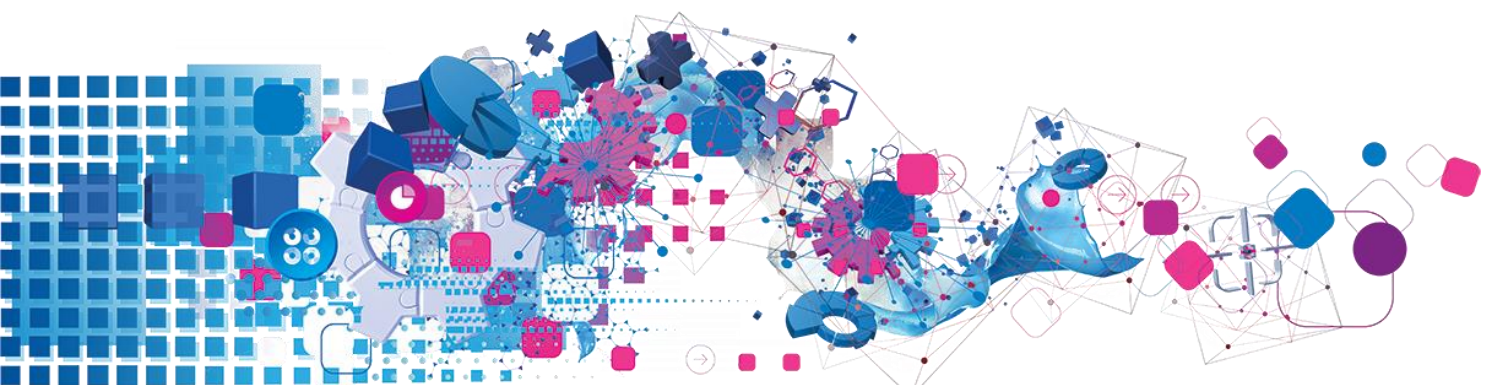


Consumer Data Right

Inquiry into Future Directions for the Consumer Data Right

Experian Australia response
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1. Executive summary

Consumer Data Right (CDR) gives consumers the right to safely access certain data about them held by businesses, and direct that their information be transferred to accredited, trusted third parties of their choice. It also requires data holders to provide public access to specified information about their products upon request.

Experian welcomes the opportunity to provide feedback to The Treasury through the consultation paper around the opportunities, benefits and considerations for the future direction of the CDR regime.

The foundational rules of the CDR regime passed into legislation in September 2019 focuses initially on the Australian banking sector. While the Rules currently apply only to particular types of banking products and data holders, it is intended that they will progressively apply to a broader range of data holders and products throughout the Australian economy. This approach will continue to generate benefits for, and engagement from consumers, by providing control and access to their data assets. Expansion of CDR to other industries and data sets will allow businesses to develop a broader set of products and services that are more personalised and deliver better value to their customers.

Experian operates in many of the G8 countries that are launching Open Data initiatives and have developed consumer centric solutions that are driving business growth and efficiency while delivering consumer-controlled data access. We welcome continued consultation to evolve a robust Open Data future.

2. Future role and outcomes of the CDR

The Inquiry invites submissions on the future roles that could be performed by the CDR, the future outcomes which could be achieved, and what is needed for this to happen.

2.1 Benefits to Consumer

The opportunity to create centralised dashboards to allow consumers to have visibility, access and control of all their financial data will deliver some of the strongest benefits on the vision of CDR.

Enabling consumers to have full visibility and access to all their data across several sectors – such as savings, investments, superannuation and credit - will allow consumers to more adequately manage their financial health and planning.

Trusted third parties can expand existing services and assist consumers with their personal financial management - with advice on current spending and saving patterns, alerting consumers to more cost-effective products and services, and seamlessly transferring accounts to more cost-effective providers. These data sets and the access by data participants need to become a seamless part of the CDR.



