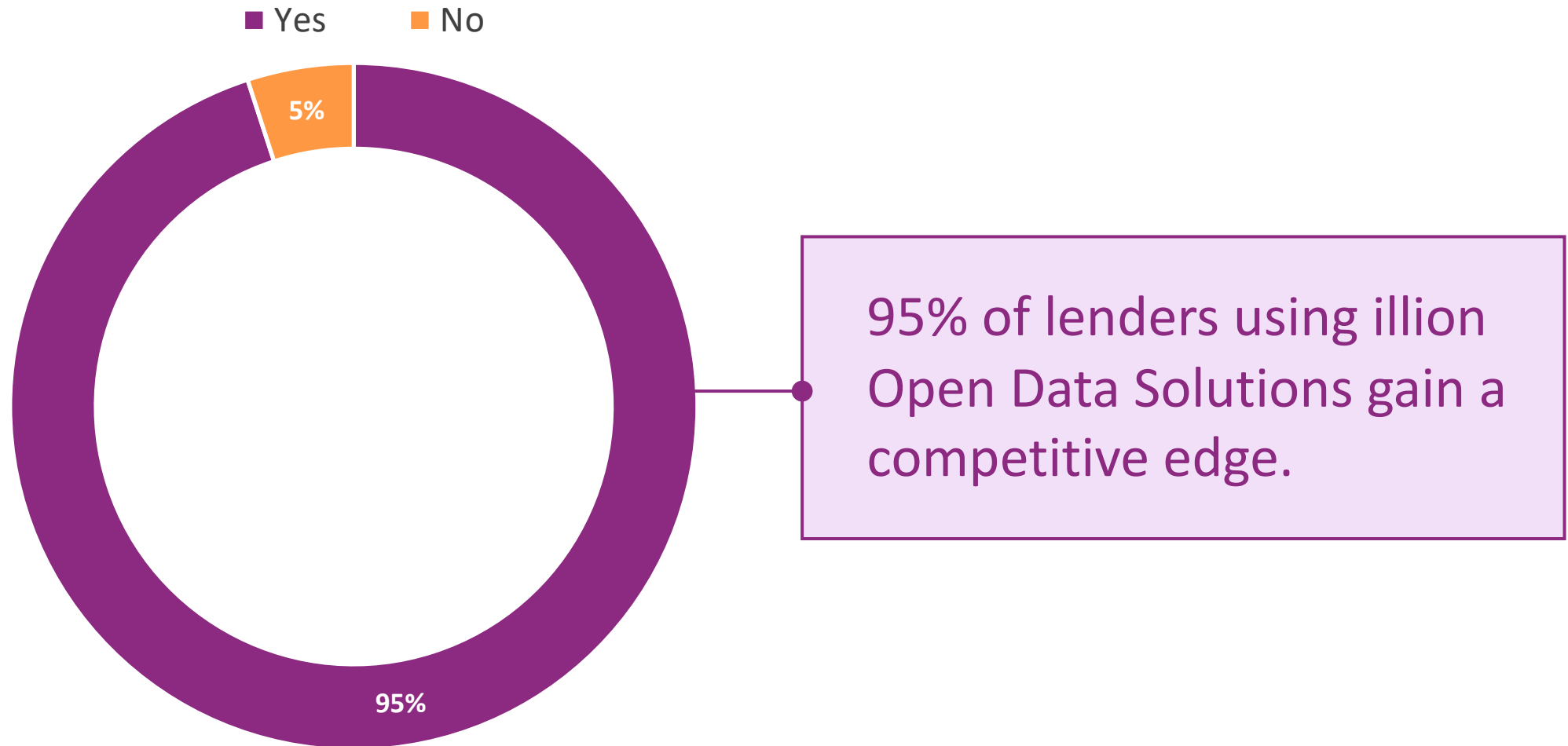
How much time does using illion Open Data Solutions products save you compared to a manual process?



78% of companies reduced time by more than 20% using illion Open Data Solutions.

