

# ARCA CREDIT DATA FACT BASE

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## HIGHLIGHTS

At end of September, CCR data was being reported for 85% of credit accounts

30 credit providers reporting CCR at end of September

95% of accounts committed to report at year-end

## BACKGROUND

ARCA identified that government, regulators and industry needed clearer indicators to track the progress of implementing Comprehensive Credit Reporting (CCR) in Australia. The Credit Reporting Fact Base was therefore designed to:

- Track industry-wide progress on the transition to CCR.
- Provide a 'single source of truth' regarding key statistics on CCR coverage of the Australian consumer credit market.
- Assist credit providers with their internal decision-making and planning processes by communicating industry progress towards CCR.

This report is the eighth published set of data from the Credit Reporting Fact Base, and is based on information as at September 2019.

Data included in the report includes:

- An overall assessment of the size of the credit market, expressed by number of open and active credit accounts in total, and by financial institution segment and product category<sup>1</sup>.
- De-duplicated and consolidated volumes of accounts for CCR data being reported in either production-ready or public mode.
- A market level forecast for how the volume of CCR data will grow from now through to March 2020. The forecast is based on actual or intended participation in CCR, as advised to ARCA by credit providers who account for the majority of data in the system.
- A breakdown of participation in CCR by product category and industry sector.

## METHODOLOGY

The methodology used to create this report involves a combination of publicly available information which contributes to assessing the overall size of the market, combined with actual data (and participation intentions) supplied by individual Credit Providers (CPs) directly to ARCA, or supplied indirectly to ARCA via Credit Reporting Bodies (CRBs) with the permission of CPs<sup>1</sup>.

<sup>1</sup> See Appendix for more detail.

## TRANSITION MILESTONES

In preparation for reporting CCR data in public mode, financial institutions typically progress through a pipeline of project milestones.

Milestone	Description
1	Decision to participate in CCR.
2	Commencement of active projects to enable CCR.
3	CCR or positive data is production-ready following testing and quality assurance at CRB.
4	Internal 'go-live' approval and target date decision point.
5	Becoming a signatory to the Principles of Reciprocity and Data Exchange (PRDE). <sup>2</sup>
6	Sharing of CCR data in public mode.

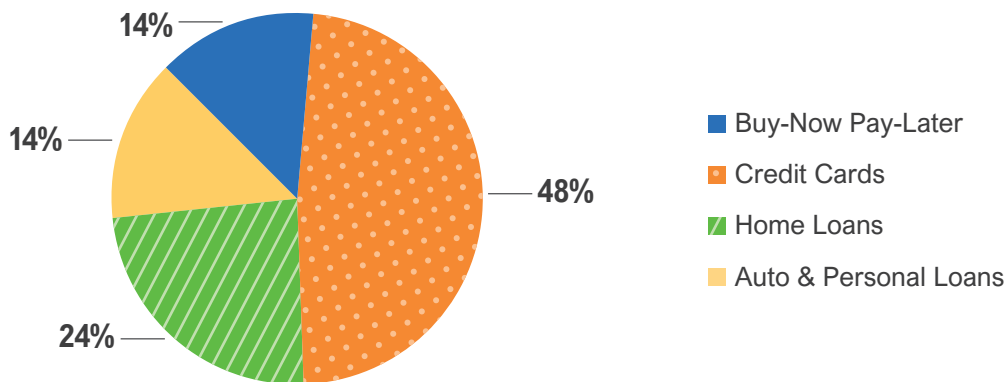
<sup>2</sup> This is not a mandatory requirement but only PRDE signatories can see the CCR data of other PRDE signatories.

## MARKET SIZE DATA

ARCA's estimate of the retail credit market has undergone a significant revision since the last report. While the total number of accounts has not changed significantly, the product mix has changed since the last major revision in March 2018. These changes are driven by three major changes:

- Actual changes in product usage by consumers: The growth of buy-now pay-later facilities has been particularly marked – estimated to have doubled since March 2018 to over 4 million accounts. The number of open Credit Card accounts has declined.
- Changes in methodology: Now that CCR for a significant number of credit accounts is being reported, there is less reliance on “top-down” approaches to determining market size. Instead the market size can be scaled up using the “bottom-up” actuals being reported by credit providers with significant market share.
- Changes in classification: In the past buy-now pay-later accounts were reported in the Personal Loan category, they are now reported as a separate category. Likewise, Overdrafts were grouped with Credit Cards, they are now combined with Personal Loans. Auto Loans and Personal Loans are also grouped together because many credit providers do not differentiate those product types when reporting.