Comprehensive financial information

Although credit data was not identified as a part of the initial CDR datasets, consumers understanding of credit data and the impact on their ability to obtain financial products (such as credit cards, loans and mortgages) is increasing with the roll out of Comprehensive Credit Reporting (CCR). A credit report represents a specific set of financial behaviours. Australian regulations recognise that while this information is critical to managing lending risk, banking transaction data helps a credit provider assess a consumer's ability to service their debt i.e. their affordability.

Giving consumers control over the access and use of their credit data will open up multiple opportunities for consumers - as an example, the development of dashboards can allow consumers to quickly build their financial profile for pre-qualifications, managing their credit and banking transaction information, and simplifying lending and account opening processes.

However, it is recommended for Regulators to review the current obligations placed on entities under the Privacy Laws of Australia in particular, around access to credit information to enable consumers to provide explicit consent for their credit information to be shared with trusted third parties.

In countries like the UK and US, they are starting to realise the benefits to the consumer of combining transaction data and consumer credit to be used to improve credit decisioning, and therefore, financial inclusion where consumers have thin credit files, and potentially make available a wider selection of products to consumers.

Experian in the US, and forth coming to the UK, has developed credit scoring solutions that allow the consumer to leverage their traditional credit account information and bank transaction data, with their consent, to

provide a broader view of a consumer's payment history that is modelled into a credit score.

In the UK, Experian offers products that combine credit information and bank transaction data, to create an affordability profile to quickly inform consumers about their financial circumstances.

In Australia, where the reporting of positive data through the CCR regime is still expanding, the inclusion of transaction data could improve consumer access to credit products.



Investments

Expansion into Personal Investment, Superannuation, and Pension sectors would present opportunities for consumers to manage their portfolios across diverse accounts. For some consumers the consolidation of multiple funds, ancillary financial products and retirement instruments can drive innovation in this sector.

Additionally, inclusion of this data in the CDR regime can provide the breadth of data for the next advances in automated financial advice. This will allow the delivery of affordable and accessible financial planning services to a wider group of consumers who currently feel that they either can't afford or qualify for these services.

In the UK, the Money and Pensions Service (MaPS) has been developing a set of Open Data standards for two years in anticipation of the benefit and opportunity that the sharing of this data can bring to the market.



Personalised offers

A trusted third party, with the consumers consent, can monitor and alert the consumer on the best value financial products and services in the market. Solutions that combine CDR and Credit Reporting Information can assist consumers by proactively searching for new financial products that they pre-qualify for.



Insurance

Switching in the insurance industry is not highly utilised, however consumers do review other policy offerings. Where consumers may not feel satisfied with their current provider there is still a sense that switching is too difficult. Open transparency around products, pricing and benefits across providers supplemented with real-time financial data could deliver proactive offers that maximise value to the consumer. Consumers would receive the right benefits for the right price and be better placed with a provider for long-term services.

2.1 Innovation opportunities for businesses

There are significant costs to business to engage in the digital economy. Businesses will need to balance the investment in infrastructure, technology, and resources to make the most of the new data sets made available through CDR with what opportunities will drive their growth goals.



Identity management

Consumer identity and consent are functions that are the most critical component of a successful CDR regime. Successful introductions of digital identities, common consent language standards can facilitate the development of consent management solutions. Successful integrations and dashboards facilitated through APIs and participation across various data holders can bring consumers on the journey and increase access to the digital economy.



New commercial models

As businesses are taking on additional costs to comply with the regulatory aspects of CDR, the regulators should consider if there are any barriers within the current or future regulations that could prohibit business from commercialising data exchange.



Value added data

The expansion of CDR should consider and maintain the commercial value of derived and value-added data that can be developed off CDR data to enhance the product and service offerings to consumers. Intermediaries may be well placed to provide solutions like transaction enrichments, financial behavioural models, and data triggers to alert for suggested action that can deliver additional value to consumer products. Commercial value may also be a consideration around the sharing of voluntary data sets and data sets that drive product design.