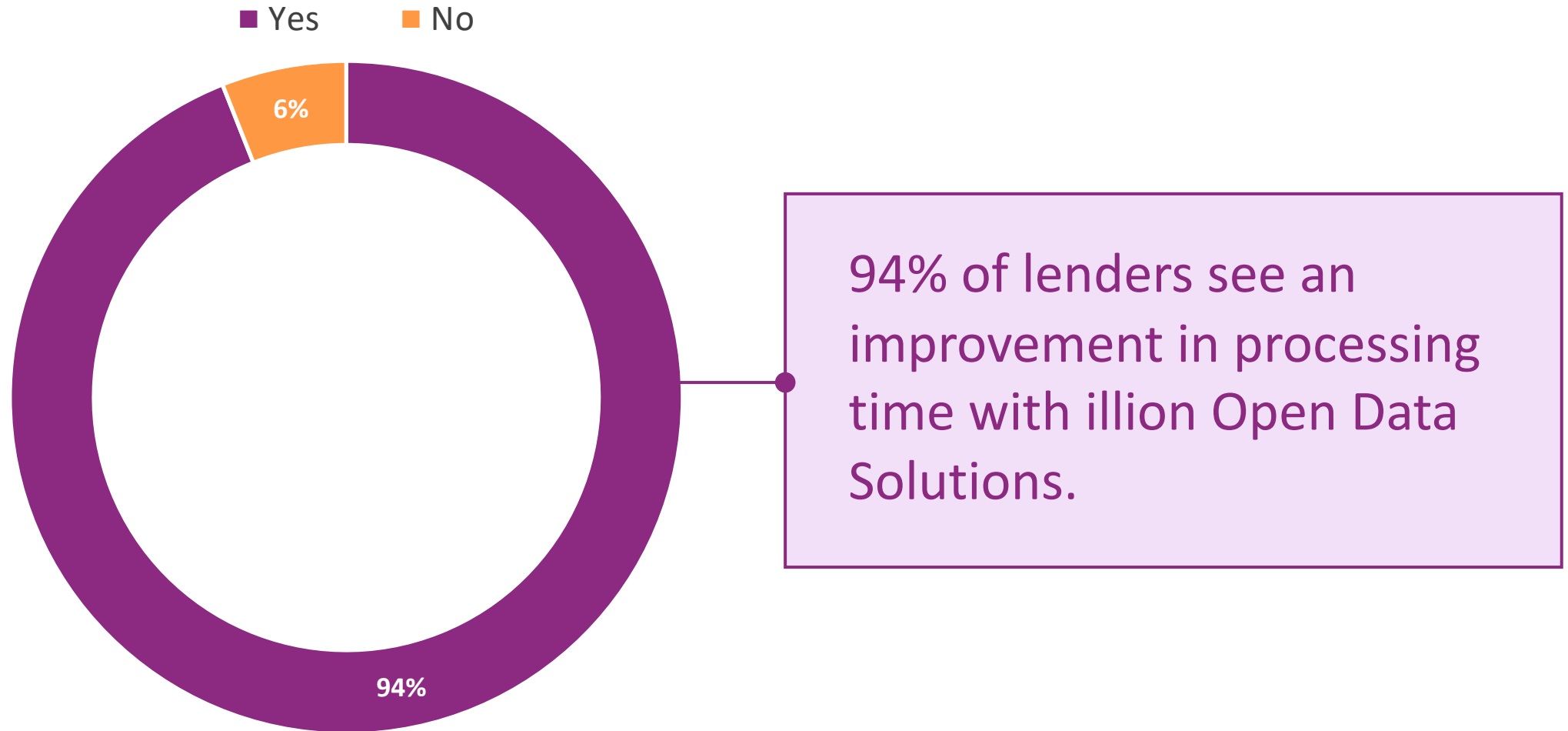


# Do you think using our data gives you a competitive edge in terms of speed of processing and overall accuracy?

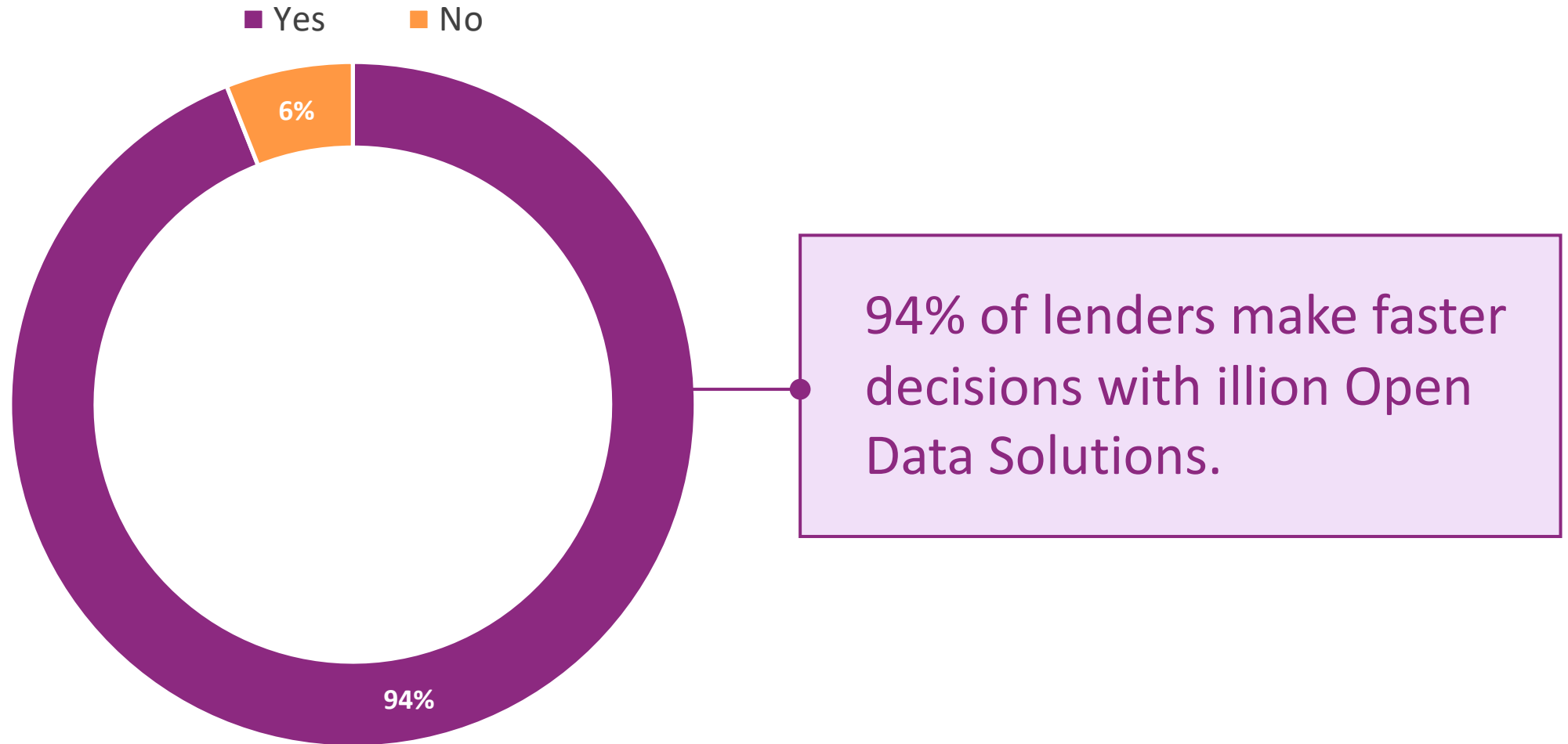




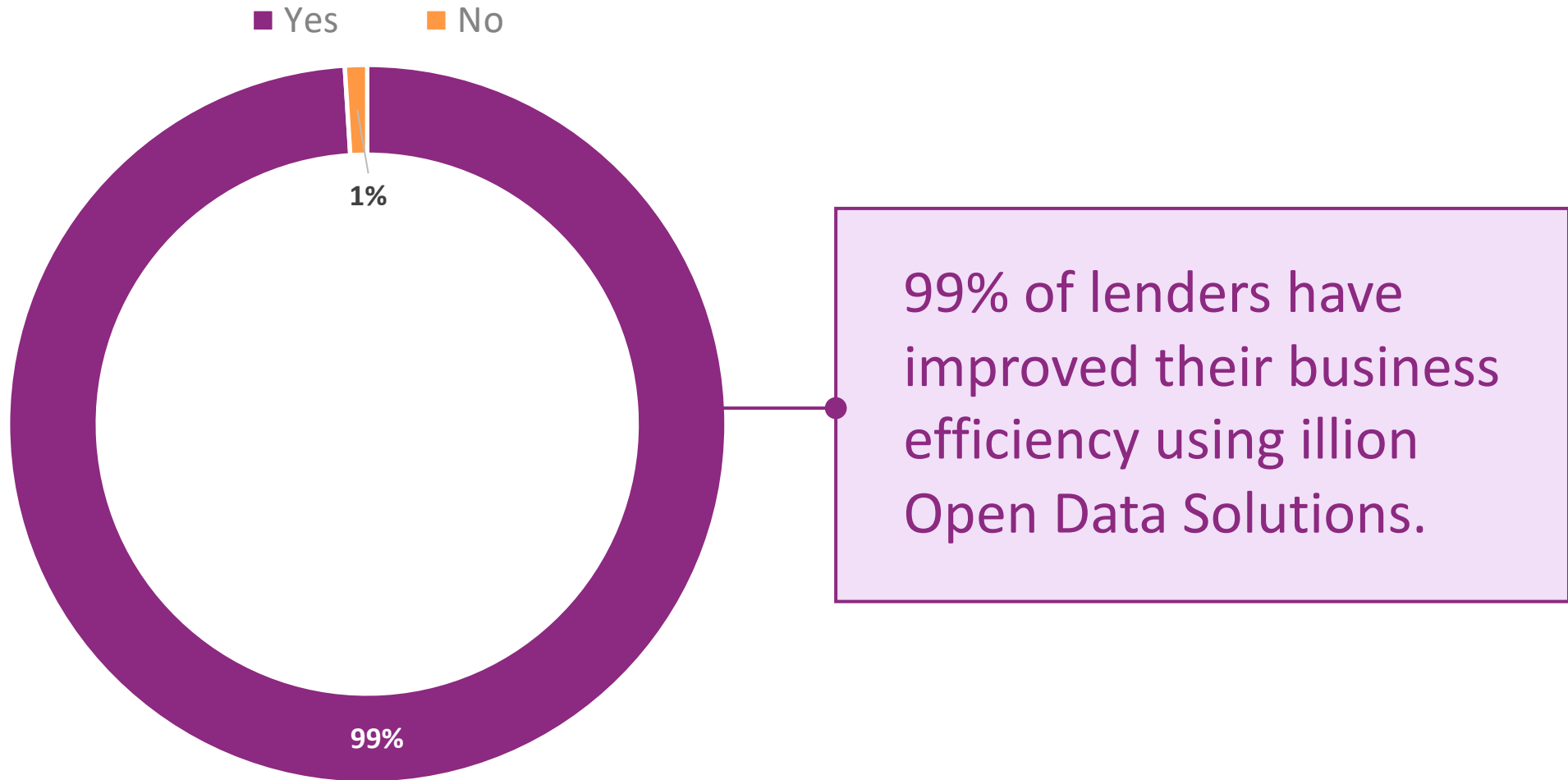
# Thinking about Straight-Through Processing, has using our service helped reduce assessment times?