**Fig 1: All open active credit accounts by product category | Total 30.1M accounts**



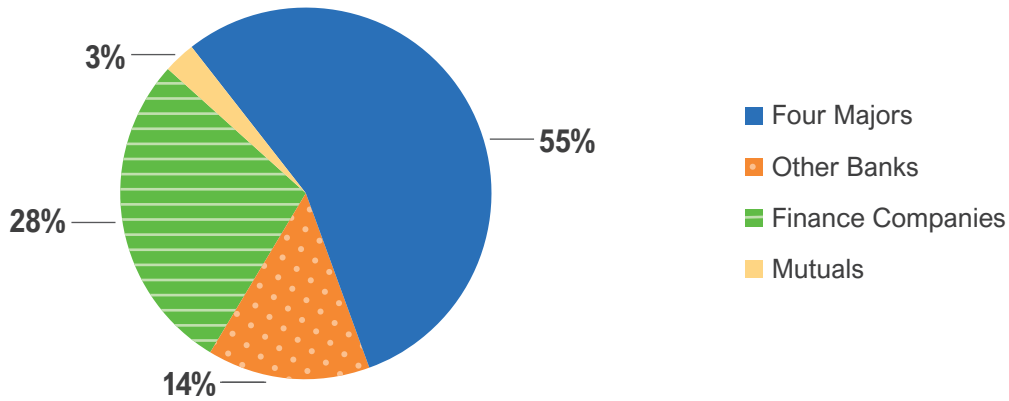
ARCA estimates that there are 30.1M open and active credit accounts Australia. The estimate only includes credit providers offering financial service products, i.e. credit providers from other sectors such as telecommunications and utilities are excluded.

Of the 30.1M credit accounts, nearly half are Credit Cards, with the next largest product type being Home Loans. The Personal Loans category includes a range of products including Auto Loans, Overdrafts, and Payday Loans. In terms of numbers of accounts, the buy-now pay-later sector is as large as the overall personal loan sector, though in dollar terms buy-now pay-later would be much smaller.

Looking at the number of credit accounts from an industry sector perspective, Figure 2 shows that Australian Prudential Regulation Authority (APRA) regulated banks account for 69% of the estimated 30.1M credit accounts. Australia's four major banks hold 55% of all credit accounts.

Outside the major banks, finance companies account for 28% of accounts. The finance company sector is broad, including specialist consumer finance providers, motor vehicle financiers, and a range of fintechs including buy-now pay-later providers.