Commercialisation of infrastructure

Where some participants may be challenged to implement regulated expansion of CDR, consideration should be given to commercial models that could allow organisations to charge participants to use their APIs to source data. Legislating or providing a commercial framework through which organisations can monetise the CDR regime is the key to creating a strong, sustainable infrastructure in which competition can flourish.



Regulatory support

Regulators may also consider if there are potential barriers to what types of business models and services that a business may engage in, if already in a regulated industry.

Allowing participants to be flexible in offering solutions under their core model while leveraging infrastructure to commercialise other assets. An example are banks that are looking to expand beyond their primary banking services and are now in a position to provide the platforms that can enable other CDR participants to connect to a broader set of service providers.



Risks and considerations

Having access to additional data and information in building and qualifying consumers for products and services may also expose further questions around affordability and serviceability. Regulators may need to consider where more clarity could be provided around guidelines and calculations and modernising tools like Household Expenditure Measures (HEM) to account for the current economy. CDR data could be a significant informant for monitoring and updating these systems.

3. International context

The Inquiry invites submissions on how the CDR can be leveraged with international developments of the kinds described to enhance opportunities for Australian consumers, businesses and the economy.

Australia has a thriving migration economy. Both for immigrants coming to contribute to Australian markets and for Australians who spend time working abroad. There is an opportunity for Australian regulators to work with technology industry groups that have a global framework focused on coordinating with governments and regulators on Open Data initiative.

The CDR regime could play a role in facilitating consumer access to their data in other countries that can be utilised to establish a financial base in their local regions and more freely manage their finances across countries, while having a view to and control over all of their data assets.

The UK and Europe are paving the way to understanding and delivering the benefits of Open Data to consumers while also navigating the regulatory and technology challenges, both in local expansion and across borders.

Regulatory controls on access of data and accreditation should be of primary focus and what steps can be taken to align on data privacy and security and consumer liability and compensation.

Areas that will require significant coordination and support from technology will be around consumer identity and consent models. Followed by how to manage with separate APIs being developed in local regions.

Consulting with organisations that have a multinational presence can provide more in-depth understanding of strategies and perceived barriers in opening data across borders.

4. Switching

The Inquiry invites submissions on how the CDR could be used to overcome behavioural and regulatory barriers to safe, convenient and efficient switching between products and providers, whether those barriers are sector-specific or common across industries.

Consumers will need to be confident that they are switching in a frictionless manner to a more suitable product or service than they are currently utilising. The loss of features or functionality, the time taken to switch, cancellation fees or any loss of availability of services may prevent a consumer's uptake of switching services.

Consideration should be given to putting in place regulations, service level agreements or standard industry practices that ensure that products or services are delivered to a standard that they were intended. We have seen in the UK that the volumes of consumer uptake on account switching in the banking sector has not been as intended. For the most part this has been due to the time taken to switch, as well as the loss of features on an existing account. A specific example is where the account transfer process takes 7 days, resulting in a loss of access to the bank account for this time period. An Overdraft account that was linked to an existing account may not be transferred to the new bank due to the 6-month waiting period to qualify for an overdraft.

There will be common issues across industries, as well as sector specific issues that will need to be addressed to ensure convenient and effective switching between products.

5. Read access

The Inquiry welcomes input from interested parties on the topics covered in this section – including their benefits and costs – as well as any other ‘read’ access functionality that the Inquiry should consider.



Consent management

Accessibility, plain language, and the clear identification of data participants will play a key role in consumer engagement, which is at the core of a successful CDR regime. Solutions should be encouraged that promote consolidation and tracking of consent and that provide a singular point of management for the consumer.

These solutions should provide consent and revocation actions with a few clicks. Centralised solutions will likely be in the best place to help provide consumers options to navigate control of their data.

The framework should support the data exchange needed for auditing and dispute resolutions amongst the participants.

Solutions should also provide mechanisms for consumers who do not want to or cannot fully engage in a digital economy. Mechanisms should be in place to support the sharing of data and the tracking of consents for these consumers.



