

RESPONSIBLE LENDING POLICY

1. Purpose

This policy outlines the responsible lending requirements under the National Consumer Credit Protection Act and Regulations and Credit Code and all staff are required to have a knowledge of this policy. The policy also refers to expectations and recommendations made out in the Australian Securities and Investments Commission (ASIC)'s Regulatory Guide RG209. More specifically, this policy outlines our requirements to:

- Provide consumers with a Credit Guide
- Make assessments as to whether any credit contract we might suggest is “not unsuitable”
- In making the assessment, establish the intending borrowers' requirements and objectives for wanting a loan
- In making the assessment, make reasonable enquiries and take reasonable steps to verify their financial situation
- Provide consumers with a copy of the assessment

2. Providing a Credit Guide

2.1 Credit Guide (Credit Provider)

When it becomes apparent that a customer is likely to enter into a credit contract, a credit provider must as soon as practically possible provide the customer with a Credit Guide. A Credit Guide for a credit provider must be in writing and provide preliminary information about the credit provider to the consumer, such as:

1. the credit providers contact details
2. the credit providers Australian Credit Licence number
3. information about the credit providers Internal Dispute Resolution process
4. contact details for the External Dispute Resolution scheme to which the credit provider is a member
5. information regarding the credit providers responsible lending obligations
6. the credit providers obligations to provide a copy of the assessment

When a customer completes an application for credit with us, they are provided a Credit Guide on screen in a format that they can save to their device.

4. Performing an Assessment

4.1 Performing the Final Assessment (Credit Provider)

Before providing a consumer with credit or increasing a credit limit, a credit provider must have within the 90 days before the credit day:

- made reasonable enquiries about the customer
- made a final assessment as to whether the contract will be not unsuitable

5. Reasonable Enquiries and Verifications about the Consumer

Before making their respective assessments, credit providers and credit assistance providers must make reasonable inquiries to determine if the credit contract will be 'not unsuitable' for the loan applicant. This involves enquiring about and verifying:

- the loan applicant's requirements and objectives for needing the credit.
- the loan applicants' financial position.

5.1 Scalability

In making enquiries and verifications for an assessment, scalability can be considered. The obligation to make reasonable inquiries and take reasonable steps to verify information is scalable; that is, 'reasonable enquiries' will vary depending on the particular circumstances of a loan application.

Factors that might potentially impact on the consumer entering into a credit contract include:

- The size of the loan relative to the applicant's income and expenditure
- The larger the loan, the greater the potential impact on the applicant's ability to meet loan repayments without suffering substantial financial hardship.

5.2 Automation

In making an assessment, the business acknowledges that because it is relying on some automation, there needs to be strict reviews of the system, regular audits, and buffers in assessments. Automatic systems are regularly monitored and reviewed to ensure their continued effectiveness. As every application is reviewed by an operator, any errors with automated processes should be uncovered quickly.

5.3 Requirements and Objectives

The obligation to make reasonable inquiries about a consumer's requirements and objectives means the provider must find out enough detail about why the consumer requires credit, to enable understanding as to whether the credit contract they are potentially being offered will meet that purpose. Reasonable inquiries about a consumer's requirements and objectives that we make for every application includes:

- a) the amount of credit needed, or the maximum amount of credit sought
- b) the timeframe for which the credit is required
- c) the purpose for which the credit is sought and the benefit to the consumer

This will be collected in the online form. The minimum requirement for satisfying reasonable inquiries about a consumer's requirements and objectives is to 'understand the purpose for which the credit is sought and determine if the type, length, rate, terms, special conditions, charges and other aspects of the proposed contract meet this purpose'.

5.4 Inquiries About the Consumers Financial Situation

In complying with the current legislation, the business makes inquiries about the consumers financial situation by collecting information from the following sources.

5.4.1 Application Information

We request in the application that the intended borrower provides details of:

- their income source(s), including (but not limited to) the amount, frequency and period
- their expenses - including the amount and frequency of each expense, such as mortgage, rent, living expenses, creditors, credit cards, etc
- Other financial information, such as general questions about their financial position, foreseeable changes to expenses and income, if they're in default to other creditors, if they're in financial hardship, etc

5.4.2 Documentation

We request in the application that the intended borrower provide details of:

- bank statements that cover the preceding 12 months immediately prior to their application for each account into which the loan applicant has credited an income and has regular expenses coming out of.

