

Productivity Commission Inquiry into data availability and use

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Executive Summary

Veda's evolution from credit reporting bureau to data analytics company mirrors the development of information in the economy more broadly. Fifty years ago, and known as the Credit Reference Association of Australia, credit reporting information was hand written on file cards and subsequently shared in response to a specific inquiry about an individual. Advances in technology opened up the ability for broad analysis on large amounts of information, and with it, new data insights.

Today, the same skills that made Veda Australia's leading provider of credit reporting insights are applied to other information quite distinct from credit risk. Data analytics continues to provide new insights and with it new uses for information - the essence of a "knowledge economy". That data insights may be revealed in a different context from the initial purpose of collection does not alter its potential benefits. However, for Government agencies this transformation of data also represents a notional 'loss of control' and the potential for reputational risk. Private sector access to, and use of, Government data involves navigation through varied and changing rules and practices; this Productivity Commission Inquiry can provide much needed direction, consistency and certainty.

Debate about the release of more data is typically couched in terms of "big data" i.e. depersonalised and broad, but there also needs to be consideration of how more granular data can also be made available by Government. There are successful examples of how this is being accomplished, such as the Document Verification Service (DVS) authorising entities to provide access to the service, or the accreditation of private identity service providers able to meet standards set by the Digital Transformation Office.

Veda therefore believes it is possible for Government to unlock the potential tied up in its data assets without re-visiting what is one of the toughest privacy Acts in the OECD.

Veda welcomes the Productivity Commission's consideration of comprehensive credit reporting (CCR) participation. More needs to be done to formally encourage prioritisation of data contribution and use. Currently there are eleven lenders contributing to CCR and just over 25 per cent of all retail credit accounts (8.41 million account holders) contain some amount of CCR information. Modelling from an earlier large scale pilot study undertaken by Veda and ten lenders demonstrated that stability of credit scores does not require a majority of data; instead, the modelling showed critical accuracy and stability could be achieved with just 40 per cent. Essentially, the critical point for stable and highly predictive scores can be reached with contributions from an additional bank or a series of medium-size lenders.

While it is reasonable to hold industry accountable for progress, many of these same entities are already active contributors in New Zealand, where comprehensive credit reporting is successfully operating, enabling more consumers to access better priced credit offers, boosting the competitiveness of smaller

lenders and reducing unnecessary internal referral processing for all lenders. The key difference between the jurisdictions is New Zealand's lighter regulatory framework – just 57 pages.

In contrast, Australia has a regime of prescriptive documents totalling 547 pages. Based entirely in legislation, issues cannot be rectified without returning to Parliament and the Act itself lacks a formal review mechanism. The inability to re-shape, amend or remedy the regulatory framework is an ongoing problem that also inhibits interdependent regulatory areas such as responsible lending, where calls for tougher obligations on payday lending or issuing of credit cards are not matched by amendments to credit reporting collection or uses. More seriously, a recent determination on how credit providers must report an agreed altered repayment schedule could create uncertainty by giving the illusion that a consumer is credit worthy when they are, in fact, behind on their obligations. Fixing this issue serves to highlight the impractical regulatory framework in place.

Additionally, the lack of review mechanism means Australia remains unable to consider world's best practice credit reporting, including relatively straight forward decisions such as allowing telco and utilities to participate in repayment history information (which would enrich the value proposition of comprehensive credit reporting, as is the case in New Zealand) and, consistent with existing provisions for AML/CTF legislation, allowing use of credit reporting information for identity purposes.

The net result of this complexity and, more recently, uncertainty, has been a reduction in prioritisation for the move to CCR. Veda welcomes initiatives that create greater momentum towards contribution, but is also aware that more dramatic interventions – particularly ones requiring new legislative mechanism - can bring with it greater uncertainty, potentially slowing down, rather than encouraging, uptake of comprehensive credit reporting. For a more immediate impact to boost participation, we are calling for quarterly reporting from credit providers and credit reporting bodies to the Treasury on participation and usage of comprehensive credit reporting information.

Finally, as a leading provider of commercial credit information, Veda notes the Issues Paper is also examining ways to increase the availability of private sector data for other private sector firms and seeks views on the "treatment and classification of business data for privacy and security purposes" Veda views availability and transparency of information to be critical to the confident assessment of commercial credit risk. Changes that lead to more opaque data collections or an inability to link people to their commercial activities are a move in the wrong direction.