Consent taxonomy

As observed in the UK there is a need to simplify consent and standardise terminology to reduce the potential for consent fatigue. Consumers may start to feel more concern as the explicit consents require more attention and review across providers in the ecosystem of the service being offered. The process of click throughs starts to become somewhat onerous and confusing for the consumers. Expanding outside of Banking to other industries will require more consistent language for consumers to feel that they understand consent across applications.



Standardisation of voluntary data

All data sets benefit from standardisation where the data has similar use and meaning. Voluntary data should be clearly defined and structured for the benefit of participants – standard APIs will result in cost effective implementations, speed of access to data as well as speed of product development and innovation.



Data minimisation principles

The current rules around data minimisation have a clear focus in protecting the consumer and not allow for more data to be collected than is reasonably required to provide goods and services. The use of data either within banking and/or combined with other sectors has the potential to provide real benefit to consumers.

Consequently, a very rigid approach to data use or unclear definitions for permitted purpose of data use may stifle innovation and or limit the effectiveness of products and services. By way of example, the use of credit scoring models has been used in credit risk for responsible lending for decades. In recent times these models have graduated to the use of Machine

Learning (ML). Such models require data to be maintained. These models help lenders to comply with responsible lending regulation and they streamline the process for consumers (e.g. lower overall data capture, categorisation of income and expenses via transaction data obtained through CDR).

If data minimisation in the context of a loan application allowed for use of a consumer's data for a product/service, but precluded the use of some of that data in maintaining the performance of the models, then consumer value would be reduced over time since the models would no longer operate effectively. The current rules suggest that data collected for the purpose of a loan application could not also be used in the ongoing maintenance of statistical models that are in turn used for loan assessment and ultimately providing the consumer with access to suitable products and services.



Increasing participation

As discussed in the Consultation on the Role of Intermediaries, there needs to be a balance in the Accreditation process as related to the role a participant is playing in CDR and their use of the data. Data security and consumer confidence is paramount to a successful CDR regime. Clear requirements and liability framework as well as a mechanism for enforcement will demonstrate that CDR can be implemented to the benefit of consumers. Leveraging existing regulatory frameworks and licensing could be a consideration. Focus on trusted entities and how to increase their participation, while requiring new entrants and those who may have had security lapses in the past to present their due diligence to align with accreditation standards as appropriate.

6. Write access

The Inquiry welcomes input from interested parties on the topics covered in this section. In the context of Open Banking, the Inquiry is particularly interested in interested parties' views on how the CDR could best enable payment initiation.

Payment initiation will be a logical next step as the CDR regime looks to foster further innovation that increase consumer access to more competitive products and services and financial management tools that improve standard of living and prospects for the future.

It should be noted that this introduces another layer of complexity and liability to the participants who wish to engage in Write Access. The same frameworks should apply with accreditation, consumer consent, data security and privacy. Auditing, dispute resolution and liability assignment on behalf of the participants will need more scrutiny.

Secure Customer Authentication will be a critical step beyond consent. In bringing Write Access to market, consideration needs to be given to the process used to confirm consumers' identities and the provenance of their financial data. Streamlining this process with a common set of identity-verification criteria or a single, reusable identity would enable data to be exchanged more easily between consumers and organisations.

A standard for consumer identity verification should be adopted, including where technologies can provide solutions like biometrics which are frequently used in secure banking and NSW Service Now applications.

These complexities have been observed in the implementation in the UK, where the rollout is seeing delays as the APIs are still not performant. The regime will need to consider standards for various types of payment structures and how they will be integrated into both new and legacy payment systems.

As the market is faced with additional regulation there needs to be education and a mechanism to provide support to all potential data participants that demonstrates the opportunity in the CDR Regime. As new standards are introduced there is an associated cost to implementation. Smaller service providers are already challenged to engage as Accredited Data Recipients. The regime will need to consider how the use of Intermediaries can help to bridge these services.

