Audio file: ILLION

Held on 10 October 2018

Speakers

Q.	Office of the Privacy Commissioner - Assistant Commissioner B Stewart (Chair)
OPC (JE).	Office of the Privacy Commissioner – Commissioner J Edwards
OPC (VV).	Office of the Privacy Commissioner – Ms V Vida, Policy Advisor
A.	Mr S Brown, Director for Bureau Engagement, Illion
A. (DS).	Mr D Scognamigilio, Chief Executive Officer for Credit Simple

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Transcript of Submission Hearing

Credit Reporting Privacy Code Amendment No. 14

Q. First of all, thank you all for attending. Just to indicate that this is a public hearing of the oral evidence, so -- and I am recording it. We may end up transcribing the evidence if that's helpful, and maybe publishing it, but not necessarily, and of course others in the room may take notes. I'm not expecting that anyone's going to have anything particularly confidential to say, but if you do, be aware that your competitors will probably hear it. Or, ask for a closed hearing. I'm not expecting that to happen, but if there is such a request we will consider it and have to exclude everybody and we might do that at the end of the session if there is any such request.

We've got a fairly generous amount of time for the two submitters this afternoon, each has 45 minutes. But that could easily be used up. So what I would suggest is that you start, and we're starting with Illion, start giving a presentation on what you want to highlight or emphasise or clarify or whatever, and you can really talk as long as you want, but I'd suggest you keep it to 10 minutes, or maybe 15 minutes. I will then be asking you some questions, and the Commissioner and Vanya may also have some questions. In particular in this case I have quite a number of questions and they call for quite a number of answers, so we'll trot through those before having more discursive discussion.

But anyway – and if you could introduce yourself before we start?

A. Absolutely, so my name is Steve Brown; I'm Illion's Director for Bureau Engagement. That role is really responsible for Illion's Consumer Credit Bureau activities across Australia and New Zealand. I'm joined by my colleague, David Scognamiglio. David is the Chief Executive Officer for Credit Simple, which is the wholly owned subsidiary of Illion that we've referenced in our submission.

Let me firstly say thank you for the time available today, we really appreciate the opportunity to talk to the submission; take your questions, and honestly have a bit of a dialogue around the amendments.

I think as you suggest we will just make a couple of comments -- probably five minutes or so and then we very much agree with your approach to keep being interactive from there onward; so that's certainly the approach we've taken.

Perhaps, I guess, just to reinforce Illion and Credit Simple with a bit of a re-introduction. So Illion is one of the leading consumer credit reporting businesses in New Zealand. We also operate a number of other businesses in the market; one of those is Credit Simple. Credit Simple is a platform, it's got about 500,000 users on the platform to date, a little over that. It continues to grow as a business. Essentially the Credit Simple business is about providing consumers access to their credit score, free of charge, instantly.

Following that, if consumers wish to, they can opt in to view relevant offers that would be reflective of offers relating to their credit score. Consumers can obviously shop, if they wish to, for financial, energy and other services without affecting their credit score, and we think that's an important feature.

Credit Simple also refers people with very low credit scores to New Zealand Family Budgeting Service which can provide them with financial counselling and support; we think is also another important, relevant feature of the work that Credit Simple does in the market.

Importantly, we think Credit Simple when it highlights your credit score doesn't hold any credit information, nor does it disclose any credit information to any of the advertisers that put their services on the site.

Let me say firstly, we are generally supportive, and you'll see in our submission a lot of the amendments that have been put forward in amendment number 14, we are supportive of, with respect to change to the code.

You'll note in our submission we spent most of the time addressing one area which is the proposed changes around clause 5 which is the related company amendment and that's where we've probably focussed our submission mainly.

So our reading of that is in its current form, that amendment could be interpreted to deem Credit Simple's platform as a bureau for the purpose of the application of the relevant restrictions under the CRPC to Credit Simple's activities.

Now this scenario, we think, would result in the very detrimental impact in the public interest, particularly in relation to availability of quality financial information to consumers.

Our submission makes a simple modification, or proposes a simple modification to amend the CRPC in a way that we believe would achieve the public interest outcomes that we understand the Office is trying to achieve, while providing clarity on the ability of a business to deliver benefits to its customers in the case of Credit Simple.

Now to the best of our knowledge, we are not aware of any case being made to suggest that anything other than consumer benefit has been derived by the introduction of Credit Simple's services in the market and obviously we would contend that any restraint on its activities on operations would reduce consumer access to credit information services as well as education.

And probably most critically we highlight competition in financial services market places.

We also would highlight that we have a level of concern about these amendments in light of previous advice of engagement we've had with the Office of the Privacy Commissioner in the past, particularly when we launched Credit Simple. On its initial launch we did consult with the OPC and at that time there were no concerns raised about the Credit Simple business model or its compliance with the CRPC.

We certainly, therefore, would contend that those changes that are suggested are not necessary and would really be potentially damaging to the broader consumer interests in the New Zealand market place.

We also did have a subsequent engagement with the OPC in Auckland in about 2017 and that was with respect to one complaint made by the Financial Institution that reviewed the business model and suggested that we could be operating as a credit reporting body and once again the OPC looked at that, the operations of Credit Simple, and our understanding was that they were comfortable with the way that it was operating and no concerns were raised as a result of that request for clarification.

We'd also draw to your attention that the Credit Simple business model is now a globally accepted method by which consumers can both engage with their credit information but also most importantly leverage that credit information to receive better offers and better access to more appropriate better priced financial services.

The model operates in pretty much in every advanced market in the world; certainly markets like the US and the UK et cetera. In Australia alone there are three businesses, including Credit Simple, that provide related services.

You can obviously see in our submission the amendment that we've suggested which we would ask you to consider, we think that that amendment would provide some objections around circumventing of the Act that clearly you're looking to achieve when amending the code that would provide some clarity and certainty and allow consumers to continue to get the benefits that they enjoy in the Credit Simple model today.

That's probably all the remarks I would like to make at this point, Blair, and would now just thank you for the opportunity obviously to make them, and then open to any questions that you may have. Obviously David's joining me today as the Chief Executive of Credit Simple to answer any particular questions you might have on that particular area of our submission.

Thank you.

Q. Right. Thanks very much.

Now, we're obviously in a process here to look at an amendment to an existing code. The existing code has a number of requirements and so that's the focus. We're not here particularly to conduct a compliance investigation into any particular company or anything like that, but I mean it's clear in terms of the main issue you're raising that you've really put Credit Simple model on the block as front and centre for discussion; so I will be asking a number of questions specifically about that company, I mean generally we approach these things as a general issue and we're regulating an entire practice across an industry with consistent laws for everybody; so I wouldn't normally be questioning on a company or commenting on a company particularly. But in posing these questions, and I have quite a number of them, just bear in mind that I am trying to draw out some general regulatory points, not specific points about your company in particular. And I suppose I should also highlight that a number of the issues as far as I can see are all to do with the law, the existing law, and not with the changes that have been proposed. I mean I would highlight in particular several aspects to the existing code:

Rule 11(3)(b), for example, says "a reporter must not disclose information for any purpose related to direct marketing including facilitation of direct marketing by a subscriber."

Section 45(b) of the Privacy Act which in relation to access requests provides that an agency must have procedures in place to ensure that information is received only by the individual concerned or their agent, I mean not by third parties. And that overall - the level of the code provides for very, very, limited circumstances in which individual authorisation can be the basis for a disclosure, and then only to some specific people that are subscribers; so unlike the Privacy Act, generally, authorisation is not a basis generally for disclosure.

Now the questions I'm going to pose, I'm hoping they can all just be answered by yes or no, it may sound a bit strange, but I think many people find what you're doing rather confusing and the submission may also be somewhat confusing on the relationship and I think some of the people who enquired into the arrangement have found it confusing. So these are very specific questions calling for a yes or no answer. If you feel you can't say yes or no, you've got to qualify it, well by all means do so, but I reckon these all should have yes or no answers.

And just before we start that, I note that there is no submission from Credit Simple, we only have a submission from Illion and it goes into the Credit Simple thing in depth. So it clearly seems to me and this also calls for a yes/no answer, that Illion essentially, is the guiding mind for Credit Simple; it's responsible entirely for its practices in the past, its set up, its current practices and its future arrangements. So we're talking to Illion -- I mean, it's not a general presence -- is that a -- that's a correct assumption? I can talk to you Illion about Credit Simple and you are speaking -- you have responsibility?

A. Illion owns Credit Simple as a business, it's a 100 percent owned subsidiary. We own a number of different businesses that operate as separate businesses so yeah, we've got businesses that sit around commercial credit reporting, consumer credit reporting, bank statement services.

Q. Right, so -- I mean that's just --

A. Credit Simple --

Q. I mean, we've got a lot of questions to get through.

A. Yes, we have a range of businesses; Credit Simple is one of those businesses. I think the intention of David joining us today was -- is because we anticipated there may be some Credit Simple-specific questions that --

Q. Yes, yes that is a big help, thank you.

A. -- (inaudible) thrust about -- I'd also just quickly mention that we did consider the idea of putting in a submission from Credit Simple, but transparently thought that was a little bit cute to be -- while it's a separate legal entity, it is part of the Illion group of companies; Illion operates a credit reporting business. It seemed to us that amendment is -- amendment to clause 5 is intended to, as you say, preventing any circumvention. Our understanding was that the principle wasn't to be (inaudible) to circumvent the provisions of the code and that's why we wanted to address the submission.

Q. That makes perfect, perfect sense to me, it's not independent, it's Illion we're talking about.

Now, these -- again, these just need yes or no answers, I'm not trying to trap you and if you need to think about them do so but actually I think they should all be --

A. Sure.

Q. -- easy to answer.

Is Credit Simple a subscriber of Illion?

A. Yes it has a subscriber access code to Illion. I believe.

Q. Is Credit Simple a credit reporter?

A. No.

Q. Do you consider Credit Simple a marketing company?

A (DS). No, we consider Credit Simple a company that gives people access to their personal information first and foremost, we've got a very clear view on that we think Credit Simple as giving information to consumers will be able to generate chains in the marketplace, particularly in competitive marketplaces around the finance space and the energy space in New Zealand.

Credit Simple funds itself by getting access to a success fee if there is -- if a consumer does have a good offer for certain products.

But certainly no we do not consider ourselves a marketing company.

Q. So Illion is getting a commission from people who --

A (DS). Yeah completely.

Q. -- ultimately get --

A(DS). Yeah.

Q. -- credit through this marketing process?

A(DS).Yeah no we don't consider ourselves a marketing company.

Q. Well, these companies don't start with any prospects; these people don't know, that they only get it through this process; they're delivered up a prospect to whom they advertise to.

A(DS). Yeah so we consider a marketing -- and you asked the question on what we would consider to be -- if we would consider ourselves a marketing company; the answer's no. We would consider a marketing company a company that would take personal information and take that personal information so the consumer's name, address, details, and then package that up and sell that data, physically transfer that data off to someone else.

Q. Isn't that what Illion's doing?

A(DS). Nup

Q. I mean Illion is starting with all that information, this, this, this --

A(DS).(inaudible mumble).

Q. -- credit company or power company or whatever, they don't even know who these people are. There's some identity associated with that.

A(DS).So there's -- the only way in which a third party company -- we'll use the example of an energy company -- can get access to a consumer's information, is if a consumer makes the conscious choice to go and click and go to that energy company. There's no transferable data from Credit Simple to the energy company.

Q. Well aren't you starting with the individual who is seeking access, no information, much, I mean there's an identity there -- you're ending up with the identity of a person that has a credit score of a certain character?

A(DS).We're ending up with an identity on Credit Simple, yes. We're certainly not --

Q. So if you're not a marketing company -- marketing -- if you took marketing out, you'd still be doing what you're doing?

A(DS).The majority of our base have no offers, get no offers. So the majority of our base are -- get, will have access to no marketing offers or no third-party offers.

Certainly the ability for us to be able to help fund the business and be able to tell people our credit scores comes from the ability to be able to provide consumers access to other offers in the market place.

Q. Right. Your submission did give some figures about the number of people who had opted out of getting the marketing --

A(DS).Yes. 63,000, at that point.

Q. Which was a minority of the entire number of people dealing with you, which you said was 500,000.

A(DS).Yes so 500 -- correct. So 63,000 people have opted out and I'd urge if you were to look at – and if you want to determine how that compares to other businesses that exist in online market places, it's a pretty big figure.

So 63,000 people being able to physically opt out and still get access to credit reporting information without the marketing element, we're pretty proud of that figure, we think it's a large figure and we think it's easy for people to be able to find access to a point to be able to opt out.

Q. Right, right. I should just highlight that; that's why we're hence into marketing discussions and so forth which I guess is the point.

Again, these just are expecting yes/no answers. I'm happy and very interested in the explanation but we'll run out of time if we're not careful.

Do you consider the companies that contract with Credit Simple are subscribers to Illion? Just a yes or no answer.

A(DS).Some are, some aren't.

Q. So there's no necessary connection? So that would be another one I guess.

A(DS).No, there's(necessary connection.

Q. Does Credit Simple use Illion's data for marketing purposes? I think you've expressed your opinion on that.

A(DS).Just let me consider that. Does Credit Simple use -- no.

Q. Just --

OPC (JE). How can you say that?

A(DS). I can explain how that we'd -- so we don't take --

OPC (JE). So I don't understand --

A(DS).So Illion does not give any marketing data --

OPC (JE) -- somebody asks for their credit information, you get that from Illion?

A (DS). Yes. Correct.

OPC (JE). So the only -- I mean, you're a portal for people to access their credit score which is held by Illion?

A(DS).Yes.

OPC (JE). And then your business model is that you will, on behalf of other commercial enterprises, offer that individual goods or services?

A(DS). Yes. Correct.

OPC (JE). Can you just ask the question again?

Q. I just said, do you use -- does Credit Simple use Illion's data for marketing purposes?

OPC (JE). Well I can't understand how you can say "no"?

A(DS). No I was thinking about in terms of do we receive marketing data sets from Illion which we use to undertake any type of marketing demographic. That was my view, so very clearly --

OPC . So change it to yes, would that be the answer?

A(DS).No, we give people access to their credit point data and then we enable customers to come in; if you would like to find out --

OPC (JE). Have I correctly characterised the transaction?

A(DS).You have tried, yes you have.

OPC (JE). Then how can you say that it's not using Illion data for marketing purposes? I don't understand.

A(DS). Because we're not using the data for marketing purposes, the consumer is using their own data to make a decision about whether they want to opt in or out.

OPC (JE). But then you are then using -- you are then offering that person, based only in data –

A(DS). A service. Offers to, yes.

OPC (JE). So I just come back to the question; do you consider -- does Credit Simple use Illion's data for marketing purpose? I think you have unequivocally told me that yes you do.

A(DS). I'm happy for you to form that view but we don't -- my answer was to say do we take Illion's data and physically use that then to give to someone else, so to --

OPC (JE). No, that's not what the question was. Are you using Illion data for marketing purpose? The answer, based on your description of the transaction, must be yes.

A(DS). Sure. Happy for you to reach that conclusion.

OPC (JE). Well, do you agree with that conclusion?

A(DS). I agree that's the process that we take.

Q. I know I personally would have thought marketing is in terms of identifying the person to be marketed to and getting some information about them to be more effective. Profiling --

A(DS). Yeah people can (inaudible) too, yes. Yes.

Q. -- would be marketing practices.

Does Credit Simple release to third parties data lists?

OPC (JE). So can I just come back to that because maybe I'm misunderstanding your question; what are you driving at Blair? Are you -- are we -- is Credit Simple profiling the customer base to offer -- I mean, is your question, does Credit Simple use the Illion credit scores and data to identify people more likely to accept or be amenable to our offer, from a particular provider? Is that –

Q. Well what I would --

OPC (JE). I think one of the problems we've got here is we possibly don't have common understanding of the term marketing.

A(DS). It's a very – I would contend it's a very broad concept.

Q. Yes well I mean I guess these third companies that are contracting with --

A(DS). Credit Simple, yes.

