



Consumer Credit Industry Report

October 2015

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Key Take Homes

Typical customers are mid 30's and are employed

- In Q2 2015, the average age of all male customers who entered into a contract was 36, while the average age of all female customers who entered into a contract was 35.
- Most (56.0%) customers received some or all of their income through paid employment.

Loan approval rate trending down

- The loan approval rate (defined as the proportion of formal loan applications that were approved) in Q2 2015 sat at 61.5%, down from 68.7% in Q2 2014.

Multiple-contract customers represent a minority

- In Q2 2015, less than one in 10 (7.8%) new contracts were entered into with customers with an existing contract, in line with 7.5% in Q2 2014.
- Credit advanced to these customers represented 14.0% of total credit advanced to all customers, in line with 13.0% in Q2 2014.

Average loan duration is 4 months

- The average length of loan contracts entered into with customers was approximately four months (124 days in Q2 2015), up slightly from 119 days in Q2 2014.

Industry is highly compliant

- In the past two years, there were no privacy complaints received from the Office of the Australian Information Commissioner (OAIC) and no complaints received from the Australian Competition and Consumer Commission (ACCC).
- There were a total of eight ASIC compliance audits, one ASIC enforceable undertaking (EU) entered into and one ASIC licence condition without EU.
- Lenders made two claims for customers from their compensation arrangements, but did not make any claim from their professional indemnity insurance policy.

Lenders are more likely to avoid punitive solutions for those experiencing hardship

- In Q2 2015, the most common options offered by lenders to customers experiencing financial difficulties were reduced payments without extra charge (86.4%), skipping payments without extra charge (72.7%) and reduced fees or interest (68.2%).

Methodology

CoreData, in consultation with NCPA, designed the questionnaire for this research.

CoreData independently collected the data between July and September 2015. NCPA members submitted data through a dedicated email inbox managed by CoreData. NCPA only has access to the aggregate-level data and does not have access to the individual submissions.

There were a total of 23 submissions from Australia's major providers of consumer credit, including Cash Converters, Money3 and Nimble, which together make up an estimated 77% of the industry's total gross revenue. Relevant data were also obtained from Credit Corp's ASX submissions to supplement these submissions.

Data collected were for ALL loans ≤\$5,000 (including Small Amount Credit Contracts (SACCs), which make up an estimated 95% of all loans provided by providers of consumer credit) pertaining to the 2013/14 and 2014/15 financial years.

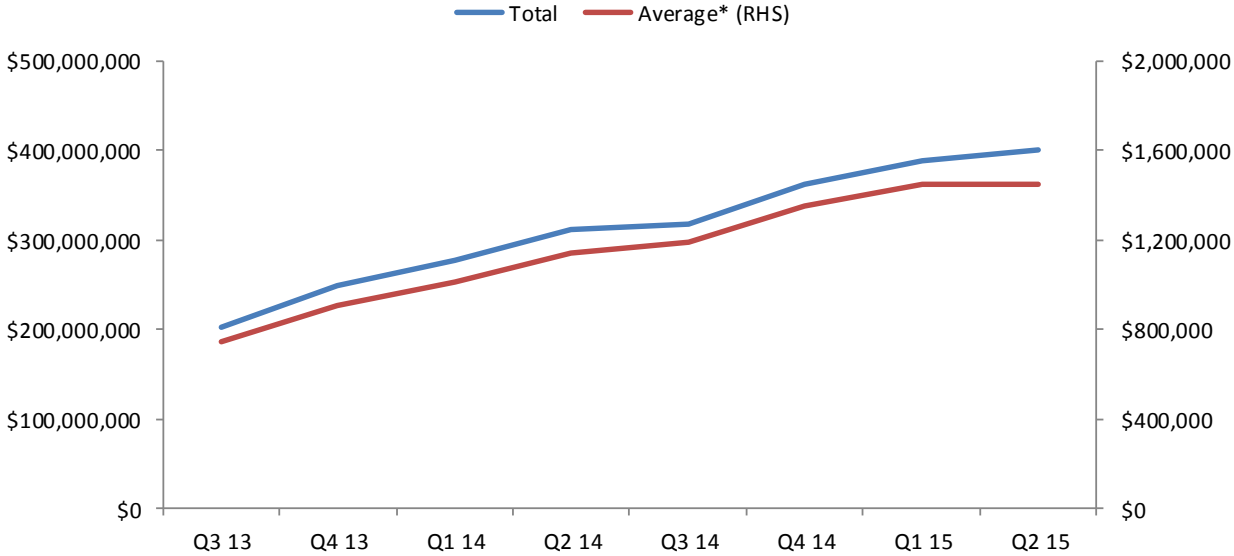
Analysis of the data collected was undertaken independently by CoreData.

This report presents the overall results for ALL loans ≤\$5,000 (including SACCs), as well as results that were split by the following dimensions:

- Size: Large and Small.
- Business model: Online-only, Retail-and-online and Retail-only.

Industry Profile

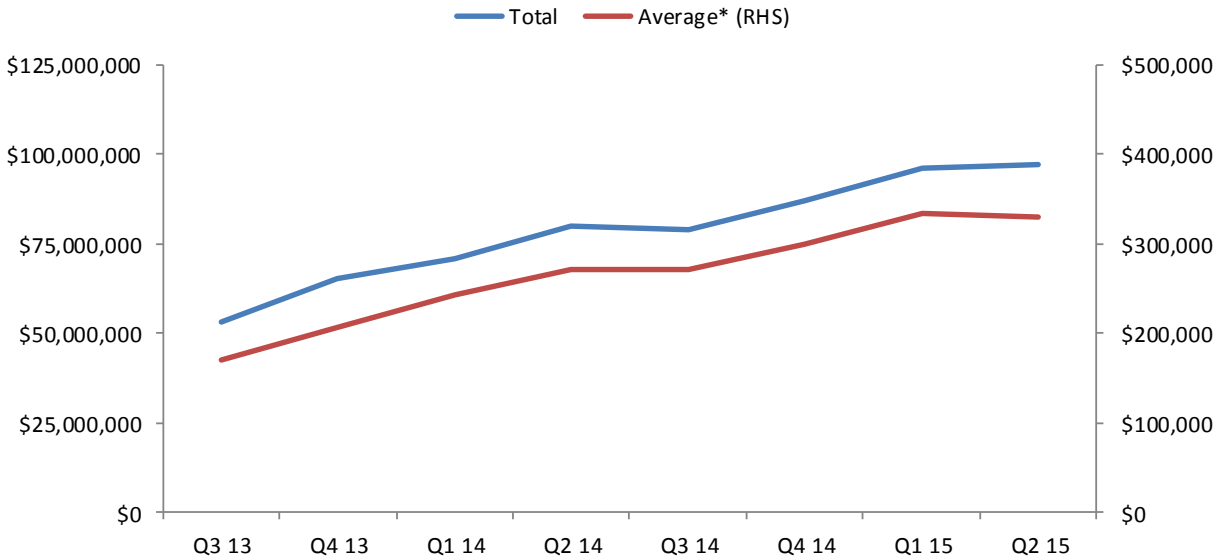
Size of loan book



*Average per retail store or per provider in the case of an online-only lender

Question: At the end of each quarter, what was the closing balance (including all fees, interests, and charges to date) of every loan (which started as a loan of ≤\$5,000) on your loan book? [This amount is after deductions for actual bad debts at the end of each quarter but before any deductions for possible doubtful debts]

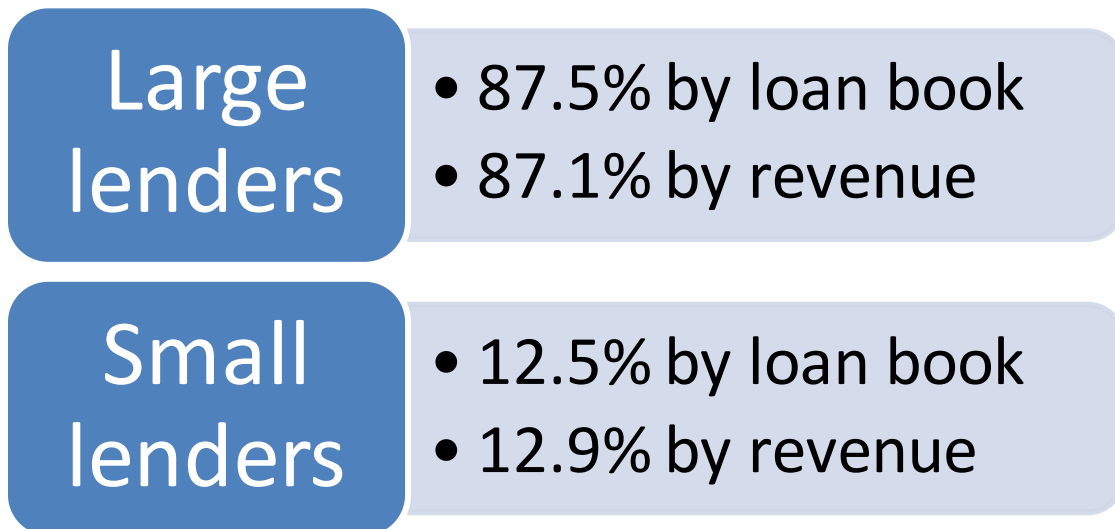
Revenue



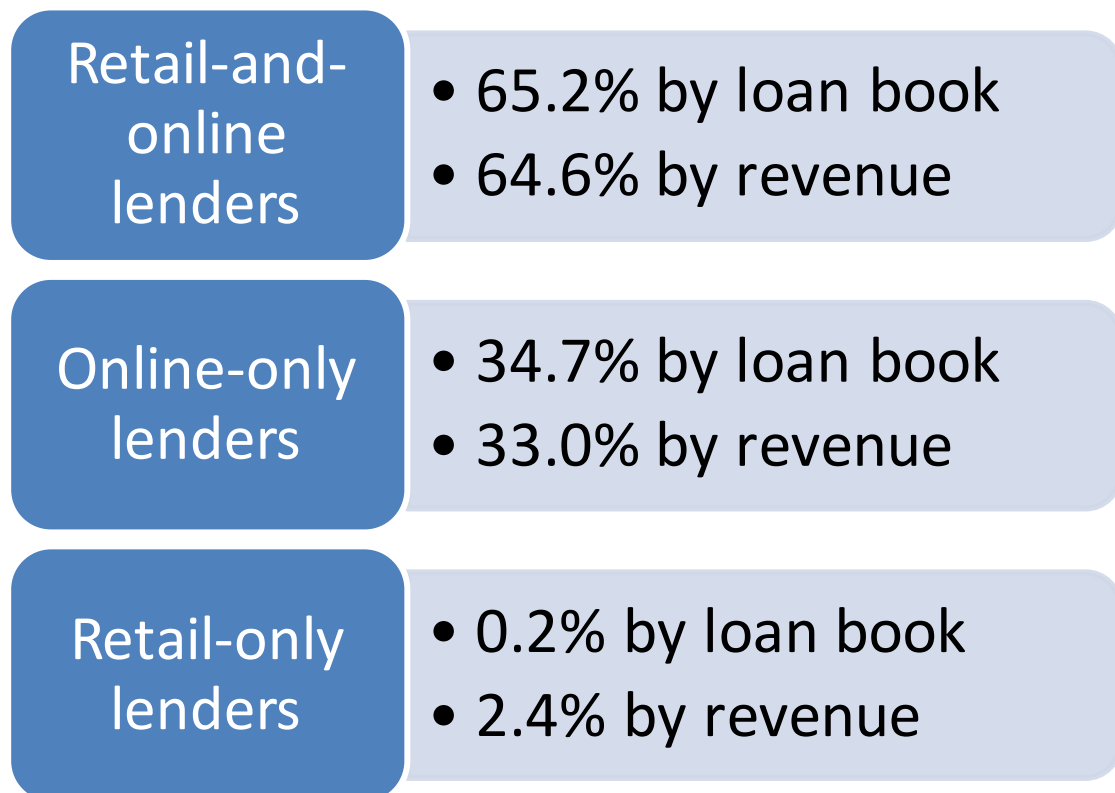
*Average per retail store or per provider in the case of an online-only lender

Question: For each quarter, what was your Total Gross Revenue from all loans ≤\$5,000 (including all fees, interest, and charges)?