7. Linkages and interoperability with existing frameworks and infrastructure

The Inquiry welcomes input from interested parties on the topics covered in this section, including potential linkages and interoperability with other consumer-directed domestic and international data portability regimes, and accreditation frameworks that focus on data risk management.



Increasing interoperability

Maximising the potential of CDR means driving interoperability across industry initiatives.

Understanding how current platforms operate, what mechanisms are in place for authentication, data handling and security, audit and dispute resolution, and incorporation and consolidation where applicable can provide an operational framework and a set of data standards that can be applied to support transitions to the CDR regime.

Continuing to leverage a Standards Body, such as the CSIRO, that simplifies the consumer experience will be necessary.



An Intermediary accreditation process

Having an accreditation process for Intermediaries to participate in the CDR regime would put necessary controls in place for both consumers and participants wishing to use the data.



Flexibility to align with existing ecosystems

It will be important to recognise the rate of change and industry capacity to respond to CDR expansion activities, and to be mindful of the level of systemic change that can be undertaken without substantial disruption to day to day activities and system stability.

In order to ensure that the CDR continues to meet the goals of increases innovation and competition, it will be important to ensure smaller organisations with less investment and resource capacity continue to play a

role. Many small to medium-sized organisations (SMEs) may struggle to implement APIs or be unable to bear the cost of developing new systems for sharing data and capitalising on its benefits. Regulators should consider flexibility is built into the CDR regime to allow for existing data-sharing ecosystems to be leveraged where applicable (where they meet minimum standards of security, consumer data protection, etc) as an interim measure.



Consideration of markets beyond finance

A strong CDR ecosystem should also consider other markets beyond finance which may be able to use the data to identify and support vulnerable consumers. These could include the public sector and essential goods and services like grocery stores and travel and leisure.



Further exploration of digital identities

Further commitment should be given to understanding the liability model needed to underpin the creation of digital identities. The idea being that these digital IDs would be held across several organisations to minimise risk to consumers, then repurposed for use throughout the CDR ecosystem.



Technical connectivity and data definition

Whether interoperability is across segments (banking, telco, utility etc), across geography or across existing infrastructure/solutions (e.g. leveraging existing payment platforms), consideration must be given to how these disparate components may operate together to benefit consumers.

There already exists various standards across Open Banking regimes around the world. Some of these have taken a regulated approach such as Australia's CDR whilst others are less prescriptive, leaving industry to determine standards. Challenges will exist when moving data across regimes with different standards. Even under PSD2 in Europe, country specific API standard initiatives exist (e.g. UK OBWG, Berlin Group NextGenPSD2, France's STET). API aggregation providers are providing solutions to this fragmentation and play roles in markets as technical service providers/Intermediaries.

The ongoing evolution of CDR will need to consider approaches to interoperability with a view to maintaining consistency of service and certainty in terms of data exchange..



Minimising risk of exclusion

Finally, for CDR to be genuinely effective, care needs to be taken to maximise inclusivity and reduce the risk that consumers who don't want to – or know how to – share data aren't disadvantaged. There should be an underlying principle that there is no detriment caused to consumers who prefer to share data via more orthodox methods.

8. Leveraging CDR infrastructure

The Inquiry welcomes views on the topics covered in this section, as well as any broader role that other aspects of the CDR regime could play in supporting productivity and data security in the digital economy.

The initial framework set forth in CDR, the Privacy Safeguards, Data Recipient accreditation requirements and Data Standards provide a strong back drop for incorporating other industries and data sets to provide data protections and regulatory liability.

This should also include the further consideration of the role of Intermediaries with accreditation and access that is consistent in the role that a participant is engaging with the data.

Streamlining accreditation to encourage participation while embedding ethics, responsibility and trust in the CDR regime. Releasing data to Third Parties who have no history of responsible or ethical data management has the potential for unintended, damaging consequences. Many Data Recipients and Third-Party Providers are still exploring the opportunities provided by Open Data, using machine learning and data science to create new value for consumers.

Governance and independent oversight of how consumer data is being used is the cornerstone of a functioning and secure ecosystem – essential for building trust and confidence among consumers, data holders, data recipients and Intermediaries.

