

Mr Danny Namgyal
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22 February 2018

Dear Mr Namgyal

MANDATORY COMPREHENSIVE CREDIT REPORTING CONSULTATION

The Insurance Council of Australia¹ (the Insurance Council) appreciates the opportunity to provide a submission to the Treasury's consultation on the National Consumer Credit Protection Amendment (Mandatory Comprehensive Credit Reporting) Bill 2018 (the Bill).

The Bill would amend the *National Consumer Credit Protection Act 2009*, to mandate a comprehensive credit reporting regime that would require, from 1 July 2018, large ADIs and their subsidiaries to provide comprehensive credit information on open and active consumer credit accounts to certain credit reporting bodies. Consultation on the Bill follows the Government's 2 November 2017 announcement that it would legislate for a mandatory comprehensive credit reporting regime².

As the Treasury is aware, there has been a sustained period of heightened community interest in comprehensive credit reporting (CCR), particularly following the release by the Productivity Commission (the Commission) of its report on its Inquiry into Data Availability and Use³, which recommended mandating CCR if voluntary CCR targets were not met.

The Insurance Council strongly supports the Bill. CCR is significant to lenders' mortgage insurance (LMI) providers operating in Australia, and its wider implementation would enable it to play a more effective role in facilitating greater access to home ownership for Australians – particularly for low income or equity and higher-risk borrowers who have the capacity to repay a loan but do not have a significant deposit.

LMI has been a critical component of the Australian housing market since 1965, facilitating home ownership and accessibility to credit for millions of Australian borrowers, as it enables those who would otherwise have difficulty obtaining a home loan to satisfy responsible lending criteria and purchase a home.

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. September 2017 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$45.1 billion per annum and has total assets of \$118.1 billion. The industry employs approximately 60,000 people and on average pays out about \$132.8 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

² [Announcement](#) by the, Hon Scott Morrison MP, Commonwealth Treasurer, 2 November 2017.

³ Productivity Commission [Inquiry Report](#): Data Availability and Use, No. 82 31 March 2017. Pages 228-231 refer.

LMI providers also play a significant role in promoting market discipline and scrutinising the quality of credit in the Australian mortgage market, which can help ensure that certain potential borrowers do not take on loans that would otherwise be unmanageable in their individual circumstances. LMI providers therefore help reinforce prudent lending standards and support a more resilient and stable financial system.

In support of sound lending practices, LMI providers rely on access to CCR information (such as defaults, bankruptcies, writs or summons) to appropriately identify, measure and price risk in providing mortgage insurance coverage. This is why direct access to all available credit information on a borrower is integral to the business model of all LMI providers under Australia's prudential regulatory regime. This includes understanding and provisioning for portfolio risk, holding appropriate capital as required under Australian prudential standards and the use and application of scoring tools to determine risk appetite and exposure.

CCR is also fundamental to the efficient and effective operation of lenders, as emphasised by the Productivity Commission:

*"The efficient and effective operation of credit markets relies on credit providers being able to access sufficient (and reliable) information about borrowers to form a basis for making decisions about who to lend to, and at what price."*⁴

The Insurance Council notes that the Financial System Inquiry (FSI) recommended in 2014⁵ that if CCR participation is inadequate over time, the Government should consider legislating mandatory participation. In support of its recommendation, the FSI clearly emphasised that:

*"... sharing of credit data would reduce information imbalances between lenders and borrowers. It would also facilitate borrowers switching between lenders and greater competition among lenders ..." and "... reduces the likelihood that originated loans will default (reducing interest rates) and/or increases the availability of credit."*⁶

In this context, as LMI providers take on the same risk as lenders, initiatives that support CCR can significantly enhance an LMI provider's ability to accurately assess risk and provide LMI for the benefit of potential borrowers. This is the central reason why the Insurance Council supports the proposed reforms.

If you have any questions or comments in relation to our submission, please contact John Anning, the Insurance Council's General Manager Policy, Regulation Directorate, on tel: (02) 9253 5121 or email: janning@insurancecouncil.com.au.

Yours sincerely



Robert Whelan
Executive Director and CEO

⁴ Productivity Commission [Draft Report](#): Data Availability and Use, October 2016. Page 165 refers.

⁵ Financial System Inquiry [Final Report](#), November 2014. Pages 190-192 refer.

⁶ Ibid.