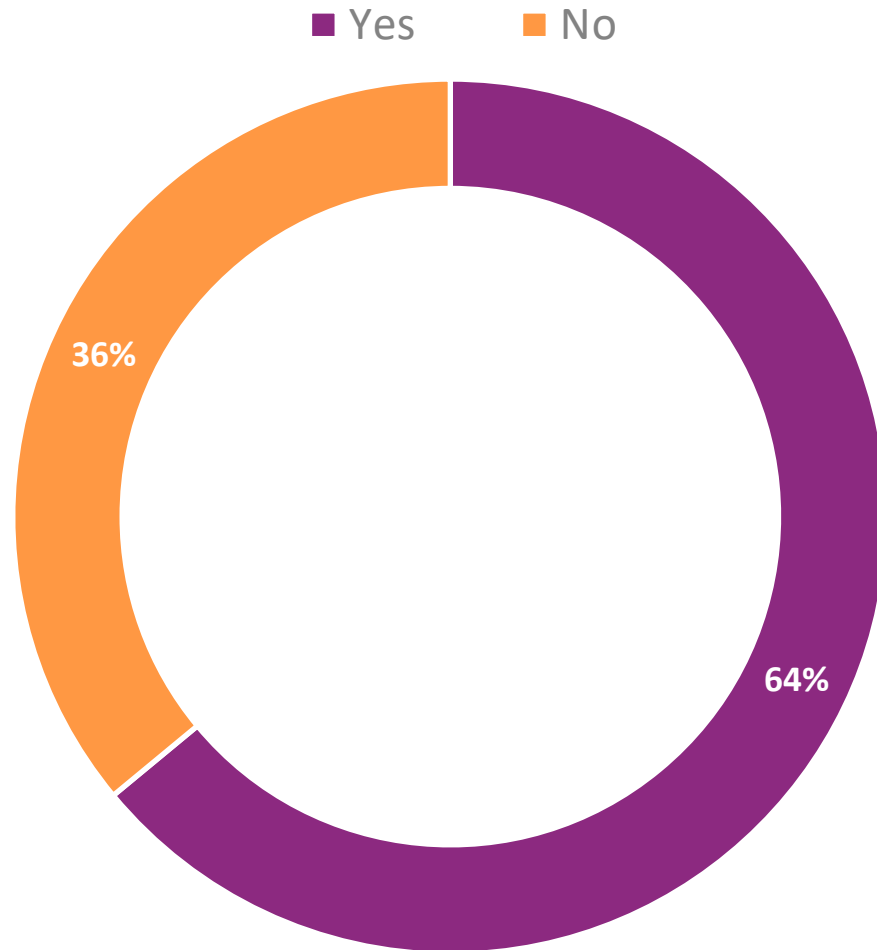
# Again, thinking about Straight-Through Processing, has using our service helped reduce time-to-decision?



# Does Open Data Solutions help improve your overall business efficiency?



# Has using Open Data Solutions helped you to grow your business?



Two thirds of respondents think using Open Data Solutions has helped to grow their business.



# Overall, how would you rate illion Open Data Solutions?



4.4 out of 5 stars

■ 1 Star ■ 2 Stars ■ 3 Stars ■ 4 Stars ■ 5 Stars



Lenders using illion Open Data Solutions rate us well.



# Talk to us

Get in touch to discuss how illion Open Data Solutions can improve your business with automated bank data.

If you're already partnered with us, let's chat about how our range of technology products can further help your business to grow.

Get in touch





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# illion Open Data Solutions Responsible Lending Survey