Expanding the CDR regime will create additional pressures on policy makers and regulators to monitor the ethics and practices of organisations involved in the CDR ecosystem. There will need to be a strong governance process for regulated licensing and accreditation of organisations who wish to access data.

The CDR regime provides for a centralised approach to governance, accreditation, data and security standards. We see a number of benefits that support the digital economy:

- Common unified approach to security standards, consumer consent, accreditation; resulting in less duplication and greater consistency in consumer experience that hopefully increases trust in the environment.
- More productive than setting up separate bodies to implement and maintain new Open Data segments e.g. Utilities and Telco. In contrast the UK has the OBIE for Open Banking but is now challenged with how they may implement into other areas outside banking.
- Greater influence over the digital economy as a whole and thereby more likely to positively impact interoperability within CDR and more broadly as CDR seeks to interact with other ecosystems.

9. Consumer protection

The Inquiry invites submissions from interested parties on the topics covered in this section, as the CDR develops, it does so in a manner that is ethical and fair, as well as inclusive of the needs and choices of all consumers. This includes ways to encourage socially beneficial uses for the CDR.



Supporting vulnerable consumers

Open Banking provides for the ability to inform decisions that better support our most vulnerable consumers, something that's being recognised by many in the industry today. From banks and financial services companies to utilities and telcos, with consumer consent, CDR may help consumers understand their financial health and challenges and help providers better support their changing needs.

Sharing transaction data and predefined metrics through government agencies can provide faster access to essential services that are tailored to the consumer's needs. It can create a more informed budgeting system for dispersal of government funds as appropriate to consumer needs. Although we are moving to a global digital society, it should still be considered that there are consumers who have limited access to and exposure to a digital economy. The regime should take care to not create unintended consequences that limit consumer control of their data or prevent choice of products and services and access to dispute resolution processes.



Examining the unintended consequences of sharing data

It's important to recognise that even if CDR is always used in the best interests of consumers, they may not necessarily perceive it that way. While they may be happy to give consent to their data being used in ways that have a positive impact on their access to financial services, they may be unhappy if the actual result limits their financial options.

The potential to link multiple data sets can reveal behaviour a consumer didn't realise or believe would be evident, which they may not consent to, and which may have consequences they didn't intend. This may restrict their access to certain products, such as unaffordable credit, on the basis of responsible lending or the need to protect those who are vulnerable or experiencing financial difficulties.

In turn, this creates potential for consumer dissatisfaction and even withdrawal of consent. Specific considerations may be needed around how products and services are developed and implemented and with the clear understanding of benefits to the consumer. Similar to how the ASIC Product design and distribution obligations drive considerations of the right product for the right consumer and how to ensure the distribution of these products are reaching those consumers.

10. Conclusion

Experian is a global supporter of the Open Data movement, leveraging more than 100 years of experience with consumer data and staying on the forefront of how this data evolves and transforms lives. As a firm believer in the power of customer data, and the benefit that this should bring to consumers who are the rightful owners of this information, Experian is committed to providing products and services to assist individuals and corporations (as custodians of this information) to realise the opportunities that the effective exchange of data holds.

Experian welcomes the intent to expand the functionality of CDR and ensure that it promotes innovation in a manner that is inclusive of the needs of all consumers in a safe and efficient digital economy.

Our observation in completing this submission is that there are a number of key areas for consideration in the future direction of CDR.

- The benefits to consumers and the importance of consumer protection
- New products and services that will assist consumers to make better decisions
- Innovation opportunities for businesses to emerge, grow and compete more effectively
- Consent and identity management to protect consumers
- The development of new commercial models

To this end, Experian encourages the move to expanding the CDR regime and is already actively supporting this expansion in several other markets globally, including the UK.

Experian can offer, through global experience and local market expertise, a consultative approach with all stakeholders to help operationalise CDR in the Australian market. We continue to support both industry and the Government with this body of work.

About Experian

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