Market share by size (Q2 2015)



Market share by business model (Q2 2015)



Retail-and-online lending most dominant but online-only channel growing

The estimated size of loan book across all consumer credit providers in the industry was \$400.6 million at the end of Q2 2015. This represented a 10.2% quarterly increase since Q3 2013.

Industry revenue was an estimated \$359.2 million for the 2014/2015 financial year, \$97.2 million of which was earned in Q2 2015. This represented a 9.0% quarterly increase since Q3 2013.

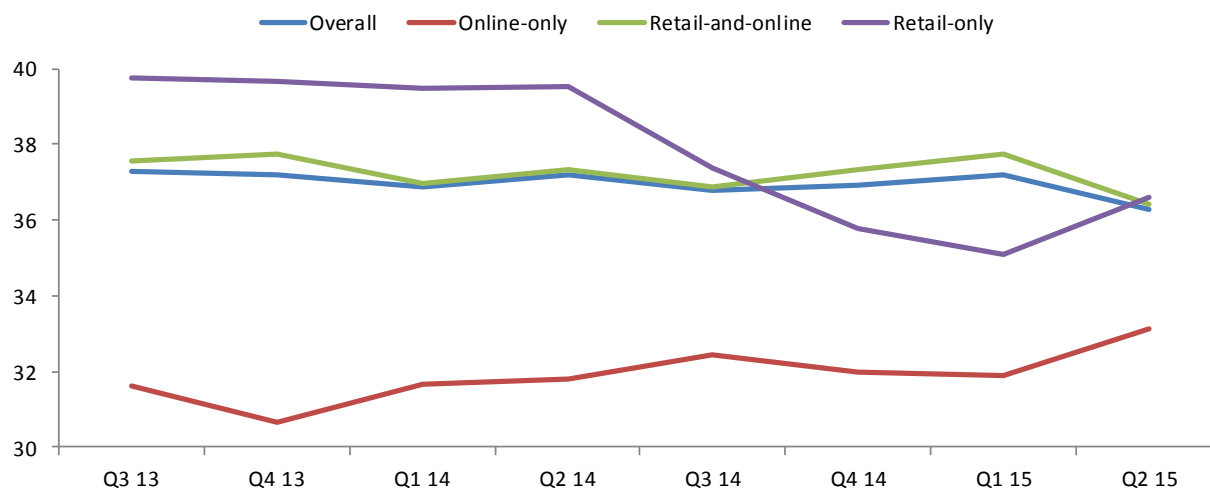
At the end of Q2 2015, four providers – Cash Converters, Credit Corp, Money3 and Nimble – held an estimated 87.5% market share by loan book and 87.1% by revenue. For the purposes of this research, these providers are referred to as ‘large’ lenders. Other providers are referred to as ‘small’ lenders.

Providers can also be classified by their business model. For the purposes of this research, lenders that provide credit through retail store fronts and online are referred to as ‘retail-and-online’ lenders. Those that only provide credit online are referred to as ‘online-only’ lenders, while those that only provide credit through retail store fronts are referred to as ‘retail-only’ lenders.

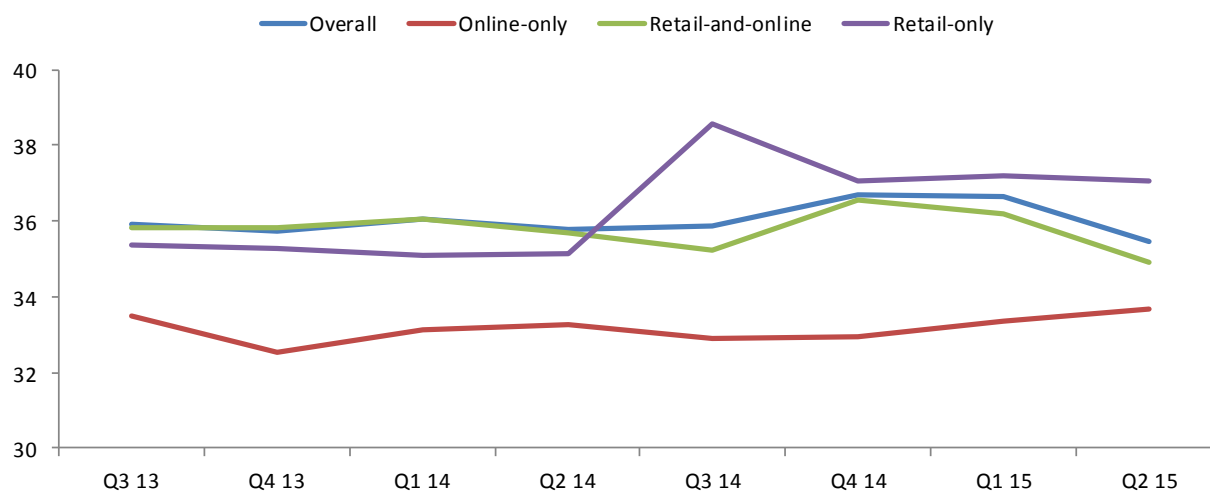
Retail-and-online is the dominant business model among consumer credit providers. At the end of Q2 2015, retail-and-online lenders held an estimated 65.2% share by loan book and 64.6% by revenue. However, these were down from 71.0% and 72.3% respectively at the end of Q2 2014. On the other hand, the online-only segment had grown its share from 28.8% to 34.7% by loan book and 24.2% to 33.0% by revenue over this period.

Customer Profile

Average age of male customers by business model



Average age of female customers by business model

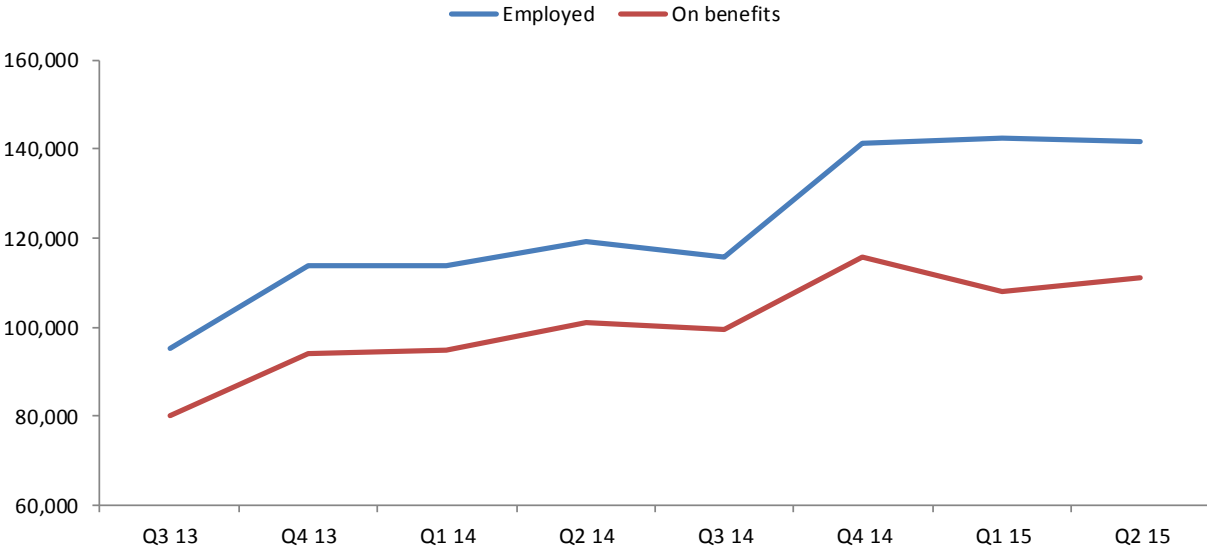


Questions: For each quarter, what was the AVERAGE age of all MALE customers who entered into a contract? For each quarter, what was the AVERAGE age of all FEMALE customers who entered into a contract?

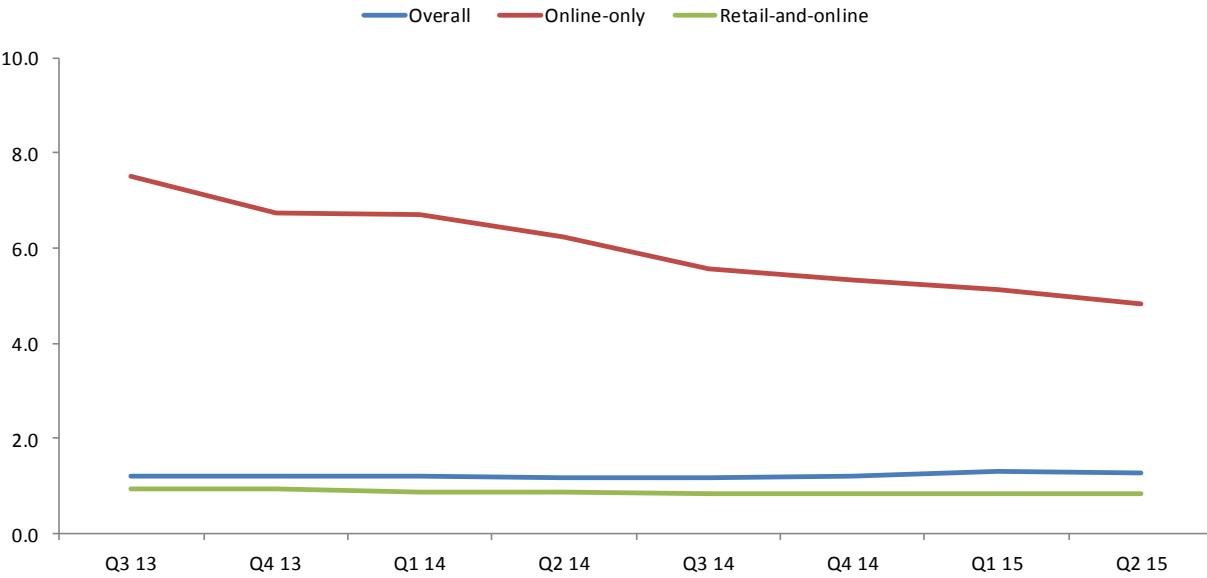
Typical customer is in their mid-30

The typical customer of a consumer credit provider is in their mid-30. In Q2 2015, the average age of all male customers who entered into a contract was 36, while the average age of all female customers who entered into a contract was 35. These have remained largely unchanged since Q3 2013. Customers of online-only lenders were on average, slightly younger than customers of other lenders.

