

25 October 2023

By email: data@treasury.gov.au

Consumer Data Right Policy and Engagement Branch
Market Conduct and Digital Division
Treasury
Langton Cres
Parkes ACT 2600

Dear Sir/Madam

RE: Screen Scraping – policy and regulatory implications

Difrent Rental Pty Ltd ('Difrent') appreciates the opportunity to provide feedback to the Department of Treasury on the topic of whether credit providers' utilisation of "screen scraping" technologies to obtain bank statement information from consumers should be banned, and replaced with utilisation of the Consumer Data Right ('CDR') to obtain this information.

Introduction & overview of Difrent's current bank statement document acquisition processes

Difrent holds an Australian Credit License and is a consumer lease provider of technology items, mobile devices, home appliances and furniture. It has been offering these services since November 2018 through a "virtual" model, in which consumers engage with Difrent by telephone and online. If the consumer is approved, Difrent arranges for the items that are the subject of the lease to be supplied directly to the consumer by retail partners.

Difrent has obtained electronic bank statements from its applicants since the business's commencement. Difrent has always viewed this process as the most efficient and accurate way in which to meet its credit license obligation to verify a consumer's financial situation. In any event the requirement for consumer lease providers to review bank statement documents was recently codified to law under the *Financial Sector Reform Act 2022 (Cth)*.

Difrent is aware that there are multiple service providers that facilitate the supply of bank statement information between applicants and consumer credit providers. Difrent has only ever used one such service provider. At the time of Difrent's operational commencement that business was known as bankstatements.com.au; it has since been acquired by the credit bureau Illion and is branded with that same name.

Difrent has only ever utilised screen scraping technology for "read access". None of the processes undertaken with its applicants, or supplied via Illion, provide any right or ability for "write access". Difrent do not consider that "write access" would ever be required by, or appropriate for, a consumer lessor. Accordingly comments in this submission that relate to Difrent's use of electronic bank statement services apply only to those supplied by Illion.

The following are critically important to the process of bank statements being supplied by applicants to Difrent via the Illion service:

The process is secure for the applicant

- At no time is the applicant's login credentials for their financial institution/s provided to Difrent, or entered into screens on Difrent's website properties.
- Applicants supply the information on Illion owned and controlled website properties. Being a credit bureau in addition to providing electronic bank statement services, Illion is highly experienced and credentialed in working with sensitive and personal consumer data.
- As described on Illion's frequently asked questions page, *"All data sent to our server is encrypted with 256-bit encryption, secured by 2048-bit keys. This is the same level of encryption that the banks use"*¹.
- Information is transmitted from Illion to Difrent via secure, online file transfer protocols.
- No write access is provided to a consumer's bank accounts.

Statements for all accounts held with a particular financial institution are supplied to Difrent

- In order for Difrent to meet its credit license obligation to verify a consumer's financial situation, it is imperative that information for all active bank accounts are supplied by the applicant.
- Consumers are advised in an on-screen message prior to completing their financial institution login *"please note that once you submit your details, statements for all bank accounts will automatically be retrieved and submitted"*.
- In Difrent's experience, applicants rarely hold 1 bank account. More commonly, multiple bank accounts within the same financial institution are maintained by an applicant, with different accounts used for different purposes.
- The automatic supply of statements for all accounts held by an applicant with a particular financial institution (in addition to a Centrelink statement, if relevant) ensures Difrent can consider the full range of that applicant's income and expenditure. This is necessary to reach a view of whether the applicant has the capacity to meet the financial obligations of a prospective consumer lease.

Difrent has reviewed screenshots of the CDR and compared them to the steps currently undertaken by applicants using the Illion electronic bank statement service. Difrent has some general concerns in respect of:

- the number of screens that must be navigated by a consumer using the CDR compared to existing bank statement platforms; and
- the less streamlined process of supplying Centrelink and financial institution statements using the CDR compared to the existing bank statement platforms.

