



AFIA

ONLINE SMALL BUSINESS LENDERS CODE OF PRACTICE ©

13 JANUARY 2020



AFIA ONLINE SMALL BUSINESS LENDERS CODE OF PRACTICE

PART A – INTRODUCTION AND BACKGROUND

This Code is the AFIA Online Small Business Lenders Code of Lending Practice (Code). This Code is effective from 30 June 2018.

The Australian Finance Industry Association Limited (AFIA) will arrange for a review of this Code at least every 3 years or sooner if instructed by the Code Compliance Committee (CCC).

1. OBJECTIVES OF THIS CODE

A primary objective of this Code is to encourage the adoption of Industry standards and compliance with laws and regulations.

This Code has been voluntarily developed by the AFIA Online Small Business Lenders Group to assist the AFIA Online Small Business Lenders Group to:

- (a) promote high Industry standards of service to customers;
- (b) provide a benchmark for consistency within the AFIA Online Small Business Lenders Group with respect to matters such as the disclosure of comparable financial information to borrowers; and
- (c) support compliance with legal and industry obligations.

2. WHO IS BOUND BY THIS CODE?

Subject to the terms of this Code, this Code is binding on Code Compliant Members of the AFIA Online Small Business Lenders Group when they provide Online Small Business Loans.

(The particular circumstances in which the Code will apply are set out in balance of this Part A.)

A list of Code Compliant Members, and when they became Code Compliant Members, can be found on the AFIA website. The Code Compliant Members are subject to the oversight of the CCC. The CCC is an independent committee that has been established by AFIA to monitor and investigate compliance by Code Compliant Members with this Code.

All Members of the AFIA Online Small Business Lenders Group must at all times comply with the terms and conditions of the AFIA Constitution including clause 6.3.



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3. READING THIS CODE

In this and the following Parts of this Code, the words "we", "us" and "our" are to be read as referring to a relevant Code Compliant Member that is bound by this Code and that has agreed with you that it will comply with this Code.

Some words or phrases used in this Code have special meaning and are identified by the use of capital letters, such as in the case of an 'Online Small Business Loan'. These words and phrases are defined in clause 17 of Part C of this Code or in the Glossary that is Part D of this Code.

4. APPLICATION OF THIS CODE TO ONLINE SMALL BUSINESS LOANS PROVIDED BY CODE COMPLIANT MEMBERS

This Code is applicable to Online Small Business Loans provided by us when we are or were a Code Compliant Member at the time that the relevant Loan Product was negotiated or entered into.

For Online Small Business Loans, entered into by us prior to the date we became a Code Compliant Member, this Code will apply in our future dealings with you in the manner set out in clause 6 below.

5. WHAT IS AN ONLINE SMALL BUSINESS LOAN?

Online Small Business Loan has a specific meaning as set out in clause 17 of Part C below.

6. WHEN DOES THIS CODE APPLY TO YOU?

Where you are a business, this Code applies to the interactions and arrangements we have with you in relation to an Online Small Business Loan entered into on or after the date that we became a Code Compliant Member. Even where we cease to be a Code Compliant Member, where this Code applied to us in respect of your Online Small Business Loan we will continue to be bound by this Code.



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For Online Small Business Loans entered into by us prior to the time that we became a Code Compliant Member, we will comply with the following provisions of this Code in our future dealings with you:

- (a) Part B – where it relates to an action or circumstance occurring on or after the time that we became a Code Compliant Member; and
- (b) Part C – where it relates to an action or circumstance occurring on or after we became a Code Compliant Member or where it relates to a change to a Loan Product that is prepared or proposed on or after we became a Code Compliant Member.

7. LEGAL STATUS OF THIS CODE

This Code operates alongside and is subject to existing laws and regulations and does not limit your rights under such laws and regulations.

Where there is any conflict or inconsistency between this Code and any law or regulation, that law or regulation prevails.

8. COMPLAINTS

You can:

- (a) access our complaints process set out in clause 12 and 13 of Part C of this Code, if you are unhappy with any aspect of your experience with us; or
- (b) report any concerns about our Code compliance, or about possible Code breaches, to the CCC, which it can investigate at its discretion - (see clause 14 of Part C of this Code).

This Code is not intended to create legal or other rights between us and any third person or entity.