Status of customers



Customers: employed to on benefits ratio by business model



Questions: For each quarter, what was the total NUMBER of customers who received some or all of their gross income through paid employment of any kind (including self-employment) when they entered into a contract? For each quarter, what was the total NUMBER of customers who were receiving some or all of their gross income as payments under the Social Security Act 1991 when they entered into a contract?

Note: Insufficient data for retail-only lenders. There is likely to be some degree of double-counting as those who are employed may also be on benefits and those who are on benefits may also be employed

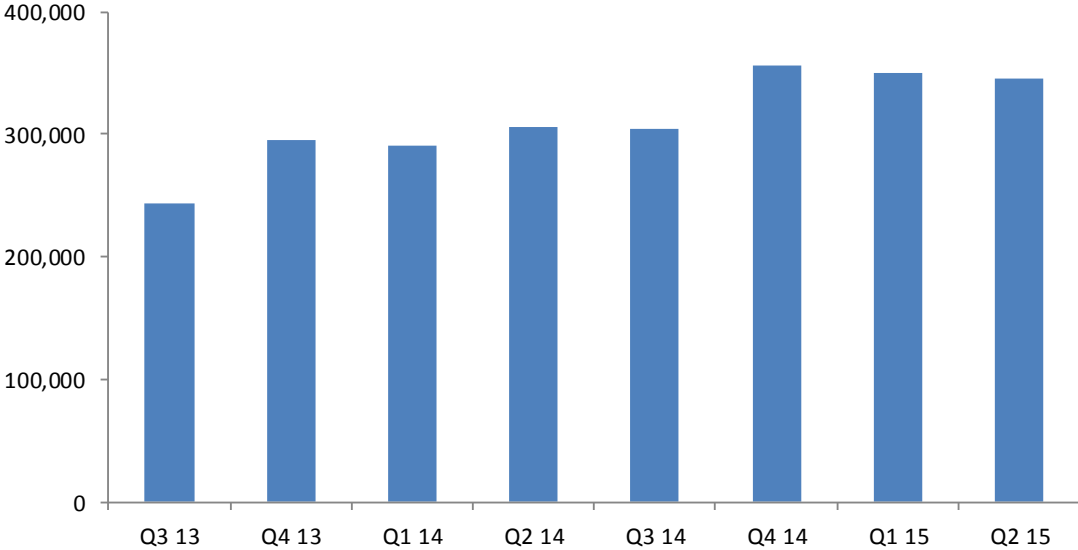
Most customers are employed

Customers of consumer credit providers who received some or all of their income through paid employment of any kind ('employed customers') consistently outnumbered those who received some or all of their income as payments under the Social Security Act 1991 ('on benefits customers'). In Q2 2015, 56.0% of customers were employed.

The ratio of employed customers to on benefits customers was considerably higher among online-only lenders (approximately 5 to 1), although this was as high as 8 to 1 in Q3 13.

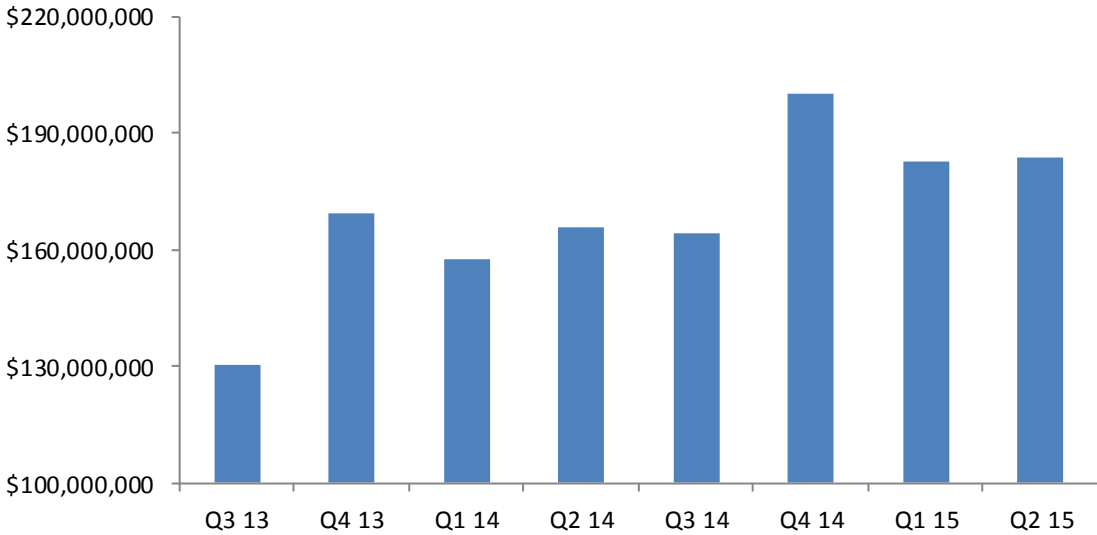
Loan Statistics

Number of new loan contracts



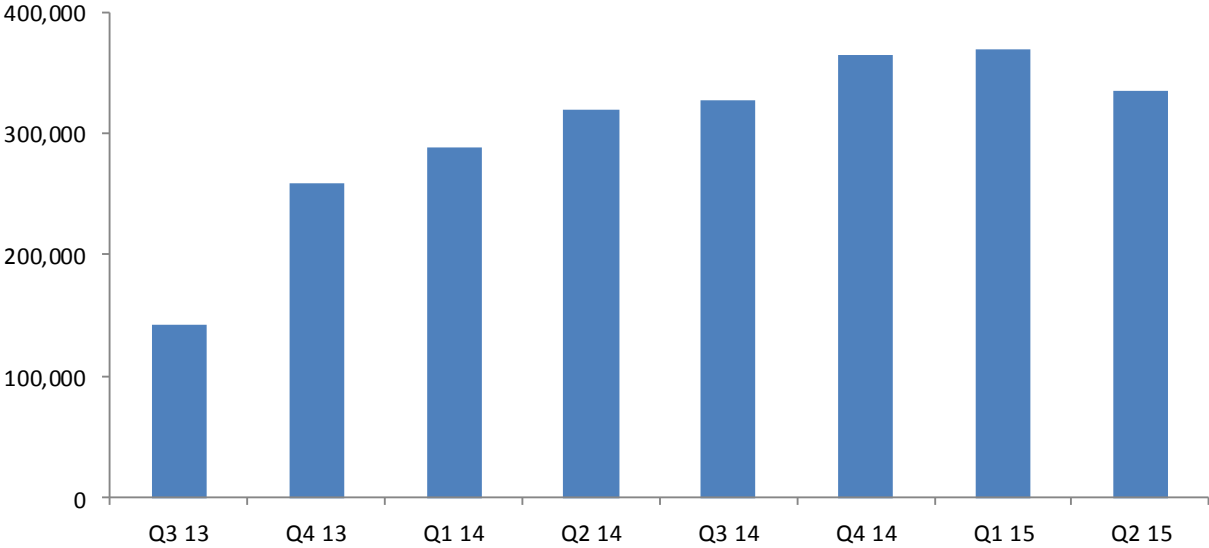
Question: For each quarter, out of the applications received for each loan type, what was the number of new contracts entered into with new or previous customers? (Do not include extra advances made to existing customers with current loans)

Total credit advanced



Question: For each quarter, what was the total dollar amount of credit advanced to new customers or to previous customers getting a new loan? (principal only – excluding any fees, interest, and charges)

Number of active loan contracts

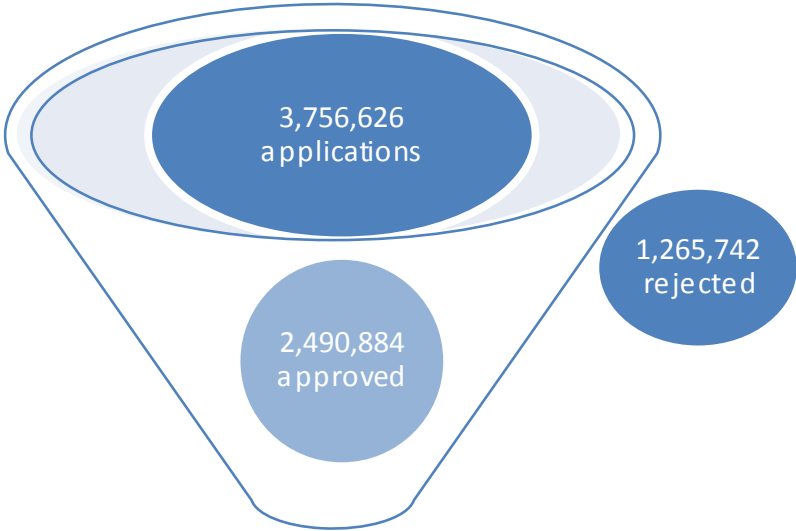


Question: At the end of each quarter, what was the total number of active contracts for each loan type?

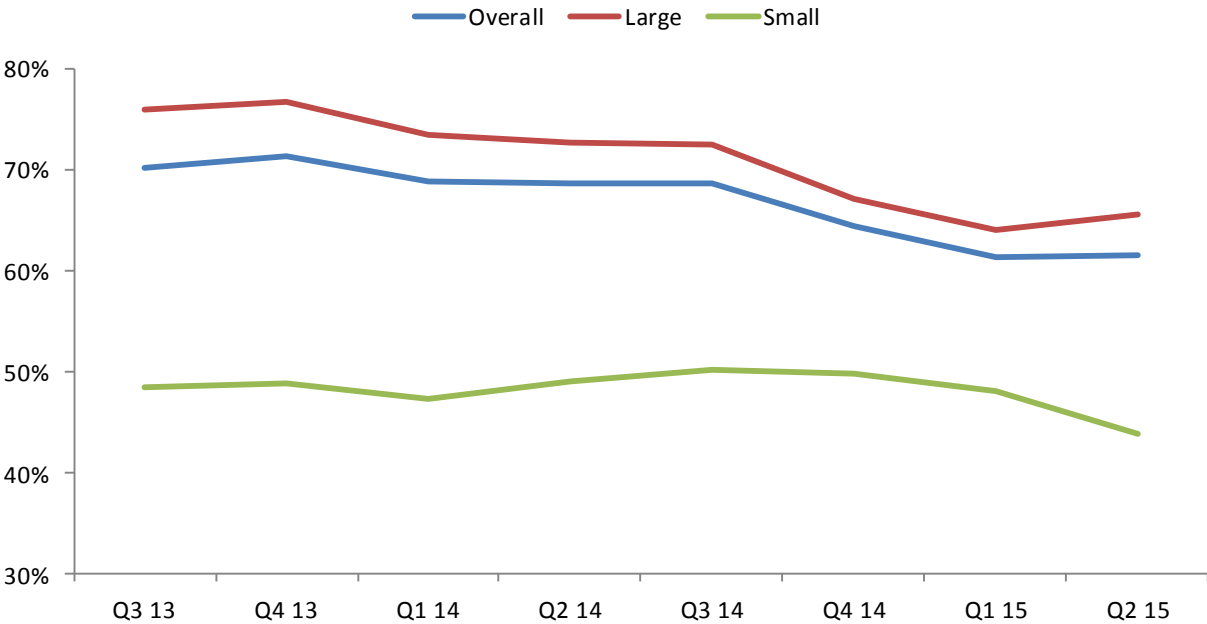
Average loan contract worth \$538

In the 2014/2015 financial year, there were 1,357,001 loan contracts that were entered into with customers. During this period, credit advanced by consumer credit providers amounted to \$730,736,255, meaning that the average loan contract entered into was for \$538.