Q. -- with Credit Simple, are starting out not knowing the person.

A(DS). Correct.

Q. They're not starting out with a list to be pre-screened --

A(DS). Correct.

Q. -- which is a process permitted by the code, it's a blank slate.

A(DS). It's a blank slate.

Q. And a name has been delivered to them for marketing?

A(DS). No a name is not being delivered to them for marketing.

OPC JE). So what is being delivered to the -- as I understand it, what is being delivered to the individual is information about a service being offered.

A(DS). Yes.

OPC (JE). They then contact that company and say, I got this offer, please give it to me.

A(DS). Yes correct.

Q. They are offering themselves up now to Genesis Energy or Spark or whoever it is.

A(DS). Correct. Exactly, yes.

Q. What I'm trying to get at, and I don't know the answers, this is genuinely why I'm asking is the different players. The code provides that the marketing purpose is not to be undertaken by the credit reporter or to facilitate a process whereby it is the subscribers that are doing the marketing; so I'm just trying to go through one by one through the different parties.

A(DS).No I understand that. I think --

Q. Hence the different questions. But I'd note this down as a "no" and I'll put an asterisk next to it, because it seems to be that depending on one's view of marketing, and we're not doing a marketing symposium here --

A(DS).So I agree with that and I agree that there's the separate views of marketing and to your point, it's absolutely that, that we don't physically say to Genesis Energy, here's a name and address, we say to Genesis Energy, you're able to put your offers within the platform and from that sense that is marketing back into the customer based and then a consumer can make a decision as to whether they want to then engage with that company or not.

OPC (JE). When you make those offers to the individuals in the database, are you -- you have an engagement with the client; the Genesis –

A(DS). Yeah.

OPC (JE). -- do you say, we will make this offer visible to people with a score of over 'X' or with a demographic profile of “Y”?

A(DS). So the demographic profile, absolutely. Yeah.

So certainly energy companies will give us a list of information, so demographic information, and particularly with energy around post codes and regions relative to things like smart meters and the like; so yeah there is demographic data that we create.

OPC (JE). You're segmenting the market?

A(DS). Completely, yes.

OPC (JE). You're using Illion data to segment the market and put offers to selected demographic subgroups of Illion's credit data?

A(DS). So not the bureau data that we're using, so once it becomes a part of the Credit Simple customer base -- which is Illion data, because we're part of the Illion group, so yeah for -- yeah completely structurally, yes because it's Illion data and yes, we do do demographic data analysis for customers to then be able to place that in front of an appropriate person.

OPC (JE). All right. Thank you. Sorry that I keep interrupting.

Q. No that's very helpful. I mean I would have some follow-up questions on that too if we had time which would be the earlier comment about better price credit offers, I mean if something simply, based on demographic profile, isn't the same offer they'd be getting if they approached --

A(DS). No. No. So for instance --

Q. But is it based on better -- on the credit worthiness of the person or just based on --

A(DS). On demographic data.

Q. Demographic.

A(DS). Look, when you're inside the portal, absolutely it's based on -- yeah, so -- let me -- maybe if I take you through the process that a consumer goes through --

Q. Well let's hold it there because it may not be that important but we will come back if you think it's an important point to be made.

A(DS). I think it is because in talking to the -- I mean this is -- in talking to what the future -- should be considered in the future code, I think it's important to consider the process, because what we are very clear on is that a consumer would acquire their credit reporting information and they would become a customer of Credit Simple or a consumer of Credit Simple. They may come back to the site at a future time and they may decide to go to a part of the site, which is clearly labelled 'offers'. And if they click on that -- so once they've gone back to the site, the way in which Credit Simple works is it will go back to Illion to retrieve the credit reporting, the bureau data, and then it will structure those offers that someone can see by credit score. So a consumer may see a product only if that product is available to someone with a score that's higher of "X".

What we do not do is give that consumer's data to anyone. But the model that we have is very clear on that the consumer has consented to be able to see those offers by virtue of their credit score bands because they've consented into that; so that's clearly how the model currently works.

OPC (JE). Why doesn't Illion offer this service directly?

A(DS). To?

A . The Illion consumer credit reporting business?

OPC (JE): Mmm.

A (DS).Well we would consider that Illion as a consumer credit reporting business would be in a position to provide that sort of service.

A. The way we understand the code to work Commissioner is that consents are sought from a credit provider and those consents are with respect to them providing data to us for a particular purpose and that purpose is excluded -- excludes marketing. So we don't consider that there is any consent from the consumer for us to use their data in that way. We don't have a --

OPC (JE). So you're not allowed to? You'd like to? Do you agree with the current restriction in rule 10(1)(b) says a credit reporter must not use the information for any purpose related to direct marketing --

A. I think you have to --

OPC (JE). You haven't submitted that we should change that.

A. No, no, I don't think we'd have a view that you should change a -- I think our view is that in a credit reporting business, the consents are not -- we don't receive direct consents from the consumer to use their data in any particular way. Those consents are sought by a credit provider primarily. Most of the information we have about consumers comes from our credit reporting customers; so they basically collect data for particular purposes which is to assess credit worthiness, they disclose that that data is shared with a credit reporting business, so we don't have that direct relationship with the consumer to seek those consents.

I guess the way we see Credit Simple as a separate business operator is they do have that direct relationship with the consumer; they do engage directly with the consumer. The consumer does provide consent to the Credit Simple business to access their data --

OPC (JE). Leveraged off your obligation to actually provide them with the data that they are entitled to receive themselves anyway.

A. There is an obligation we have as a credit reporting business to provide consumers with a copy of their credit file on request, absolutely, and Credit Simple does facilitate that.

Again we would contend that many of the credit -- the individuals who come to Credit Simple wouldn't be aware of that right and Credit Simple's educated them in respect to the fact that they have that opportunity to both access their credit report instantly, monitor their credit report and then thirdly, if they wish to, and I think as David -- the point David is making -- if they wish to, they can click on a button on the Credit Simple site that says “offers”, would you like to see those offers? They are certainly not compelled in any way to view those offers if they don't wish to, but certainly that's not something we would see a credit reporting business doing, that's something a business like Credit Simple would do with clear consent directly from the consumer. That's not something that our credit reporting business ever gets because we do not have that relationship directly with the consumer.

OPC (JE). But you could do that if we didn't have this rule, you could say, do you want to access your information? Here's the portal. Click here. You’d get it by return email, do you want some offers?

A. Yeah.

OPC (JE). Why don’t you do that, get rid of the soft part of it?

A(DS). Yeah, look -- can I -- if there was a -- I mean, we're seeing consumer data -- if there was a function around credit reporting data like we see emerging in other parts of the world where there's a clear consumer data right, that starts to then outline how that should be used in a consumer, in the market, consumering offers, that would provide a level of clarity that we're starting to see emerge in other countries such as the UK, such as Australia, where a consumer is given a right to access data and then very clearly being able to use that data within explicit consent regime, at their request, to be able to do things whether they're beneficial, I think -- I mean having that level of clarity in an environment when we haven't submitted on it, that would be both useful for the consumer because there would be a model that would be visible relative to what we're trying to achieve; it would have benefits and that would start to help drive competition in the marketplace, so it would drive benefits for the consumer. But that model contained and constructed it would be something that would we would like to see that could be beneficial.

OPC (JE). Thank you.

Q. Yeah, well these were intended as yes/no answers but certainly with marketing it's a little bit more complicated than that and room for difference of opinion maybe. And you'll notice that the new rule references marketing or direct marketing, because I think direct marketing is a tricky concept in some of the electronic media as to what is an advertisement and what is a direct marketing and they'll both come within marketing where there is personal information profile of the individual.

A slightly different line of questions but still calling for yes/no answers -- and we've got more interesting questions coming later but -- does Credit Simple seek authorisation from individuals in the course of making an access request in these circumstances; so are you seeking authorisation from the individual in an access request for the use of data for marketing purposes? Covering some of the same ground but it's a different angle there.

A(DS). Yes.

Q. Okay. If a contact with -- and I -- this is a phrase I've used, it may not be the correct one -- a debt consolidation service?

A(DS). I'm not aware that we explicitly ask in terms of a debt consolidation service, but our -- I mean our terms and conditions and privacy policy are open to view that exact (inaudible).

Q. Oh okay. I guess there's something called -- what was it? Something Clear?

OPC (VV): Clear Name.

Q. Clear Name. I was trying to give it a phrase --

A(DS). Oh okay. Right. I've heard of Clear Name service.

Q. Or maybe that's the next question: Debt collection purposes; do you get authorisation to share information with another party for debt collection purposes?

A(DS). We don't. And the Clear Name service is a service that we offer generically to the customer base so --

Q. What would you call Clear Name? Because it's --

A(DS). Yeah, yeah it's interesting. So it's a -- Clear Name is effectively a service where we go to companies and we very clearly can say we know that part of our customer base will have access, will have a default loan, will owe companies money -- one of the ways that we want to look about empowering consumers is to say, we know that collection agencies are capable or financial institutions and energy companies are able to fight, they're capable of offering people money off they're default arrangement.

Most consumers don't know that. So we believe that we can go to those companies and say could you give people 50% off their default and put money back into the hands of consumers? So we do that generically. So we go to a telecommunications or a finance company and say, there'll be a portion of Credit Simple customers that will have a default on them. We don't know who they are, but we can send a sort of broadcast message or an email to everyone to say, if you are a customer of Genesis -- we'll use Genesis as an example again, Genesis Energy are offering 50% off their defaults today.

Q. So that's like marketing to poor -- the people with poor credit record, is that what you are describing?

A(DS).Well it's marketing an offer where they can get 50% off their default so yeah, we're marketing that message absolutely but we're certainly not -- we're marketing a good thing to them not a go and get in more debt.

OPC (JE). What stops Genesis going to those people directly?

A(DS). Nothing, they can go directly to them as well. Yeah.

OPC (JE). So what's the value proposition?

A(DS). We stand for our members. So Credit Simple stands for its members, very clearly stands and advocates for its consumer member base. So what we're looking to do is help people live their best financial life. In trying to do that we think that we can -- we want to drive competition and risk-based pricing into the market place because we think people could access to cheaper loans; that's the first and foremost thing. If you've got problems or if you have money owing, it would be great for us to be able to find ways to reduce that bill. So our representation to the consumer is not that we are a data and marketing hub and we're just going to punch you with messaging all the time but we are actively looking out for ways in which we can help people build out and live a better financial life.

So, contextually from us, the method -- the message actually resonates better with consumers than it would potentially companies --

Q. You're really just talking about more effective marketing, aren't you? But --

A(DS). But no, no I actually -- no I -- I don't necessarily agree with that, I think that our -- in wanting to -- we're not a company that's sitting there trying to trick people. We're actively sitting there trying to help people.

Q. No but I don't think you'd be better marketers by tricking people but --

A(DS). No, no. But -- our proposition is -- our proposition to consumers is all about helping them live their best financial life. Genesis proposition to a customer is something completely different as well.

If we were to tell -- and if I can could give an example of what we could see in the market place right now. If we were to tell consumers, our entire consumer base, that we had a great perfume offer, no one would take it; no one would look it, no one would think about it. If you were to put that same offer on Grab One or in a Trade Me forum, people will resonate with that because it's how people and how the customer base connects with what you do, so it makes sense for a consumer to get something from Credit Simple that says, hey we've found a way to save you $500.

Q. Right.

A(DS) Or a percentage of.

Q. You've probably forgotten what my question was but do you seek authorisation from individuals who are making access request in relation to marketing of non-credit goods and services? I mean your perfume example, for example.

A(DS). I believe we do. I believe we do. But I mean again, I haven't got our privacy terms or conditions sitting in front of me (inaudible).

Q. Well I've looked at the terms and conditions –

(inaudible – multiple speakers talking at the same time)

Well I looked at them, they weren't restricted to financial services.

A(DS). Sure. I haven't done a -- I haven't got those in front of me, nor was I (inaudible) those, so I'd like to be able to refer back to it

Q. No, no, of course not. Of course not, of course not -- no, no and I'm not trying to put you on the spot. These are relatively simple questions, should be able to be answered with a yes or no I think.

Is Credit Simple subjected to the same compliance review process involving independent person that Illion is subject to under the code?

A. We certainly don't see Credit Simple operates a credit reporting business, so the answer I think is no.

Q. Do you have similar arrangements with any other marketing company?

A. So you mean in the credit reporting business have we got a similar arrangement with another platform? I'm not aware of any other platform.

Q. Is this an arrangement you would only enter into with a related company?

A. No. In fact, just very quickly, we have had (inaudible) approaches from other companies to do exactly what we do with Credit Simple, so the answer is yes we would.

Q. Now most of the discussion thus far has really been about the existing law and the way it impacts on the arrangements that we've been discussing.

And just your attitudes to regulation. Now some of these I think you've commented on in your submission so that's great, but this is an opportunity just to say where you stand.

Would you agree with the sentiment -- actually before I get to those I've just got a couple of additional questions I put on the wrong page -- having connected an individual with a credit provider through Credit Simple, would you expect that credit provider to do a credit check before they lent to that individual?

A(DS). That would be a matter for the credit provider. So some will, some won't, some may not have --

Q. So would you say -- if some will, some won't. I mean that's very interesting. I thought your answer was going to be yes of course they would do a credit check. But won't that actually mean that they don't leave a record on the credit reporting system that these people that have had a credit enquiry?

A(DS).Oh so an offer that we would send to the title market place is an offer around education. An educator has no capability or has no ability at all to be able to do a credit check, so that education provider would (inaudible) --

Q. We're talking at cross purposes so maybe --

A . It's a credit product though. Your question is if the offer is for a credit-related product?

Q. Yes. Yes.

A. Understood. Look I would think -- my understanding (inaudible) they would

A(DS). They would (inaudible).

A. -- do a credit check, I mean they obviously would be mindful of their responsible lending obligations.

Q. Yeah. Well that's what I was kind of wondering about. And -- yeah, so they'll come back into the credit reporting system anyway. The bit that is added there is that they get the prospect to market to -- they get the -- they take the interest and it progresses. So it's sort of at the marketing end I would say not the assessment end.

The marketing uses that the Credit Simple website refer to -- ah yes, the marketing uses on the Credit Simple website, these are the terms and conditions, refer to the release of -- release to providers of goods and services (including financial services).

Do you consider the range of disclosures to be restricted by what the code provides? In other words, you've already said Credit Simple is not a credit reporter, so in terms of how in terms of how you shape this universe of offers --

A(DS). Do we see the offers available?

Q. Do you consider the code to be a consideration in --

A(DS). In what offers a Credit Simple consumer could see?

Q. Yeah.

A(DS). No.

Q. No. Well I thought that was the case.

Right, now just going back to these attitudes to regulation: Would you agree with the sentiment represented by amendment number 14, that credit reporters benefit from certainty that whatever code rules exist for the time being apply to all credit reporters and cannot be avoided by the use of related companies?

A. I think we agree that certainty is a good thing, absolutely. Yeah. And a level playing field is a good thing. I think is inferred in the question, yes.

Q. Yes.

Do you agree with the sentiment represented by amendment number 14 that it is inappropriate to integrate into processes -- integrate the sale of products and services into statutory application processes for access, correction or suppression of records?

A. I think so. I mean I think it's as the Commissioner asked earlier, I mean we've not seen that it would be appropriate for the credit reporting business that Illion operates to do that. I guess. So yes, the answer is yes.

Q. I had some questions that the Commissioner has already asked and you have explained it that you get commissions from lending, which was kind of interesting -- well those were my questions on that significant part of your submission, and the other parts are important too and I had some questions about that but before I move on, do you have any supplementary questions?

OPC (JE). Yeah thanks. If I was to send my credit score from Illion am I directed to Credit Simple or can I get that direct from Illion?

A. Ah Illion -- well, credit score, yes you would be -- it would be suggested that Credit Simple is the place to get your credit score. I mean at the moment Illion provides access to your credit file which is the data we hold.

OPC (JE). So the other aspect of the amendment that we haven't touched on is that the access right will now -- if we proceed with those amendments, people would be entitled to get their credit score also when they obtain their credit report.