**Fig 2: All open active credit accounts by industry sector | Total 30.1M accounts**



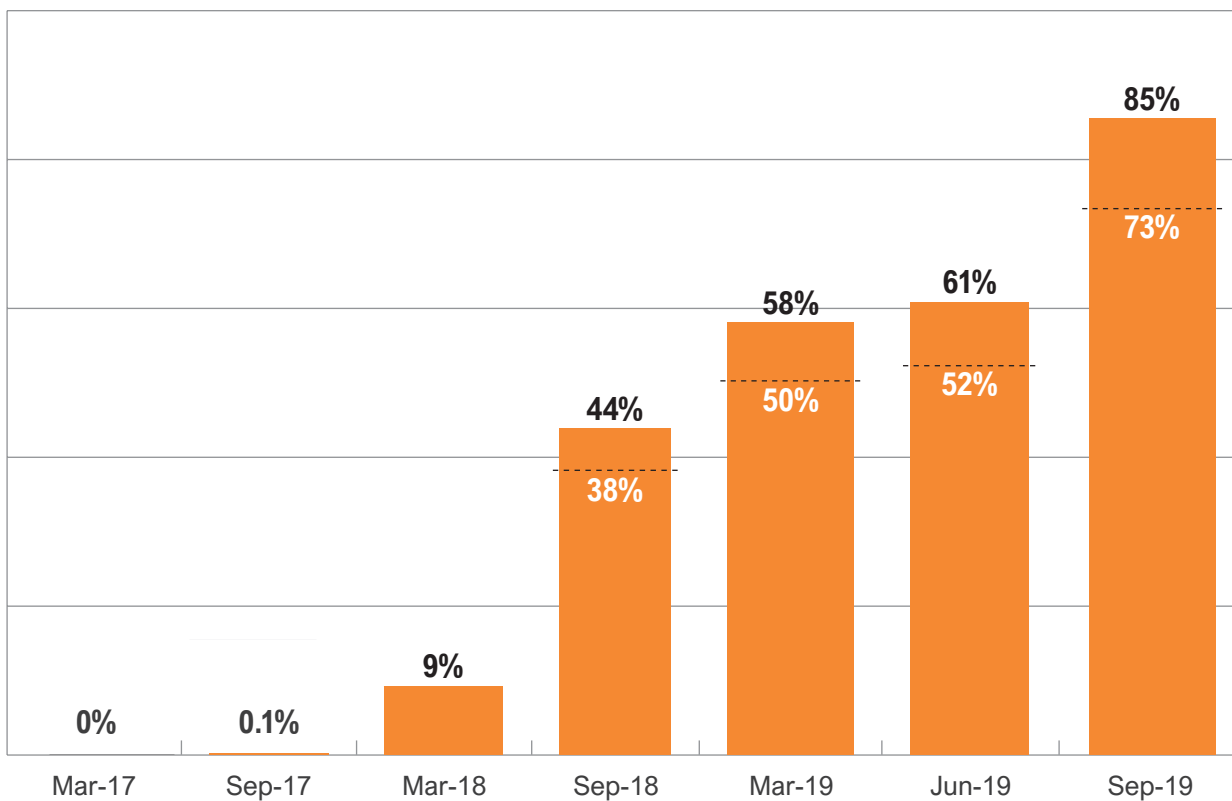
### PROGRESS WITH CCR

Figure 3 reports the participation rate for the industry with and without the buy-now pay-later sector included. As at the end of September 2019, 85% of all accounts for the major product categories (Credit Cards, Home Loans, and Auto and Personal Loans) have CCR data being reported at Milestone 6, or in ‘public’ mode. This is a significant increase from March 2018 when only 9% of accounts were being reported and June 2019 when 52% of accounts were being reported.

When the buy-now pay-later product category which is currently not participating in CCR is included, the overall participation in CCR drops to 73%.

30 credit providers are supplying CCR data in public mode as at the end of September 2019.

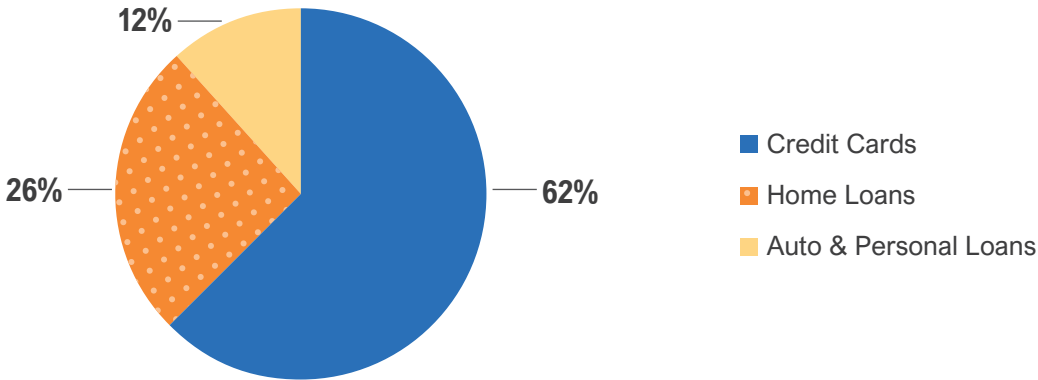
**Fig 3: Percentage of CCR accounts reported publicly**



**Note to Figure 3:** Percentages above columns based on the market size excluding buy-now pay-later accounts. Percentages below “dotted line” include buy-now pay-later accounts.