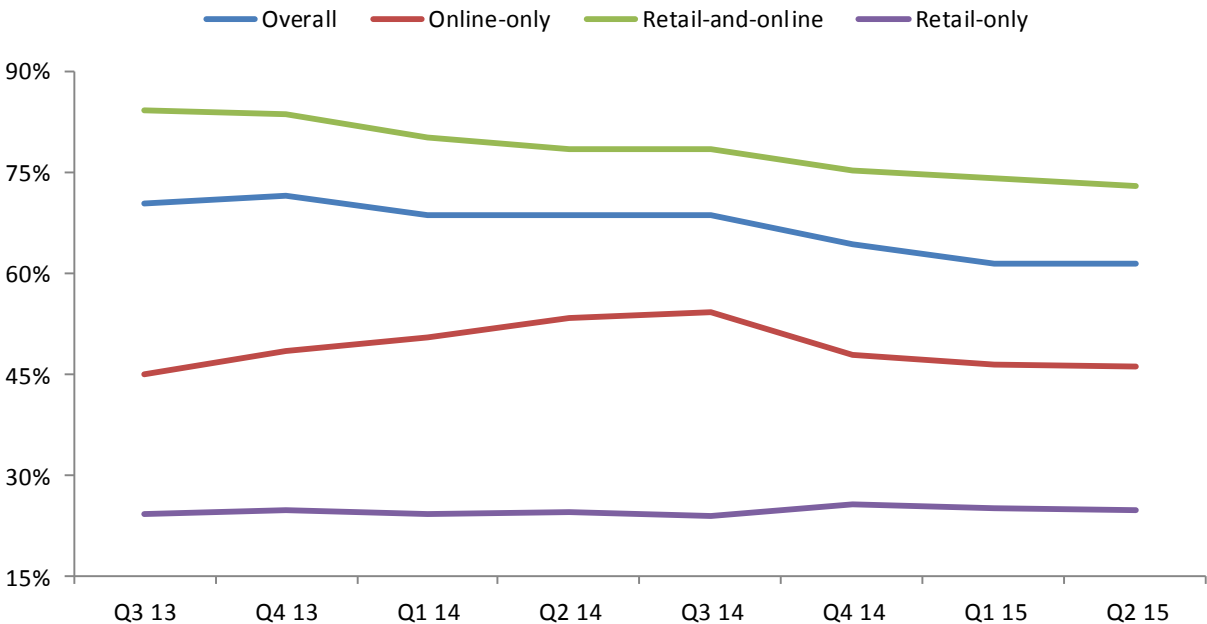
In the past 2 years



Loan approval rate by business size



Loan approval rate by business model



Questions: For each quarter, what was the total number of applications received for each loan type? For each quarter, out of the applications received for each loan type, what was the number of new contracts entered into with new or previous customers? (Do not include extra advances made to existing customers with current loans)

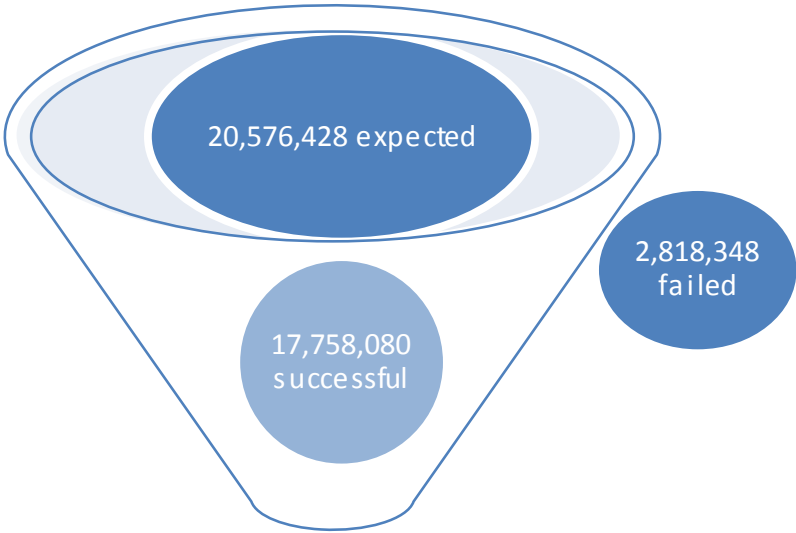
Note: Loan approval rate refers to the proportion of formal loan applications that were approved. This figure excludes simple contact or informal loan applications from potential customers that were not formalised. This is relatively common in a retail setting.

Loan approval rate trending down

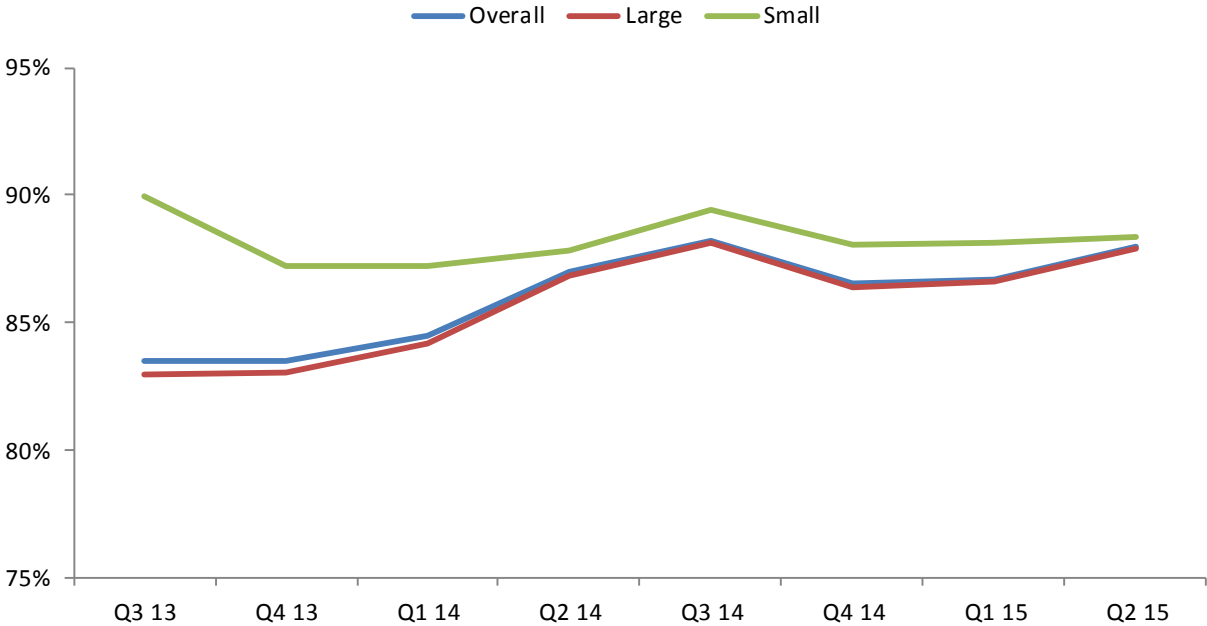
Around six in 10 formal loan applications submitted to consumer credit providers were approved. The loan approval rate in Q2 2015 sat at 61.5%, down from 68.7% in Q2 2014.

Since Q3 2013, approval rate had been considerably higher among large lenders than among small lenders (65.6% vs. 43.8% for Q2 2015). By business model, approval rate had been highest among retail-and-online lenders and lowest among retail-only lenders (73.1% and 24.8% respectively for Q2 2015).

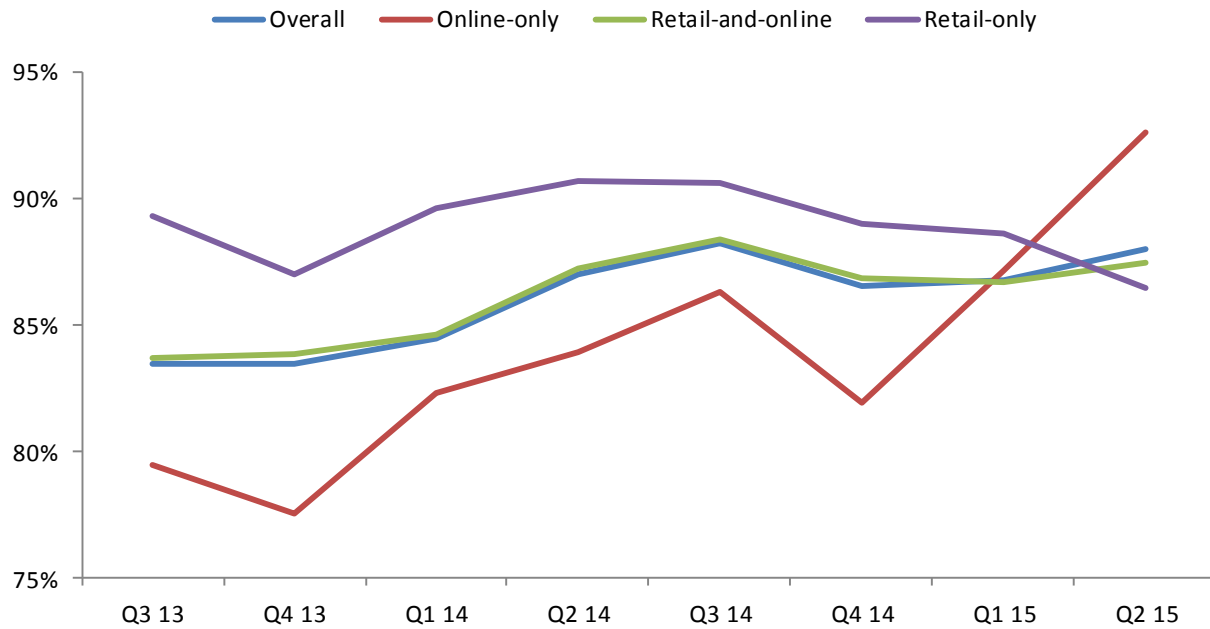
In the past 2 years



% of loan commitments met by business size



% of loan commitments met by business model



Questions: For each quarter, what was the total number of customer repayments expected for each loan type? For each quarter, what was the total number of failed customer repayments for each loan type?

