

MEDIA STATEMENT

28 February 2018

Fintech business lenders move to increase transparency

The Australian Small Business and Family Enterprise Ombudsman, FinTech Australia and theBankDoctor.org today joined forces to release a report which outlines the steps taken by fintech lenders to increase transparency and disclosure.

The report, [*Fintech lending to small and medium sized enterprises: Improving transparency and disclosure*](#), analyses the different approaches to disclosure across the fintech industry and makes recommendations on best practice and identifies commitments to action.

Ombudsman Kate Carnell said Australia presents a huge opportunity for the fintech industry, in that it provides a genuine alternative finance solution for small businesses where traditional banks are limited in their capacity to serve the sector.

“I commend the fintech industry for embracing the need to improve transparency and disclosure and its leadership in the financial services industry in addressing the needs of small business borrowers,” Ms Carnell said.

“This report informs both the fintech industry and small business borrowers of the steps being implemented to allow an easy comparison of products and to ensure loan agreement contracts comply with the unfair contract terms legislation.”

FinTech Australia CEO, Danielle Szetho said the report explains how fintech business lenders are able to help Australian small to medium businesses access the funds they need to grow.

“Through the use of technology platforms which analyse rich, real-time business financial data and deliver easy-to-use and fast application processes, fintech business lenders are making a real difference to small businesses,” Ms Szetho said.

“However, like many financial services products, lending contracts are complex and have the potential to be complicated and confusing.

“It’s for this reason our lenders have decided to work together - in a historic move for Australia’s fintech industry - to help define best-practice transparency and disclosure.

“This report represents an important step in this initiative, by analysing the different approaches to disclosure across the industry and suggesting a way forward to drive results which are in the best interests of the customer.”

Independent SME finance expert, Neil Slonim from theBankDoctor.org said small business owners, who were time poor and often financially unsophisticated, found it difficult to make fully informed decisions when borrowing from fintech lenders.

“We need a level playing field for both borrowers and lenders so business owners are able to make fully informed decisions and lenders can compete on an equal footing,” Mr Slonim said.

“Put simply, borrowers should be able to answer three simple questions: Is this the right product for my needs? Do I know exactly what it is going to cost? Do I know that I can’t get a better deal elsewhere?”

“This report highlights where and how fintech lenders can implement consistent transparency practices that will create better outcomes for SMEs and help build further credibility and trust in the fintech lending sector.”

Items for action in the report include:

- the development of an industry Code of Conduct to cover fintech balance sheet lenders offering unsecured business loans by June 2018. This is proposed to be a customer-centric document that will prescribe what a customer can expect in terms of transparency and disclosure from a lender.
- expanding this Code of Conduct to other fintech lending and finance products over time
- Fintech lenders to agree to the contents of an easy-to-understand contract summary page by June 2018. This summary page would include a common set of measures when making loan offers to customers.
- the ASBFEO and theBankDoctor.org to work together to produce a guide to assist small business owners better understand the 'ins and outs' of borrowing from a fintech lender. This will also be published by June 2018.

The report also includes a Glossary of Common Lending Terms as a first step toward driving a consistent industry-wide approach to the communication of these terms, which should ultimately make different contracts easier to understand and compare.

A series of recent reports have confirmed the increasing role of fintech lenders delivering an alternative source of funds to businesses.

For instance, the 2nd Asia Pacific Alternative Finance Industry Report released in September 2017 found that Australia had leap-frogged Japan to become the largest alternative finance market in the Asia Pacific after China. An 80% increase in business balance sheet lending, between 2015 and 2016, was largely behind Australia's improved Asia Pacific position.

For background information about how fintech lenders are helping small businesses to access funds, see [this analysis](#) on the FinTech Australia website.

To download a copy of the research go to www.fintechaustralia.org.au, www.asbfeo.gov.au or www.thebankdoctor.org

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