Figure 4 breaks down the CCR accounts being reported into product type. Credit Cards make up 62% of accounts currently being reported, Home Loans make up 26%, while Auto and Personal Loans make up 12%.

**Fig 4: CCR accounts Reported publicly by product Type**



Overall, it is estimated that 95% of all Credit Card accounts and 80% of Home Loans now have CCR reported, compared to nearly 60% of Auto and Personal Loans (see Figure 5). No buy-now pay-later accounts currently have CCR information being reported.

**Fig 5: Proportion of accounts reported by product type**

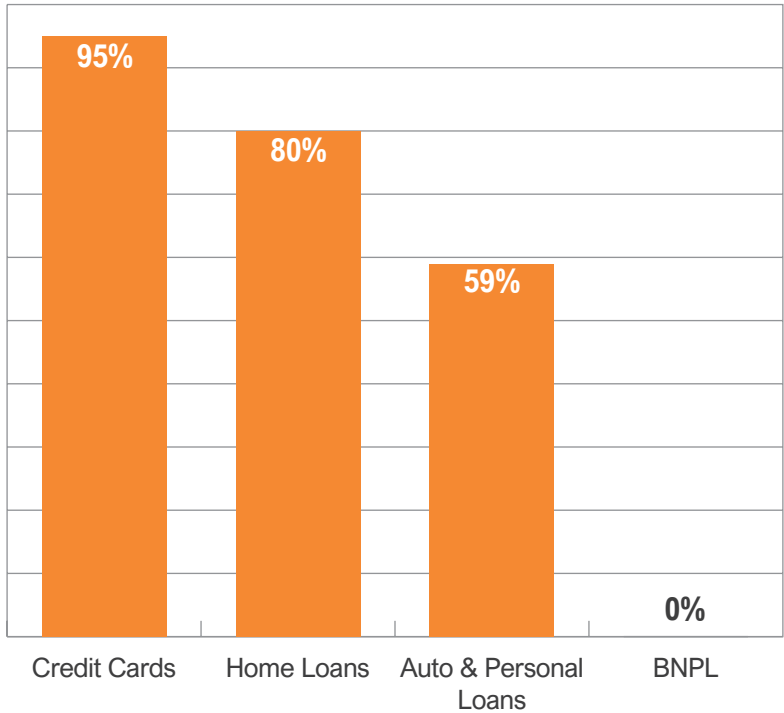
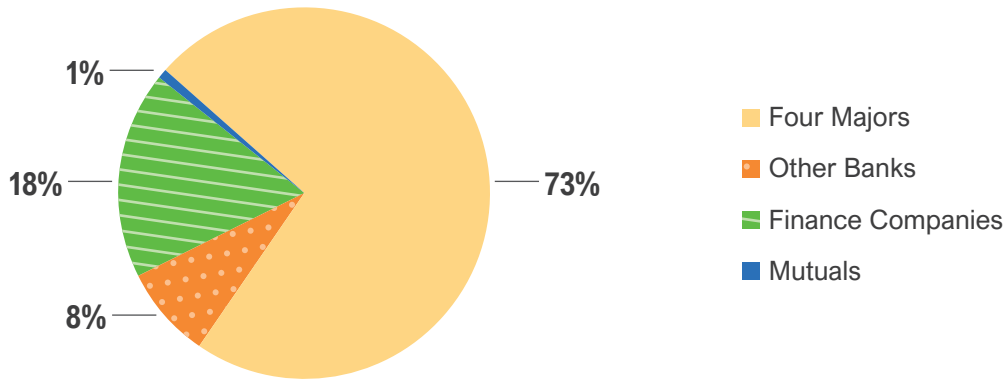


Figure 6 breaks down the accounts for which CCR is currently being reported according to the industry sector of credit provider. Having substantively completed their migration to CCR, the four major banks are responsible for nearly three-quarters of accounts for which CCR is being reported, significantly higher than their proportion of all credit accounts in the market (55%). Participants in other sectors are yet to complete their shift to CCR.