So that will mean there's -- how will you drive traffic, if I put it crudely, to Credit Simple in that market environment?

A. Certainly we'd give consumers the option advice, so one would be without the -- so one would be, I just want to see my credit report and credit score if it was -- if it were in such a state. And then Credit Simple comes with a bunch of other tools and attributes to it that help a consumer out so we see that as being -- those tools would be why you would go to the Credit Simple version.

OPC (JE). Thank you and I understand that. But, the question is -- and it's really important that I ask Illion this question because Illion has that responsibility and I understand that Credit Simple offers a value-plus product --

A. Yep.

OPC (JE). -- but that is at the moment based on the possible oversight that the access right excludes the credit score; so I guess I'm asking, what happens to

Credit Simple's business model when Illion is obliged directly to provide a consumer with their credit report and their credit score?

A. Look, I think consumers will still have that choice Commissioner, whether they wish to just receive a score from Illion, and I think you'll see in our submission where we have raised some concerns about what score do -- would Illion provide the consumer? I mean, we have a range of scores and analytical products that we provide to credit providers. No we don't hold a credit score as such on the bureau; we calculate -- we generate a score which is user-specific; so if you do think of industry segments, we have different ranges of people and profiles that comes with different types of credit providers and we've got other angles or tools; fraud scores et cetera. So one of our comments is we think there needs to be a little bit more guidance about what score should a credit --

OPC (JE). And I'd like to ask you about that. So if I seek my credit report from you, does that also contain the credit score that you gave Blair who sells home appliances and who ran a check on these me week?

A. So if we gave the consumer their credit report, does it contain the score that we've calculated and delivered to a credit provider historically?

OPC (JE). Yes.

A. No. No it doesn't.

OPC (JE): So you generate that to the provider and then it's gone?

A. That's correct.

OPC (JE). So one option would be please run for me any score that may have affected my access to any credit product in any market. And you would presumably know that I applied for a telephone account and I -- I don't know -- do we (inaudible)? So you can -- you don't have to run all possible scores, you can invite the consumer to say what visibility -- what are you trying to understand here?

A. Yeah, I mean theoretically we could provide historic, we could go back and recalculate, because it would have to be recalculated for each of those scenarios.

OPC (JE): Based on those points in time?

A. Based on those points in time and provide those to the consumer.

Our view as a credit bureau is what is in the consumer's interest here? Is it getting all of those historical, different scores, or is it actually helping them understand what data we hold and their credit worthiness generally?

OPC (JE). So I still come back to the question that -- isn't that like a challenge to the kind of business model that you have with running Credit Simple now?

A. I think it certainly --

OPC (JE). What drives me as a consumer to go with David rather than you to find out credit information about me?

A. I think I would say there will still be differentiation in those offers, Commissioner, because the Credit Simple model is about monitoring the management of your credit, your credit score; it is about advice -- financial advice, it is about being able to access better rates for financial services products; be exposed to offers that relate to energy and telecommunications products. So I think it would depend on what I was trying to achieve as a consumer. If I was simply interested in just getting access to my credit report at a point in time, I'd have probably said it was substitutable. If I was looking for something more than that, which might be how to actively manage and monitor my score and how do I achieve better outcomes, moving to that score to achieve better financial outcomes, I'm probably more sort of giving you my opinion as a consumer, that's what I would assume a consumer would weigh up; is what are my general outcomes.

OPC (JE). Yeah and I think the key word there is assume isn't it? We're assuming a heck of a lot about what is motivating people to use that service rather than a free service that enables them to inform themselves about what might be influencing their ability to access credit.

A (DS). We have seen an innovative environment globally then when credit bureaus were giving out just a score and all but the American model has had to evolve quite rapidly to three over the last few years, but certainly our experience in New Zealand, Australia, what we've seen in states in US is that the credit bureaus when they have requirements to give out credit reporting and a credit score and do that as a sort of user service that you come and get access to, has delivered that to a part of the population? In general it's delivered in part of the population that are -- have lower scores. So they've generally -- a person has generally gone and got their credit report and credit score because there's been an issue -- they've applied for a mortgage and they've found out they've got a default with someone else; so the market share of people actually accessing their own personal data is much lower. In each environment that if we've seen it increase, we've seen it increase where there is a model like a Credit Simple where more people have got access to their data and information.

So in the US we see around about 80 million people on platforms like Credit Car, we saw Clear Score in the UK grow to six and a half million people in around about -- in the space of a couple of years. In New Zealand, Credit Simple's grown to half a million people in just on two years; they're now seeing their credit score and credit information in what I would call a much more benign bureau environment where the consumer gets access to the what we call the (inaudible) credit reports and products, less people go and get access to it. So I think we've seen that appearing globally.

OPC (JE). Right. Thank you.

Q. We're shortly going to have to start the next submission and I wanted to just ask a question and give you the opportunity to speak to two of the aspects in the rest of your submission. I think we've rightly concentrated on the one of most concern to you?

A(DS). Yes.

Q. The commencement -- we're pondering the possibility of a commencement on the 1st of July so it would be three months later than the 1st of April it was notified. You've suggested possibly October which seems quite a bit later, what would you think about a July start? Where would be the pressure points if you had that extra three months?

A(DS). I think probably the issues for us are more technology related so if the examples the Commissioner mentioned is we are providing, for example, all historical scores, there'd obviously be quite a lot of work to go to create a system whereby we could go back, recalculate each of those, provide them back to the consumer on request. If it was just providing them with one score, for example there was a score which is our generic score, because we do have, as a said, a range of models, and it was provided at a point in time then probably July sounds like it could be realistic.

I think it was just about understanding the scope of some of these changes. If it was simply a score at the point in time of the request calculated and it was one score, a generic score, that probably sounds like it's achievable.

Q. Right. Thank you.

Q. Oh yeah.

My other question was on reducing the maximum reporting period for previous enquiries. What -- I mean clearly you don't support that and you will have seen other submitters haven't been supporting it either, but what difference from your perspective would three and five years make?

A(DS). Look, I think we'd -- our concern is primarily that not everybody in New Zealand uses comprehensive reporting; not a lot of our customers have adopted that and frankly some may never adopt it. So those non-comprehensive data and it’s still quite useful and informative; so being able to see what the pattern of people's enquiry history, if people have been applying for one service each 12 months and you can go back and see if that's a normal pattern enquiry over five years, that's quite informative. If you can only see three years and you can see that they've had three enquiries three years ago, nothing in year two then three the most recent year, that's interesting but it would probably -- you can probably draw more inferences if you could see those two earlier years. I guess it's about understanding behaviours that definitely the most recent behaviour is the most relevant predictive in our experience.

Q. And you're really focussed on the people who aren't participating in the comprehensive systems?

A(DS). I think I understand the general thrust of the six-years-on reporting is adoption has been -- consumer outcomes haven't been as great as they could have been with the advent; adoption rates haven't been as high as they could be, yeah we certainly agree with that. So we plug (inaudible) and we think that in principle can help with that adoption rate by helping consumers to understand the benefits. But certainly we think part of the market will stay in negative reporting still for some period and we'd be keen to see that information.

Q. Excellent. Well I think we'll need to wrap it up there in deference to the next submission --

OPC (JE). I might just ask one more question, if I may, of Credit Simple this time, and I mean, I haven't read your marketing information but I imagine the phrase "helping people be their best financial…"

A(DS). Yeah.

OPC (JE). And we've heard from you a couple of times and you present the benefit of the company as being for the benefit of consumers and the like, but obviously the business model depends on those commissions?

A(DS).Sure.

OPC (JE). What sort of filter do you put on -- I mean, will you take any customer that pays the money to offer the service?

We've heard, for example, today government moving to cap predatory loan offers. If I am a pay-day loan company and I say I want this ad to appear in front of these people with the lowest credit rating and these post codes, these ethnic characteristics, you take that?

A(DS). Yeah, yeah we've had a serious look at that. So I mean we want to be a true reflection of the marketplace but we do have a conscience so we certainly we'd look at a filter around predatory lending, to say no.

OPC (JE). Is that conscience recorded in writing or?

A(DS). No actually it's not, it's more implied in the business. So what we would welcome as Credit Simple is support to be able to have some form of filter around that as well, rather than us dictating what the market should and shouldn't look like, but some support around that environment would be useful and certainly I'd say the support that we're looking for in terms of helping business where consumers can have rights over their own data and use it, a framework around -- a strong framework around consent is important as well. So we're not -- we're certainly saying that the model that we have is a model and we think it's a good model and we think it's run quite competitively. Are there regulatory instruments that could assist us to do it in a way that provides a strong, robust operating model that would allow others to run as well too; so everyone could have a strong framework for operating in within, we think that would be a good thing.

What we don't want to do is have the right of a consumer to get access to their data and to do certain things being a right that's taken away, particularly when the rest of the world is moving to that right in a really sensible framework and fashion.

Q(JE). All right. Thank you very much.

A (DS). Could I just add to that one more question? I have knowledge where in Australia certainly we have seen absolutely none. So we definitely have applied a (inaudible) that says no, it's not considered in the consumer's interest to have those offers on the platform. That's in Australia specifically, I'm not aware of any of (inaudible) in New Zealand.

A. But to the Commissioner's point, it's based on the goodness of the people in the business as opposed to a written down policy or strategy and I think that's a useful instrument.

Q. Thanks.

Right. Thanks very much.

(Submitter excused)

Audio file: Equifax

Held on 10 October 2018

Speakers

Q.	Office of the Privacy Commissioner - Assistant Commissioner B Stewart (Chair)
OPC (JE).	Office of the Privacy Commissioner – Commissioner J Edwards
OPC (VV).	Office of the Privacy Commissioner – Ms V Vida, Policy Advisor
A.	Mr A Luffman, Equifax representative
S.	Mr S Baxter, Equifax representative
J.	Mr J Edwards, Russell McVeagh

Transcript of Submission Hearing

Credit Reporting Privacy Code Amendment No. 14

Q. Let's make a start. Continuing our submissions on Amendment Number 14. If you perhaps introduce the three of you, and then whoever is going to be speaking first start off?

We also have 45 minutes, but it may not take that long?

A. My name's Angus Luffman; I am the Managing Director of Equifax New Zealand.

S. Hi, my name's Stuart Baxter; I am head of our solutions analytics.

J. I am Joe Edwards; I am a partner at Russell McVeagh, will be providing legal assistance.

A. So firstly, thanks for the opportunity to come and talk to you today and discuss our submission.

Just for reference Joe -- Joe has joined us today as our regular legal counsel lawyer, who engages with the Commission regularly, is on leave today.

Firstly, I think I'd say that it's been -- I'd like to think it's a good open discussion we can have around this, getting into questions. Our submission is fairly targeted and what we talk to today will be even more targeted in what we go through, in certain parts.

As far as that will go, Stuart will talk to some of the technical pieces, and then obviously we'll go through Q and A.

I think one thing we do is -- it's in our submissions; there is some points where we have asked for clarity, and some of that clarity, that clarity gets important when you get to a final point, because that actually impacts what happens to changes, whether they are technical, whether they are collateral, whether you have (inaudible), and we obviously know that the things that we've asked for clarity about (inaudible) questions.

I will -- one thing I will talk to you up front, because it's in there, is in relation to transition time. So, I mean we've put our submission six months, I think, because the times have moved; it was originally a September date. I think the key points to that, for us, is obviously there are system changes at our end, and some of them are more complex than others. The critical point here is that when you are running -- have been running the network that a credit report runs, is that those impacts, particularly if they are about the changes to data or removing data from the system, then that goes directly to those who consume it. So whether that's -- they have to -- however -- their credit rules and scores, it's not -- so I guess, from our point of view and our own engagement and my own experience, having been through this in a previous life in Australia, we need to engage with also the users of the bureau, about understanding those changes. So they're not simply changes that happen at our end, which will as I say, have different levels of complexity. So that's part of the reason that we -- part of the timeframe, the timeframe that's indicated, the way we've put it in here is lead time, particularly if you consider the end user considerations, and I note that's in some of the other submissions.

So they were sort of high level points; I'll let Stuart talk to a couple of the key points.

S. Thank you. I'll just touch on three key areas of our submission, the first one being the amendment to Clause 5, updating the small debt threshold to $125.

We understand and support the motivation of this proposed change, and based on our findings, we estimate that would remove circa 2% of all reported defaults. And whilst this is a relatively low percentage, we do have sort of broader concerns around the removal of data from the credit reporting system.

That could be detrimental to the end consumer. There would be less information for lenders to make responsible lending decisions.

But we do seek though a couple of requests, one on the -- we do seek clarification to understand whether this change is intended for new defaults, post the commencement, or whether it applies retrospectively? And secondly, following on from what was discussed around the transition, the proposed amendment would require substantial lead time, in our opinion, to allow credit providers, the credit reporters, and most importantly, the debt collections agencies, to implement these changes. So we do request a transition period from the original commencement date that was proposed.

The second key area is in relation to the amendment to Schedule 1, reduction of the maximum reporting period for business enquiries. Of all the proposed amendments, this is the one that we have the greatest concern with. We believe enquiries should be held at five years to be consistent with the default reporting. Again, we do not support the removal of such data from the credit reporting system without being replaced with other credit information.

We understand that this change reflects the current position in the UK. However, we believe the UK's mandated credit reporting system is significantly different to this environment, where the UK has a mature positive data environment and has been for many years and decades.

Q. Just a small clarification there, it's not the same as the UK. They recommended, and I presume they implemented, 12 months. We've gone to three years.

S. Right. And, so we've undertaken research into the impact of reducing enquiries from five years to three years. Our analysis has shown the presence of thin files. By that I mean, files where there is no credit information or very limited credit information, will increase by 33%, which again, will be detrimental to the end consumer, particularly those credit providers who are not actively participating in (inaudible) of credit reporting or (inaudible). The impact to the end consumer is the potential for denied access to credit, or a reduced customer experience, or will not be priced accordingly to their level of risk.

Furthermore, our research shows that such a change will create a material misalignment in credit scores or models, to predict future default risk. This will require the credit providers and reporters to recalibrate their models and policies in line with regulatory requirements.

And the last point to make on this one is just for clarification that the addition of an enquiry on a credit report doesn't always result in the reduction of a score. The contribution of the score actually depends on multiple factors, based on an individual's credit file and the credit profile, and in fact it's very common that the introduction of a credit enquiry can improve a score.

The final key area is in relation to amendment schedule 3, which is the subscriber obligation to provide quotation enquiries if offering risk based credit products. We agree that there should be the ability for proven consumers to be able to shop around without impacting their credit score. However, it's not clear to us what is meant by the term risk based credit products, and we seek clarification.

We do express concerns that it could potentially be exploited by credit stressed consumers, who are looking for credit of last resort, and also fraudsters, who are seeking to gain in the system, and an application for credit recording file remains an important tenet of the proper credit reporting system. So we are not opposed to the concept, but believe more due diligence is required with this provision, to ensure that it doesn't undermine the benefits gained from a robust credit reporting system. Thank you.

Q. All right. That's very helpful. I had some questions, just following the order of your submission, and others may chip in, as we go through, and they really were the same points that you've highlighted yourself.

So, commencement, as you will have heard with the previous submitter, I've asked them well, if we were going for a 1 July start, which is kind of a round number for us in terms of the financial year, three months longer than is proposed, what would your reaction be with that, and which of the remaining issues would be sort of top of mind for you?

And just before you try and answer that, I should say that I think you make a good point, and some other submitters too, about the need to be clear about the transition of small debts. So let's just assume for the time being that that's -- that comes out in a way that eases the transition, but we'll come back to that in the next point of discussion. So we'll just set that one to the side.

What would be the remaining -- with that extra three months, what would you think would be the most difficult, or are there any remaining difficulties, in terms of gearing up for a 1 July start?

