

MEDIA RELEASE

SMALL BUSINESSES BENEFIT AS ONLINE LENDERS ACHIEVE COMPLIANCE WITH PRODUCT AND INDUSTRY CODE

- *Six original signatories to AFIA's Code of Lending Practice and now a seventh lender were Code compliant ahead of end of 2018 deadline.*
- *Small Business Customers will benefit from increased transparency and disclosure on pricing.*
- *Small Business Customers will benefit as the Code will be overseen and governed by an experienced independent Compliance Committee.*

Small businesses seeking online secured and unsecured loans are now enjoying a level of transparency that sets industry-best practice after seven online lenders achieved compliance with the Australian Finance Industry Association (AFIA) Online Small Business Code of Lending Practice.

The AFIA Members having a Code-compliant online small business loan product are: Capify, GetCapital, Lumi, Moula, OnDeck, Prospa and Spotcap.

Launched by AFIA on June 29, the customer-centric Code supports small business borrowers by:

- Giving them a tool (the SMART Box^{TM1}) to easily compare different online lenders' small business loan product pricing using several metrics standardised in calculation and presentation.
- Providing a clear and concise loan summary sheet before a loan is accepted so they can see the key features of a product.
- Ensuring Code-compliant lenders evidence compliance with Unfair Contract Terms provisions as well as other relevant laws.
- Providing them with a visible and readily identifiable accreditation symbol or 'trustmark' that confirms their Online Small Business Loan is Code-compliant
- Ensuring they have access to an external dispute resolution service as all Code-compliant members are also members of the Australian Financial Complaints Authority (AFCA).
- Having a Code Compliance Committee (CCC) oversee Code-compliant lenders' compliance with the Code.

The level of pricing transparency and disclosure provided by the internationally recognised SMART BoxTM tool establishes a new level of industry best practice in the small business

¹ TM held by the US-based Innovative Lending Platform Association (ILPA) who designed and launched SMART BoxTM in the US in October 2016 – all rights reserved.

finance segment. This proactive step was taken by the AFIA online lenders as they play an increasingly important role in the Australian economy by providing much-needed access to credit for small businesses.

While these lenders are already subject to regulation, including the ASIC Act, Privacy Act, Anti-Money Laundering laws and general law principles around unconscionability, the Code is a positive move by these lenders to agree to comply with a standard above these requirements in potential areas of small business risk identified through the work of the Australian Small Business and Family Enterprise Ombudsman (ASBFEO), SME advocate, theBankDoctor.org and industry association, FinTech Australia .

The Code is underpinned by a robust compliance regime managed by the CCC. This is an independent governing body which monitors and enforces the Code. It has power to investigate potential breaches of the Code including conduct audits into the processes and systems of the Code-compliant lender. Where breach has been established, the CCC may also implement a range of sanctions (such as requiring rectification or revoking Code membership).

The CCC is chaired by Symon Brewis-Weston. Symon has had an extensive international career in financial services – most relevant to this role are the skills and capability developed whilst being the CEO of ASX listed FlexiGroup Limited and the Executive General Manager, Local Business Banking at the Commonwealth Bank of Australia where his division managed over 300,000 SME customers.

Other members of the CCC are:

- Finance industry veteran Bruce Auty, founder of *The Risk Board*. Bruce established and ran the first banking customer advocacy function by a major Bank in Australia.
- Andrea Beatty, partner at legal firm Piper Alderman. Andrea focuses on regulatory and financial services advice including consumer credit, financial services licencing, retail and electronic banking, privacy and regtech / fintech.

The Code has attracted interest from many new online small business lenders that offer an online small business loan product and are keen to sign-up. The Code and governance, designed by AFIA, was also framed in a way to facilitate potential expansion to other products or providers. It is envisaged that over time, product codes such as this will quickly become an industry benchmark of best practice giving small business the confidence to interact with lenders who they may not have had much experience with.

The Code and the supporting compliance regime have been created through wide-ranging collaboration between AFIA's Online Small Business Lending Group supported by the broader Association as well as the ASBFEO, SME advocate, theBankDoctor.org and industry association, FinTech Australia.

Small business was consulted extensively and their feedback significantly influenced the development of the SMART Box™ pricing comparison tool, which adds further transparency for borrowers, reinforcing trust and building on AFIA's Online Small Business Lenders' high customer approval ratings (Net Promoter Score).

"We are pleased to have reached another milestone in online lending transparency and disclosure for small businesses, with seven balance sheet lenders now fully compliant with

the Online Small Business Lenders' Code of Lending Practice," Australian Small Business and Family Enterprise Ombudsman, Ms Carnell said.

"We commend their commitment to becoming compliant within six months of signing up to the Code. We would now like to see all fintechs that offer online small business loans to sign up to this Code, to provide an alternative finance solution for small businesses".

AFIA CEO, Helen Gordon said: "The Code, underpinned by robust governance should benefit the small business customers of the seven Code-compliant members. AFIA acknowledges and thanks the key organisations that collaborated in this achievement including the Australian Small Business and Family Enterprise Ombudsman, SME advocate, theBankDoctor.org and industry association, FinTech Australia.

"Together, in a little over 10 months, we have developed and implemented a Code and a governance structure designed to be able to be replicated and leveraged for other small business finance products or providers."

"The Code ensures small business customers have greater understanding enhancing the value and take-up of the online small business loan product. It ensures small businesses have access to an alternative working capital product that will drive innovation and growth in a sector fundamental to the overall health of Australia's economy. AFIA members are proud to play a key role in financing Australia's future".

SME advocate, Neil Slonim, (theBankDoctor.org) indicated: "AFIA and the seven compliant online balance sheet lenders are to be congratulated on establishing the first Code of Lending Practice for Australia's burgeoning non-bank SME lending sector."

"As SMEs increasingly look for finance outside the big four banks, it is more important than ever that they are able to easily work out the total cost of finance and make apples with apples comparisons between alternative lenders. The SMART Box™ pricing comparison tool and other features within the Code such as the Loan Summary will enable them to do this".

"Pivotal to the effectiveness of the Code will be the role of the CCC. The three members of the CCC are extremely knowledgeable and experienced individuals whose role is to ensure signatories comply with the Code".

"AFIA and the founding signatories to this Code have set an example in transparency and disclosure that all non-bank SME lenders should follow."

Scott Stewart, Chief Executive Officer of ILPA, applauded AFIA and the seven signatories to the Code and their industry leadership in adopting the SMART Box™.

"We believe small businesses can benefit from greater transparency in pricing in the financing process." he said.

Alan Tsen, Chair of FinTech Australia, said: "the Online Small Business Code of Lending Practice will provide a new level of pricing transparency for the small business finance industry and will establish a new level of industry best practice. We're excited to see its implementation and believe it will be a win for small business customers."

Notes to editors

The Code can be accessed from its dedicated webpage here: <https://www.afia.asn.au/aosbl>