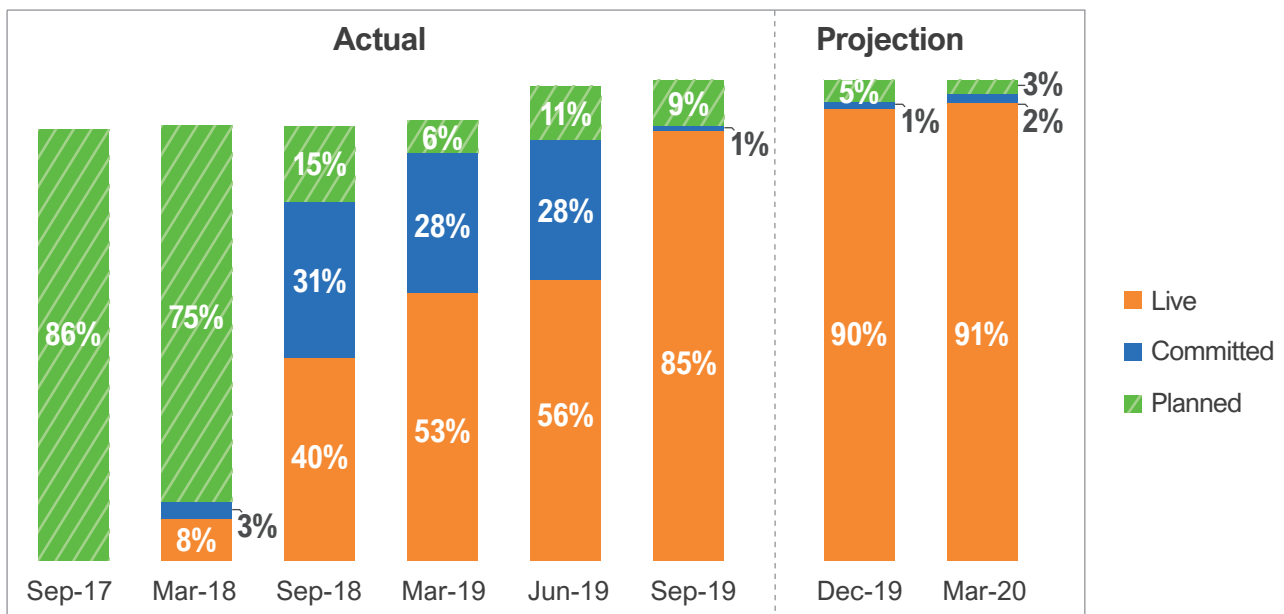
**Fig 6: CCR accounts reported by industry sector**



The momentum behind the increase in accounts being reported with CCR data will continue for the rest of 2019. Figure 7 tracks how CCR reporting is expected to progress after September 2019, revealing that another 5% of accounts will have CCR reported by the end of the calendar year, bringing participation among the major product categories (excluding buy-now pay-later) to 90%.

Figure 7 also shows that by December 2019 a further 5% of accounts are either committed or planned to be supplied. Hence, by the end of 2019, 95% of accounts across the major product categories will either already have or be in the process of having CCR data reported.

**Fig 7: Credit providers' CCR rollout timeline**



## APPENDIX — DETAILED METHODOLOGY

There is no publicly available point of reference that quantifies the size of the credit market across all financial institutions and all product categories in terms of open and active account volumes. Thus, tracking CCR progress as a percentage of total accounts required derivation of a sufficiently accurate 'denominator'.

Initial market size estimates were derived from public domain statistics, including RBA and APRA statistical data and individual CP financial reports submitted to ASIC, in order to generate estimated credit account volumes by lender by product category.

Some individual credit providers have also validated and returned their actual account volumes by product category.

Actual data held in the credit reporting system is obtained from the Credit Reporting Bodies (CRBs). Each of the 3 major CRBs, using a standard file template, provides an extract showing the number of CCR credit accounts on the bureau by Credit Provider (CP) and by product category (CP level data provided with the permission of the CP). The data supplied by each of the CRBs is de-duplicated and consolidated in order to derive a single overall view of CCR status across industry. Data in this report relates to September 2019.

This data is then compared to the total size of the credit market across all financial institutions.

It is important to note that whereas many CPs have assisted us to refine our estimate of the overall size of the credit market by validating the number of credit accounts by portfolio applicable to their institution, not all CPs have reverted with validated data. Thus the denominator figure is still subject to some variability.



For more information on this report and the methodology,  
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