Mortgage and Finance Brokers

September 2019





## Mortgage and finance brokers trust our bank data to verify key customer information

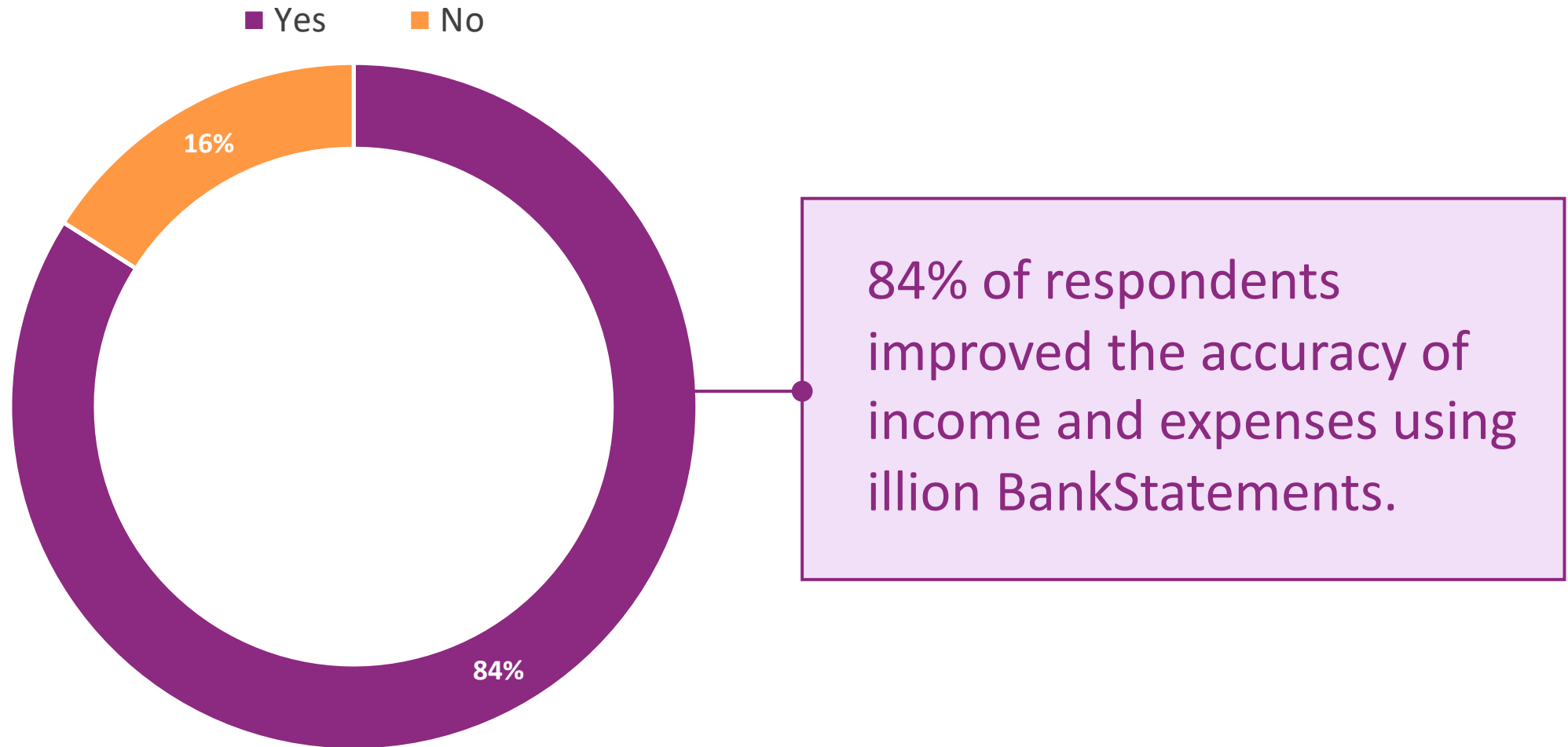
**In August 2019, illion Open Data Solutions (ODS) asked 4,000 brokers using illion BankStatements how this solution helped improve their business.**

**What we discovered was amazing.**

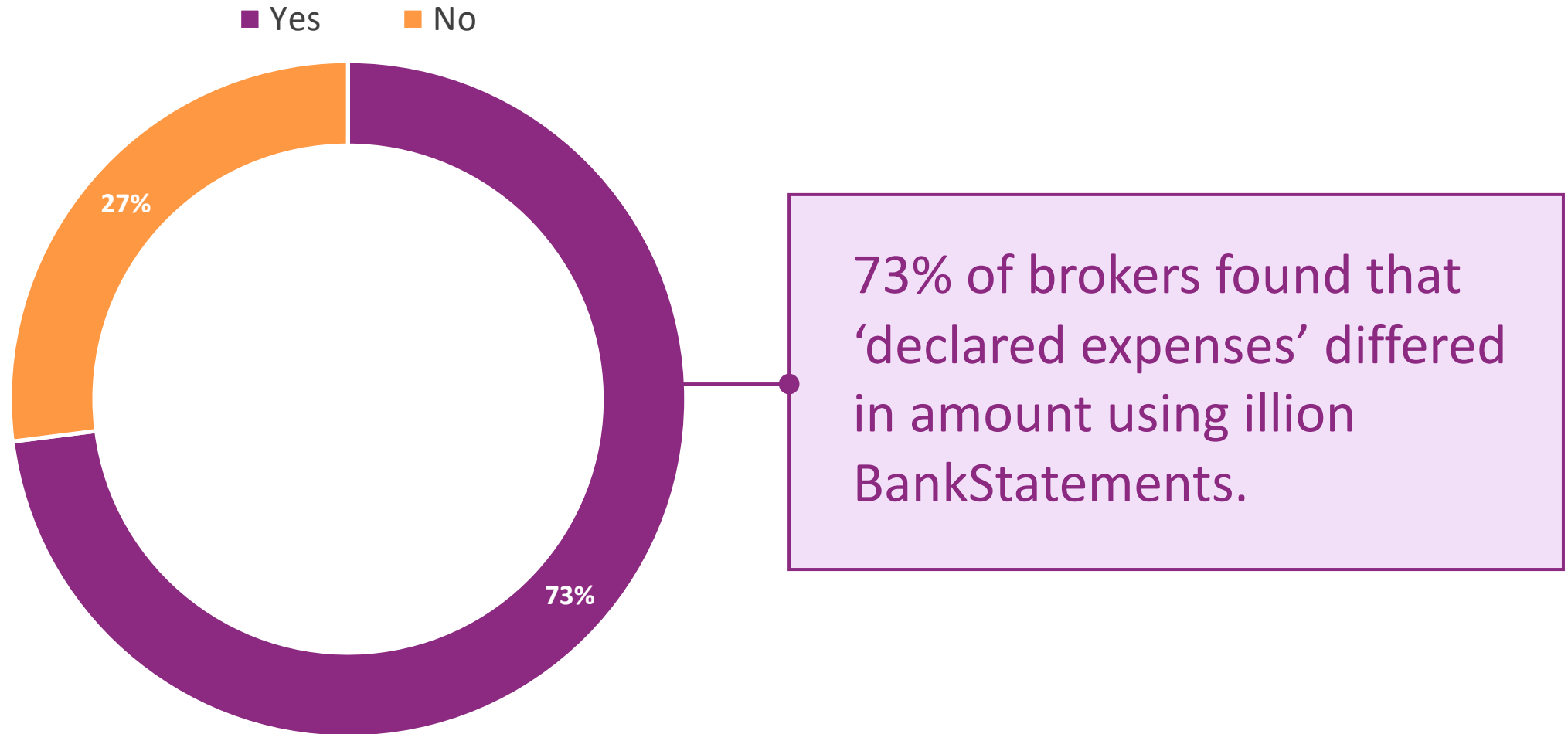
- 97% of respondents said it improved their business efficiency
- 93% told us they now had a competitive edge in terms of processing speed and overall accuracy:
  - They achieve faster turnaround time with documents, translating to faster settlements
  - They have reduced the average waiting period for bank statements from two days to literally a few minutes
- It enables accurate verification of income and living expenses, and provides a better customer experience for their clients
- Respondents also told us that using BankStatements helps prevent fraud and improves compliance



