

MEDIA RELEASE

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ONLINE SMALL BUSINESS LENDERS RELEASE CODE OF PRACTICE TO IMPROVE TRANSPARENCY

- *Australia's leading online small business lenders come together to release Code of best practice lending principles.*
- *Developed with support from AFIA, the Australian Small Business and Family Enterprise Ombudsman, theBankDoctor.org and FinTech Australia*
- *The Code, charter and disclosure tool to be fully operational and enforceable by 31 December 2018*

Canberra, Friday 29th June 2018: Today, a group of Australia's leading online small business lenders have released a Code of Lending Practice (Code) outlining a series of best practice principles that will standardise transparency and disclosure in relation to the unsecured small business loans they offer.

The Code will ensure small business owners can clearly identify if a small business online loan from a lender compliant with the new Code, is right for their needs, exactly how much it is going to cost, and if it is the best solution available to them.

The regulatory landscape is changing rapidly and the current legal and compliance commitments facing online small business lenders are fragmented. Already, they must answer to ASIC, ACCC, the courts, APRA and AFCA. This Code is a proactive move to pull the obligations of online small business lenders together into one document. This makes it easier for current market participants and will also help new entrants understand their obligations. The six signatories to the Code, are reaffirming their commitment to meet all current legal and regulatory requirements and adding an additional layer of transparency and disclosure that is not currently being provided in the market.

Online lending to small businesses has grown rapidly in recent years as small businesses are increasingly denied access to unsecured loans by traditional funding sources. A number of innovative, fast-response Fintech providers have developed a range of new products aimed at assisting SMEs with unsecured balance sheet lending. The loans are typically short term (3-12 months) and the majority of finance is below \$100,000,¹ and customer satisfaction ratings are high.

Signatories to the Code are **Capify, GetCapital, Moula, OnDeck, Prosipa** and **Spotcap**. The Code has been created through extensive collaboration between this working group of online business lenders, the **Australian Finance Industry Association (AFIA)**, the **Australian Small Business and Family Enterprise Ombudsman (the Ombudsman)**, SME advocate, **theBankDoctor.org** and industry association **FinTech Australia**.

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO), Kate Carnell said: "This is certainly a great starting point. Six fintech balance sheet lenders have committed to comply with the AFIA Online Small Business Lenders' Code of Lending Practice

¹ [Fintech lending to small and medium-sized enterprises: Improving transparency and disclosure](#)
February 2018, p.20

by December 2018, which helps to address transparency and disclosure for small business borrowers.

“The Code provides the principles and best practice guidelines for the broader fintech industry, however, at present the Code is limited to balance sheet lenders.

I look forward to hearing from members of the roundtable held late last year and discussing how the broader fintech industry can move to adopt the Code.

“To further improve awareness and understanding by SMEs, the theBankDoctor.org and the ASBFEO will shortly publish an information guide on borrowing from fintech lenders.”

AFIA CEO Helen Gordon said: “Many of our online small business members were active contributors to the initial report released in February 2018 by the Australian Small Business and Family Enterprise Ombudsman, FinTech Australia and theBankDoctor.org: [FinTech lending to small and medium-sized enterprises: Improving Transparency and disclosure](#).

“Our Online Small Business Lender Group members have embraced the sentiment of improving transparency and disclosure and took proactive action to come together quickly and collegiately to develop a Code.

“Delivering the Code within four months was an ambitious commitment and I am proud to say using this Group’s Fintech agility, flexibility and technology we have delivered, with members committed to Code compliance by 31 December 2018. This is at a time of rapid change as regulators and legislators struggle to keep pace with technology and innovation.

“I also believe this proactive push for self-regulation by online lenders to small businesses will provide a level of transparency as our members work with their small business customers to finance Australia’s future,” Ms Gordon said.

Brad Kitschke CEO FinTech Australia applauded the leadership of the Fintech balance sheet lenders who have worked tirelessly to develop the Code.

“The balance sheet lenders deserve high praise for working collaboratively with the Small Business and Family Enterprise Ombudsman, and theBankDoctor.org to ensure accountability and transparency are touchstones of this industry.

“The recent Productivity Commission report highlighted the serious problems encountered in our economy because small businesses cannot access credit, often without risking assets like the family home.

“Online lending to SMEs is increasingly playing a key role in filling this gap. We have countless stories of small businesses growing, hiring more staff, giving opportunities to young job seekers because the online Fintech industry has allowed small business to access credit.

“This is a story about how the incumbent market failed and where Fintech delivered,” he said. This delivers on the commitment made last November to develop a customer centric Code that outlines what a customer can expect and helps borrowers understand and compare the total cost of a loan.

SME advocate, Neil Slonim, (thebankdoctor.org) labelled the launch of the Code a significant step forward that reflects the commitment of these lenders to engage with small business owners in a transparent and responsible manner.

“The six lenders signatories have committed to being fully compliant by the end of December this year. Further work needs to be done in areas like implementation of the pricing comparison tool. An independent and suitably qualified Code Compliance Committee will be appointed to determine whether a lender is compliant. The CCC will also be tasked with the responsibility of ensuring ongoing compliance with and enforcement of the Code,” said Mr Slonim.

Mr Slonim went on to say Fintech SME lenders that are not part of the Online Small Business Lending Group will be encouraged to apply to become signatories to the Code and in time this template should be able to be used to cover non-bank SME lenders as well as fintechs.

“SME borrowers who look to borrow from code compliant lenders will be much better placed to answer three important questions being: ‘Is this the right product for my needs?’; ‘Do I know exactly what it is going to cost?’; and ‘Do I know that I can’t get a better deal elsewhere?’”

In a joint statement, **the six CEOs of the signatories to the Code** commented that, “We’re proud to be working together to take proactive steps to bring transparency to the market, and ensure we’re doing what’s best for Australian small business owners. “

Key elements agreed in the Code include:

- The introduction of a pricing comparison tool providing key metrics that will allow customers to compare the cost of unsecured loans from the signatories (including the total repayment amount, APR, simple annual interest rate)
- An easy-to-understand loan summary
- A glossary of key terms in accessible language that applies directly to online small business loans
- Signatories must attest their compliance with the Code on an annual basis

The Code was modelled on best practice examples and feedback from the US and UK, where the online lending sectors are significantly more mature, and referenced the new draft ABA code as well as other current codes and regulatory guidance in the financial services space.

To ensure effective enforcement, the Code will be supported by a Charter focused on governance including its monitoring, review and enforcement processes.

Stakeholder Engagement

The Online Small Business Lenders Group see the Code as a final document ready for broader consultation. Further engagement with key stakeholders such as ASIC and small business owners will occur from 1 July. The AFIA working group will also now focus on implementing the Code and developing the Charter, that underpins governance and a standardised pricing and disclosure tool.

AFIA will appoint a Code Compliance Committee (CCC) as an independent governing body to monitor and enforce the Code. The Code, Charter and the disclosure tool will be fully

functional by no later than 31 December 2018, by which date all signatories have committed to being fully compliant.

The Code can be accessed from the dedicated webpage: AFIA.asn.au/aosbl

For Further Comment:

Kate Carnell, ASBFEO: 0415 662 266

Helen Gordon AFIA: C/o Andrew Butler: 0423 296 903

Brad Kitschke, FinTech Australia: 0403 809 630

Neil Slonim, the BankDoctor.org: 0414 440 866