An external dispute resolution scheme, including the Australian Financial Complaints Authority or any other scheme approved by the Government, that we are a member of may consider whether we have complied with the standards of this Code when determining or dealing with a matter before it.



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PART B – OUR 8 KEY PROMISES TO YOU

1. WE WILL BE HONEST AND ETHICAL

We will always act honestly and with integrity and will treat you reasonably in all our dealings with you.

2. WE WILL GIVE YOU CLEAR INFORMATION ABOUT OUR LOAN PRODUCTS

We will provide clear and accessible information about our Loan Products, so you can make an informed decision about whether to enter into a Loan Product with us. We will disclose interest rates, and fees and charges, in an accessible and clear format. Our advertising and promotional material will not be misleading or deceptive, or be likely to mislead or deceive.

3. WE WILL CONSIDER YOUR FINANCIAL CIRCUMSTANCES WHEN LENDING TO YOU

We will consider your loan purpose and financial circumstances before we decide whether or not to lend to you. Where we have lent to you, and where you find yourself in financial difficulties, we will work with you in good faith and in accordance with our policies with a view to seeking to assist you to meet your ongoing financial obligations to us.

4. WE WILL DELIVER HIGH CUSTOMER SERVICE AND STANDARDS

We will provide Loan Products that are useful, reliable and designed to be readily understood. We will treat your personal information with respect and in accordance with our Privacy Policy.

5. WE WILL DEAL FAIRLY WITH ANY COMPLAINTS

We will handle complaints promptly and fairly and provide you with information on avenues for resolving disputes if we are not able to reach an agreement with you.

6. WE WILL FOCUS ON OUR CUSTOMERS

We will place a high priority on service, competitiveness and customer focus. We will provide you with a polite and responsive service. We will make sure our staff, agents or representatives are well trained and reflect our commitments to you.



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7. WE WILL COMPLY WITH OUR LEGAL AND INDUSTRY OBLIGATIONS

We will comply with all our obligations under the law and this Code. We will act fairly and in a manner consistent with good Industry practice.

8. WE WILL SUPPORT AND PROMOTE THIS CODE

We will promote this Code, ensure our staff, agents and representatives are trained to put it into practice, and we will support its monitoring and effectiveness.

PART C – DELIVERING ON OUR PROMISES

1. ADVERTISING AND INFORMATION ABOUT OUR LOAN PRODUCTS

1.1 We will ensure that our advertising and promotional material for our Loan Products is clear and not misleading or deceptive, or likely to mislead or deceive.

1.2 The information we provide about our Loan Products will:

- (a) be clear, concise and accurate;
- (b) be written in plain language; and
- (c) use applicable standard terms where appropriate, as defined in the Glossary section of this Code.

1.3 We will answer any questions you have about the features of our Loan Products and how they work.

2. TERMS AND CONDITIONS FOR OUR LOAN PRODUCTS

2.1 If you are proposing to enter into a contract for a Loan Product with us, we will give you:

- (a) our terms and conditions;
- (b) a statement of our fees and charges; and
- (c) a standard pricing comparison document.

We will do this before a contract is made with us.

This information may be provided in one or more separate documents.

2.2 The documentation for our Loan Product will:



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- (a) be clear concise and accurate;
- (b) be in plain language;
- (c) be distinct from our marketing material;
- (d) be drafted so as to be compliant with all applicable laws and regulations (including those related to unfair contract terms); and
- (e) set out whether the customer can make an Early Repayment and whether or not, in the circumstances, there would be any applicable reduction to the Total Repayment Amount.

(In this clause 2.2, some capitalised terms have the meaning detailed in the Glossary.)

2.3 The standard pricing comparison document will set out:

- (a) the Loan Amount;
- (b) the Disbursement Amount;
- (c) the Total Repayment Amount;
- (d) the Average Repayment Amount;
- (e) the Term;
- (f) the Total Cost of Credit, including Interest Expense, Origination Fee and Other Fees;
- (g) the Annual Percentage Rate; and
- (h) may also set out other relevant comparison information that we think may assist you.

(In this clause 2.3, capitalised terms have the meaning detailed in the Glossary.)

2.4 Nothing in this clause 2 limits our right to determine the pricing of our Loan Products on a commercial basis.

2.5 We will make sure any fees and charges payable to us after disbursement of the Loan Amount (such as late payment fees or direct debit dishonour fees) are reasonable having regard to our costs. Our costs include charges imposed by our service providers, where applicable.