A. So I'd probably go back to my point earlier which is, you know, if you took the defaults, if you are taking out all of the defaults that are under $125 as against -- no longer reporting them, from the commencement date forward, there are differences in that. The materiality will come down to two things. One is what's the difference that comes out of the score elements? If they're then combined with an enquiry reduction period, what complexity does that add? The main point on those will be, can we change it in a credit bureau in that time? Well, likely, but can the lender then change all of their processes, including notifications, including their -- if they're getting the score piece which used to (inaudible) do they use credit reporting information inside their own score -- their own score cards? Then, that's where that question would lie. My own experience is from the Australian transition that had some of these types of elements in them, such as change of defaults. We had 15 months to do that there, and the initial engagement with the providers, the discussion point, was really important to land how you effect making that come into play, and then what the questions you need to answer, in terms of making sure that transition works. So when day one starts, all of a sudden, they're not in the position where they're making different decisions to what they would've made the day before. And that's the actual bit that will test, like, my sense, if I had to pick a date, having had more discussions, is that anything short of 12 months is relatively tight, and at the moment I'll assume -- when you say July, it's 8 to 9 months.

Q. Okay, well I guess I would say, I accept, personally, the points made in several submissions that a longer was needed. Most of the submissions -- I think including yours -- didn't actually suggest a date. So, I applied that to 1 July. But from what you're saying, the systems changes at the credit reporter level, carry those through to the subscribers, but more particularly, because the scoring will have to be changed because of those two elements of small debts and previous enquiries, and probably make it a bit more -- a longer period than perhaps we'd factored in.

OPC (JE). Can I just ask a question then? I'm always curious about submissions made in the interests of others. You are able to inform us about the size of the task for Equifax, in making these changes, and you are helpfully directing us that it could have some downstream impacts. I'm not aware that we've heard from any of those end users, have we?

Q. We do have some industry submissions. So there's the Credit and Finance Institution --

OPC (JE). Yes, I saw the Institute one, but I mean, how confident can we be that these other agencies have the same challenges? I don't really understand the system challenges to the end users in relation to moving that?

A. Sorry, when you say other agencies, do you mean --

OPC (JE). I mean the end users, the subscriber, the lender, yeah.

A. Yeah. Well, certainly, I'm obviously not in their submissions to make those comments but if we -- the nature of the -- yeah, that you run in a credit data sharing arrangement and a credit reporter is there's end users, and if you make changes to your systems and process and outputs and tools then those, they are keen to make sure that they can accept those changes technically, but also accept those changes as to how they use the information to make better decisions. That's the reference to it that we give.

Obviously, our obligations are to meet the timeline that is set, to make the changes that are finalised. I think we would get the estimation right with the clarification, from our own view, but I'm more passing on experience of having done it in another market and the engagement between the bureau and the users is actually quite important.

Q. Thank you. Actually, that got me thinking, do you -- you may not be the right person to ask, but do you think it will lead to changes to the data standards having to be negotiated?

A. As in the positive credit performing data standards?

Q. Yes, I suppose you already have them for those don't you? So I guess maybe --

A. No.

Q. No, they're already in there; it's the negatives --

A. It's the fields; it's more what goes into the field.

Q. So that would be straightforward, but the individual banks would have to recalibrate their scoring?

A. Yeah, I guess from my perspective, and particularly in the impacts on the banks, which you saw in their submissions, the need to re-develop their scores and models which are all regulated, will take time and the typical development cycle would have been longer than they've (inaudible) outlined everywhere, the commencement date.

Q. Right. One other submitter -- as I was saying, most of the submissions, even where they made this point, didn't nominate a commencement date, but at least one did, of 1 October. Does that sound -- what's your reaction to that?

A. So we actually effectively nominated a date because we suggested adding six months to the proposed commencement date of 1 April.

Q. Right, so that would also be the 1st of October. Okay I overlooked that, sorry. Oh yes, so you did. I beg your pardon.

Okay. Well that's probably enough on that. I think we've understood the point and it's a point well made.

The next one would be the amendment, which you haven't highlighted for us, the amendment to clause 5, the New Zealand business number as supplementary identification information. Several submissions have asserted that -- including yours -- that it would be better that this number -- I mean, the number is going to be permitted but it not be supplementary identification information, but it be general identification information -- sorry, identity information. The discussion paper, and I think probably also the commentary to the amendment, explained why we didn't think that was necessarily warranted, but we have had these submissions. So can you explain, and this might be perhaps one for Stuart, I don't know, but what the difference would mean to your company and why you think that would be a good thing? Oh sorry, I only mentioned your name because it seems like --

S. I'd actually -- I think I'd probably hand to Joe to give you coverage, just technically. I think we've made the point; the point that we've made was common, which is that it's the relative publicly available information.

Q. Yes, you have made that point, and there's something in the back of my mind as to why you might be suggesting that, but I don't want to prompt you. Why does that make a difference? I mean we've never specified that being publicly available information is the basis for having supplementary information; it's got more to do with its purpose as an additional identification and us not needing, for example, to be presented on credit reports, but is there something more in relation to its public availability that makes it useful, attractive?

J. I don't think there's any magic to it; I think it's just working through the definitions and the codes.

Q. Okay.

J. But taking your point, obviously there's not anything that says expressly it is publicly available or it falls into supplementary. With the publicly available -- to me it is distinguishable from a lot of the information that is there, is in the supplementary, which would necessarily would be important to credit --

Q. Yes, although I think that might just be coincidence, but anyway, as I say, I didn't want to prompt you because I didn't want to just have you say yes, that's right, but is it -- I was wondering whether it was because you imagined that you would do a great big huge data dump from the Registrar of business numbers to populate your core systems or something? That's obviously not what's motivating you; it's something else.

A. No, we're getting business numbers already, in the system.

Q. Right, so it's just like every other piece of information; it could be automatically sought when it was needed?

A. Yes.

Q. Okay. You can chip in if you want on these other issues, but otherwise I'll press onto the next one, which is the one you have raised. Clause 5 updating small debt threshold.

I think this -- you've made a good point here and I think at least one other and possibly several other submissions raised the point, as to how is this going to transition into the system? And we made no specific provision for that and we should make it clear. How we make it clear remains obviously an issue, but it should be clear. If we look back to when we introduced the threshold to start with, the hundred dollar threshold, we could model it on that, for example. I'm trying to remember what we did, whether -- I think all debts under a hundred dollars had to be cleared off by a certain date.

The alternative would be to sort of grandfather it and say well, the hundred dollar ones can continue until they drop off the system in six years' time at the most.

OPC(JE). What are the important things that we should take into account? I mean is it ease -- because there's not much in it, presumably? I mean you make a case that this remains valuable information from a credit perspective. I'm not sure whether we agree or disagree with that, but, you know, if we factored that in to having different data, making one change across the whole system, is the ease of compliance of getting to this more important than the value of that aging data?

J. The effort changes more, but not materially more. I think our request was purely just seeking clarification.

OPC(JE). Yeah. No, and I'm asking what should drive our consideration here? Is it basically the ease of the transition, or the value of that historical data at the lower level? Or are there other factors that we should take into account? What do you think?

J. Probably more the value.

OPC (JE). So you remain of the view that debts under a hundred dollars are an important component of a person's credit history, notwithstanding that we recognise a need to raise that threshold?

J. Under 125, yes.

Q. Right. So, if I'm to understand that conversation correctly, you would tend to favour something that the $124 debts remain on the system until they drop off. No new 125 debts be loaded, even though that's going to be somewhat more complicated to implement, because you're going to have two things running for at least six years. Is that what you're suggesting?

J. Yeah, broadly speaking, you know, we support having as much data into the reporting system, and whilst we understand the motivation for raising the threshold, just wanted to understand whether it was intentional for --

OPC (JE). You want to know what you have to do?

J. Yeah, we're just to understand the scale of the change required.

OPC (JE). But you're saying that, in fact, the systems' changes that you need to make are only marginally different between the two options?

J. Correct. There would be -- the biggest effort is to change the flow of new defaults, than it is to remove -- delete existing defaults.

OPC (JE). Right, so you could sweep through the system and get rid of those ones relatively easily?

J. Relatively.

Q. Right, that's very helpful. Thank you.

Amendment to Schedule 1, reducing the maximum periods -- oh, this is the same point, isn't it? No, no, I beg your pardon; it's the other one. Yeah, so reducing the maximum reporting period for previous enquiries. Now, you've already spoken to this, and your submission is very helpful on that. You make a comment about misalignment of scores and that credit enquiries can increase a score. Could you just briefly speak to those two points? The misalignment, you simply mean they'll have to be re-calculated in a new process, or do you mean something more?

J. Okay, on the first point around misalignment, I'll talk about the relationship between the score and the probability of default. So, credit -- banks, credit providers, will work on their credit risk policies based on a known relationship between score and the credit risk outcome. If there is a shift and misalignment in that outcome that would have obviously implications to them in terms of their expected credit risk performance.

So making this change overnight would make -- would create a misalignment, and therefore we would need to modify our scores as well as work with our customers to modify their credit policies to ensure there's limited risk between the transition.

Q. Right, and that would also go to the period, that's the sort of -- what we were talking about before, that takes some time to recalculate?

J. Correct, yeah.

Q. And the credit scores -- the credit inquiries can increase a score? So I guess we're talking about here a person who's got an enquiry of four years old or five years old that is no longer shown, you are saying that could increase the score in certain circumstances? Could you just explain that?

J. Oh, so I think there's the notion that an additional enquiry will always be detrimental to your credit score, and that's not necessarily the case. In fact in many cases it's the complete opposite, an additional enquiry can actually strengthen and increase your credit score. And that's dependent on a range of factors, but in particular, your pre-existing enquiry history over that five year period. So, that can -- that environment could change as a result of a reduction in retention.

Q. Right, okay. And the other -- no, sorry, my other questions are on quotation enquiries.

Yeah, and I think I'd already made the clarification that the UK had gone to 12 months which is obviously quite radical and we tried to do something that was more balanced, from the perspective of there being strong arguments both ways. So if you read the UK report people were definitely arguing the opposite to what they recommended.

J. I think in that UK report there was findings that -- saying that, given the nature of the shopping around in the UK retail credit environment that they -- the predictiveness of previous enquiries had nullified over time and that in New Zealand, we don't see that. We still see a strong correlation between previous enquiries and a future credit risk event.

Q. All right. Unless anyone has any other questions on that I'd like to move on to quotation enquiries.

So the quotation enquiries was to allow people to shop around; that was the principal objective, and it was an existing part of the code that was implemented six or seven years ago, but what we had found in our review was that it wasn't being used. So we -- essentially what motivated us was to try and say well, we're transitioning to a positive environment or a comprehensive environment. We've seen problems in other markets. Can we get ahead of them and that was where quotation enquiries was supposed to come in, I think. People being penalised for a responsible behaviour.

The -- but anyway, we kind of found that people weren't doing them.

The way we wrote the proposal was that it was premised on there being a risk based product, and what was meant by that was, we could see why there wasn't a lot of point in a quotation enquiry for something that was exactly the same whoever applied; it was just whether you were entitled or you weren't going to get it.

You'd only need to do a credit check for risk -- the risk based product was where the creditworthiness would affect how much you paid for the product. So the pricing was affected by the calculation of risk. So your first comment just before was that you weren't clear, by that phrase that we had used, risk based credit product. Can you further explain your concern there, or what it was?

OPC (JE). Are you telling us that all credit is risk based?

J. Many are moving towards. I guess it's just understanding what you meant by the term. The term often used in the industry is risk based pricing.

Q. Yes, so did we leave the word pricing out, maybe?

A. So are we understanding whether we are talking about the same thing or different products?

Q. Well, we were talking about risk based pricing, so maybe we just left the word pricing out. I don't know; I'd have to check that. So the idea that you're going to pay different than your neighbour for your mortgage because you had a better credit score, essentially. So your point there was mainly that the meaning of the phrase was not clear?

A. Putting a definition around that, sort of risk based pricing can come in all sorts of different forms, which, you know -- which are not necessarily overt on a website applying for any application for a product. So what's the definitional points that sit around that? That's the question we're asking.

Q. Well, it's becoming more and more frustrating with these web based things where you're paying different amounts for products and you don't even know it. You know, you see this in hotel websites all the time. Very frustrating.

Now the other two points you made, exploitation. I think that was exploitation by bad credit risks, and a related issue about fraudsters. Can you explain those concerns a little bit more? And with respect to fraudsters, I should highlight that as we understood the UK report, where this sort of idea germinated from, there was an expression of concern about risk there, and that was one of the reasons why we went for three years rather than 12 months. I think the indication there was that the patterns wouldn't emerge maybe in the 12 months.

And we also have the provision that the credit reporter can retain information for a further 12 months, from memory, and we imagine that to be used for analysis and maybe fraud detection or something? So it might in practice be kind of like four years you've got these things in your hands.

So can you -- again, can you just explain a little bit about how you would think that this quotation enquiries could be used by people to game the system or for fraudsters?

J. If I use the fraudsters as an example, so we find that fraudsters tend to have what we call high velocity attributes where you've got a lot of activity, transactional activity, that happens on an individual's file very quickly, and in very short period of time, probably minutes and hours rather than days, and those indicators are very indicative of fraudulent activity. So I guess the concern we are raising now is if those transactions weren't fully disclosed, or reported, then we are unable to provide those level of insights to credit providers as a protection.

OPC (JE). So you are talking about instances of identity theft or impersonation?

J. Both.

OPC (JE). So, in those cases it is not, it just seems to me, if I understand, you might run an algorithm to pick up that high velocity transactions in the same way that a credit card provider does, and flag an account for an individual, and the reason for the flag is that you are concerned that someone other than the individual is making these enquiries about accessing credit?

A. Or there's unusual or suspicious activity on that --

OPC (JE). So, surely that means you've got to make further enquiries to protect the individual concerned, because if you adjust a credit record on the basis of that high velocity, you doubly penalise the victim of the fraud, or am I misunderstanding?

J. I guess it's a (inaudible) sign whether -- whilst the quotation enquiries wouldn't be recorded on a credit file, could they still be used to detect suspicious and --

OPC (JE). Oh, so you're saying, do we need to be careful not to preclude your ability --

J. Correct.

OPC (JE). -- to identify that group. Well, I don't think we are, are we?

Q. I think it's -- it would be -- no, I don't think we are, but --

OPC (JE). You run an algorithm to flag something for enquiry, and if it's a fraudulent activity, obviously you're not going to want to use that to affect the individual's credit rating anyway.

Q. I think there's two different players you're talking about here. The credit bureau might be in a position to do some sort of fraud detection, but wouldn't the point be that the lender is not seeing this stuff?

J. Correct.

Q. So if there was a solution, maybe it would be a solution generated by the credit bureau, but it's not -- they're not going to themselves see that there are 12, you know, things in the last hour?

OPC (JE). So how do you respond to that now, those high velocity -- do you -- you rely on the lender declining credit because there has been a high number of reports?

J. So at point of sale, what you would do for a credit assessment would provide indicators of suspicious or unusual activity in the recent period of time, and those are based on credit transactions that are recorded on your file.

A. So the key point is the recording of the enquiry on the file, because that's then picked up by the lender who's then seeing subsequent -- the subsequent enquiry.

Q. I think we have had some discussions at industry level about initiatives the industry, credit reporting industry, possibly the other part was the taking in terms of fraud detection. They haven't featured particularly in our code initiatives because I think the feeling was that they can move forward without needing code amendments. It's part of running the business, but maybe if this will impact the fraud side, maybe it needs to expressly recognise the proactive fraud?

A. So I think, in the end, the activity of making the application is occurring, and it will occur at velocity. Whether that is credit risk or fraud risk is not a -- they're not mutually exclusive in terms of identification. Credit providers may have different rules about how they report that. The point is by having the visibility of that high velocity, they're then in a position to make an assessment.

Q. You wouldn't happen to know offhand how the UK has dealt with this?

OPC (JE). So if I make ten enquiries in an afternoon because I want to get the best deal for replacing this dishwasher that's just broken down. Maybe it's a poor example, but I select one. I create a, you know, a credit contract and begin to meet my obligations, you're telling me that a week later when I apply for credit somewhere else, the quotations that I've obtained will score against me even though there's been no fraud? These have been -- I mean, is there any way that you can just differentiate between the good faith shopping around history and the high velocity fraud? One is going to result in a genuine transaction, the others are going to relate to fraudulent ones. Can we cancel out or not count former and only record the latter?