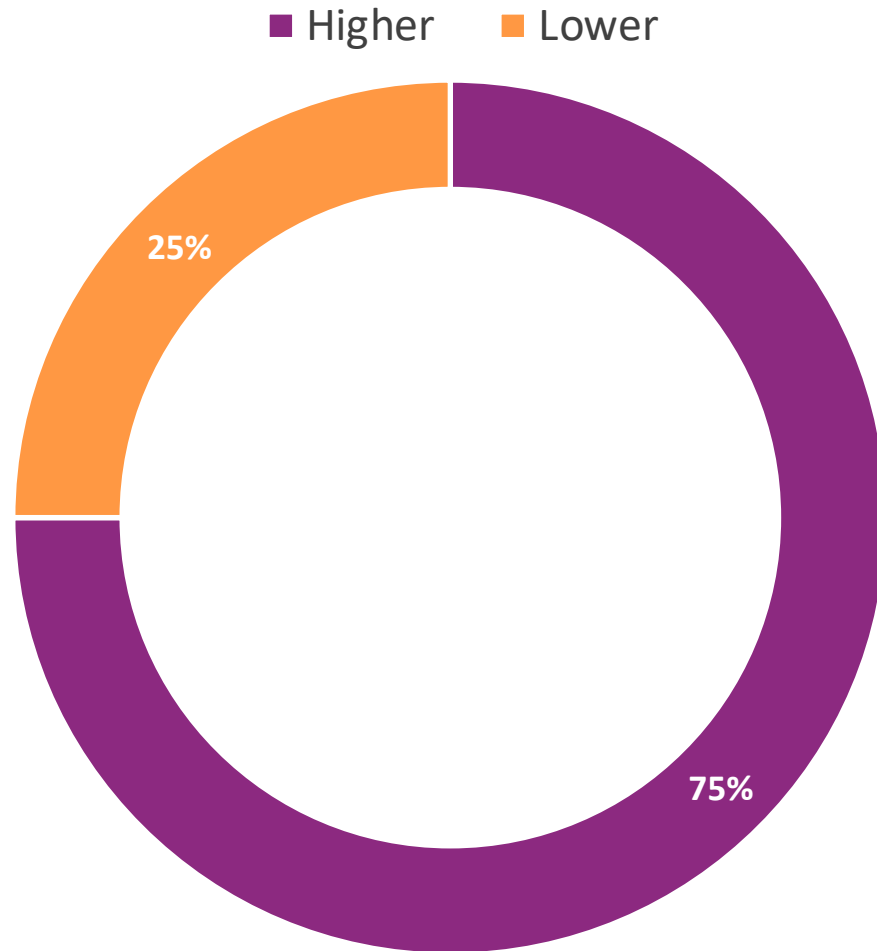
# Is the estimation of income and expenses that we provide more accurate than your previous process?



# Are the disclosed expenses different (in amount) from those provided through your previous process?



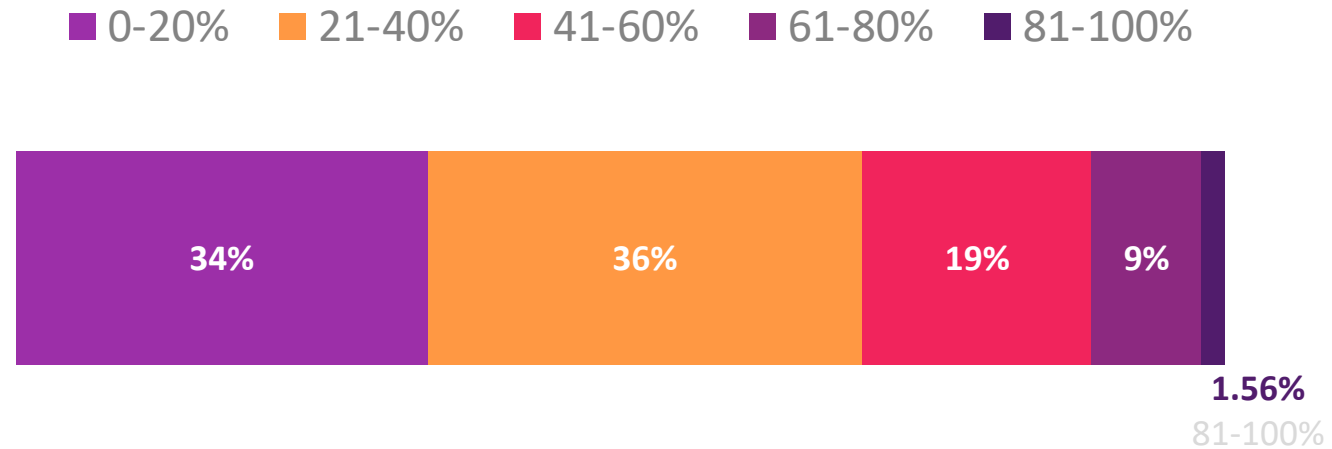
# If your answer to the previous questions is YES, are the disclosed expenses



...and 75% of brokers found that actual expenses were higher in amount using illion BankStatements.



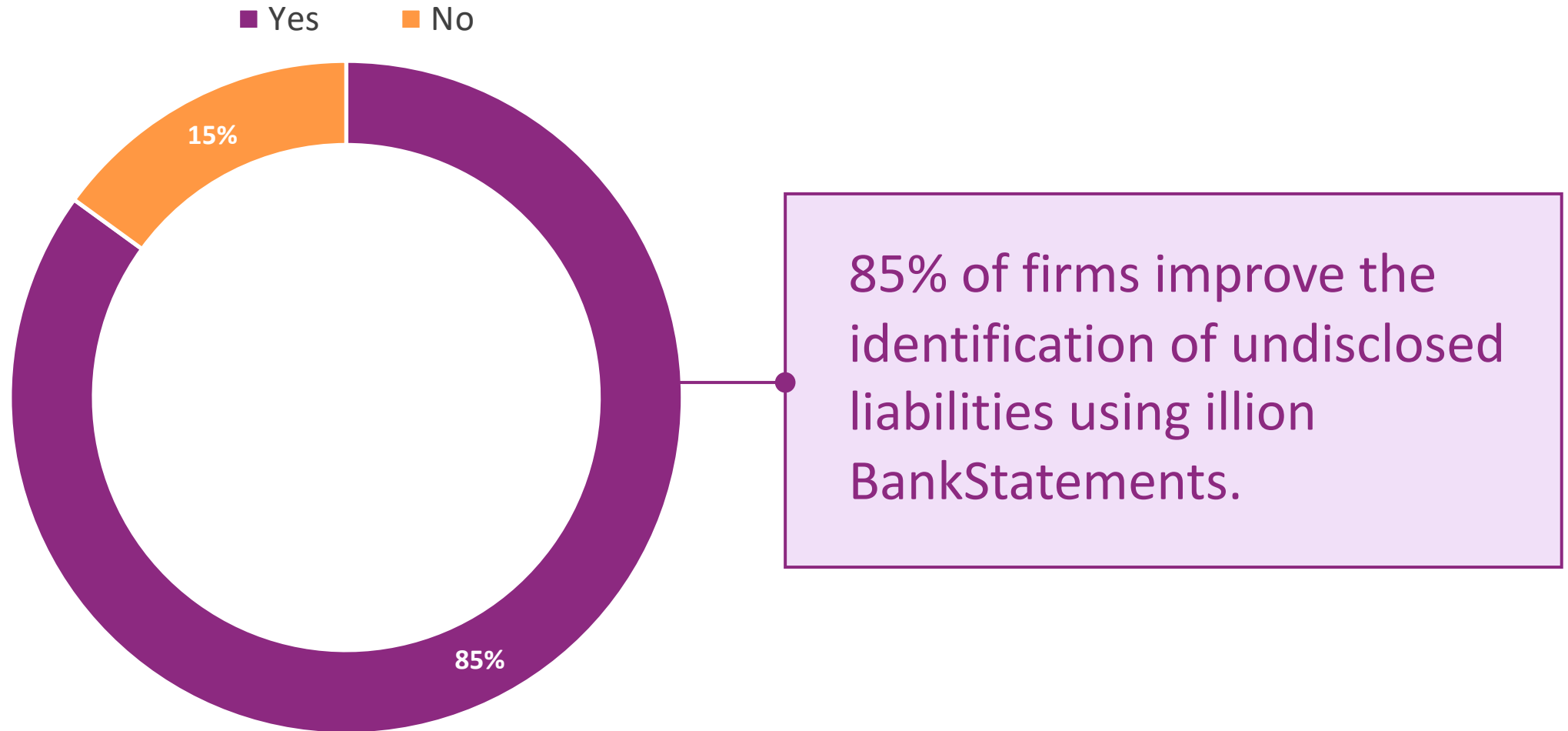
Please range how much higher disclosed expenses are when using illion Open Data Solutions