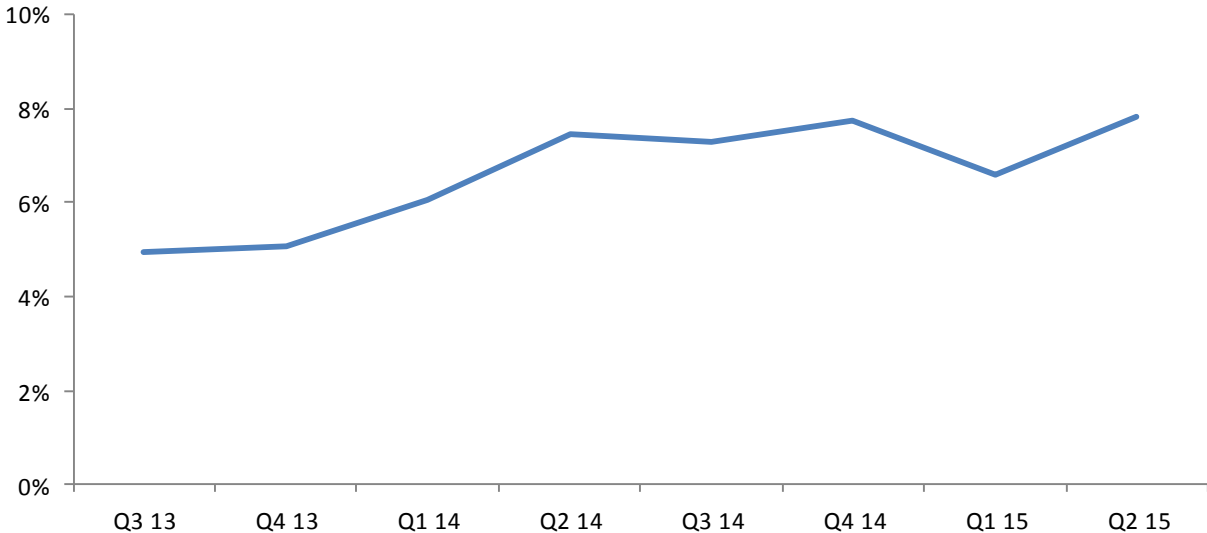
Note: This rate refers to the proportion of expected loan repayments that were met rather than repaying the full loan amount.

Nine in 10 loan commitments were met

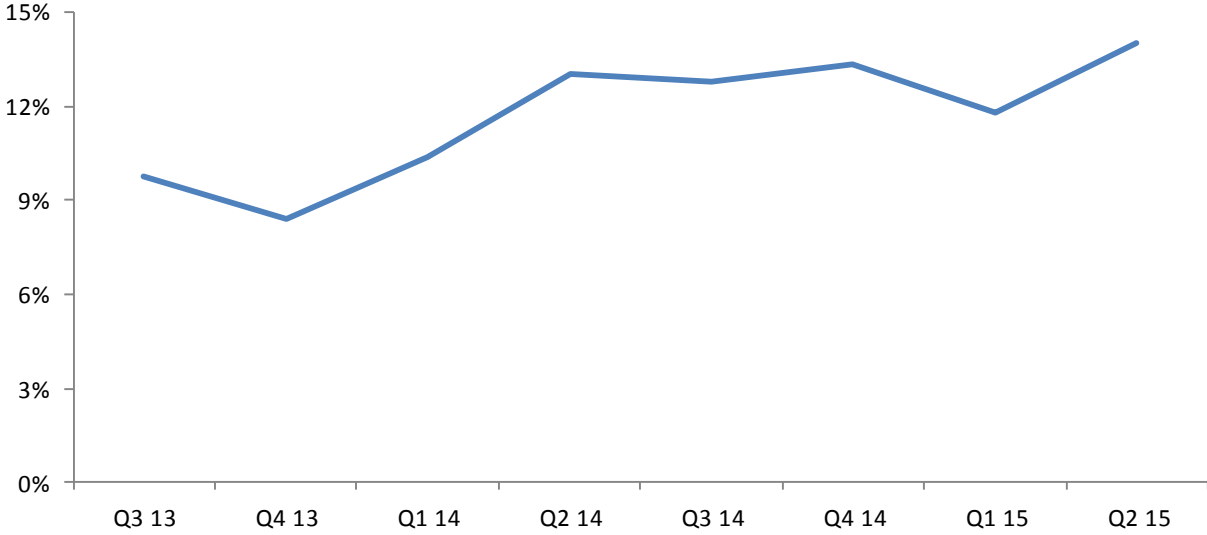
Around nine in 10 loan commitments to consumer credit providers were met by customers. During Q2 2015, 88.0% of expected customer repayments were met, on par with 87.0% during Q2 2014.

The proportion of loan commitments that were met was similar among large and small lenders (87.9% and 88.4% respectively during Q2 2015) but varied slightly by business model. During Q2 2015, this proportion was highest for online-only lenders (92.6%) and lowest for retail-only lenders (86.4%).

Multiple-contract instances as % of all new contracts



Multiple-contract credit advanced as % of total credit advanced

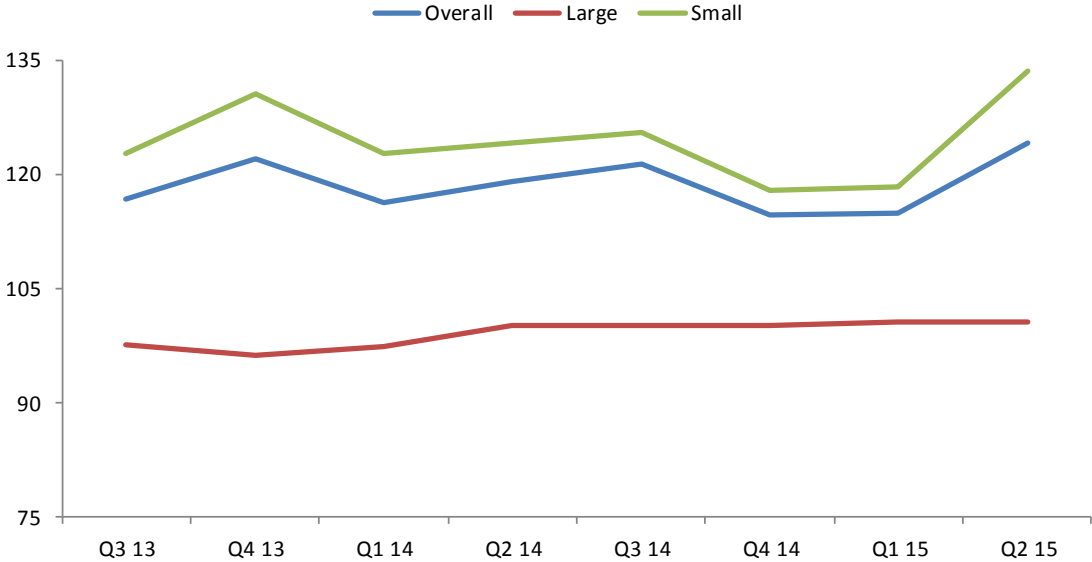


Questions: For each quarter, what was the number of contracts entered into where a customer with an existing contract was advanced further funds? For each quarter, what was the total dollar amount of contracts entered into where a customer with an existing contract was advanced further funds?

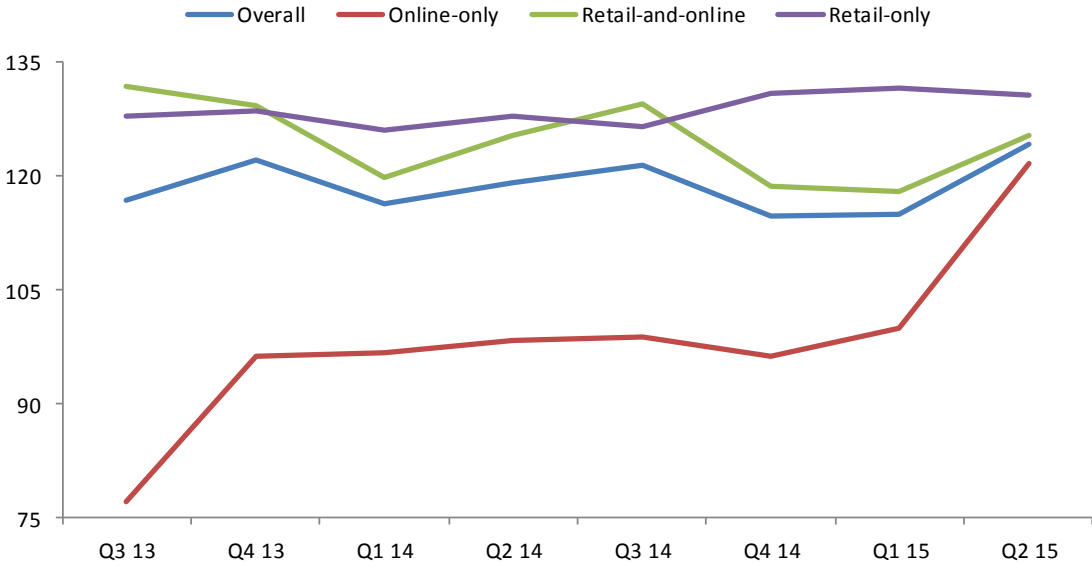
Multiple-contract customers represent a minority

Multiple-contract customers, defined as customers with an existing contract who entered into a new contract, represented a minority of all customers of consumer credit providers. In Q2 2015, less than one in 10 (7.8%) new contracts were entered into with customers with an existing contract, in line with 7.5% in Q2 2014. In dollar terms, credit advanced to multiple-contract customers represented 14.0% of total credit advanced to all customers, in line with 13.0% in Q2 2014.

Average loan duration (in days) by business size



Average loan duration (in days) by business model



Question: For each quarter, what was the average length of loan contracts entered into?