S. Yeah, yeah. So ten is probably an extreme example, but we do -- there's more sight behind it when we -- we don't just look at the volume but we also look at the geographical locations of those transactions, and the actual declining of those, and the types of transactions. So if there is unusual behaviour around multiple locations at very short periods of time, then that goes into that fraud assessment process, but general shopping around, which could take -- spread over an afternoon, for the same sort of credit request, wouldn't flagged by this high attribute process.

Q. And that would be undertaken at the bureau level, or is that what you're describing as what say a bank would be doing?

S. Yeah, we'd do the assessment at bureau level and then pass those assessments to the credit provider.

Q. That's very helpful. I don't think I have any more questions.

OPC (JE). Sorry, I haven't fully understood how the proposal that we have here can be amended in order to enable good faith shopping around without creating a record, without interfering with your ability to detect and report fraud to credit providers? Do you have a suggestion for us about how we might construct that?

J. Yeah, I guess it's providing clarity where the quotation providers that are not recorded on the file can be used to assess unusual suspicious activity, and that being disclosed to the credit provider.

OPOC (JE). And I guess I'm asking for some assistance in how we might construct that. Are you talking about a time limited ability? Presumably the fraud reveals itself, or it doesn't?

J. Yeah. So preferably, at point of sale, before the deal's done, we'll have the ability to provide that in real time.

Q. Some of the other submitters have raised this too and we'll put the same question to them tomorrow. We look for solutions.

A. My only -- the only -- I think the other point we have on this is generally, obviously, with our observation on high velocity enquiries that lead to credit risk, its typically an unsecured credit.

The other point that we haven't -- I guess it's the problem being solved here? So I think the quotation enquiry capability is a good provision, but it requires a lot of thought through customer experience and investment on the part of the lender to really make that work, because they've got to take the customer on a different journey. It's the challenge of what we're trying to solve and is part of our clarification of understanding. So, I think that's because -- yeah, I certainly can see the benefit of the provision, but can understand why the use to date has been very limited, given knowing that when you get into that in a full online experience it's a fairly big investment on the part of a lender to do so. And so, you are getting -- and then the other side of that, I think, is to remind -- is that there's a -- if you're applying for credit, you know, if you think about what you fill out and tick off, tick forms et cetera, it's a very -- it's a pretty active process, as against, would you do that ten times in an afternoon with your forms in reality? So I think that's the -- that's the other point. So, it's -- I can understand sort of challenges with making this, bringing this to life, given the investment that's got to be made by credit providers to (inaudible).

Q. I think the objective was, and really the same as it was six years ago which was, as we move into this new environment for New Zealanders, where they're paying different than their neighbour for the mortgage, for the personal loan or something, based on their creditworthiness, that they should be able to check that out and see what they would be paying without it leaving a footprint which would, at least in the public consciousness, count against them. We have had explanations from the industry that actually not all the footprints will always count against them, and particularly if there's not many of them, but certainly the shopping around did seem to be an enquiry. You know, I've decided I'm going to get the car loan; I'm going to do it this afternoon, and now all the New Zealand providers are doing risk based pricing. Well, actually they're not yet obviously, but we really want to get ahead of that before it became common practice.

But anyway, that's -- I found that very helpful, and was there anything else you wanted to -- either question or anything else you wanted to highlight in your submission? I think we've probably -- we're just about to finish. Well, we've just gone over time, but we did start late. So we've got time if you had any other points you wanted to raise?

OPC (JE). Well, I was curious about the AML obligations in employment testing. Is that something that is sort of present demand that will wash through the system because they will do that once and meet their obligations and those obligations will subsequently be met at the preemployment stage? Do you know what I'm saying?

A. Yeah, so whilst you will get a wave of these when you get a change of law, the reality of turnover of employees for us is going to be a presence. I think what we're calling out is by enabling this there is a -- as against the update to a whole series of policies that they might have, is the other point we could make of that. And so -- and that's really where we're coming from.

Q. Yeah well, the only comment I would make on it is -- I mean, it's very helpful for you to raise it. I mean it would have been helpful a year ago or something, when we were reviewing the code, but what we would normally do with -- we're in the course of doing an amendment, so it would be very unorthodox and open to criticism to introduce an entirely new thing unconnected with what we're doing. So I think that's unlikely.

But if we thought it was worth initiating, saying well, here's the idea and let's get ahead of it, we would start a process, and we would normally want to talk to affected stakeholders which would be like employee organisations in the banking industry and so forth, as well as their interests.

A. No, we understand that.

Q. Did we have any questions we haven't covered off?

OPC (VV). No, we've covered off.

Q. Right. Well, thanks very much for coming. It was very helpful to us.

A. Thank you, our pleasure. Thank you for giving us the time.

(Submitters excused)

Audio file: Centrix

Held on 11 October 2018

Speakers

Q.	Office of the Privacy Commissioner - Assistant Commissioner B Stewart (Chair)
OPC (JE).	Office of the Privacy Commissioner – Commissioner J Edwards
OPC (VV).	Office of the Privacy Commissioner – Ms V Vida, Policy Advisor
A./A2.	Bill Coleman, Mark Rowley, Centrix representatives

Transcript of Submission Hearing

Credit Reporting Privacy Code Amendment No. 14

Q. (Audio begins)...and while we're not entirely sure what we'll do with it, it depends on what comes out, we may do a transcript and it might end up on our website or something.

Yes, I don't think there's probably any other comments to make except that we're seeking evidence on Amendment Number 14. So we're really \ interested in things that focus on the task at hand, which is the proposed amendment and whether it needs to change or whether you support it, or what's important in sequencing, or any other aspects of Amendment Number 14. Are there any other comments you want to make before we start?

A. No, that's good thank you.

Q. All right. Well, you saw it from yesterday; we've got plenty of time; we've got like 45 minutes I think. So you take the first part of the time as you wish to emphasise things or clarify things or whatever?

A. Thanks Blair. I've got a written presentation. So Centrix wishes to thank the Commission for the opportunity to present Centrix's submission, which will be made by Mark Rowley, our Executive Director, and myself, Bill Coleman, operations and compliance manager.

Centrix also pass on Keith McLaughlin's apologies for non-attendance due to his prior commitment overseas.

Centrix confirms the oral submission the main points raised in its written submission and to ask or clarify any points raised today.

In summary, Centrix supports a code that supports the operational aspects of the consumer credit bureau, that its clear in its terms so that all agencies that are bound by the code, and in practice, are regulated equally, supports consumers' rights of access to, and correction and suppression of their credit files, it does what it sets out to do, which is regulate all agencies who, for a fee, report information used to assess an individual's creditworthiness and is regularly reviewed to ensure it continues to be fit for purpose.

So on the specific clauses, the first clause we'd like to comment on is Clause 3, and Centrix believes the current review of the code was invaluable and some of the original benefits envisaged from previous amendments 4 and 5 are clearly not measurable to date. However, there is evidence the market is now accelerating the use of comprehensive credit reporting information. Accordingly, Centrix submits another mandated review be incorporated into amendment 14 within say a maximum of four years to ensure the code remain fit for purpose.

As proposed by Clause 4, Centrix supports the collection of the NZBN, and submits it be listed as identification information, rather than supplementary identification information. This would permit the NZBN to be disclosed on credit report, as opposed to being used to verify the number or not. Centrix submits the NZBN is publicly available and is not subject to any restrictions, unlike existing supplementary identification information, such as a New Zealand driver licence.

Centrix submits there will be no harm done by reporting NZBN in credit reports as a matter of routine.

While Centrix did not canvas its subscribers as to the possible impacts of increasing small debt threshold from $100 to $125, as proposed under Clause 5, it does seek clarification of how existing defaults under 125 should be managed from the commencement date. I know we discussed that yesterday.

Centrix's preferred option is to allow these defaults to continue to be held and disclosed in accordance with Schedule 1 to maintain continuity and consistency in reporting. However, if our preferred option is not acceptable, Centrix submits existing defaults under $125 can be held for 12 months after commencement date, by Amendment 14, to assist with any possible complaints from individuals regarding disclosure defaults prior to commencement date.

The proposed amendment, under Clause 9, the prohibiting of bundled consents, does raise one issue where credit reporters usually seek an individual's consent to use the credit information supplied with their access request, to update the individual's credit information, ensuring it's up to date and accurate. The vast majority of individuals provide their consent, thus ensuring the credit reporters database is updated, and Centrix submits the final version of Amendment 14 should provide clarity around this matter. That's the only part of the bundling we would like to see clarified.

Credit reporters are currently not permitted to use quotation enquiries within the credit score, and Centrix does not use any previous enquiry information within its score at all. Accordingly, Centrix suggests an amendment which will remove the additional administrative burden of Centrix having to change all its prescriber agreements and implement monitoring for compliance for an activity it does not undertake, and you will see in our written submission we've proposed an amendment to the clause, or an additional clause.

And then finally, in regards to Equifax's proposed amendment to extend Rule 11.2b (3), for employers to undertake credit checks during employment in addition to preemployment, Centrix supports this request to ensure AML reporting agencies can meet their ongoing due diligence obligations. Thank you, and we're now happy to clarify any questions or queries you may have.

Q.	Thanks very much. You don't have any additional comments? No?

Well thanks very much, and you cover some of the same issues as yesterday. So I notice issues we may continue the discussion from where we got to, or sometimes we might skip it if we feel we've thrashed the issue sufficiently, but if we do skip it and you feel something hasn't been drawn out, feel free to continue the conversation.

I'll just go through it in the same order that it's in your submission and the Commissioner and Vanya may chip in with other questions.

The commencement, we've had similar submissions from, I think, all three credit reporters and some of the other submitters about commencement. So we've certainly heard that, and I guess we're focusing now on the details of what would be the best approach if we accept that point.

So this is really picking up on yesterday's conversation about the choice of how long is really needed and what your thoughts are about it. I have the impression from your -- or it's clear from your submission, that you have less of a problem, I think, for the commencement than some of the others, possibly because you don't use previous enquiries?

A. I think, operationally, we're quite comfortable in the timeframes proposed. However, we do accept that there could be an impact on subscribers, and I think really that's where the issue lay. So, in providing our response on behalf of Centrix, operationally we can comply, but we absolutely agree that there could be some difficulties in that proposed timeframe for our subscribers.

Q. Right, thanks. Now the review clause, now this is a point that no other submitter has made, so we're very interested in what you have to say. We had a -- when we first issued the Code back in 2004 we put in a review clause, because it was all new and we wanted to review it. What we've done with other codes is sometimes we've had an initial review and then we've let the review clause drop out as no longer being necessary.

The history with this code was slightly different, because after we had that first review clause then we had a very big review process with an external review group and so forth and really that led to examining a fundamental change to move to comprehensive credit reporting. So, given the fundamental change that was happening, we thought it was also important that there be a review after that had bedded in, and I think that has proved very very useful.

In the proposed amendment, we didn't necessarily see the same case for having additional review. As I say, others haven't picked up on it, but I'm kind of interested -- if we do put it back in, or you've suggested it be four years, and am I right in saying that you really would see the benefit of the review being on essentially the same focus that we had on the previous review, which is the introduction of comprehensive credit reporting, or are you seeing the review as being broader or narrower than that?

A. I think the same focus, we'd be comfortable with. Clearly, at the time of the last review, you found it was difficult to measure how CCR had impacted, and we think that you'd see benefits to that in time, I think there's certainly inroads in that area. So a review within a 2 to 4 year period would seem appropriate.

Q. One of the things that we did after we released our two review reports, was to have discussions with the industry, including yourself, obviously, but we had three meetings and we had some recommendations about the industry really stepping forward and getting behind the idea of demonstrating the benefits, because it's very very difficult for someone on the outside to come in and, through a submission process or even other sorts of research we were doing, to do something that really the industry is in the best position to do. We are hearing from one of the industry groups next; there are other industry groups that presented oral submissions before, but my impression was the industry has shown no appetite for stepping forward and proving its case by creating a database or commissioning research or whatever. If we did put it in review, do you think -- how do you think that -- would that be useful to the industry or would it focus the attention or get some action that otherwise doesn't seem to be emerging?

A. Yeah, look, I think you're looking for something that's evidenced based, and that was very difficult to provide in the initial review period. We believe if we extend that timeframe for another review, that definitely we'll have the data available, and I think we'll be able to put a better case forward to you in terms of how CCR is operating.

A2. And just to add to that, we were aware that when you started this review, there was nothing to benchmark from, so what had been the benefit? So, if that went in there now and said right, we'll do another review in four years, then I believe it would be in the industry's interest to get a review themselves now, what is the market now, and then when four years came up, have another and say, here are now demonstrable benefits that are done, because when you've got nothing to come to, to start with, where it is. And also, just on the wider thing, there was raised in supplementary papers things around use of taxation information and some overseas trends. Now they got parked, and it could be three to four years' time that what the benefits of what they did overseas may be far more evident, you know, available? So if we could look at getting that back in as well.

Q. Yes, yes. That's certainly interesting. And you would also, in terms of your comments there, there's also the connections with Australia, where they've been doing quite a bit of comparable work which I think could report into the picture, but I think the Australia experience and indeed this, our experience, has been if the industry isn't going to front up with the evidence, then regulators and legislators will act in a certain way. In Australia, for example, they acted to force on the industry certain requirements that the industry didn't necessarily welcome, but were in the public interest.

I think in our case, we're not willing, I think, or have been reluctant to move forward and enable the industry to have more and more information, such as current balance, if the industry can't prove what its claims were. So if we did write a review clause in, I would certainly hope that the industry would -- I mean, would see that as a signal that they need to get their act together, collectively. I'm not saying individual companies aren't, but it really needs a collective for such an exercise to be worthwhile.

A. Classic carrot and stick.

Q. Right. If you have no other comments on that, the New Zealand business number, again, this -- we started a conversation yesterday with the previous submitters about this. I mean, my interest is, if we just go back to the definition of supplementary information for a second, it's there for essentially to -- you confirm information on a credit check to -- so you are confirming back information that the subscriber is putting in, in order to get a more advanced identification of the individual. So it's not a piece of information that is revealed through a credit check to demonstrate creditworthiness, for example. It's all about identity check. So, the -- what is listed as supplementary identification information is not published on a credit report itself, and also, it needs to be presented by the subscriber. Yes, it's the information at paragraph B of identification information, and we've had several submissions, including your own, suggesting that this should be identification information rather than -- sorry, general credit information rather than supplementary identification information. Right, here we go. The other supplementary identification information is occupation, any previous occupation, employer, previous employer, in relation to driver's licence, the number and the licence card number.

Now you have made the -- are you trying to make the case for this to be general credit information rather than supplementary identification information? Sorry, the identification information within credit information?

A.	Yes.

Q.	Which just for the record is: Full name, any alias or any previous name, sex, date of birth, address, previous address. One of the reasons I felt it fitted better in the supplementary information was the way it was going to be used which was confirmation for identification which is exactly what supplementary identification information is being used, but also if you look at the identification information, these are characteristics that every single individual has; they're not special characteristics like employment or something. Everyone has a full name -- well, they'll have names, sex, date of birth, address, previous address, not everyone will have a business number. In fact, as a credit reporting system principally for individuals, or exclusively for individuals rather than businesses, most won't have a business number. So it did seem more appropriate in the supplementary information, but anyway that's the background and some of that was laid out in the information paper.