3. REVIEW OF FEES AND CHARGES

3.1 We will regularly review the effectiveness of our disclosure of fees and charges to you.



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4. FINANCIAL CIRCUMSTANCES

- 4.1 We will make our lending decisions, including decisions to extend or increase existing Loan Product, following an assessment of the purpose of the loan and of your financial circumstances that are known to us at the time.
- 4.2 We expect you to provide honest and accurate information to us when applying for a loan or the extension or increase of an existing Loan Product.
- 4.3 We will only lend to you where we believe that you will have the capacity to repay. In making this assessment we will rely on the information you have provided to us and on the other relevant information we have about you.
- 4.4 We will periodically review our credit assessment procedures and criteria for the Loan Products we issue.

5. USE OF FINANCE BROKERS

- 5.1 If we engage finance brokers to distribute our Loan Products, we will require these finance brokers to be aware of, and to have regard to, our obligations to you under this Code.
- 5.2 Where we are paying a commission to any finance broker in connection with a Loan Product that we are providing to you, we will tell you that we are doing so.

6. TIMELY, CLEAR AND EFFECTIVE COMMUNICATION

- 6.1 We are committed to clear and effective communication with our customers. We will write our communications in plain language, avoiding legal and technical jargon as far as possible.
- 6.2 Before you accept a loan offer, we will give you a summary document clearly setting out some key features of the proposed Loan Product. It will tell you, for example, whether the proposed loan will be secured. This summary document may be a separate document or part of the Loan Product.



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7. NOTIFYING CHANGES TO YOUR LOAN PRODUCT

- 7.1 Unless a longer period is required by law, we will give you at least 30 days' prior notice before we change your Loan Product. However, any agreed changes can commence from the time the change is agreed with you, or from a later agreed time.
- 7.2 Any commitment we may make to notify you by electronic methods is subject to your keeping us informed of, as applicable, your current electronic contact information.

8. ELECTRONIC COMMUNICATIONS

- 8.1 When the law allows us to do so, we may communicate with you electronically rather than in paper form.
- 8.2 We may do this:
- (a) by sending the information using a form of electronic communication; or
 - (b) where it is reasonable for us to do so, by notifying you that we have made the information available electronically (for example, on a website) and how you may retrieve the information.
- 8.3 You must notify us of any change to your electronic contact information.

9. COPIES OF DOCUMENTS, STATEMENTS AND OTHER INFORMATION

- 9.1 We will, at your request, give you a copy of:
- (a) the contract — including the terms and conditions, and the standard fees;
 - (b) a statement of your outstanding balance; and
 - (c) any notice we previously gave to you which is relevant to us exercising our rights.
- 9.2 We will do this within 3 Business Days of your request.
- 9.3 If, for some reason, we are unable to provide a document within these timeframes, we will advise you of this, together with the expected timeframe for providing the document.
- 9.4 Documents may be provided in electronic form, including in the form of a computer-generated record, or in any other form as mutually agreed.



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10. INFORMATION PRIVACY AND SECURITY

- 10.1 We will comply with the *Privacy Act 1988*, including the Australian Privacy Principles and the *Privacy (Credit Reporting) Code 2014*, including with respect to credit reporting and the collection, storage, use and disclosure of your personal information.
- 10.2 We will treat your personal with respect and in accordance with our Privacy Policy. We will not disclose that information to any other organisation unless:
- (a) we are required to by law (for example, under the *Anti-Money Laundering and Counter-Terrorism Act 2006*);
 - (b) there is a duty to the public to disclose the information;
 - (c) you ask us to disclose the information;
 - (d) you have consented to us doing so; or
 - (e) we are otherwise not restricted from doing so under applicable laws.
- 10.3 We will take reasonable steps to protect your personal from misuse or loss, and from unauthorised access, modification or disclosure. We will regularly review the security and reliability of our services.
- 10.4 We will have a Privacy Policy and will publish it on our website.