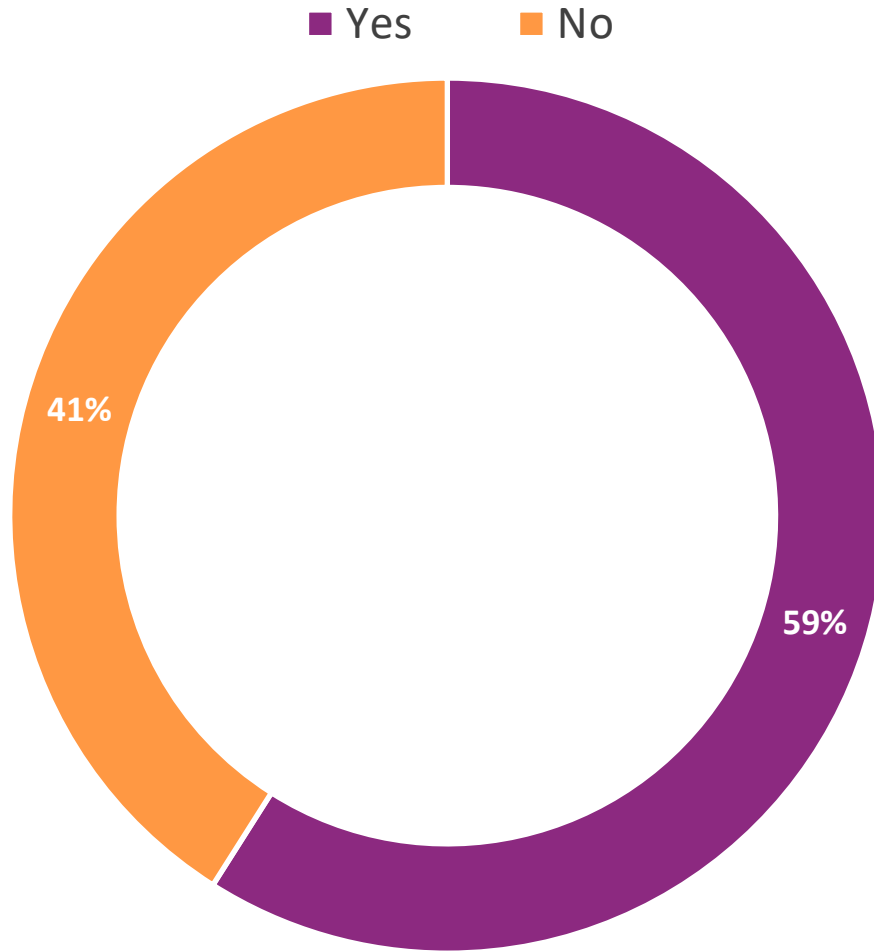
66% of expenses were more than 20% higher in amount using illion BankStatements.



# Has using Open Data Solutions products helped you more accurately identify over-indebtedness?



# Is there less statement fraud?



59% of companies reduced client statement fraud using illion BankStatements.



If your answer to the previous question is YES, please range the fraud reduction

■ 0-20% ■ 21-40% ■ 41-60% ■ 61-80% ■ 81-100%

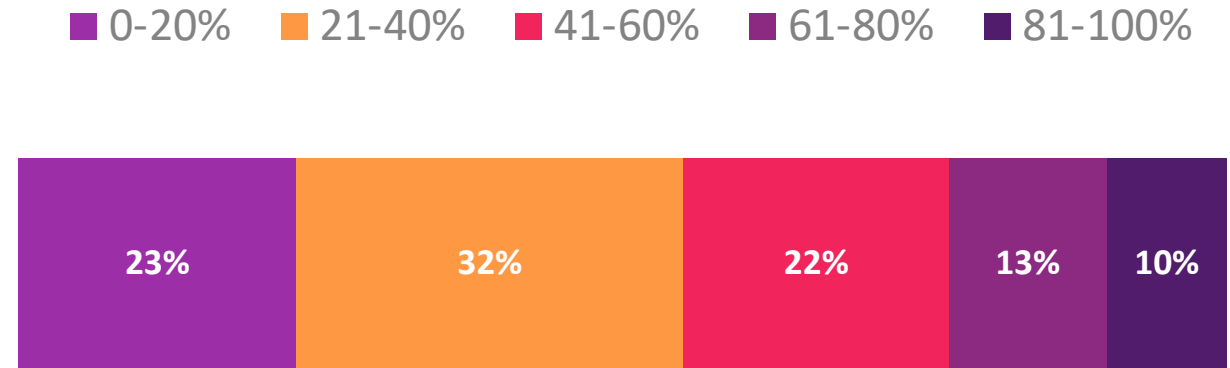


...and 43% saw a reduction of more than 20% in fraud using illion BankStatements.