I'm very interested in why you -- and you can't speak for the other submitters but essentially, they've got the same interest -- want it not to be supplementary information, but to be identification information generally? What practical difference that makes and how --

A.	I suppose the best -- the most commonly used piece of supplementary information is the driver licence, which is verified. So, we'll talk of the credit provider must gather up the driver licence details, submit it to the credit reporter, who will verify whether it's correct or not. It doesn't retain; it just goes back as a simple verification. So we saw that if the NZBN was grouped with that, that would -- the onus would be on the credit provider to probably go away to the MBIE website, get the correct NZBN number, put that into their enquiry, and we would verify that back, and not hold it. As opposed to if we held it as primary information and the parallel would be for a company, I know there's a consumer criticism, but in the company one where the company number is there and it's available, it's -- most credit providers will do an inquiry on the company, not by the company number, but by the company name, and when we respond back we put the company number in there, so we know which company they're dealing with. Of course, the first sweep of the NZBNs is giving every company an NZBN number, and their plan is to extend it. So we just see that as us being able to -- the enquiries will probably be made under the name of the entity, not the number, and just confirming back by the company number we could confirm the NZBN and say, this has been aligned to this particular business, and as it was available on the website, MBIE no restriction, we could not see any breach there of privacy.

Q. So you would see loading the number into your system as being someone makes an enquiry, they're not even asking for a business number, but you make a check anyway?

A. Yes.

Q. And then you populate your database?

A. Yes.

Q. How is that going to help in clarifying identity, and indeed, would there not be some risk of a mismatch being introduced into the system? But, setting that to one side, but how would it actually -- if the subscriber is not entering the New Zealand business number, how is it being on your system going to help in ensuring identification?

A. I think, particularly in a thin file circumstance having additional identification information to confirm that this individual exists, is not fraudulent, so it's confirming identification details, is useful for credit providers, particularly where the credit bureau doesn't hold any other data on that individual.

OCM (JE). Is that consistent with the purposes of the NZBN, do you think?

A. We don't exactly know where MBIE are going with the NZBN, of course. So one assumes their intent is to extend it. And of course it will be publicly available. So, we do believe it's an added benefit to have that within the credit reporting system, and we think it would be better suited if we could report it, rather than just confirm it.

Q. One of the problems with that particular scenario, and maybe that's -- I don't know how common that scenario would be that you have nothing on them, but this contributes that somebody of that name exists, is -- it could, in essence, create error, couldn't it? Or maybe this person creates an identity, they go out and create a business number? I mean, I don't know how that's created, but it's not like you are a repository of transactional information that essentially has happened in the real world and you're reporting it back to the next enquirer. You are going out and essentially creating that enquiry in that scenario.

A. Yeah, oh look, and that's just one scenario, but we think it's better to have more confirming information on the validity of the identity than not. In the circumstance, if it's supplementary information, really that just means the credit provider has to have the NZB number so they've already searched it, and provide it to us and we'll confirm back. Really, being able to report it back circumnavigates that.

Q. Yeah well, I mean, as it was explained in the review report and then, I think, briefly mentioned in the information pack, but I mean there are some challenges for -- in my opinion, for a business orientated number that applies to a minority of individuals in their business capacity within a general individual reporting scheme. So I mean, at least one is that individuals can be operating in various capacities, say as consumer and as a small business person trading in their own name, for example. So they'll have two sets of transactions, or multiple transactions, some of which will be associated with the business and some of which won't. So it's a little bit different than say the driver licence, where you can have come confidence. I mean, if they're going to have the one driver licence in all their capacities that they're driving or needing to be identified, and thus I really have written this in a very cautious way, which is that if you have the information, i.e. the individual -- the subscriber is dealing with the individual on the basis where that is information they're holding, it's information that they've got in relation to that person, they've done business with them, for example, got their invoices, they do a credit check and the information they have is being checked with you, and gradually your database will be populated with more of these things. And you can differentiate them from another person with a same name, but you're still going to have the challenge that you are going to have quite a bit of information about that individual that isn't associated with the business number, both in a transition and permanently, because there will be a lot of consumer transactions this number will never be brought into it. So, I see it as a bit of a problematic number, but have been assured in the earlier review process that the industry saw some benefit in having the access to the number as identification number for helping to confirm identity more reliably?

A. Just on a sort of look up basis.

Q. Well, I think it would still be matching, but you would be looking -- well, you would be permitted under here to have it in your records, so to speak, but if the initial -- if the subscriber doesn't have it, I agree it would be slightly absurd to expect them to go off to a NZBN Registry, get the number, just to make your credit check. That's not what I think is the assumption here. It's that they have it on their records, or maybe they've asked for it in their credit application?

Yes. Well, I think that's been helpful. I'm not saying I'm -- necessarily got it all clear in my mind, but it's very helpful for that?

A. Can I just add to the Commissioner's question about the information? We've been doing some work with MBIE on what information we attached, and they've gone out seeking, saying what would be information that would be publicly available including the NZBN? So it would be the name and perhaps the address, and stuff like that. So some information the individual would provide to MBIE will be shielded. It will -- you can either opt to make it available at your website or your phone number. So there is a whole series of data relevance. Some will be automatically available because they're the minimum, and then there's others that will be opted. So we, as a credit reporter, would only use the information that would be permitted to be publicly available, and not anything else that's behind.

OPC(JE).And there is to be some suppression mechanism, I think too, isn't there, for sole traders who have a particular interest?

A. Yes. Yes. So only if it was available on the MBIE site would be what we would advocate that we, as a credit reporter, could use and report, yes.

Q. Do you think that's possibly -- you're talking about future developments of NZBN, is it may be premature to do it in the code yet? (Inaudible) later that emerges or --

A. Well, I must admit when we saw it come in at 14 we thought ah, this is probably front footing it, saying this is coming down the path, let's -- we've got the opportunity to put it in and that's why we've supported it, yes.

Q. Right. That's -- let's move on to the next issue, updating the small debt threshold. That was thoroughly discussed yesterday, so I think the -- and you just explained it in your opening remarks. So your preference is that, as I understand it, and correct me if I'm wrong, that the $125 -- any information you've got on the small debts under $125 just stay on until they drop off? That would be your preference?

A. Yes.

Q. If the Commissioner wasn't willing to do that, then to have some expiry period, say a year out or something?

A. Yes.

Q. And perhaps not spelled out, but presumably from the date of commencement, you wouldn't be able to load new small debts?

A. And just to expand on that, there is the technical consideration, because we've already got the mechanism that when a default is loaded it will last five years and just naturally drop off, what you do with a new implementation is no new default could come in under $125, so it will never get loaded and that would then just naturally be followed. Schedule 1 would require no -- the only change would be just to put a validation to ensure that no new default from the implementation date could be put in that was between 100 and 125.

Q. Yes, and if I recall correctly, a lot of these small debts, they start out as bigger debts. So people have been paying them off, and then the debt collector or the subscriber updates it and presumably you also have something whereby once it gets to that point? So if not the original loaded date, it's -- it drops off at an earlier date?

A. Yeah.

Q. So we might have to specify that, as well.

A. Stays a default, yes.

Q. Obviously, again continuing the transaction -- the discussion from yesterday and just to see whether you have the same attitude as the previous submitter, we can put in some complex rules about this. You know, well those are at least three or four considerations: The loading, the existing ones that have to be taken off immediately. What happens after a year? What happens to the ones that are larger and then they drop down? Or we can have a very simple rule, i.e. everything has to be off. A previous submitter has said they would rather have access to the information while it was permitted, even though it's a bit messy, for a longer period than to have -- and notwithstanding the slight complexity in the implementation, than have a simple implementation, but lose the information sooner. Which would be your attitude?

A. A grandfather process really, and just leave it running, because that's existing operational process.

Q. Okay. Any questions, comments?

OPC (JE). Not on that, no.

Q. Related companies, now you've -- you've supported the approach; I think I would characterise it that way. You heard the discussion yesterday. I wonder if you have any comments about the related companies approach that's been taken in the code, that you'd like to share?

A. Nothing specific. Certainly, we are of a view that we would like all companies to be treated the same under the Code, so it's an even playing field and equally applies to all. So we think that, probably, this amendment clarifies that.

OPC(JE). You've said that you want to ensure -- you agree with a proposal that a credit reporter must not enter into an arrangement with a related company that circumvents the application of the Code on a related party. Are you aware of any arrangements that you believe are circumventing the Code at the moment?

A. No, none that I would like to comment on, no.

OPC (JE). Well, is this a problem that is more apparent than real? Are you suggesting that we are fixing a problem that is already in that marketplace, or that we're just shoring up against any future possible exploitation of a loophole?

A. Absolutely. We believe we're clarifying the spirit of the Code and what was intended.

OPC(JE). So you don't believe at the moment -- you're not seeing in the marketplace any non-compliance that warrants -- I mean?

A. I think that's probably up to the Regulator to assess that, rather than for us to comment.

OPC(JE). Thank you. You have mentioned also in relation -- in paragraph 30, you say that Centrix supports the amendment that clarified the activities that are not permitted, and that, I think -- is that a cross-reference back to the related party preference?

A. Yes.

OPC(JE). So, what -- we had extensive discussion yesterday on the nature of the definition of marketing. Do you think with the proposed amendment that we've got enough clarity now on what activities should be excluded in terms of marketing? If we -- I think what they've tried to achieve in the drafting here is to say that direct marketing might be seen as a term of art with a quite specific and perhaps narrow definition, that marketing is a much broader activity. So we are in effect proposing restricting a greater number of activities, and you're supportive of that restriction?

A. Yeah, look the basis of the credit Bureau has always been using the data in a marketing sense has been prohibited. That's the view, and we think this clarifies that. The data coming into the credit Bureau environment needs incredible (inaudible) and should be held to a higher standard, in terms of what we're doing. You've got a mechanism under the Code already, in terms of pre-screening and that could be disclosed if you want, and we're comfortable with that.

OPC(JE). Surely there'd be business opportunities for Centrix? I mean, you haven't come to us and said let's have a level playing field; let's let everybody use their credit reporting database for marketing. I mean presumably people would be interested in Centrix putting offers in front of people with particular credit profiles?

Tell me about why you value the restriction, in terms of your business practice, rather than the expansion?

A. Given the data on the basis of reciprocity and trust, effectively, and the subscribers that pass their current customer data to us, expect us to treat that data with the utmost respect, and the agreement or arrangement between us is it would never be used for a marketing purpose. So we're really just respecting that relationship.

A2. And in addition, thinking about consumers, the individuals out in the market would be upset to know that a credit report is now, having gathered information for one purpose, is now using it for -- I mean that's why the New Zealand Direct Marketing Association has an opt out list where the pre-screening is quite explicit and it must be run through that so people don't get inundated with marketing. You know, people hate it. I mean, sure, I return New Zealand companies even though I deliberately didn't put a landline on, because I know anyone -- anyone can ring up a landline and they're direct marketers. So I wouldn't want to think that someone's using my information at credit Bureau to start approaching me for marketing opportunities.

OCM (JE). On the other hand, if you could assist people to become their best financial selves, perhaps there would be a value?

Can I ask, I want to understand the effect on the marketplace, because you've said in paragraphs 20, the subparagraphs under that part of your submission, that allowing those kinds of activities is actually detrimental to the credit reporting market and the relationships that you have.

So how would you see that playing out? How would that harm manifest, if, for example, the trust and confidence in credit reporters would be eroded. How would that translate into your business?

A. John, we're part of a trust network. So really, we ask bank A or finance company B to supply some sensitive data about their customers, and they do supply that with us on the basis that their competitors are also supplying it so they can access the data appropriately.

So, using that data, potentially, that's provided to us and then if we were using in a marketing sense against one of our other subscribers --

OPC(JE). Right. Okay, I see what you mean. So what you are saying is that it confronts the reciprocity basis, which might cause agencies to withdraw?

A. Correct. Yes, just break down that trust, in terms of I'm giving you my data for a certain reason; you're there to protect it.

OPC (JE). So you might find ANZ putting advertisements in front of Westpac customers, and Westpac saying, what the hell is going on here? Is that the kind of --

A. Yes, well if that occurred you'd have a total breakdown of the credit reporting system.

OPC (JE). I see. Okay. Look, thank you for clarifying that.

A. And just to add, to the consumers, and this is part of our access and updating their information, most consumers when they ask for a copy of their credit report, provide you with their latest information, like their name, address, date of birth, and they allow us to keep that. And if we turned around and said, now we've got the most up-to-date information, let's use that for marketing, that would probably discourage them. Either they'd still want, but refuse to allow us to get their latest information updated, or they wouldn't -- it might put them off even applying for a copy of their credit report.

OPC (JE). So, I know one thing that you've elaborated that we hadn't heard is the potential risks to that reciprocity model and on the subscribers' side?

A. Yes, that's correct.

OPC (JE). What you're also saying is that there's a consumer -- if you are clear, and I think we possibly focused on the consumer effect, but what you're telling us now is that in exercising their statutory right to access, they must provide information about their current address and circumstances and that can then be co-opted for other purposes? What if that's just purely by their consent, because they want to enjoy some extra value?

A. Well, it's a whole new thing. We don't see that as permitted so that's why we've taken that approach.

OPC (JE). All right. No, thank you for those comments.

Q. Yes, it's also why the Code has been written to exclude consent as a basis for additional businesses to be -- for business lines to be run for with the credit information.

Bundled consents, Clause 9, you've supported that proposal and understood the case for it. You've raised a point of clarification seeking that the Code make it clear that certain processes associated with essentially updating and removing error from the credit reporting system, with the new information, be permitted. We haven't defined what unrelated purpose was in that particular thing. It's a sort of concept that had -- is frequently used in the Privacy Act, but I suppose it would be an option to spell this thing out, and we can certainly look at that. I guess I would have imagined that related purposes would include those that are integral to running the credit reporting business and supporting the access process, but I need to look at that a bit more clearly. You've already spoken to that in your opening remarks. Is there anything else you want to say about that? Probably not.

A. No, other than to just reiterate I think it's a very common process, using consent of the individual to update their credit file, and a large majority of consumers do want to update it. If they see well, actually, I have moved address and they want it put it on, we give them the option of doing that. So it's really a supplementary consent.

Q. Yes. Yes, I do remember some years ago, in the early days of regulating this area, that a company had made it a condition that you couldn't have access unless you agreed to the updating, which wouldn't seem to be a permissible approach, and I think it was discontinued with our involvement.

The next one, I was going to skip down to Clause 15 unless anyone -- suppressions across multiple providers -- sorry, across multiple credit reporters. You've supported what we've written there and perhaps partly for the benefit of the audience, this is an area where the industry has been taking a bit of an initiative to see, within the scope of the existing Code, whether steps could be taken to essentially enable an individual to seek suppression, credit freezing, where they fear identity fraud, that they apply to one credit reporter, and that's existing law, but maybe that there could be a sharing arrangement so that that essentially transforms into a request to all three companies for suppression. And Centrix is, from recollection, actually leading that work in the industry. I wonder if you could briefly -- oh you've supported what we've written into the Code?

A. Yes.

Q. I wonder if you could just mention how that's going?

A. So it's myself that's leading it and I've already been in dialogue with both Illion and Equifax, and the initial process is very similar. So we -- there is not much variation. Once it gets passed that it gets a bit more detailed. So we've agreed amongst the three of us that if -- the idea if an individual say comes to Centrix, requests suppression, we verify that that's appropriate. We would let Illion and Equifax know and on our indication they would just take that as virtually gospel and do the initial suppression, and then they would communicate out to the individual, saying we've saved you the effort of having to call us, but this is what it is, here is your PIN number, and accept that we do it.

Our sharp eyed solicitor looked at it and said hey Bill, that's fine, but there's actually not provision currently in the Code for one credit reporter to provide, effectively, credit information to the other. So that's why we sought this amendment to the Code, which has now been put in. So really what's stopping it is just effectively that we need that amendment to Code so we can actually mandate and do this.

Q. Right, okay. Well, we can talk offline about this more, but I had really seen this more as a belt and braces approach, that you probably didn't need the change to the Code, but it would give you the comfort, but if that's been your legal advice then I guess we ought to get this in place as soon as we can?

OPC (JE). Can I ask how many suppression requests you get?

A. We probably now -- we now probably get on average about one a day. So, you can see year on year it is growing. Yes.

Q. That's good news anyway. I mean that's sort of an example of something where the three companies are not competing. It's a statutory requirement and you've all got a common interest in it being efficient and obviously it's good for the consumers for it to be efficient.