11. IF YOU ARE IN FINANCIAL DIFFICULTY

- 11.1 If we are advised by you that you are experiencing difficulty in meeting your financial obligations to us, we will work with you in good faith and in accordance with our policies with a view to seeking to assist you to meet your ongoing financial obligations to us.
- 11.2 We may do this by negotiating a new and mutually acceptable repayment arrangement with you, having regard to your financial circumstances as a whole at the relevant time, as well as your obligations to us. We are not obliged, however, to do so.
- 11.3 Without limiting clause 11.1, we will have procedures in place to ensure we:
- (a) respond promptly to any request or application made to us (we may also initiate contact to discuss your financial situation); and
 - (b) genuinely consider your request or application in good faith, including by taking your financial situation into account.



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11.4 We will tell you whether we will be able to provide you with any contract variation or other assistance in relation to your financial situation and the reasons for our decision.

12. PROMPT AND FAIR RESOLUTION OF COMPLAINTS

12.1 In the event of a dispute or other complaint, you will have access to internal and external dispute resolution processes.

12.2 You may provide us with details of any complaint against or concerning us in the manner provided for in our Loan Product documentation.

12.3 We are committed to responding to complaints and disputes in a manner that is:

- (a) prompt and efficient;
- (b) consistent with the law; and
- (c) fair to everyone involved.

12.4 We will only be able to deal effectively with your complaint if you continue to communicate with us, and respond to our reasonable requests for information, while we are considering the complaint.

13. OUR INTERNAL COMPLAINTS HANDLING PROCESS

13.1 We will have an internal process for handling complaints from our customers in relation to the Loan Products we provide. This process will cover all customer complaints, including complaints about breaches of this Code.

13.2 We will provide information on our website regarding how we deal with complaints, including your right to take unresolved complaints to our external dispute resolution scheme.

13.3 We will try to resolve your complaint as soon as possible, including “on the spot” if we can.

13.4 We will do our best to ensure that our own internal investigation of your complaint is completed, and a decision on your complaint is communicated to you, within 10 business days. We will inform you if we need more time.

13.5 We will tell you in writing if we are not able to resolve your complaint or to meet your requirements and the reasons for this. We will also give you information on how you can take your complaint to the CCC, or (as applicable) to our external dispute resolution scheme.



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- 13.6 If we are not able to resolve your complaint to your satisfaction within 30 days, you may:
- (a) refer your complaint to the CCC; or
 - (b) take your complaint to an external dispute resolution scheme, including the Australian Financial Complaints Authority or any other scheme approved by the Government, of which we are a member.
14. COMPLAINTS ABOUT BREACHES OF THIS CODE
- 14.1 The CCC is an independent committee that has been established to monitor our compliance with this Code.
- 14.2 In addition to our internal and external dispute resolution processes, you can report an alleged breach of this Code to the CCC.
- 14.3 We will co-operate and comply with all reasonable requests of the CCC in the performance of its monitoring and investigative functions.
- 14.4 The CCC can investigate any alleged breaches of this Code, at its discretion.
- 14.5 Where it is appropriate for it to do so, the CCC can make a range of recommendations to resolve the complaint. In some circumstances, the CCC is also able to impose sanctions upon us under the By-Law. You can access further detail about the powers of the CCC in the Code of Lending Practice By-Laws and the Code of Lending Practice Terms of Reference found on the AFIA website - <https://www.afia.asn.au/aosbl/>.
15. EXTERNAL DISPUTE RESOLUTION SCHEMES
- 15.1 Our external dispute resolution scheme, including the Australian Financial Complaints Authority or any other scheme approved by the Government, may not deal with your dispute unless you have attempted to resolve the problem with us first, and either:
- (a) we have made a formal proposal to resolve the complaint, and you have told us that the proposal is not acceptable to you; or
 - (b) at least 30 days or the timeframe outlined by the external dispute resolution scheme has elapsed since you made your complaint.



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15.2 Our external dispute resolution scheme, as applicable, may consider whether we have complied with the standards of this Code when seeking to resolve a matter before it.

16. TRAINED AND COMPETENT STAFF

16.1 We will make sure that our staff, agents and representatives are well trained so that they can competently do their work and understand this Code and how to comply with it.

16.2 We will regularly review the effectiveness of our training programs for staff, agents and representatives.

17. REVISION AND AMENDMENT OF THE CODE

AFIA's Board may, after consultation with, and seeking comments and suggestions from:

- (a) the then members of the CCC;
- (b) the then Code Compliant Members; and
- (c) such other organisations or people as it considers appropriate;

review and amend the Code at any time it considers it appropriate to do so.

