



1 April 2015

To: Adjudication Branch—Australian Competition & Consumer Commission,

**Re: Consultation on Principles of Reciprocity and Data Exchange – paragraph 36 under Principle 2**

Thank you for the opportunity to provide a submission on the application for authorisation received from the Australian Retail Credit Association (ARCA) regarding the Principles of Reciprocity and Data Exchange (PRDE).

These principles were established to standardise the exchange of credit liability information between credit reporting bureaus (CRBs) and credit providers (CPs), ensuring fair and appropriate access to critical decision-making data within Australia's credit reporting system.

While Dun & Bradstreet fully embraces and supports the intent of the PRDE, we have concerns regarding **Paragraph 36 under Principle 2** which we believe has the potential to diminish competition within the highly concentrated Australian CRB market and weaken responsible-lending provisions under the *National Consumer Credit Protection Act 2009* (NCCP), two aspects of the newly reformed credit reporting system that would be otherwise expected to improve.

**DUN & BRADSTREET, AUSTRALIA & NEW ZEALAND**

Dun & Bradstreet has been a leading and long-standing advocate for both the economic and public policy benefits associated with a move to a comprehensive credit reporting environment. In 2004, after researching the economic and consumer benefits of positive credit reporting in international markets, Dun & Bradstreet began working with government, industry and the community to develop Australia's comprehensive credit reporting system.

In March 2014, this system was introduced through amendments to the *Privacy Act*, followed by a credit reporting privacy code and subsequently the industry-developed PRDE currently under consultation.

Having advanced these reforms for more than 10 years and as the country's oldest credit information business, Dun & Bradstreet is committed to ensuring the PRDE is implemented to maximise the consumer benefits associated with this important micro-economic reform and to ensure competitive industry outcomes.

**MARKET CONCENTRATION**

Credit information on Australia's 16 million credit-active consumers is largely held by three CRBs: Veda, Dun & Bradstreet and Experian. The CRB market in Australia is highly concentrated, with market share by revenue among these credit bureaus estimated at 85%, 14% and 1% respectively.

This market concentration developed over more than 40 years from when (the now) Veda began operating as a mutual organisation of the banks in 1967. It was not until 2004, when Dun & Bradstreet entered the consumer credit reporting market that CRB competition began to develop, while Experian entered the sector in 2011.

A highly concentrated market with a single, dominant operator presents inherent risks to competition among CRBs and, in turn, the creation of a level playing field for the provision and exchange of consumer data that ensures optimal credit and lending decisions consistent with the NCCP.

Reducing these risks and promoting competition amongst CRBs to the benefit of consumers, businesses and the community, requires principles that ensure the transparent, consistent and inclusive exchange of data between CRBs and CPs.

### COMPETITION AND RESPONSIBLE LENDING

Consideration is required on the implications of **paragraph 36, under Principle 2 of the PRDE.**

Principle 2 states:

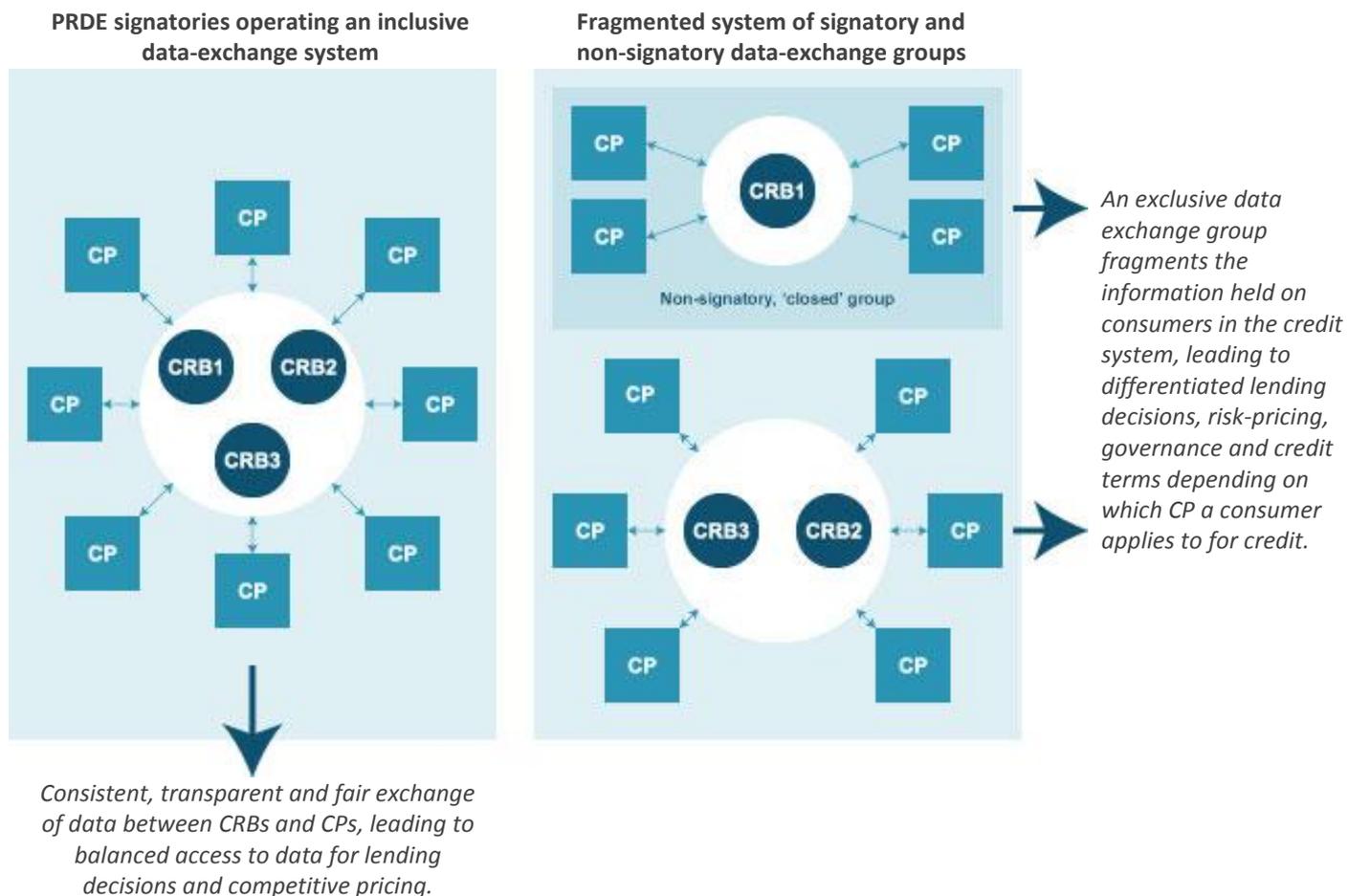
*'It is necessary to be a PRDE signatory in order to exchange PRDE signatory Consumer Credit Liability Information (CCLI) and Repayment History Information (RHI) with other PRDE signatories.'*

