

Key Issue Brief

The Credit Reporting Code Of Conduct

ARCA is determined to ensure consumers are better protected by an updated Credit Reporting Code of Conduct that delivers key guidance to both consumers and industry on the operational matters relating to credit reporting.

- The current Credit Reporting Code of Conduct will be updated as part of reforms to Australia's credit reporting arrangements to ensure consistency with changes to the Privacy Act and to promote a higher degree of consistency and reliability in the operational processes related to credit reporting
- ARCA has invested heavily in a Code development process seeking a wide range of inputs to deliver a Code that can be supported by all stakeholders
- ARCA proposes 'three pillars' for keeping data "accurate, up to date, complete and relevant" – a single data standard, the inclusion of reciprocity in the updated Code, and an independent compliance function to ensure effective monitoring and compliance with the Code

ARCA supports the Government's policy to update the current Code that will cover all users of the credit reporting system.

The Exposure Draft provisions propose that the redrafted Credit Reporting Code of Conduct will include key operational information covering:

- Details of compliance practices, procedures and systems
- Information on direct marketing procedures
- Information on access by consumers to their credit reporting information at credit reporting agencies
- Information on disclosure requirements when Credit Providers collect information that will be provided to credit reporting agencies
- Information on disclosure requirements when Credit Providers refuse an application based on information provided by a Credit Reporting Agency

ARCA has invested heavily in a Code development process that can be supported by all stakeholders including all industry groups involved in the use of credit reporting. ARCA has developed a Discussion Paper covering key matters which will be included in the Code. Additionally, ARCA has worked with key community and regulator stakeholders to appoint

an Independent Code Reviewer. The Independent Reviewer will ensure that all stakeholders are offered the opportunity provide input to the drafting of this critical consumer and industry document.

In addition to the information that the Exposure Draft provisions suggest will be included in the Code, ARCA proposes ‘three pillars’ for keeping data “accurate, up to date, complete and relevant”:

- A single data standard
- The principle of Reciprocity
- The establishment of an effective means of compliance through providing the regulator access to industry resources to assist with compliance tasks associated with the Code.

A single data standard

Ensuring a consistent data standard will facilitate data quality across the credit reporting system. A single data standard will ensure transparency through the credit reporting system and will give a clear understanding of what data is in the system – a benefit for both industry and consumers. ARCA fully supports a flexible approach that can accommodate differences where necessary between each industry sector – but still achieve consistency within each sector.

Though ARCA maintains a view that all five of the new data sets should be available for exchange by all participants in credit reporting, consistent with the Government’s requirement for limiting the exchange of repayment history, ARCA is developing a tiered approach to data exchange, where subject to the restrictions in the Act, Credit Providers can choose which tier of data they exchange.

For practicality, the tiers envisaged are:

- Negative: data exchange will be broadly consistent with current practice
- Partial comprehensive: exchanged data will include the negative tier data, plus four of the five new data sets (excluding repayment history)
- Full comprehensive: exchanged data will include the negative tier data, plus the five new data sets

The principle of Reciprocity

Reciprocity is the foundation for ensuring accurate, up to date, complete and relevant credit reporting information. ARCA believes that credit reporting information must be shared on the principle that Credit Providers contribute their entire chosen tier of data (negative, full or partial comprehensive) to receive all data at the same level in return. Reciprocity is required to ensure users of credit reporting provide their data, which in turn will ensure the most holistic picture of a consumer’s credit profile possible. This profile will enable more responsible lending decisions to be made by users of the credit reporting system. ARCA believes the most effective way of ensuring data is accurate, up to date, complete and relevant is also to ensure reciprocity is a key feature of compliance with the credit reporting system, rather than a commercial or business decision taken on a case by case basis enforced solely through commercial contracts.

Compliance



Finally, and perhaps most significantly, ARCA proposes the establishment of an effective means of compliance. We believe there is a part to play for both industry and consumer advocates. While we would expect to finalise arrangements in consultation with industry and the regulator, ARCA will support the work of the regulator to help maintain industry focus on compliance with the Code, including an offer to find ways to ensure there are both adequate resources and skills available to undertake compliance tasks associated with the Code.

About ARCA

ARCA brings together the talent, energy and perspectives of its members and staff to bring about positive change.

Combining experience and insights, expertise and passion with industry collaboration, ARCA promotes the effective use of consumer analytics and data sharing to improve responsible lending practices and promote better lending decisions.

Access to responsible credit is a fundamental part of today's modern economy.