18. DEFINITIONS

AFIA Online Small Business Lenders Group means the AFIA Online Small Business Lenders Group that has been established under the terms of the By-Laws.

By-Laws means the AFIA Online Small Business Lenders Group By-Laws, as approved by AFIA's Board, as amended from time to time.

Code Compliant Member means an AFIA Member that has been approved as a Code Compliant Member under the terms of the By-Laws.

Glossary means the Glossary of terms set out in Part D of this Code.

Industry means that section of the loan market in which the Code Compliant Members are participants as lenders to business customers under any Loan Products.

Loan Products means a loan contract that is an Online Small Business Loan.

National Credit Code means Schedule 1 in the *National Consumer Credit Protection Act 2009* (Cth).



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Online Small Business Loan means a loan which has a Term and where:

- (a) the finance is provided (or to be provided) for a purpose that is wholly or predominantly a business or commercial purpose and where the National Credit Code is not applicable to the finance provided (or to be provided); and
- (b) the finance provided (or to be provided) is:
 - (i) unsecured (with or without a guarantee); or
 - (ii) secured by any form of security that is not a mortgage over land in registerable form.

For the avoidance of doubt, the following types of finance, or any arrangement of a similar nature, are not an Online Small Business Loan for the purposes of this Code:

- (c) equipment finance in which the lender has an interest of any kind in the financed goods or equipment;
- (d) a rental agreement or instalment purchase agreement;
- (e) an operating lease;
- (f) a finance lease;
- (g) invoice financing of any kind; and
- (h) a factoring arrangement or finance facility.



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PART D - GLOSSARY OF TERMS

Annual Percentage Rate

This is the rate that can be used to calculate the cost of the loan, taking account of the reducing balance of the Loan Amount, expressed as an annual rate.

(For these purposes, the cost of the loan is exclusive of fees.)

Average Monthly Payment

This is the Total Repayment Amount divided by the Term.

(The Average Monthly Payment amount does not include fees and other charges you can avoid, such as interest at a default interest rate on overdue amounts, late payment fees and dishonour fees.)

COD (Cents on the Dollar)

This is the amount of the Interest Expense and Other Fees (if any) that is payable for each dollar borrowed.

(The amount is exclusive of any Origination Fee.)

Direct Debit Fee

The fee charged by the lender to a borrower, if any, for requesting the drawdown of funds from the borrower's nominated account, where the request is made under an authority granted by a Direct Debit Request.

Disbursement Amount

The Disbursement Amount is the amount of the loan that is available for disbursement and may be less than the Loan Amount.

Dishonour Fee

The fee charged by the lender where you fail to pay an amount that is due and payable to the lender under the Loan Contract.

Early Repayment

The early repayment of the loan amount, as well as the payment of all amounts that you are required to pay under the Loan Contract.

Fees

All fees payable, or that may become payable, by you to the lender under the Loan Contract.



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Interest Expense

The interest charge, or charge for the cost of credit, that is payable by you under the Loan Contract.

(The Interest Expense does not include any allowance for Fees that are separately payable under the Loan Contract).

Late Payment Fee

A fee charged by the lender where an amount due and payable under the Loan Contract has not been received by the lender within the required time for the payment of that amount.

Loan Amount

The total amount of the finance made available, or to be made available, under the Loan Contract.

Loan Contract

A loan contract that is an Online Small Business Loan Contract.

Other Fees

A Fee that will be charged by the lender to a borrower under the Loan Contract that is not an Origination Fee or Interest Expense and that is not contingent on the occurrence of any later event.

Origination Fee

Any Fees charged by the lender that are or to be deducted from the Loan Amount prior to or at the time the Disbursement Amount is made available to you.

Term

The period, expressed a number of months (including any part of a month), over which the Total Repayment Amount is to be paid by you to the lender.

Total Cost of Credit

This is the total amount you will pay in Interest Expenses and other fees for the Loan.

(The amount does not include fees and other charges you can avoid, such as interest at a default interest rate on overdue amounts, late payment fees and dishonour fees.)

Total Interest Percentage

This is the Interest Expense expressed as a percentage of the Loan Amount.



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(The Total Interest Percentage is exclusive of fees.)

Total Repayment Amount

The total amount that you will pay to the lender, comprising the Loan Amount, the Interest Expense, and Other Fees.

(The Total Repayment Amount is exclusive of any Origination Fee.)