

14 April 2022

Ms Kate O'Rourke  
First Assistant Secretary  
Consumer Data Right Division  
The Treasury

By email: [data@treasury.gov.au](mailto:data@treasury.gov.au)

Dear Ms O'Rourke

### **CDR Sectoral Assessment for the Open Finance Sector – Non-Bank Lending**

COBA appreciates the opportunity to contribute to this consultation.

COBA is the industry association for Australia's customer owned banking institutions (mutual banks, credit unions and building societies). Collectively, our sector has \$155 billion in assets. Customer owned banking institutions account for around two thirds of the total number of domestic Authorised Deposit-taking Institutions (ADIs) and deliver competition and market leading levels of customer satisfaction in the retail banking market.

COBA supports the extension of the CDR to the non-bank lending sector as we believe all borrowers are entitled to the same opportunity to benefit from the CDR, regardless of whether their loan is with an ADI or a non-ADI.

As noted in Treasury's consultation paper, consumers engage with a range of non-bank lending products including credit cards, home loans, personal and business loans on a regular basis instead of, and as well as, banking products supplied by ADIs.

We believe the designation of non-bank lending will improve competition between lenders, including levelling the playing field with banks.

The Reserve Bank this month reported that non-bank lending to households is growing rapidly and is close to a decade high of around 20 per cent on a six-month-ended annualised basis. Non-bank lenders' share of total lending is still relatively small at less than 5 per cent but has been growing steadily now for a decade.<sup>1</sup>

The composition of the non-bank lending sector is also changing, with the rapid growth of buy now, pay later (BNPL) services.

As noted by the Reserve Bank, although the value of consumer debt has declined over recent years, there has been strong growth in households using BNPL services.

"BNPL services are generally a form of short-term financing that allow consumers to pay for goods and services in instalments," the Reserve Bank says. "It is estimated that the value of BNPL transactions increased by around 40 per cent over the year to the December quarter of 2021, and the total number of BNPL accounts was equivalent to around one-third of the adult population (although some people have more than one account)."

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<sup>1</sup> [RBA Financial Stability Review April 2022](#) (See Graph 3.8)

Data from a recent survey quoting the Scotpac / East and Partners March 2021 SME Growth Index<sup>2</sup> shows that for SME's in 2021, the two main ways to fund new growth are by using their own funds (the top option for 89.1% of respondents) and by borrowing from a non-bank lender (now at a new high of 28.3%).

COBA agrees with the Treasury consultation paper's observation that providing more information about financial products reduces information asymmetries and can help consumers search for and compare a full set of financial products, and have greater confidence when dealing with the financial sector.

We agree with the paper's observation that non-bank lending has clear parallels with the already designated banking sector, and could provide consumers with a more complete view of their liabilities and borrowing and facilitate comparison of the full suite of lending products on the market, spurring more competitive and personalised products and services across both the banking and non-bank lending sectors.

All ADIs, from the smallest credit union to the largest bank, are CDR data holders. We support maximising the scope of non-bank lender data holders that should be designated. This will maximise the proportion of borrowers who can directly benefit from the CDR.

We see merit in the consultation paper's suggestion of leveraging existing statutory definitions to set the scope of data holders, e.g. the definition of 'credit facility' in the ASIC Act or an entity that is engaged in the provision of finance in the course of carrying on business in Australia, as per the definition of a registrable corporation in section 7 of the Collection of Data Act.

Thank you for the opportunity to respond to this consultation. If you wish to discuss any aspect of this submission, please contact Esther Rajadurai ([erajadurai@coba.asn.au](mailto:erajadurai@coba.asn.au)).

Yours sincerely



**Michael Lawrence**  
Chief Executive Officer

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<sup>2</sup> [Mills Oakley, Regulation of the non-bank sector, 2021.](#)