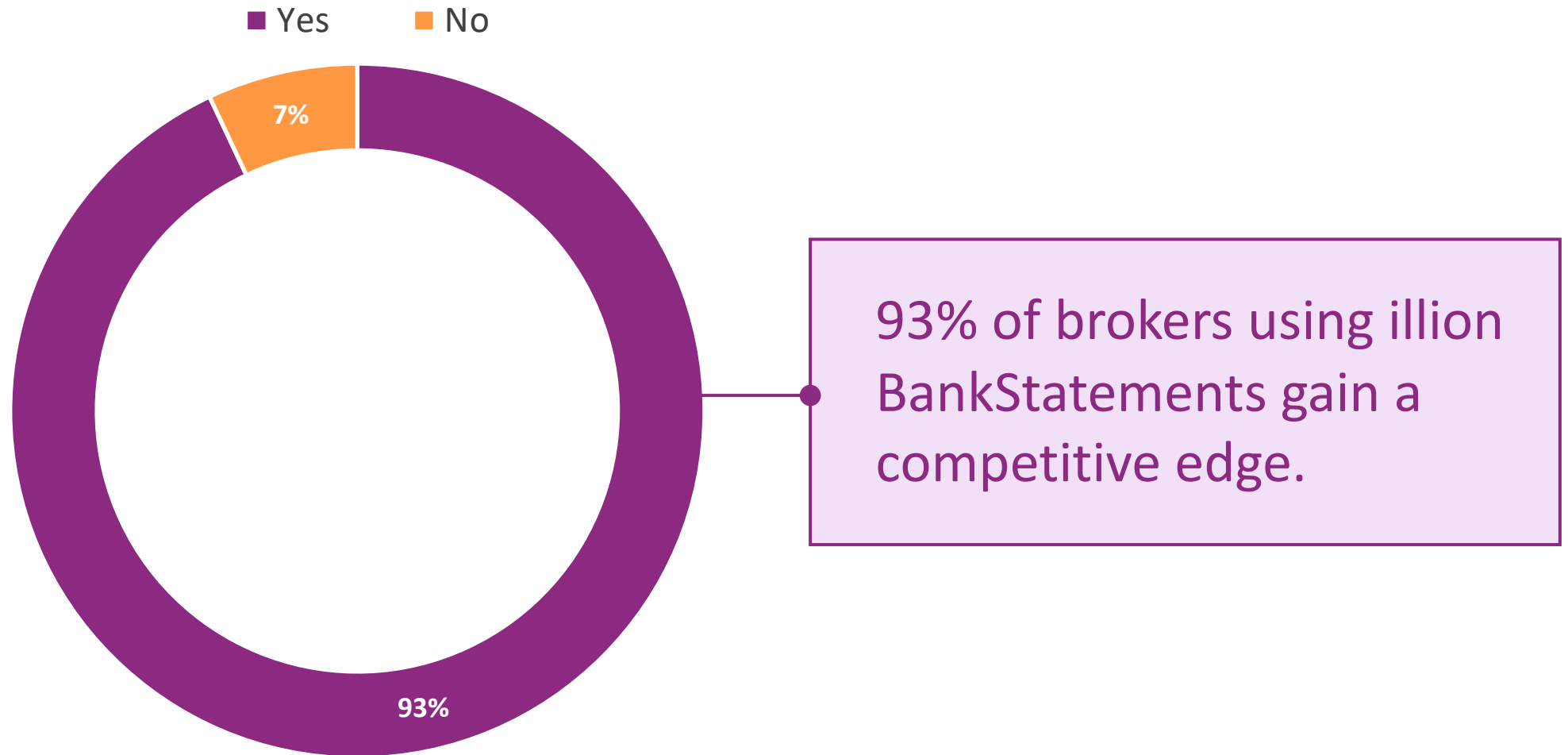
How much time as a percentage does using illion BankStatements save you each month compared to a manual process?



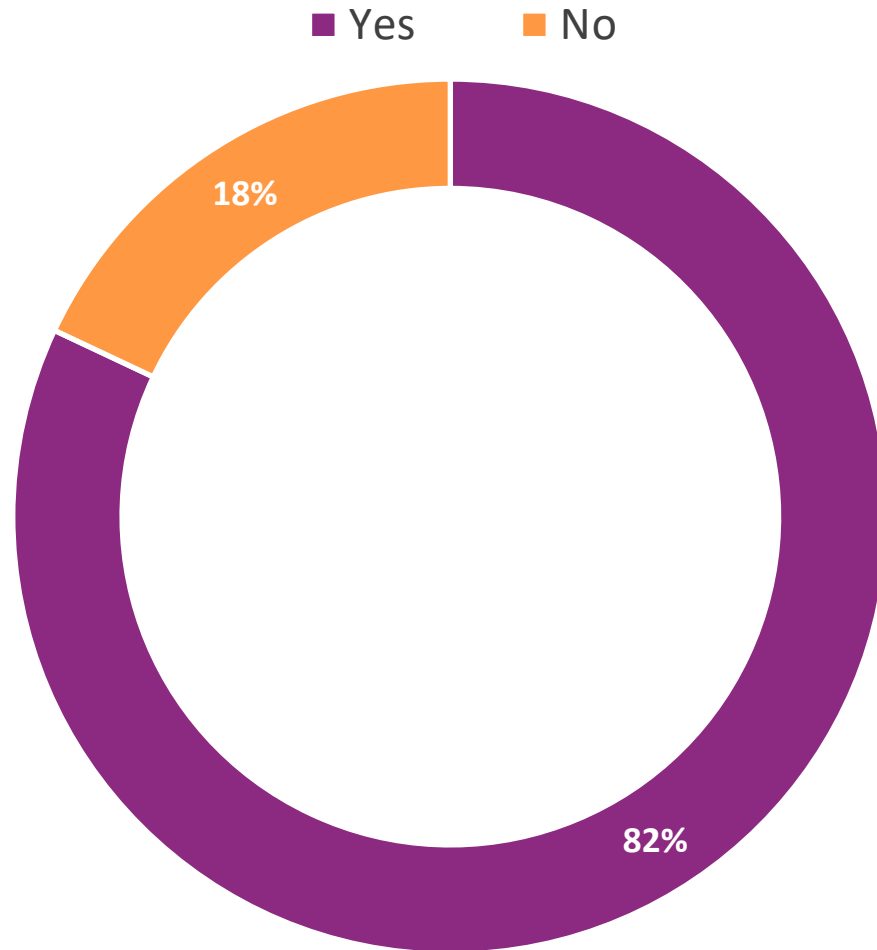
77% of companies reduced time by more than 20% using illion BankStatements.



