



13 June 2023

ARCA

By email: [REDACTED]

Dear Sir/Madam,

ARCA Consultation: Introduction of soft enquiries framework within the CR Code & potential CR Code variations

Please find below our submission on the Introduction of soft enquiries framework within the CR Code. In general, illion supports the introduction of a soft enquiry capability.

General Observations & Summary:

The introduction of a soft enquiry framework is a complex undertaking that can have far reaching impacts on both consumers, credit providers and bureaus, for these reasons it is important that we approach this topic with the required prudence.

We need to consider the importance of Enquiries, both in establishing new to Bureau Profiles and as a key information source of credit behaviour for non-CCR providers who still form the majority of the credit reporting market.

Soft enquiries do not contribute to Credit Information and do not create new consumer profiles on the bureau for those consumers that are not already existing on the bureau. The major source of new to bureau profiles is hard enquiries that we need to safeguard under any new proposed legislation. Soft Enquiries are not credit information, and they are not available to other credit providers when viewing a credit file they are also not factored into credit scoring algorithms.

We also need to ensure we align the use of the soft enquiry with the reporting level. At present access seekers receive the full file including Comprehensive Information. With the introduction of a soft enquiry type for credit providers, we need to ensure that Comprehensive information contained in the soft enquiry is only disclosed in accordance with reporting level and PRDE status.

Finally, we will need to establish a clear link between the use of a soft enquiry by a credit provider and an absolute requirement to perform a hard enquiry at point of decisioning.

Comments to individual points Under section 4:

A. Define the circumstances that amount to a soft enquiry.

A consumer shopping around for credit should have the option to receive an indication of the cost of credit, hence we strongly advocate that the use case should be limited to those credit providers providing risk-based pricing and do require the credit information in order to quote a rate. This process can potentially be facilitated by providing just a credit score rather than providing the full file.

B. Specify when enquiry information will need to be reported by a CP.

In response to section B and reporting of enquiry information in the soft enquiry framework we think there should be a mandatory requirement for a CP to obtain a “hard” enquiry at point of decisioning. We need to ensure that CP’s do not take steps to replace the traditional enquiry with a soft enquiry, this would deny visibility to other Credit Providers where an application for credit was made.

The use of soft enquiries by credit providers should only be allowed as a part of a credit application whereby the soft enquiry can be treated as a Quotation enquiry similar to what has been implemented in New Zealand. This will ensure the Soft Enquiry framework is genuinely established for consumer benefit and encouraging shopping around for credit.

This principle is very important if we will expand the use of soft enquiries and make them available to credit providers. Hard enquiries are key in the creation of new to bureau profiles and remain a key information source for non-CCR providers, so we need to ensure we don’t end up in a situation that will impact the overall quantity and quality of bureau data.

C. Require CPs to use the CR Code framework to access credit reporting information in response to a soft enquiry.

In order to maintain the integrity of the Credit Reporting system it is important that the information accessed under the soft enquiry framework is obtained directly from the CRB’s and not via third party access seekers. So we would strongly advocate for option 2 and would be concerned at any steps to bypass obtaining “hard enquiries”

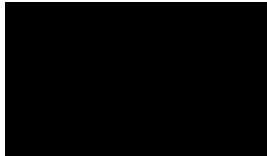
D. Limiting the type of information which can be provided by a CRB to a CP in response to a soft enquiry.

In our opinion there are 2 possible approaches to this topic. In the first approach we limit the information returned as a part of a soft enquiry to the score only to enable the credit providers to make an assessment on whether or not they would consider the applicant. The second approach returns all available credit reporting information in line with their contribution level. Credit providers accessing credit reporting information should be able to access the level of information corresponding to their existing Tier level/PRDE status. Full comprehensive should be able to view complete file, partial participations should not be able to see the RHI information and negative should only have access to negative information. The same logic which is currently used under the PRDE should be applied to the soft enquiry framework.

Conclusion

Illion greatly appreciates the opportunity to comment on this important reform, and we would look forward to discussing this matter further. To arrange a time, or if there are any questions or concerns arising from this submission, please feel free to contact me at any time at [REDACTED].

Yours sincerely,

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Richard Atkinson

Interim Chief Product Officer