- any other relevant documentation, such as, pay slips, invoices, tax returns, etc.

5.4.3 Other Information

We also, where necessary, derive further information from:

- loan application supporting documents provided by the borrower.
- loan history the borrower has had or does have with us and/or other credit providers.
- Bank account analysis provided by third parties
- conversations with the borrower.
- credit reports about the borrower obtained from both Equifax and Illion.

5.5 Verification About the Consumers Financial Situation

5.5.1 Verifying Income source

In verifying a potential customers income, the following will apply.

- For customers who are self-employed, invoices, tax returns and customers bank statements will be used to verify the income details. An average will be worked out from these, minus expected tax.
- For other employed applications, both payslips and/or the customers bank statements will be used to verify the income details.
- For any customer who receives an income from Centrelink, a Centrelink Income Statement will be used to verify the income details using the total of their payments for the pay period.
- An employment check may also be conducted on the applicant.
- Some employment information, such as time in employment, can also be verified from credit reporting bodies that collect this information.
- For any customer who receives rental income, no more than 80% of monthly rental can be included.

5.5.2 Verifying Expenses

- Accommodation expenses will be verified from the customers bank statements or mortgage statements.
- Living Expenses, including the customer dependant's expenses, will be measured against the Henderson Poverty Index (as explained below)
- A buffer amount will be included to give the client enough free cash flow. This is 10% of the customers living expenses.
- Other Creditors expenses will be verified using the customers bank statements and/or loan statements.

5.5.3 Verifying Living Expenses

In verifying Living Expenses, including dependants living expenses, we make use of the Henderson Poverty Index (HPI) as a benchmark to help us determine reasonable affordability levels. To clarify, we will use the higher of expenses stated by the customer and HPI data to arrive at a measure to be applied.

The use of the HPI helps us determine reasonable affordability levels. The business believes it is the most uniform measure available to us and was recommended by the business compliance lawyer. The HPI is an income-based measure but it gives a broad perspective of the extent of living expenses a consumer or household requires as a minimum. The HPI is modified each quarter by its publisher (the Melbourne Institute) which keeps it contemporary and allows us to make use of such periodic modifications. The HPI model also accounts for a consumer's dependants.

5.5.4 Other General Metrics to verify Financial Position

In verifying the customers financial position and to determine if a customer is in or is heading towards financial hardship, we also look at many other general decision metrics, such as;

- Withdrawal of funds from superannuation.
- Jobseeker and Jobkeeper payments
- Financial Counsellor Payments
- Any Public Trustee Payments
- Dishonour Rate of direct debits
- Recent Income variations
- Gambling Percentage of Income
- Time in employment
- Charge Offs or failed loans
- In Default to other lenders
- Recent defaults listing
- Recent Credit Inquiries
- Withdrawing of funds as cash

5.5.5 Further Verifications

Further verification of information will be needed where:

- the information that a consumer provides is outside the standard range for the consumer (e.g. the income stated is far greater than would be expected for the type of work the consumer undertakes, or their expenses are far lower than would be expected).

- the information that a consumer provides is inconsistent with other information held about the consumer (e.g. a credit report or account information for existing customers that shows regular income or expenses that are significantly different to the stated income or expenses on a new loan application).

1. When a contract must be assessed as unsuitable

A credit contract will be assessed as unsuitable where, at the time of the assessment, it is likely that:

- the contract does not meet the consumer's requirements and objectives; or
- the consumer will be unable to meet their payment obligations, either at all or only with substantial hardship.

Where this determination is made, using the business's assessment rules, the application will be declined.

8 Providing the Assessment

8.1 Final Assessment (Credit Provider)

A final assessment must be provided to the customer if requested and be provided in writing and free of charge. If a consumer requests a copy of the final assessment for the credit contract:

- before entering the credit contract, we must give them a written copy of the assessment before entering the contract.
- within two years from the credit day, we must give them a written copy of the assessment in writing within 7 business days.
- after two years from the credit date but within 7 years, we must give them a written copy of the assessment in writing within 21 business days.