# Do you think using our data gives you a competitive edge in terms of speed of processing and overall accuracy?



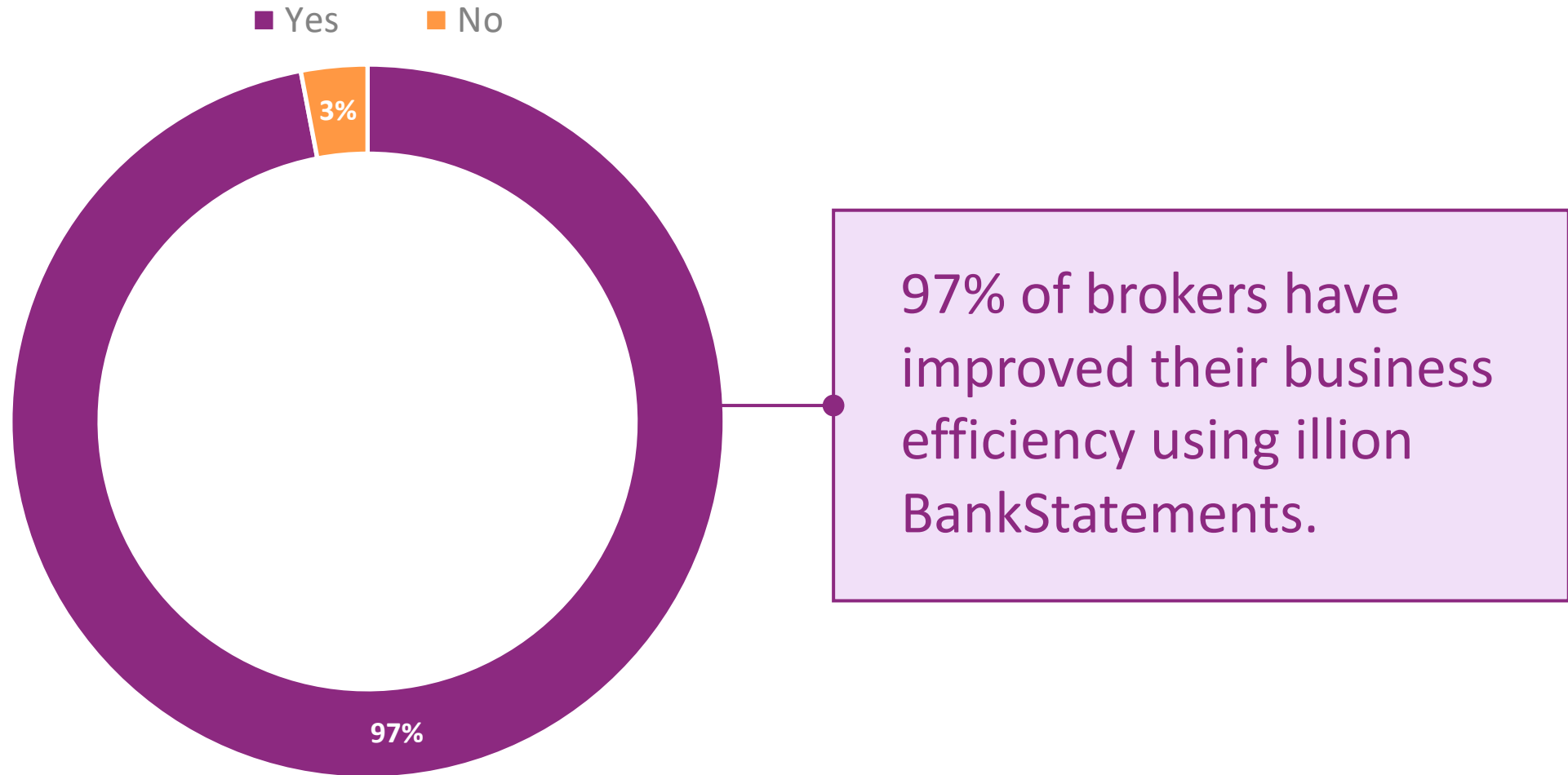
# Thinking about deal velocity, has using our service helped reduce assessment times?



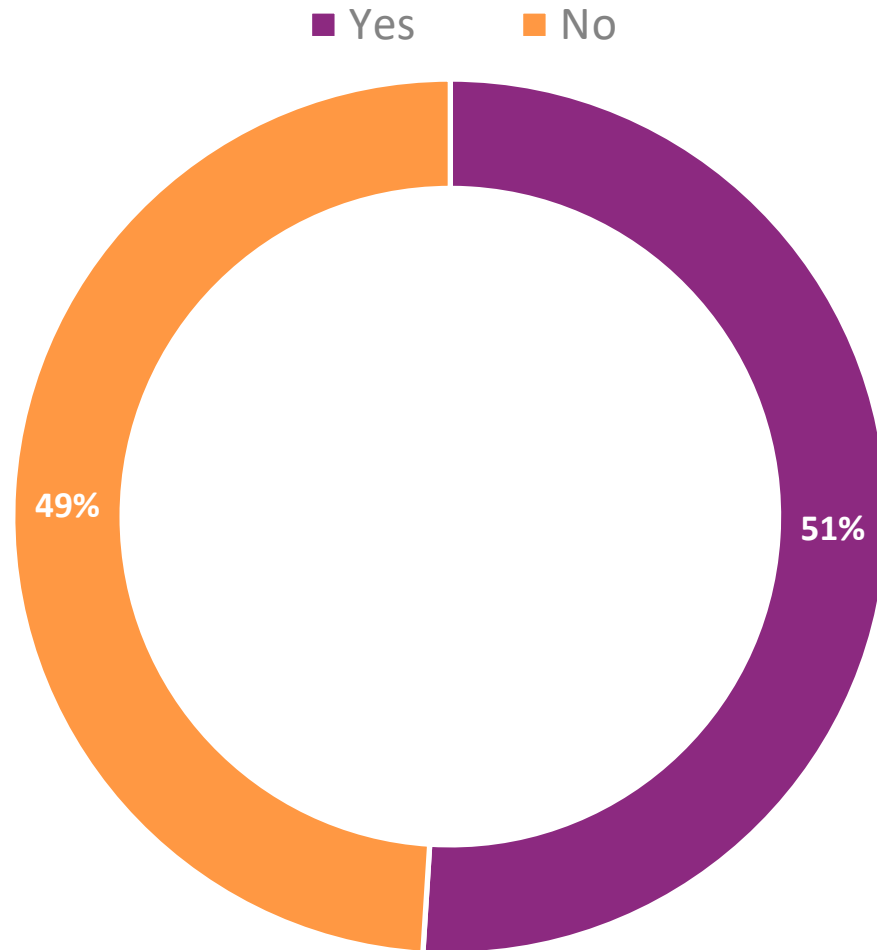
82% of brokers see an improvement in processing time with illion BankStatements.



# Does Open Data Solutions help improve your overall business efficiency?



# Has using Open Data Solutions helped you to grow your business?



Over half the respondents think million Open Data Solutions has helped to grow their business.

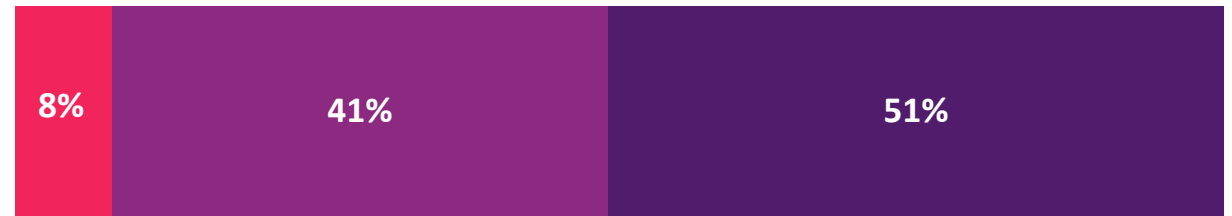


# Overall, how would you rate illion Open Data Solutions?



4.4 out of 5 stars

■ 1 Star ■ 2 Stars ■ 3 Stars ■ 4 Stars ■ 5 Stars



Our broker customers rate us well.



# Talk to us

Get in touch to discuss how illion BankStatements can help your business with automated bank statement retrieval.

If you're already partnered with us, let's chat about how we can help you get the most value from our service.

Get in touch





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