More broadly, the Issues Paper refers to Data Vaults, enabling information to be under the direct control of the individual concerned, rather than held on a series of other databases. While these ideas are of interest, less clear is the mechanism and enforcement, not only in regard to intellectual property, but also the cost of implementation.

Recommendations

Public sector data

Government held data as an identity resource

- *Government held information where name, DOB and/or address are available, such as the National Business Names Register, Commonwealth Electoral Roll and the Australian Taxation Office, should be considered for inclusion under the Document Verification Service (DVS) framework.*

Better protection and use of the Commonwealth electoral roll

- *Consistent with the practices and procedures for other Government-issued identity assets (drivers licence, Medicare card, passports) access and use of the electoral roll should be brought under the established framework of the DVS which features:*
 - *Consent from the consumer;*
 - *No disclosure of information from the electoral roll;*
 - *Use can only be where there is a reasonable need to verify identity.*
- *Loopholes allowing commercial activities should be closed. Public access, be it physically presenting at an Australian Electoral Commission office or via a web portal, should require applicants to sign a statement similar to that in place with the NSW Electoral Commission, ie searches are conducted only in accord with the purposes of the roll and that such searches are not being conducted for a commercial purpose.*

Government data to assist reducing fraud

- *Government should form a taskforce of key Commonwealth agencies to consider how to enable the disclosure of appropriate non-personal information it holds on suspected fraud.*
- *Disclosure should be limited to established private-sector fraud collectives. Government should enter into discussions with proponents to agree on how the information contributed should be treated re analysis and access.*

Proactive use of data to reunite unclaimed monies and superannuation with consumers

- *Commonwealth and state governments should amend relevant Acts to authorise use of credit reporting information for the purposes of updating addresses in relation to reuniting people with unclaimed monies.*

- *A similar amendment be inserted into the Superannuation Industry Supervision Act (or associated regulations) to allow Superannuation funds to use credit reporting information for the purpose of updating addresses in relation to reuniting people with unclaimed monies*

ANZSIC codes

- *The ATO should enable ABN/ACN lookup to also reveal an entity's ANZSIC code*
- *The ATO should also enable large scale research and analysis of industries via ANZSIC codes*

Credit reporting

- *A Treasury-led reporting mechanism on CCR should be formed, requiring:*
 - CEOs of leading credit providers to report to the Treasury on their contribution of CCR information.*
 - Advice would initially be required on the intention of the organisation to start CCR contributions and a timeframe, including start date.*
 - Thereafter quarterly updates.*
 - Where a credit provider (CP) has started providing CCR information, a report on the level of usage of CCR information be provided.*
 - CEOs of credit reporting bodies (CRBs) to provide quarterly updates on progress of contribution received and usage;*
 - Australian Retail Credit Association (ARCA) to provide Treasury with real time updates on new PRDE signatories;*
 - Six monthly roundtables of lender/CRBs, for Treasury to advise on overall progress.*
 - ASIC to review Regulatory Guide 209 with a view to mandating checking of credit reports as part of inquiry and verification when extending credit.*
- *Consistent with its already-authorized use for Anti Money Laundering and Counter Terrorism Financing (AML/CTF) purposes, credit reporting information (name, address & DOB) also be authorised for any reasonable identity verification purpose*
- *Consistent with responsible lending objectives and the public policy rationale for repayment history information, credit reports should disclose where a person has sought (typically because of financial difficulty) to vary a required payment or payment schedule.*
- *Similar to consideration by the New Zealand Internal Revenue Department, Australia should give consideration to the listing of significant Government debt on a credit report.*

- *Consistent with the submission made by ARCA, Veda supports the inclusion of telecommunication and utilities in contributing to and accessing repayment history information.*
- *Consistent with the submission made by ARCA, Veda supports the exchange of credit reporting information between Australia and New Zealand.*
- *Consistent with the submission made by ARCA, Veda supports the creation of a treasury led consultative mechanism to consider and make recommendation on international trends in credit reporting data collection and use.*
- *Reflecting ongoing tension over conflicting regulatory objectives relying on credit reports, Treasury should investigate what is the optimal model to regulate data availability and use in retail credit and finance markets.*