OPC(JE). And do you know that those people seeking suppression are always also seeking suppression from the other two?

A. Well, if they call Centrix and they say look, I believe I'm a victim of fraud, our staff will work with them and then say look you will also need to call Illion on this number and Equifax on this number, and this is where we realised and went oh gosh, do I have to do that as well? And that's where this whole initiative came from, and I'm sure the same is happening at the other two.

OPC(JE). Is there no online capability to just press one button and it go three places?

A. Not at the moment, and that's what we would work towards, yes.

OPC(JE). But that wouldn't require legal authority because you wouldn't be conveying information; you'd be building a tool to transmit it?

A. I'm sorry, my legal advice is Bill, you've got to be very careful if one credit reporter is releasing to another credit reporter; it's not covered under the Code. It sounds quite pedantic, but we just want to make sure we've got --

OPC(JE). Oh we like to hear it, pedantic adherence to the law.

Q. Well, it would also be a sort of no wrong door approach. So some people would end up using the portal and some would still ring you and so you'd still have some --

A. Yes.

Q. Right that's very helpful.

Quotation enquiries. Now your company is different than the others in not featuring previous enquiries in your scoring process, which is, of course, very interesting and it makes the impact on you slightly different, and hence your submission.

So I don't think you need to further explain your submission. Maybe others want to hear more about it, but I wonder if you could, from my perspective, just comment on credit reporting generally and future directions in terms of where you think previous enquiries feature? I mean, my take on it would be the New Zealand system has had a mainstay for many years, but once we've transitioned to comprehensive credit reporting, and then it's such an imprecise and blunt instrument that it's been replaced by something much much better.

Internationally, I mean, I had the impression that in the UK previous enquiries have -- no, the UK obviously still has previous enquiries in its system, but I had the impression America doesn't? I wonder if you just comment briefly, because I mean it is, it's quite a stark difference between the different competing credit reporters, that you don't do it and the others do?

A. We don't use it as a predictive element within the score, but we still see it as a very useful element within the credit Bureau environment. So I would support. I mean, look, our preference, and as we've submitted to the Commissioner in 2016, would be for previous quotes to remain for a five year period; that would be our view.

Operationally of course, we can comply with the requirements as proposed.

We don't use it as a predictive element within the score, that's true, and that's as of today, that's not saying that we wouldn't in the future, obviously, as we develop new scoring models, but at this point, yeah. From our viewpoint, it wasn't an element that was predictive enough for us to use within the score.

Q. So you don't use it for predictiveness; do you use it for other things like fraud or something?

A. Yeah, absolutely. It does verify and you know, previous enquiries do show credit hunger for the individual and it is useful for the subscriber to have it, so yeah. Our preference, strong preference, would be for it to remain and for the extended reporting period.

A2. And it's what the (inaudible) of Equifax says, a higher velocity of enquiries on an individual's file there's an element of fraud, which to us is going down a different path to saying this is a prediction of someone. Yeah, so the normal credit application shopping around sort of thing.

A. And look, as discussed yesterday there are a number of subscribers that only access in the negative reporting environment. Obviously, that component is important to them as well.

Q. Well, yes, and maybe in terms of the high velocity enquiries that were mentioned yesterday and that you've just brought up again, what do you think about the approach to addressing the problem that was described yesterday, that if -- I mean, quotation enquiries are proposed to be mandated in Amendment Number 14, but they're not being introduced; they've been there as part of the Code for the last six years.

So they could, for example, start taking off even without Amendment Number 14 mandating them. So you could still have the issue of this velocity of requests of -- of credit in enquiries masked on credit reports already.

It seemed to me, from the discussion yesterday, that the credit reporter was still getting -- they still have all the information. The fact that it's masked on a subscribers' enquiry doesn't affect the credit reporter.

In terms of fraud detection, is that done more at the Bureau level in your company, or is it simply the information is shared with the subscriber who does their own fraud detection?

A. Bit of a mix, but mainly subscriber focus. That's not to say -- and obviously, there are initiatives as you discussed yesterday on fraud exchanges. You know, there obviously would be the potential for that data to be used in fraud detection.

Q. And that fraud exchange is specific to the credit reporters, isn't it? And has that moved further? Is there any sort of idea floating around that it would -- could be linked in to this?

A. Yeah, sure. That process is developing and I think there would be further discussions with the Commissioner on that.

A2. And just to clarify, we sat and discussed, Mark and myself, after Equifax's submission yesterday, about quotation enquiries and for the record, if an individual goes to a credit provider and specifically requests a quotation, as opposed to a credit application, and the subscriber uses the quotation type, enquiry type, we actually leave that footprint available to any other subscriber to see that. So we don't suppress a quotation prices; it's what you actually disclose in a credit report as opposed to what you use in the scoring model. So, we do not -- well, we can't use quotation enquiries in a scoring model. We don't use previous enquiries in a scoring model, but we actually do disclose quotation enquiries along with credit enquiries to another credit provider if they make an enquiry.

Q. On that scenario that shouldn't really be a problem?

A. So there is no issue of suppression there for us.

Q. Okay.

A. I think -- the issue in terms of quotation enquiries, I think is more problematic. There will be a number of our subscribers who simply won't know that it's a quotation enquiry, because -- particularly when they're getting online applications. It can be very different for a lender to know is this a quotation or a genuine application, for instance. So that's probably more the difficulty with quotations.

Q. Yes, well, it's certainly what we'd anticipated when we introduced this six years ago, was the consumer would be making a conscious choice. Do I want to go through this process to find out the cost of the credit to me, knowing that it's -- I can't get that credit; I'm going to have to do a proper application and there will be a credit check also for that. So there wouldn't be any ambiguity there. You'd have to go through one channel or the other, make a choice.

Okay, and finally, in your submission I think modifications to credit freeze arrangements. Oh sorry, no. I don't need to discuss that. Yeah, I've asked all the questions I want to. Are there any other comments?

OPC(JE). I don't have anything else. Did you want to have any closing remarks or are you happy to wrap it up there?

A. I think we're happy with that now actually.

(Submitters excused)

Audio file: FSF

Held on 11 October 2018

Speakers

Q.	Office of the Privacy Commissioner - Assistant Commissioner B Stewart (Chair)
OPC (JE).	Office of the Privacy Commissioner – Commissioner J Edwards
OPC (VV).	Office of the Privacy Commissioner – Ms V Vida, Policy Advisor
A.	Ms L McMorran, FSF representative

Transcript of Submission Hearing

Credit Reporting Privacy Code Amendment No. 14

Q. Right, you were here from the beginning of the session so you know it's all public?

A. (Inaudible).

Q. Right. Well, as you are coming from an industry body you won't have any company secrets to reveal?

A. I'm not going to reveal any of those company secrets, because I don't know them.

Q. No, exactly. Well we've got plenty of time, we may not need all the time and I know you mentioned you're going to be catching a flight, so take as long as you need.

A. Thank you for that.

Right, look firstly obviously congratulations on the whole process. I think we felt that the consultation has been extremely helpful and engaging and we've appreciated the opportunities that you've given us to consult on this.

I'm probably going to -- so you're aware of the fact that the Financial Services Federation is the industry body for responsible credit providers. We do have affiliate members, three of whom are sitting in the room at the moment, Equifax, Illion and Centrix, who are providers of services to the financial services sector. But our members are predominantly engaged in -- well, full membership is predominantly engaged in the provision of credit. So I think I'll just approach our comments from the point of view more of subscribers rather than the credit reporting agencies because you've clearly heard from all them.

So, yeah, look, as I say, thank you again for the opportunity to do this.

I think there's a few things that we would want to just highlight that sort of came out of the proposed amendment that we maybe weren't expecting, and that was the reduction in the credit inquiry retention period from five to three years and the increase in the minimum default amount.

I think that -- I'll start with the second of those things first, if that's all right?

It's not large in itself and it could -- but the concern that our credit provider lending members would have is how that might reduce the number of defaults able to be reported? And, I guess, to that transition that you've already talked about with the credit reporting agency, so I won't go there. But how that change that sounds insignificant in itself might just change a particular customer's credit profile from reasonably high risk to considerably lower risk, because it's just not showing up. And that then, of course, impacts on our members as responsible members on their obligations to make sure that the person can reasonably afford to make the repayments on the loan without causing them significant hardship. Because potentially they could default, they already have the hardship situation in place. If we lost some of that information, that could have a -- could be problematic.

I think the other thing that as a consequence of that is that if you increase the risk across (inaudible) credit portfolio you increase the cost of credit to consumers. So, we're always concerned about lowering the credit risk to the extent that we possibly can to ensure that the cost of credit to consumers remains affordable.

Yeah, we've talked about the fact that there's a need for clarity around the transition period and I'll leave that to the credit reporting agencies to talk about.

What else?

We're definitely very in favour of the proposed amendment to allow that suppression to be distributed, you know, if a person reports it to one credit agency, that it's able to be immediately transmitted to the other two. Because I think that from the credit providers' point of view reduces their risk of a person who is using an identity fraudulently not been detected immediately. And if they took maybe a client from one of the other credit agencies and it hadn't been reported yet, that the risk is that they might lend to someone.

I think the incidents of identity fraud cannot be underestimated in terms of how that impacts a lender's portfolio.

I think -- we had our annual conference yesterday; we had an expert in fraud and that sort of thing talking to our members and he had data that shows about 15% of the population has suffered some form of identity fraud, whether it's their credit card number's been hacked and it's had to be replaced, or they've gone right down the whole full-blown track of somebody actually stealing their identity. And from a credit provider's point of view, we have members who estimate that at least up to 1% of their portfolio at any one time is fraud -- has been obtained fraudulently. And what that means of course again is it it increases the cost of credit to consumers, because the legitimate borrowers are paying for that. So anything that could be done to expedite an individual's ability to suppress their information if they believe they've been hit by identity fraud is helpful to also prevent fraud to other credit providers.

We're not terribly supportive of reducing the maximum reporting period for previous enquiries. And that again relates to credit worthiness and the ability to make good decisions. It sort of seemed counter-intuitive to us to keep negative information for five years and positive information to drop off after three years, because from a consumer's point of view their positive credit history has got to be more -- of more benefit to them when they're negotiating with a credit provider. And I guess, yeah, the particular -- it gives a more accurate, obviously, picture of a consumer's credit history. And you will be aware of the fact that Minister Faafoi yesterday has announced some further changes to the Credit Contracts Act, which is a key piece of legislation for our members in providing they lend their credit responsibly. Then if they're going to have further obligations put on them about verifying affordability then clearly a good repayment history is a strong indicator that somebody understands the terms and conditions of credit contracts, but also understands the need to keep repaying and their ability to make repayments.

I think the other thing about the credit enquiries issue is that whole, and it was touched on by the previous submitter around the fact that it is a strong indicator of credit stress and it can also be a strong indicator of somebody who is either shopping around for the lender (inaudible) if they keep getting declined by responsible lenders, or it's potentially a significant indicator, potentially, of fraud, again. So, we just -- yeah, we like consistency. And to have consistency across the timeframes for all data, that would be helpful to everybody.

Yeah, and I think the other thing is to that those people who have had a default within that sort of four to five-year period but who've had a very good repayment history subsequent to that, I think that that provides a better story to a credit provider in terms of their willingness to get over that particular hump and rebuild their credit worthiness.

The subscriber obligations to provide quotation enquiries. I mean, yeah, our members had a little bit of a problem in the fact that that could potentially become a double handling situation, that they're -- if a person comes in asking for a quotation, that they let them go to the credit provider and then when they come back to actually do the application they've got to do a full-blown credit check in order to meet their responsible lending obligations.

Under the Credit Contracts Act already, the lenders are required to make sure that all their terms and conditions, their interest rates, their fees and all that sort of thing are displayed clearly on their websites and in their premises if they operate from a bricks and mortar retail displays. And that's constantly monitored by the Commerce Commission to make sure that that's getting done and that it's kept up-to-date. So a lot of that quotation sort of thing is actually taken care of by the fact that the information is actually readily available to the consumer anyway.

Look, yeah, and I guess that whole shopping around by consumers to find the lender of last resort is a particular issue, I guess that, yeah, it is a concern to us that the more enquiries that show up for a person, the more that it's likely that that's what they're looking for.

And I think that's really, unless you've got any questions, probably (inaudible) --

Q. Yes, yes, I do have some questions.

OPC (JE). Can I just ask an initial question?

Q. Yeah.

OPC (JE). Can I just ask about the process you follow with your members of developing a position on a matter like this? I mean it's clearly not a consensus view. How do you arrive with your members at a position that your --

A. It generally is a consensus view.

OPC (JE). Well, this one isn't, is it? Because we had previous -- you know, you've said your members include all the credit reporting agencies?

Q. No, they're associated. They're affiliates or something.

A. They're affiliates.

OPC (JE). So we've had a strong representation in favour of the related parties provision, for example. So, I wanted to understand whether these represent a unanimous view of subscribers or whether this is the representation of five very vocal members or you send out something which says if we don't hear from you we assume you'll agree? So I'd like to understand the process?

A. Yes, we do. We were very clear that we wanted the submission to capture the view of the credit providers, as much as, probably more so, than the credit reporting agencies, because we knew that they were going to be making their own submissions anyway. Yeah, I mean the related parties one, I can see that there's some disagreement between some of the credit reporting agencies on that. I guess, from the credit reporters' point of view, it's not something that we are particularly insistent on one way or another.

OPC (JE). So your subscriber members don't really have any skin in that game?

A. Not particularly, no.

OPC (JE). Right. Okay, thank you. But I'm still interested, just to go back to my initial question, as to the process that you follow to get -- to represent this quite diverse group of --

A. It is a diverse group.

OPC (JE). -- of several dozen enterprises.

A. Yeah, it's a really good point, thank you. We do -- we'll start with initial conversations probably; we'll put together either a working group meeting or a conference call, and the interested members will be the ones that come into that particular discussion. That will help inform some of the response for us to be able to put out a draft to all members, and it is a little bit along the lines of, you know, if I don't hear from you I'll assume that means agreement.

But we give them several opportunities to have their say, and you know, if there's anything particularly controversial, particularly to the credit providing members, because they are in full membership, then there would be probably pieces that would be highlighted to say give --

OPC (JE). Right. I'm going to say in your name --

A. Yeah, exactly.

OPC (JE). -- so you better pay attention?

A. Exactly. And we're submitting on range of things, as you could possibly imagine, and I've not really ever, in the seven years that I've been with FSF, had a significant situation where I've got a really opposing view on either side, which is -- yeah, I think that it's surprised me, in some ways, how easy it is to get to a consensus. And, you know, because we start from the point of view that we are representing the responsible lending community, I think we're starting from a point of view that, you know, we're always looking at what's best for the consumer, as well as how that works for business. And, you know, if there is a cost to the consumer, there's probably a cost to business as well.

OPC (JE). Right. No, thank you for that.

Q. Thanks very much. I'm particularly pleased that you've come to give evidence because, obviously we've heard from the credit reporters, principally affected by the code, but it's -- as well as the written submissions we've had, yours gives more of a flavour of a perspective from the credit providers, or subscribers, as they're called in the code.

So I'll try and focus on some of those issues, and also, I'm very interested in some of your comments that I want to tease out.

Commencement, that's been discussed really all of the hearings yesterday and also this morning. So, probably don't want to take a lot of time on it, but I'm interested in the credit provider perspective on commencement, which has been represented to us, but it's been represented by the credit reporters.

A. Yeah.

Q. What would be your take about, when there are changes to the code, how that mainly impacts on credit providers?

A. Well, I mean if you look at the increased threshold, for example, I guess, if they've been through our credit reporting -- credit provider members, if they're used to the default threshold being at a certain level, I guess the concern for them is around that transition, in terms of how that data drops off between that $125 threshold to the $100 threshold. And, you know, I mean, if it's something that happened overnight they would have quite a lot of concern about how that increases the credit risk within their portfolios.

