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Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget By:

TRANS UNION OF CANADA, INC.

Pursuant to actions by the Government of Canada—through the Advisory Committee on Consumer Directed Finance—to implement an effective “consumer directed finance” framework AND for the purposes of adopting a best practices approach that will empower Canadian consumers and support innovation in the financial services sector:

RECOMMENDATION 1: Resources should be allocated to undertake further comprehensive case studies of markets with established consumer directed finance frameworks.

AND

RECOMMENDATION 2: Emphasis should be placed on engagement with appropriate industry experts from established markets and within Canada to ensure all levels of data security, consent, and consumer support are addressed in frameworks.

Standing Committee on Finance

Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6
Canada

August 6, 2020

To Whom It May Concern,

TransUnion has been a leading provider of credit information services in Canada since 1989. We are entrusted with protecting and maintaining accurate and up-to-date credit information about Canadians. For lenders, we verify the credit applications of consumers so that they can make informed and accurate decisions about an applicant's credit worthiness, thereby reducing financial risk.

When it comes to a consumers' ability to access their financial information, the journey for Canadian consumers is uneven. Canadians have full access to their credit histories; but no similar channels or resources are available for banking customers.

Banking customers should be able to benefit from the "consumer-first" movement that has led to increased financial literacy and new customized financial services. When consumers are able to securely share electronic banking records with financial services companies, they have streamlined access to money management services, that can provide meaningful insights into their spending habits, and competitively priced/rated financial products, without requiring them to manually pull transactional data, either by giving access to their banking credentials or providing paper documentation. Giving consumers secured access to the data generated by their transactional financial activities is the central theme of Open Banking, or as it's been rebranded, "consumer directed finance".

Interest in consumer directed finance in Canada is driven by policy objectives to grow Canada's financial and digital sectors, improve outcomes for consumers, and increase global competition. In Budget 2017, the Government of Canada announced its Innovation and Skills Plan, and through it, the creation of an Economic Strategy Table for Digital Industries—to advise policymakers on ways to position Canada as a nation of digital innovators and create benefits for Canadians. In 2019, the Senate Standing Committee on Banking, Trade and Commerce issued a report called "*Open Banking: What it Means For You*", in which it called on the federal government to create a regulated consumer directed finance regime that allows Canadians to share their financial data safely and securely. Combined with other supporting initiatives like the creation of Canada's Digital Charter, anticipated changes to the *Personal Information and Protection of Electronic Documents Act*, as well as the ongoing work of the Special Advisory Committee on Consumer Directed Finance, and momentum is building for key changes in how consumers securely control and share their financial data.

While the final form of a consumer directed finance framework is still being shaped, innovative new product offerings in the traditional credit information environment that empower and protect

consumers are being developed in Canada. TransUnion is an active participant in this new era of consumer financial empowerment, through products such as:

CreditView – A comprehensive and elegant credit information and education portal offered in partnership with Canada’s financial institutions that allows consumers to access their credit health, via mobile or desktop. CreditView encompasses credit score (including factors that impact the score), credit report, credit alerts on key credit file changes and a score simulator – all of which provide consumers with tailored and meaningful insights designed to help them maintain and improve their financial status and encourage responsible credit behavior.

MyTrueIdentity – A credit monitoring and information platform that includes features to help monitor their identity in response to the potential compromise of information involved in a data breach. MTI enables consumers with access to their credit information (credit score, credit report, credit alerts) as well as access to identity theft insurance, and provides educational resources focused on credit management, fraud victim assistance and identity theft detection.

These innovative products are just a hint of what is achievable through a robust consumer directed finance framework. Successful frameworks must instill confidence and trust by addressing risks related to consumer protection, privacy, cyber security and financial stability.

When it comes to developing responsible frameworks that engender consumer trust, Canada has good examples to follow. Consumer directed finance is new, but well established in markets like the United Kingdom and Australia. The experiences and lessons learned in these markets should play a key role to inform the development of a consumer directed financing framework in Canada. The previous work by the Senate Standing Committee on Banking, Trade and Commerce, and the Special Advisory Committee on Consumer Directed Finance explored these markets, but, as work shifts to the development of governance frameworks, resources should be dedicated to support a deeper grasp of what’s worked, what’s required, and what can be adapted to the Canadian market. Moreover, industry players should be meaningfully consulted to leverage their experience in developing secure data transfer systems.

In the United Kingdom—where consumers and small businesses have access to transactional information—there has been a significant growth in financial services that directly benefit consumers. Open Banking in the UK has allowed financial institutions to: speed up customer approval and onboarding processes; enhance the ability to provide better services to consumers; reduce processing costs; drive competition and innovate; and, reduce financial risks with precision-based insights into customers’ financials.

TransUnion is uniquely positioned to offer advice by virtue of having worked closely with both regulators and financial institutions over several years in the UK to develop their Open Banking system. TransUnion UK is a registered account information service provider (AISP) in the UK that provides a consumer-driven consumer directed financing solution for facilitating connectivity between banks and other financial service organizations through a consent-driven, integrated data-exchange platform. Our experience in developing the regulatory and interface systems in the UK allows us to continuously scan and evaluate performance of those systems, and that experience can significantly inform policy development in Canada to improve outcomes.

Conclusion

An effective consumer directed finance framework in Canada would allow consumers to better manage and utilize banking services, it would provide a secure route for sharing their bank transaction data with third parties, streamlining experiences and leading to lower cost financial services with an improvement to risk understanding. Consumer directed finance further permits financial services companies to reach underserved Canadians such as young adults and new Canadians, because it provides an alternative source of data to credit history that can be used to secure affordable products for their financial needs.

By consulting with industry experts from markets where regulated consumer directed finance systems exist like the UK—Canadian decision makers will be better positioned for success. Additionally, Canadian credit reporting agencies and banking institutions will be better able to leverage their experience in consumer support practices and information security to import solutions that maintain privacy, control, and security, that will instill consumer confidence to consent to share their transactional data, and reap benefits.

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