

20 December 2024

Director
CDR Framework Unit
Treasury
Langton Cres
Parkes ACT 2600

Submitted via email to:
CDRRules@treasury.gov.au

Consultation on Non-Bank Lending Draft Rules

Shift Financial Pty Ltd (**Shift**) appreciates the opportunity to comment on the Non-Banking Lending Draft Rules.

About Shift

Shift provides Australian businesses with credit and payment products, allowing them to take control of their cashflow, purchase assets and streamline trade terms.

Shift brings the same level of digitisation that consumers enjoy every day to the business world so businesses can manage their finances with ease, flexibility and control.

Since its founding in 2014, Shift has provided funding to support the growth aspirations of more than 25,000 Australian businesses. Shift is headquartered in North Sydney, New South Wales, Australia.

Executive Summary

Shift endorses the Government's desire to extend Consumer Data Right (CDR) to the broader lending sector with the goal of increasing the availability of data, encouraging innovation in financial technology, and helping SME lending customers better manage their finances.

Shift acknowledges the potential benefits of extending the CDR to non-bank lenders but is concerned about the significant compliance costs and limited utility of the proposed rules to the CDR system. The narrow scope of the de minimis threshold and the exclusion of products like asset or invoice financing restrict the value for both commercial lenders and SME customers.

Concerns with the Combination of the Proposed De Minimis Threshold and Product Exclusions

Shift understands that the current de minimis threshold will limit the inclusion of non-bank commercial lenders to only a few lenders, including Shift. This narrow scope combined with the proposed product exclusions undermines the objectives of Open Banking by failing to promote genuine competition and transparency.

Additionally, the limited scope of the extension excludes essential sectoral representation across SME

lending products. The CDR system will be unable to offer a complete view of market offerings, significantly reducing its utility for businesses and SME customers.

To illustrate the concerns outlined above, we highlight the following points:

- **Limited Applicability of the De Minimis Threshold:** The SME market is supported by many smaller commercial non-bank lenders. The proposed threshold will only capture a narrow subset of non-bank commercial lenders. This limited scope of data disproportionately benefits banks and provides minimal utility to other non-bank lenders and business customers.
- **Insufficient Coverage of SME Lending Products:** Shift data (Table 1) indicates that the majority of SME customers hold lending products typically sourced from a diverse range of commercial lenders.

Size of Business (turnover)	Average Number of Lenders
\$0-\$1.5mil	4
\$1.5-\$10mil	7
\$10-\$50mil	11

Table 1: Average Number of Finance Lenders

Many of these lenders will fall outside the scope of the de minimis threshold. Consequently, the practical utility of the CDR for both Shift, as a data holder, and SME customers will be minimal if only a handful of commercial lenders are subject to the proposed rules.

Competition Impacts

Competitive neutrality is a fundamental principle of the CDR, ensuring that all participants in the system can compete on equal terms. However, the proposed rules impose significant and disproportionate compliance costs on a small group of non-bank lenders, including Shift. These burdens create an uneven playing field, disadvantaging affected non-bank lenders compared to banks and other non-bank lenders. This imbalance undermines their ability to compete effectively and serve customers, particularly during challenging macroeconomic conditions.

Shift requests Treasury to consider what support, both commercial and otherwise, can be provided for non-bank lenders to comply with CDR obligations (see below).

In addition, Shift requests Treasury to further consider ways to reduce compliance costs for impacted lenders, such as allowing batch provision of data.

Recommendations for Expanding Inclusion Over Time

1. Phase-In Approach

Implement a phased expansion of the non-bank lending cohort within the CDR framework, starting with a focus on consumer lending rather than SME lending, which includes a variety of niche

products. The primary goal of the CDR is to empower individual consumers to make more informed financial and service decisions. Consumer lending is an ideal starting point for the NBL rules because individuals generally have simpler and more standardised financial needs, such as personal loans, savings accounts, and mortgages. These straightforward use cases allow shared data to deliver immediate and tangible benefits, enhancing the overall value of the CDR system.

3. Support for Compliance

Provide incentives or support for non-bank lenders to comply with CDR obligations, for example financial grants or subsidies to offset the cost of API development and data-sharing infrastructure.

In addition, consider ways to reduce compliance costs for lenders, such as allowing batch provision of data.

4. Sectoral Expansion Strategy

Work with industry stakeholders to identify key sectors where data-sharing would deliver the most benefit in both consumer and SME lending. For example, if Treasury wants to include non-bank SME lending, prioritise only the sectors/products heavily utilised by SMEs and target lenders in those areas for inclusion over reasonable transition times.

We appreciate the opportunity to provide feedback on this consultation and remain committed to supporting a robust and effective CDR framework. Please do not hesitate to contact us for further clarification or discussion.

Yours sincerely



Jamie Osborn
CEO, Shift
Jamie.Osborn@shift.com.au