Average loan duration is four months

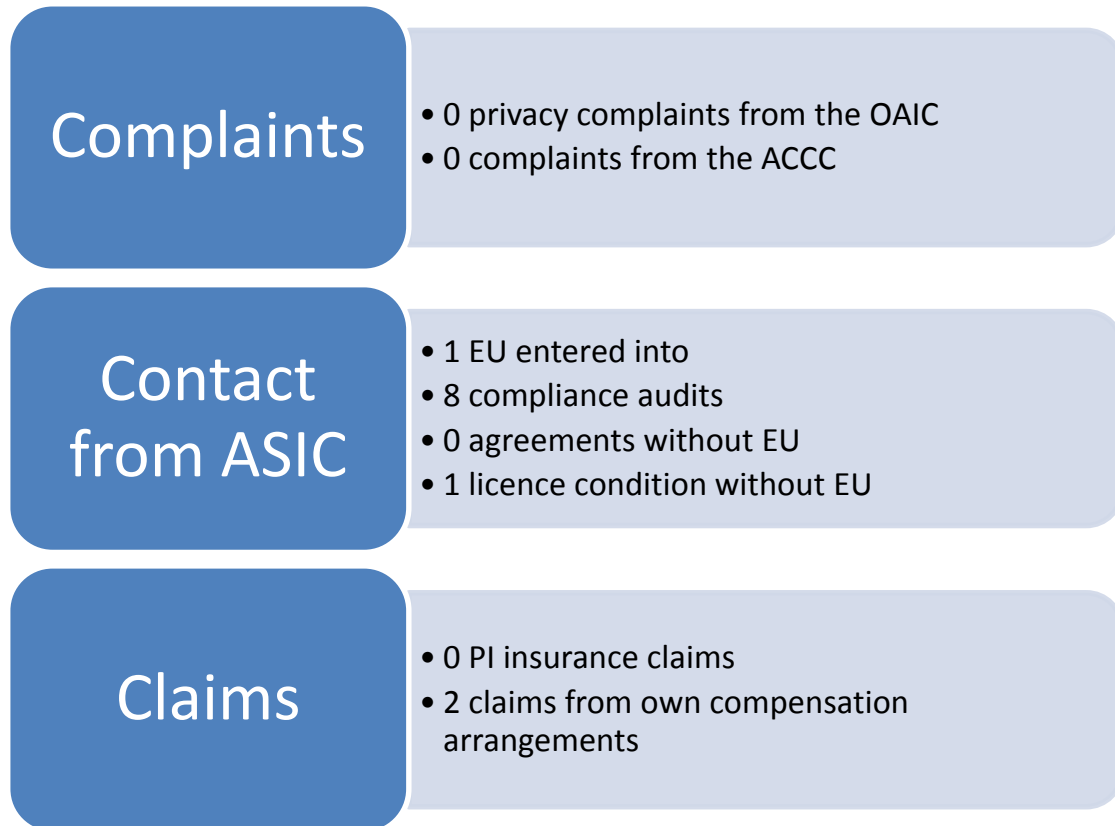
The average length of loan contracts entered into with customers of consumer credit providers was approximately four months (124 days in Q2 2015), up slightly from 119 days in Q2 2014.

Loans entered into with larger lenders tended to be shorter in duration compared to those entered into with smaller lenders (101 days vs. 133 days in Q2 2015).

Prior to Q2 2015, loans entered into with online-only lenders were considerably shorter in duration compared to those entered into with other lenders. However, the average length of loan contracts entered into with online-only lenders converged towards the overall average in Q2 2015.

Compliance

In the past 2 years



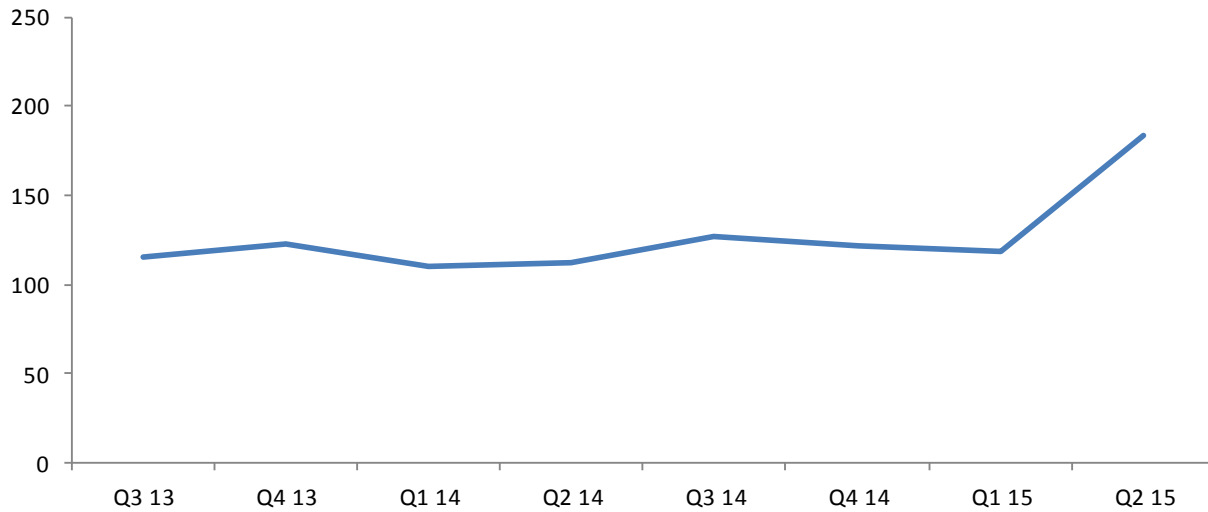
The industry is highly compliant

In the past two years, consumer credit providers received no privacy complaints from the Office of the Australian Information Commissioner (OAIC) and no complaints from the Australian Competition and Consumer Commission (ACCC).

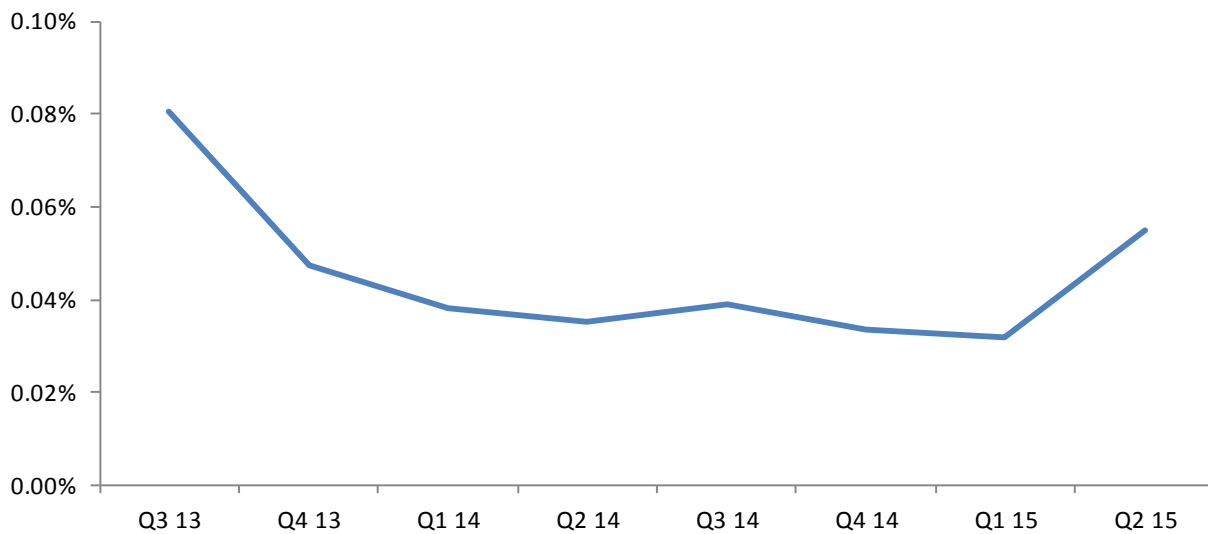
Contact from the Australian Securities and Investments Commission (ASIC) over this period was minimal. There were a total of eight ASIC compliance audits, one ASIC enforceable undertaking (EU) entered into and one ASIC licence condition without EU.

Over this period, lenders made two claims for customers from their compensation arrangements, but did not make any claim from their professional indemnity insurance policy.

Contact from consumer groups



Contact as % of active contracts



Question: For each quarter, how many contacts for new issues did you have from a consumer representative such as Legal Aid, Financial Counselling Australia, CALC, CCLC, NSW, etc.?

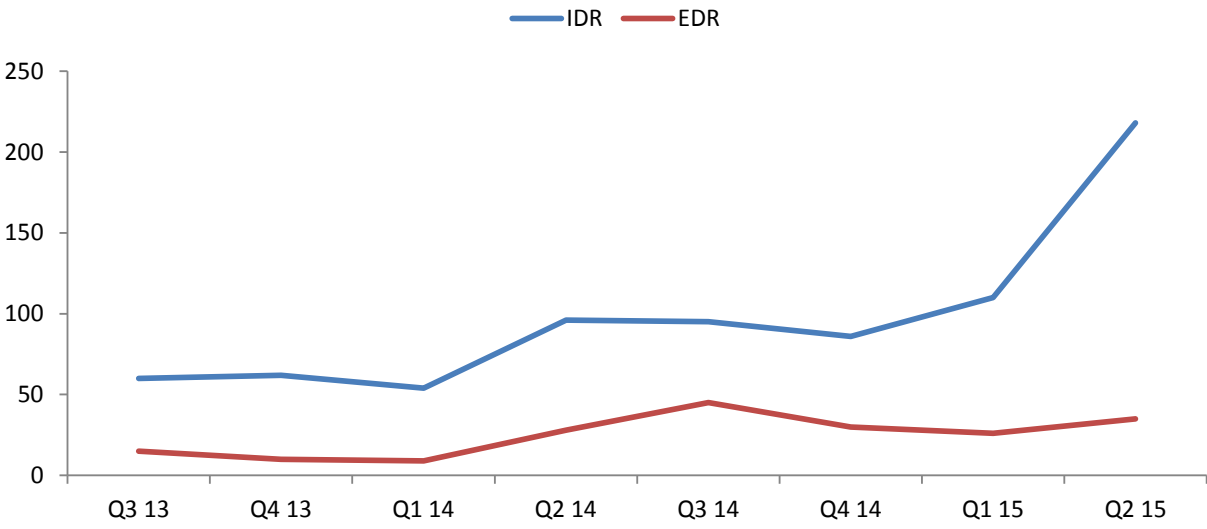
Note: The bulk (62 of the 66) of the increase in contact over Q2 2015 was attributed to one provider

Contact from consumer groups pertained to 5 in 10,000 loan contracts

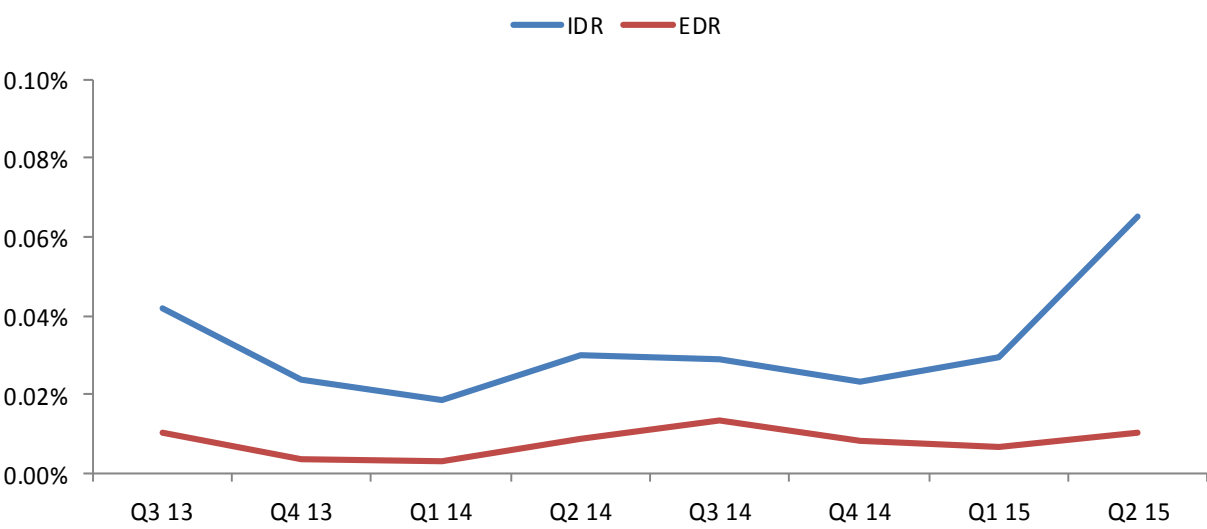
In Q2 2015, consumer credit providers had 184 contacts for new issues from consumer representative groups, such as Legal Aid and Financial Counselling Australia. This was an increase from 118 in Q1 2015 and 112 in Q2 2014. The bulk (62 of the 66) of the increase in contact in Q2 2015 was attributed to one provider.