Q. So would you see that as mainly like a central issue for the credit provider in terms of re-doing their score card or whatever --

A. Yeah.

Q. -- or do you see it as like a staff training issue throughout the organisation?

A. I think it's actually all of those things to be fair, yeah. And so, yeah, it is -- certainly it would require tweaks into the way that they develop their credit score card, for certain, but, yeah. I mean, that always has downstream effects in terms of the staff training and then just being aware that if somebody, you know, is -- has all of a sudden dropped off the -- you know, that you might have dealt with previously, that, you know, if you have had a previous application from that person and all of a sudden they become aware of the fact that the threshold has increased, so they think that they can slip it under the radar. I think it would require some staff training around that, for sure.

Q. Yes. Well of course that also -- I'm slightly taking something out of order here --

A. That's okay.

Q. -- but you made the comment, and I think it's in your written submission too, about someone who has got a 3 year old small default, so it's between 100 and $125, as being a reasonably high risk one day and then becoming a reasonably low risk the next day. I mean, doesn't that suggest a shortcoming in the methodology, because, I mean, the person's much the same?

A. I think, probably because the credit providers have come from that negative credit reporting environment for such a long time, a default is a big red flag. And I guess the quantum of the default is not so important to them, as the fact that there was one in the first place, because it goes to, from their point of view, willingness to make repayments as much as the ability to make repayments, and they're sort of sometimes two different things.

So I think, you know, I come from a credit background myself as banker, and you know, a default was just like an automatic no, in the banking sense. In the finance company sense maybe they take slightly more risk, but, yeah. A default is a default, and it's always viewed very negatively.

Q. Right. Would most of your members now be in the comprehensive system?

A. If they're not, they're well on their way. Yeah, so -- I mean we've got some very small members too; we've got some, you know, two-man bands, very small operations. They probably won't be for some time, or if ever, but certainly our larger members are definitely either already in the regime or well on their way towards it. So, I think we've discussed this before too, haven't we, around, you know, some of the reasons why credit providers have been slow to participate, and it's largely to do with a lot of other compliance issues that they've had since the GFC, effectively. Anti-money laundering systems changes, changes to Credit Contracts Act, all of which are sort of things that they legally have to comply with, whereas this is something that they would like to be able to do and it's certainly enhanced their responsible lending. You know, the way in which they practice responsible lending wasn't necessarily something that they could afford to do, or had the time to do until further down the track.

Q. Yes, there's -- right, do you think there would be a mindset change or at least a substitution of much better quality information in terms of the comprehensive system in that scenario of 3 year old small default dropping off the system when you've got all this better information of 24 months of paying all the credit accounts?

A. That would certainly help make a better credit decision, and a better outcome for that particular consumer in my view, because it means that there is definitely a -- there definitely shows a rehabilitation of their credit and, you know, I think a credit provider would be able to make a better credit decision for that consumer and a better outcome for that consumer than at the moment, definitely.

Q. Yeah, I suppose what I'm saying is we're not making this change in the absence of any other information; we've poured a whole lot of additional information, or we've permitted it, and I guess we did introduce the hundred dollar threshold at a time when the comprehensive system hadn't rolled out, so in that sense this should be an easier one. And I'll also just mention in passing that Australia has $150 threshold; their dollars are slightly bigger than ours too.

You're right. Well, that was my question on commencement; I just got a bit side-tracked.

A. That's all right.

Q. Amendment to clause 5 New Zealand business number. Well, you will have heard the discussion earlier about some of the data issues or data quality issues. I had some concerns about the way we'd written the rule and what we were trying to achieve and the submissions have come in saying they want to use it differently. And I think you are also suggesting that it should be used differently? I wonder if you could just tell us how your members are using the New Zealand business number and how you would see this being helpful in the process?

A. I think the way in which it's helpful is the fact that if it was flagged to one of our members that there was a New Zealand business number in the mix, that would tell them that person is connected in some way to a business, and therefore their income is probably also connected to that business. So they may well be running a company, but receiving a salary from that company, and they can show other members the bank statement saying look, you know, here's this regular income coming through, but what that's not necessarily telling them is the sustainability of that income, because if it is actually coming from a business, that that person is connected to, the enquiry from the credit provider might be a bit deeper in terms of the affordability, by going back to them and saying look, you know, your income comes from your own company, and your own business, effectively. We would probably like to see not just the bank statements showing you get paid this regular salary but the financial statements of the company, to show that that salary is actually sustainable.

Q. Right, so you're really making a case that's entirely different than anything that's been put before --

A. Well it is slightly, but I guess I'm coming at it from --
Q. No no, that's very helpful.
A. -- the provision of a credit provider. I mean, as a credit provider myself, I think the risk inherent in someone who is deriving their income from their own business is definitely higher than somebody who's being paid a salary.
Q. Right. Yes, well --
A. And you know, that then probably affects the way in which -- you know, that might not affect the fact that the person can still access credit, but it might affect the price of that credit, because there is a higher inherent credit risk in that particular deal than there would be for someone who is working for a company and getting regular salary. I mean there's always the -- you know, there is always the risk of redundancies for people on salary and regular incomes and that sort of thing.
Q. So what you're really saying, if I put it in credit reporting code terms, is something along the lines of this information will be helpful for the -- for assessing creditworthiness, not purely as a matter of confirming identity?
A. Yes. Yeah.
Q. Right. Yes. We haven't actually consulted on this -- this aspect hasn't really ever been put before, so I'm a little bit taken aback but --
A. Yeah, I mean, my understanding about the New Zealand business number too is it applies to everybody. I mean, for example, if you're an incorporated society, we've got a New Zealand business number. So if you're a sole trader or a trading ex or in a partnership, you still have a New Zealand business number, because the driver for that is your relationship with Government entities like IRD and MBIE and whoever else that you might need to interact with. You do it via that NZBN number because it's sort of a consistent portal, but I guess from our point of view, it's also of interest to our members to know that some -- is deriving their income from running their own business. So if that NZB number is attached to their identity then that's a flag to our members that they are not -- you know, they are deriving their income from running their own business as opposed to a salaried income.
Q. All right. That's helpful. You don't have any questions on that do you?

OPC (JE). No, not on that.

Q. All right. Small debt thresholds, well we've kind of a bit covered that. So I probably don't.

OPC (JE). I did just want to pick up the commencement issues as we move through these though, because I think the submission says that generally we're happy with 1 April 2019, but there are particular areas where an extended timeframe. So I think it would be helpful if we could just get a bit more precision around what that might extended timeframe might be and what that looks like?

Q. All right?

OPC (JE). But we'll just pick those up as we come --

Q. I think we have a list of clauses, don't we?

OPC (VV). We do.

Q. It might help for that if we just go through them.

OPC (VV). So these are the (inaudible) claims and the loaning system (inaudible).

Q. Okay. I'll just test you on a couple of clauses and sort of ask you which you think, from your members perspective, rather than credit reporters' perspective, would be the ones having the most commencement challenges, i.e. you would find credit providers would particularly benefit from a longer period.

So the list was 5, 10, 11, 16, 18, 19. I don't have a -- it's in here somewhere. Here we go.

If we maybe just have brief answers on this and we'll come back to the ones --

A. Sure.

Q. So that would be small debt threshold, we were just talking about that, and I think that is one that you have signalled as having impact on your members. What is the next one? 10 is access to the credit score. So that one is really for the credit reporters, I would say.

The next one is 11; it's the same thing.

A. Oh, I think we made a comment on that?

Q. 16?

OPC (JE). Charges for (inaudible) access.

Q. That's again, that's a credit reporting one?

OPC (JE). So are there any of these that apply to members, like your provider members that --

A. We're just going through them individually. Yeah, so not so far.

Q. Amendments, 18 is amendment Schedule 1, maximum reporting period for previous enquiries. That, I think, is the same, is the point you've just been making?

A. Yeah.

Q. So that would be relevant to your members?

OPC (VV). And quotation enquiries.

Q. And quotation enquiries, we haven't heard from you yet on that have we? Sorry, we have heard from you, but not so much from an implementation perspective. That presumably would have an impact?

A. Yeah it probably would. Yeah, from the point of having to lodge the quotation enquiry and then come back and lodge the actual credit enquiry and the application proceeding.

Q. So in terms of those three areas I think we've identified, your submission, does it give a -- you say you need longer; I think you are saying that. What would be your -- the sort of time period you would see as necessary?

A. I guess the concern about 1 April is the fact that we're heading so rapidly towards it, (inaudible) now.

Q. We accept that, but if you had the different day?

A. And then we've got that timeframe -- you know, I would say, probably another six months, if that is possible, yeah.

Q. We'll make a note of that.

Well, if as we go through, you want to elaborate on that brief discussion of commencement, feel free to.

A. Sure.

OPC (JE). I am a little bit confused about that; I don't want to delay proceedings, but I thought that yesterday we heard predominantly reporters saying, we can make these changes, but we're worried about subscribers? Here we're hearing providers say, credit reporters have some challenges, but there's not really much in it for providers.

A. I think there is some.

Q. Is that a mis-characterisation?

A. I think so. I think that the default threshold was an example where, for our members, it could be -- we discussed the issue around, you know, the changes to their score card, the issues that they'd have around making sure that their staff are aware of those changes and what those implications could potentially be, for their credit portfolio. The quotation enquiry one is another one, I think, that has an impact on the timeframes for the subscribers. Just for them, again it's a systems issue; it's an issue around getting their staff onboard with the idea that there is such a thing as a quotation enquiry, and with somebody who is genuinely shopping around for credit, and not coming to them as a last resort, if they are genuinely shopping around for credit, that there is the ability to do this quotation enquiry which would then you to do the proper credit check at the application stage.

OPC (JE). Sure. So can I understand, when I first looked at these I thought we were talking about sort of time limitations in terms of technological builds and so on, but you're talking about business processes that need to be acculturated and training and?

A. I think there's a bit of both, probably. So, you know, for example, the default ones are definitely a systems issue, as well as a process issue, as well as a staff training issue. I think that one probably has the biggest impact for members in terms of the timeframe. The quotation enquiries is probably more -- I would imagine that that would require some systems issues as well, to sort of ring fence those ones that are those enquiries that are looking for a quotation as opposed to an actual credit application.

Q. We haven't quite got to the discussion of quotation. I think there is some misunderstanding on quotation enquiries, which I would like to tease out.

OPC (JE). All right, so I'll hand it back to you.

Q. But yes, I think -- as I -- I mean, as I would take it, both from the evidence today and what you're saying is, there are fewer issues for the credit providers. Of our list of six or seven issues, only three of them apply to credit providers, but it's kind of like, if the credit reporters took up to 1 April to do their changes, there wouldn't be time for the credit providers, and some issues are not going to require the time, but if it's something like a score card, I guess you're going to need the new data to then do your own calculations?

A. Yeah.

Q. So it's --

A. And I guess the fact at the moment that there isn't the clarity around the transition arrangements for that increase either, and how that will be implemented. It means that they can't really start doing anything until they've got that clarity.

Q. Right. Yes, so we'll tease some of that out as we come to the substantive discussion as well, but we've got the commencement and we've got the substantive issues.

We've done NZBN.

Right, small debt threshold.

Yes, I wanted to jump through to clause 14, but actually, before we get to that, I'll just go back to a couple of comments you made on some of the earlier --

OPC (JE). You mean clause 14 or paragraph 14 of the submission?

Q. Paragraph 14 of the submission, just the use of tracing. I'll come to that in a second; it's just that nobody else has commented on that, so I thought it would be interesting. Yes, the two things I wanted to discuss were quotation enquiries and double handling.

Since quotation enquiries -- sorry, quotation enquiries and tracing to return money. Quotation enquiries has already been raised, so maybe if we go back to that?

The quotation enquiries are already in the code and they are for -- and the amendment is proposing to make them mandatory for risk based pricing products. So if your members, for example, don't have products that -- that what you're going to pay differs on your credit worthiness, your credit score, then it's not going to be impact for those members until they introduce such products?

A. Yes.

Q. And I think what our review had found is that there were very very few products that really yet use risk based pricing, although that is ultimately one of the benefits that would flow from --

A. That's exactly probably the way in which our members would view that too.
Q. Right. So that wouldn't be an impact on all your members from day 1, in terms of, it's not just that a consumer happens to want to shop around; that's not what we're talking about. We're talking about a product that essentially is risk based. Ah, well you'll have to give them the option of essentially going the quotation enquiries route, or the other route.

In terms of it being -- you described that as double handling, which I suppose in a sense from the -- a single credit provider's point of view, maybe you see it like that. Look, I'm paying this credit reporter for a sort of -- maybe a credit check light on day one and then that might follow through a credit report full on day two or later in the afternoon.

But from the consumer's point of view, if you've got a risk based priced product, they don't know what they're going to be paying until the credit check has been done. So, they can't shop around to compare risk based products or regular credit products and the risk based ones and compare them, unless they go through a process of a credit check.

So there's bound to be double handling if they're -- I mean, if they're genuinely shopping around they're going to different providers. So I think that's all part and parcel of it, and it's kind of -- it's the -- if you are in the business of providing risk based products, this is a cost of doing that business. You've got to disclose the price to the people who want to do it, and if you have to have a credit check to do that? So it's all interconnected, I think?
A. Yep.
Q. But it will -- those members who provide those products will be competitive in the market for those sort of things?
A. Yes, exactly, and those particular customers that have a particularly good credit history, those will be able to (inaudible).
Q. Yes, and over all of the life of the credit product that's going to be a very small cost. So that was really just my comment on double handling.
A. Yeah.

Q. But it's not just that I'm a consumer and I call myself shopping around, and I say that to one of your staff and that puts them in a terrible dilemma, I know. There's got to be a channel they have to go through.

A. Yeah. I guess it's actually putting those channels in place when they have those risk based products and risk based pricing?

Q. Yes, and some other submitters have said that maybe when --

A. It certainly makes the credit process more complicated. Rather than this is the loan; this is the interest rate; you take it or leave it.

Q. Complicated, or more sophisticated maybe?

A. Yeah.

Q. But yes, absolutely.

So, I've sort of had all that explanation, that discussion, because I think that bears on the commencement and whether that's a difficulty, and what I'm saying is I don't think it will be a difficulty, because most of your members, according to our research, aren't yet offering those.

But other submitters have suggested there be more clarity as to what is meant by a risk based priced product, and we would look at a bit of that clarification if need be, in the code.

All right. Now I'll just jump through to something that interestingly none -- no other submitters, I think, commented on.

A. Is it about this tracing?

Q. Yes, which -- and I think that's because people are happy with it?

A. Yeah, oh absolutely, and we've said that we are too, but I think that, just to give you some context around the reason why we're particularly supportive, is that it depends on how much the repayment arrangement has been set up with the bank, for a loan. If it's by way of an automatic payment, then that's bank initiated from the bank to the finance company, and the consumer has to actually stop it when the loan is repaid. And quite often, it's not unusual for a consumer to forget to do that. So there is money, that they are owed, and if you can't find them because they've moved or something like that, then it would be helpful to be able to trace them and to be able to return their money. So the other way in which the loan repayment can be made is where it's initiated by a direct debit; that's initiated by the credit provider, and they know when the loan is repaid that they just stop initiating direct debit, but it's often the fact that, particularly for a loan, where the interest rate isn't going to change over the term of the loan, that the repayment arrangement is by way of an automatic payment. So that's just a particularly helpful --

Q. Yeah, well that's an interesting example. Now you think this will be of benefit to many of your members? They all have --

A. It's funny, but somebody actually brought it up yesterday, that it is something that they find quite regularly, that they end up with this little bit of credit sitting in a loan account that they want to try and get back to somebody.

Q. Right. Yeah, well, I think that was -- I mean, your whole submission is helpful, but we have done some of these issues to death with our other submitters?

A. Yes, that's fine.

Q. So my lack of questions is not a lack of interest?

A. No.

Q. Are there any questions on your list that we didn't cover?

OPC (VV). No (inaudible).

OPC (JE). No.

Q. Oh well, well thanks very much for coming.

A. Thank you very much.

(Submitter excused)