However, there is a far larger potential issue that would be caused by screen scraping technologies being replaced by the CDR in its current form. For the sake of importance, Difrent's submission will focus entirely on this other issue.

¹ <https://www.bankstatements.com.au/about/faq>

Unavoidable conflict between the CDR and consumer lessors meeting their credit license obligations

At its core, the CDR offers consumers a choice of the information they consent to sharing with data recipients. In screenshots sighted by Difrent, this includes the consumer selecting which accounts from their financial institution they consent to having transaction information shared.

Unfortunately, this presents an unavoidable conflict to the obligations that consumer lessors must meet under their credit license.

In order to verify a consumer's financial situation in full, it is axiomatic that a consumer lessor review transaction information **for all accounts** held by a consumer with a particular financial institution. It is simply not possible to reach a decision that a prospective consumer lease is not unsuitable for a consumer if information for only a portion of an applicant's income and/or expenditure is supplied to the consumer lessor.

It is very common for consumers to have multiple bank accounts with a financial institution and to use these different accounts for different purposes. Difrent recently reviewed a large sample of bank statement submissions from its applicants. The sample demonstrated:

- Applicants held an average of 3 accounts with their financial institution;
- Only 20% of applicants held a single account with their financial institution;
- 28% of applicants held 2 accounts with their financial institution;
- 27% of applicants held 3 accounts with their financial institution; and
- 25% of applicants held more than 3 accounts with their financial institution.

Furthermore, based on transaction descriptions, Difrent identified that approximately 25% of applicants also held accounts with a second financial institution.

As outlined earlier in this submission, Illion's electronic bank statement service supplies to Difrent transaction information for all accounts held by a consumer.

Applicants are advised prior to completing the process that statements for all accounts will be supplied to Difrent. At this point, the applicant has the choice to not proceed, which would result in their application expiring on Difrent's system. However, should the consumer wish to continue, they do not have a choice of which accounts are sent. This is because Difrent could not complete an unsuitability assessment, as required under its credit license, unless transaction information for all bank accounts was supplied.

Therein lies the conflict between the CDR and consumer lessors' credit license obligations:

- consumer lessors **must** receive information for all accounts in order to verify a consumer's financial situation; but
- giving consumers a choice of which accounts to share information for is an inherent component of the CDR, and **Difrent are certain that a large proportion of applicants will exercise this choice and not consent to information for some of their accounts being shared.**

It is very important to acknowledge that consumers do not have a working knowledge of credit licensee obligations, or the reasons why a consumer lessor may require certain information. This has

been regularly demonstrated to Difrent in various interactions with prospective and existing applicants for Difrent's services.

Difrent regularly receive enquires from consumers by phone or online of whether they can simply send in payslips when applying for a consumer lease rather than supplying full account statements.

Difrent also regularly need to explain to applicants who have accounts with multiple financial institutions the reasons why Difrent need to obtain the account transaction information for the second financial institution as well. Responses given by these consumers helps to inform the limited understanding that consumers have about the information credit providers must rely on to meet their responsible lending obligations.

These responses include comments like *"but my pay doesn't go to those accounts"*, *"I just use those accounts for savings"* or *"I just pay my Afterpay through those accounts"*, implying that the applicant believes the transactions on these other accounts are not pertinent to their application for a consumer lease.

Given Difrent's experience, set out above, it is reasonable to expect that under the CDR consumers will apply all of these types of reasonings, ill-informed as they may be, to withhold certain bank account transaction when given the choice to do so.

Some applicants will also withhold sharing accounts with transaction information that they consider to be embarrassing for one reason or another, even if the nature of these transactions would not actually negatively impact their likelihood to be approved for a consumer lease.

There are also more nefarious reasons why, given the opportunity, applicants may withhold sharing information for certain bank accounts. Difrent regularly encounter bank statement documents that demonstrate good financial conduct on several accounts held with the financial institution by the applicant but a final, "zombie", account that is:

- not in use by the applicant; and
- which other credit providers are attempting (and failing) to draw direct debits from.