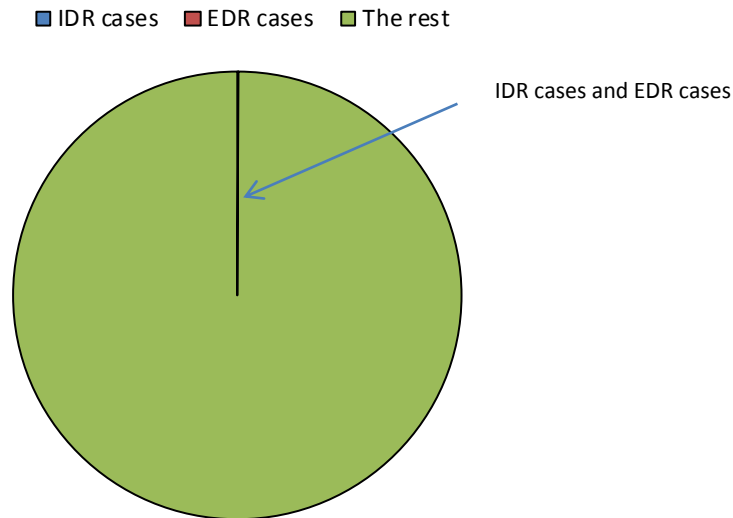
Overall, contact from consumer representative groups pertained to 0.05% of active loan contracts in Q2 2015, compared to 0.03% in Q1 2015 and 0.04% in Q2 2014.

IDR and EDR cases



Cases as % of active contracts





Questions: For each quarter, how many Internal Dispute Resolution cases were recorded on your IDR register? For each quarter, how many EDR cases were you notified of?

Note: The bulk (99 of the 108) of the increase in IDR cases over Q2 2015 was attributed to one provider

Lenders are resolving disputes internally

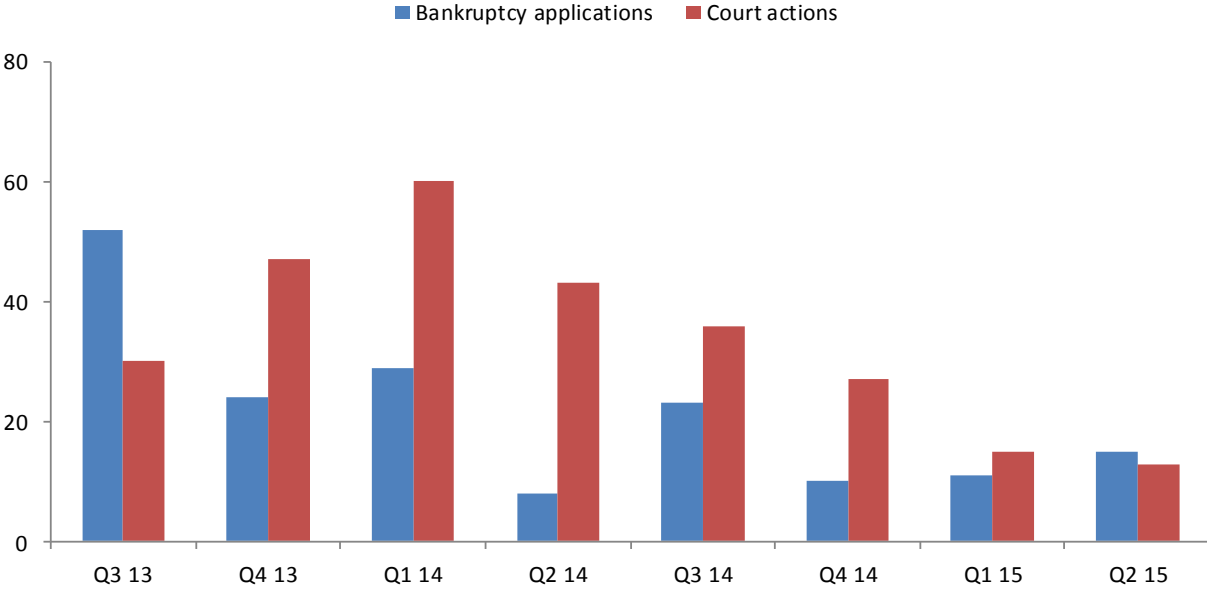
In Q2 2015, there were a total of 218 Internal Dispute Resolution (IDR) cases recorded on the IDR registers of consumer credit providers, up from 110 in Q1 2015 and 96 in Q2 2014. The bulk (99 of the 108) of the increase in IDR cases in Q2 2015 was attributed to one provider.

In Q2 2015, lenders were notified of 35 External Dispute Resolution (EDR) cases, up from 26 in Q1 2015 and 28 in Q2 2014.

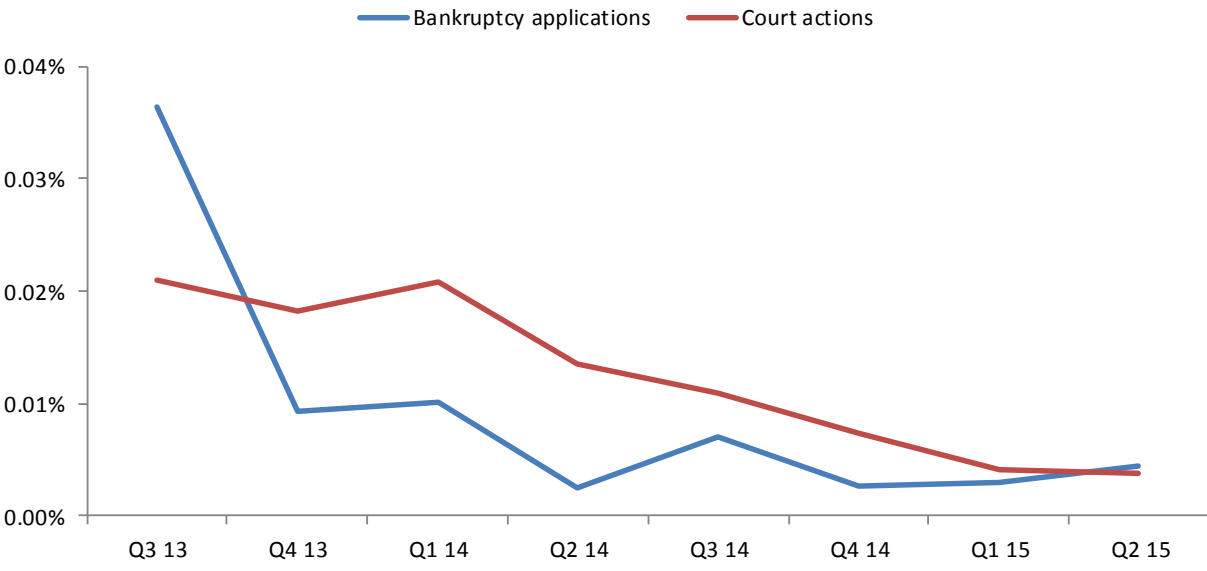
Overall, IDR cases pertained to 0.07% of active loan contracts in Q2 2015, compared to 0.03% in Q1 2015 and Q2 2014. EDR cases pertained to 0.01% of active loan contracts in Q2 2015, unchanged from Q1 2015 and Q2 2014.