Paragraph 36 states:

*'A CRB may receive contribution of partial information or comprehensive information from a non-signatory CP, and a CRB may also supply partial information or comprehensive information to a non-signatory CP. However, a CRB must not supply signatory CP partial information or comprehensive information to a non-signatory CP.'*

Dun & Bradstreet is concerned that this principle, as submitted within the current application for authorisation, will result in exclusive data-sharing agreements and the establishment of 'closed user groups' that apply their own standards and principles on data exchange.

The following chart, seeks to illustrate the impact of a 'closed user group':



In addition to the above concerns, it is Dun & Bradstreet's firm opinion that paragraph 36 under Principle 2 will diminish the competition, responsible-lending and consumer benefits that are otherwise expected as the comprehensive credit reporting system matures within the Australian market.

### ***i) Competition***

Paragraph 36 provides the potential for participants, particularly those with significant market power, to establish exclusive arrangements or 'closed user groups' for the provision and exchange of consumer credit information, dramatically altering the level playing field for CRBs and CPs and substantially increasing information asymmetries.

At worst, exclusive deals could create data monopolies in which one CRB has control over all data in a particular industry segment or vertical.

Naturally, this would diminish the opportunity for competition, be detrimental to other lenders (especially smaller operators with less negotiating power) and reduce the potential for a lower cost of credit for consumers.

### ***ii) Responsible Lending***

Significantly for consumers, exclusive data-sharing arrangements would result in scenarios whereby a CRB will return significantly different credit information and credit scores for a consumer depending on whether a CRB or CP is a signatory or non-signatory to the PRDE.

This situation remains a likely prospect given overall industry concentration and the dominance of one CRB that enjoys significant market and pricing power.

Incomplete and variable information in the credit reporting system will limit a CP's capacity to accurately assess a consumer's financial position, and in turn, their ability to responsibly extend a financial product that is appropriate to the consumer's capacity to borrow, manage and repay credit.

This outcome would undermine the public policy benefits associated with the reform of the credit reporting system, which in international markets encourages CPs to enter into agreements with multiple CRBs and obtain all credit information available in the system to optimise credit policies, decisions and competitive position.

## **REQUIREMENT TO BE A SIGNATORY TO THE PRDE**

In the absence of formal government regulation of the PRDE, and to address the potential impact on competition and responsible lending as outlined above, Dun & Bradstreet proposes that **CPs and CRBs must be required to be signatories to the PRDE before participating in the exchange of comprehensive credit information.**

Without this requirement, exclusive arrangements for data exchange can and will exist. These arrangements will undermine the integrity and operation of Australia's credit allocation system, increase information asymmetry, and erode the capacity of the PRDE to prevent competitive discrimination – a critical element in the exclusionary provisions and associated cartel provisions within the *Competition and Consumer Act*.

Dun & Bradstreet supports an Australian credit reporting system based on inclusive and fair data exchange and reporting for all participants, in support of the enhanced consumer benefits arising from improved competition and responsible lending. It is only through a requirement for all CRBs and CPs to be signatories to the PRDE that the credit reporting system will develop in a way that is consistent with supporting optimal consumer, competitive and economic outcomes.

Thank you for the opportunity to provide insight on the impact of the current wording of paragraph 36, Principle 2 of the PRDE. Please do not hesitate to contact me for further information or clarification on this important point.

Yours sincerely,

A handwritten signature in purple ink, appearing to read 'S. Brown', with a long horizontal flourish extending to the right.

**Steve Brown**  
Director, Consumer Risk Solutions  
Dun & Bradstreet  
Australia & New Zealand