These are typically the accounts that a consumer's income was formerly paid into, and the consumer either has not supplied the credit provider with updated account details for ongoing direct debits, or is actively seeking to avoid paying the credit provider.

Regardless of whether:

- a consumer excludes transaction information due to an incorrect belief that it may not be relevant; or
- the information is not shared by the consumer in an attempt to improve their likelihood of being approved

there is clearly a great likelihood that use of the CDR in its current form will result in consumer lease providers very often receiving only a partial summary of an applicant's financial situations.

Difrent is also of the view that simply adding information in the customisable launch screen for the CDR, advising users of the requirement to share information for all active accounts, will not ensure a high rate of full account information being shared by consumers. Instructions are often not read in full

by online users, and to most everyday consumers it would seem counterintuitive to be given the option to exclude individual accounts in the first place if there was a strict requirement that information for all accounts be sent.

Difrent similarly does not feel that these problems will be easily resolved by direct follow up with consumers who have not initially supplied information for all of their bank accounts, for the following reasons:

1. There will be a significant increase in operating costs for consumer lessors such as Difrent to conduct follow up activities – so much so that it may make ongoing operations unviable;
2. There are difficulties involved in successfully contacting applicants after they have disengaged from the application process. People work and have other daily commitments that may cause them to be unavailable to accept phone calls, others will not accept calls from numbers they do not recognise, and SMSs and emails may never be read or may be treated as promotional or junk mail by a consumer's mail server; and
3. In the case that Difrent successfully reach an applicant to request information for accounts that had not previously been supplied now be submitted, it would be entirely expected that the applicant may react unfavourably to the request. By providing the consumer a choice initially to exclude accounts from having been sent, it will be difficult to justify to the consumer why this choice is no longer available to them.

Difrent has real-life experience in the difficulties involved in reaching applicants to supply additional financial information. As set out earlier in this submission, approximately 25% of applicants that supply bank statement documents to Difrent hold accounts with a second financial institution. Difrent attempts to contact these applicants by a combination of phone, email and/or SMS. Statement information for these consumers' second financial institution are subsequently supplied to Difrent **less than 10% of the time**. That is, out of 100 sets of bank statement documents currently received, approximately 25 will show evidence of the consumer holding accounts with a second financial institution, and of these 25 consumers less than 3 will ultimately provide account transaction document for this second financial institution.

Difrent would expect similarly low rates of applicants subsequently supplying account transaction information in cases where this information was previously withheld by consumers. This is a foreboding statistic for the potential impact to the operations of consumer lessors such as Difrent if the CDR in its current form was to be the only source from which to verify a consumer's financial situation.

Conclusion and recommendations

There is an obvious conflict between the way in which the CDR currently operates and the requirements that consumer lessors must meet under their credit license obligations. It is contradictory to:

- require consumer lease providers to utilise bank statement documents to verify a consumer's financial situation as part of an unsuitability assessment; and to
- separately legislate that the only electronic method for consumers to supply this information is one that actively encourages consumers to consider whether to only provide limited bank transaction data to the consumer lease provider.



There is also a secure, working alternative already in place, in the form of technologies offered by service providers such as Illion.

In light of this, Difrent submit that **the CDR in its current form is not fit for purpose for the consumer lease industry.**

Difrent trust that Treasury and other stakeholders appreciate the enormous difficulties and disadvantages that would be placed on consumer lessors to meet their credit license obligations if technologies other than the CDR were banned from use.

A potential solution would be for the CDR to be adapted, so that consumers were not provided the option to select which bank account information was to be shared, and which was to be excluded, in cases where the data was to be used specifically for a credit assessment.

Until then, and in the absence of the CDR being fit for purpose, **Difrent recommend that existing technologies such as Illion's remain available for use by consumer lease providers** (and credit providers generally, to which the same circumstances apply) to enable credit license obligations to continue to be met.

Adam Goldfain
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Difrent Rental