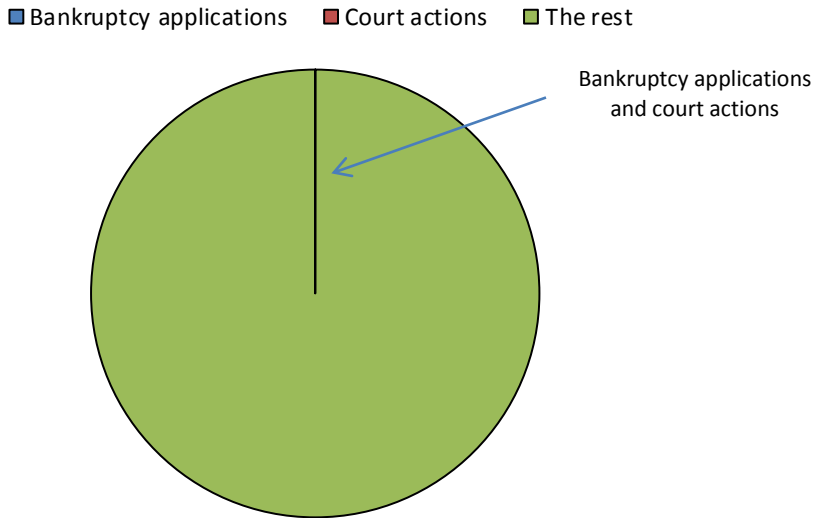
Bad Debt and Hardship Cases

Actions against bad debt



Actions against bad debt as % of active contracts



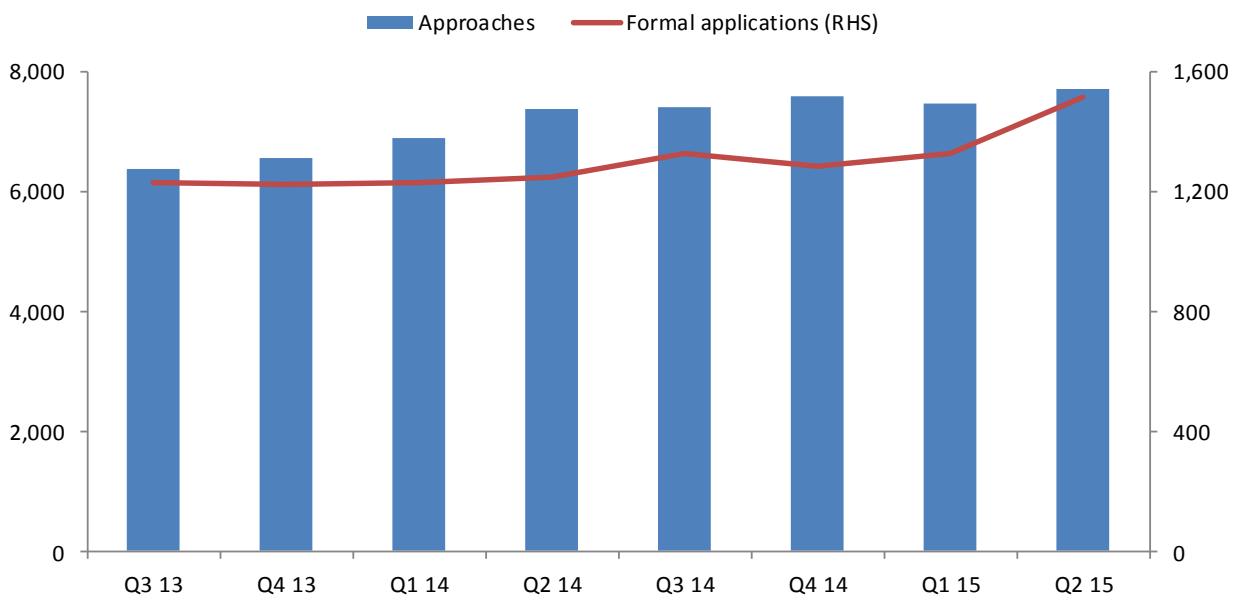


Questions: For each quarter, how many bankruptcy applications did you lodge to recover some funds from bad debt for the following loan types? For each quarter, how many court actions did you commence to recover bad debt for each of the following loan types?

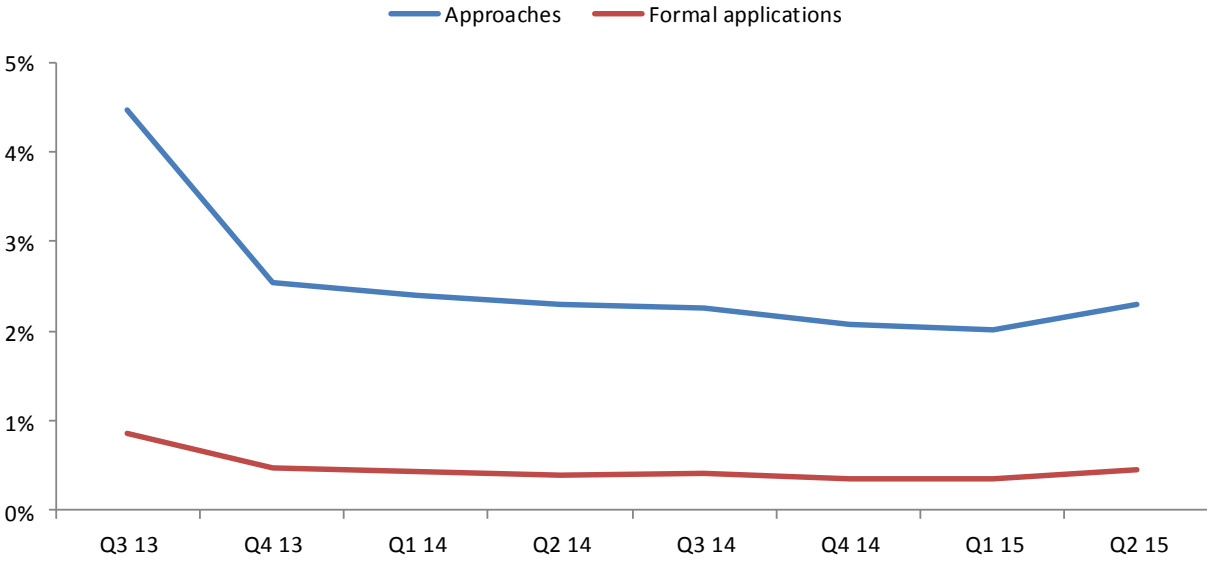
Actions against bad debt pertained to 1 in 10,000 loan contracts

In Q2 2015, consumer credit providers lodged 15 bankruptcy applications and commenced 13 court actions to recover bad debt. Overall, the number of lender actions to recover bad debt pertained to only 0.01% of active contracts in Q2 2015, continuing the downtrend observed since Q3 2013.

Hardship cases

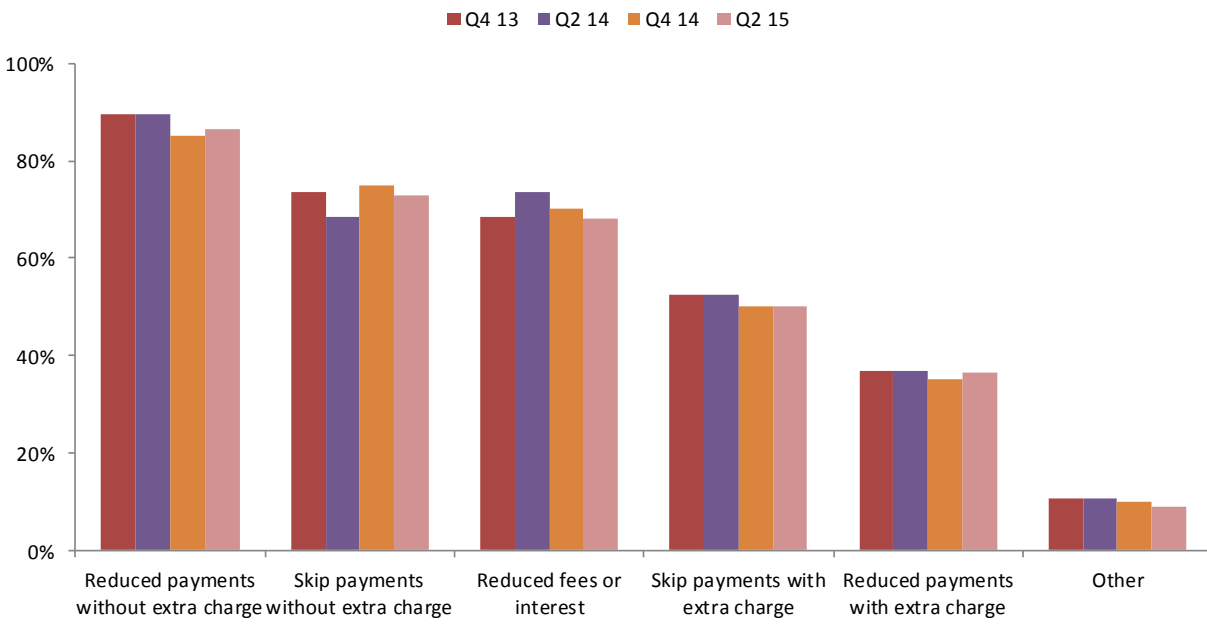


Hardship cases as % of active contracts



Questions: For each quarter, how many customers approached you for help because they were experiencing difficulties in making their payments for each of the following loan types? For each quarter, how many formal applications for hardship did you receive for each of the following loan types?

Options offered to customers experiencing hardship



*Multiple answers allowed

Question: For each quarter, which of the following options did you offer to customers who were experiencing difficulty repaying their loan?

Lenders are more likely to avoid punitive solutions for those experiencing hardship

In Q2 2015, 7,697 customers who were experiencing difficulties in making their payments approached lenders for help, a slight increase from 7,356 in Q2 2014. Over this period, the number of formal applications for hardship also increased from 1,245 to 1,512.

Customer approaches pertained to 2.3% of active loan contracts in Q2 2015, unchanged from Q2 2014. Formal hardship applications pertained to 0.5% of active loan contracts in Q2 2015, on par with 0.4% in Q2 2014.

Lenders are more likely to avoid punitive solutions for customers who were experiencing difficulties in repaying their loan. In Q2 2015, the most common options offered by lenders to these customers were reduced payments without extra charge (86.4%), skipping payments without extra charge (72.7%) and reduced fees or interest (68.2%), consistent with past quarters.

About CoreData Research



CoreData Research is an international specialist financial services research and strategy consultancy headquartered in Sydney, Australia. CoreData Research understands the boundaries of research are limitless and with a thirst for new research capabilities and driven by client demand; the group has expanded over the past few years into the Americas, Africa, Asia and Europe.

CoreData Group has operations in Australia, the USA, the UK and Asia.

The group's expansion means CoreData Research has the capabilities and expertise to conduct syndicated and bespoke research projects on different continents, while still maintaining the high level of technical insight and professionalism our repeat clients demand.

With a primary focus on financial services CoreData Research provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research database hosting and outsourcing services.

CoreData Research provides both business-to-business and business-to-consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

CoreData Research prides itself in identifying market trends at the earliest opportunity and formulating insightful quantifiable research that clients can use to help them stay ahead of the market and better meet the day-to-day challenges facing their businesses.

Our focus is on bringing deep market knowledge to research and strategy development. The group's research is not just about information and data but at providing insight so clients can develop strategies that work.

CoreData Research has developed a number of syndicated benchmark proprietary indexes across a broad range of business areas within the financial services industry.

- Experts in financial services research
- Deep understanding of industry issues and business trends
- In-house proprietary industry benchmark data
- Industry leading research methodologies
- Rolling benchmarks

The team understands the demand and service aspects of the financial services market. The group conducts regular research in banking, mortgages, retail saving, pensions, asset management and the financial advisory sector. It is continuously in the market through a mixture of constant researching, polling and mystery shopping and provides in-depth research at low cost and rapid execution.

The group builds a picture of a client's market from hard data which allows them to make efficient decisions which will have the biggest impact for the least spend. CoreData also has the ability to produce tailored research that speaks to a client's particular need is flexible and broad yet retains a specialist focus.

- **Research to promote client market presence:** We produce primary research and insight for groups to use to promote their brands, ideas, products and services. Independent findings support brand awareness exercises in the media and bolster public relations messages.
- **Client branded white papers:** Client demand for thought leadership and desire to be seen as engaging in industry debate, issues and challenges is fuelling a greater need for CoreData to produce white papers. Our financial services experience, research capabilities and design skills allow us to deliver efficient, insightful and robust client solutions.
- **Client/competitor benchmarking & satisfaction:** This research enables businesses to measure their success at servicing clients, and how they perform relative to competitors across a range of metrics and variables. Examples include: Service level experience of clients, product performance comparisons, and functionality analytics.
- **Strategy quantifying business opportunities:** Markets are never static and clients regularly require insight and analysis to remain up to date and be able to quantify opportunities, risks and developments in the areas they operate.
- **Product testing & development:** These services cover any part of the value chain in terms of target client – from banks to high net worth investors. It includes primary data collection and interpretation and can carry the client all the way through from initial concept development to creating a go-to-market approach.
- **Market dynamics & shifting trends:** What is new and what is next? CoreData provides clients with services to help them with market entry intelligence, industry dynamics, regulatory impact on markets and future market needs and developments.

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