

Experian Comments in relation to the CMA PCW paper – public

Further to the discussions that have taken place with the CMA we wish to highlight a number of points concerning the CMA paper relating to the use of quotation and price comparison services in relation to the SME banking market.

Our first observation would be that the lending journey for an SME is currently far from automated to the same level that can be seen for the consumer lending market. Many processes in the lending environment for SMEs remain very much at a manual level by lenders, and with this there are challenges for service providers to implement the same levels of technological advances. An example may be the ability for an SME to shop around for a loan type product. Whilst there are a number of policy measures already coming in to force that may improve this situation (Controlled release of the VAT Register, Persons of Significant Control Register, SME Credit Data Sharing) the environment is some way from being established and therefore automation being embedded in to the SME lending journey.

Also it is necessary to make a distinction between secured and unsecured lending. Often in the lending journey for a secured loan, there is a need for the lender to make an asset valuation. For a consumer this can be a single asset such as car or a house, which can be automated to some level via the integration of third party data. However for an SME an asset list can be much more specific to the business activity, and may include an inventory of many items held in stock etc. For this reason we see immense complication with using automated lending methods for secured lending.

When we evaluate unsecured lending, this can be often manually underwritten or assessed by a direct contact at the lender, rather than in an automated manner. This can often include processes such as review of business plans, face to face interviews and manual review of lending. Without the automation of this process, it would make it complex to produce a pre-qualification level of feedback to an SME prior to them making a lending decision.

With that said should a lender be able further automate the lending process, there is no reason why a quotation style system that can be seen effectively working in the consumer lending journey couldn't be rolled out into the SME market, especially for lower value mass market type services. The technology such as our HD Decisions technology already exists, however it requires the correct lending environment to be effective. The CMA should be minded of the infrastructure cost and development that all lenders would have to provide to make a system automated, whilst appreciating that this would be more achievable in some areas of lending than others.

The SME population is large and diverse, with a complex range of needs and levels of financial sophistication. With a diverse and often tailor range of financial services offered to the SME market any solution should probably focus upon a more granular target market, where standard terms and conditions of sale make the operation of a price comparison services more viable.

Following a review of the proposed solutions in relation to the implementation of a price comparison service for SMEs we have no direct preference concerning the solution, however we would like to highlight that before the PCW system should be implemented the CMA may be better placed to focused on ensuring more automation of the lending system where possible, so that the PCW solution can have the best possible opportunity of take up and success because of increased functionality. Without this the PCW solution will be not be able to tailor make outcomes to the SME's situation and will be limited to providing a higher level lending overview.



Should the CMA choose an industry led or Fintech type solution we would like to ensure that the CMA take into consideration the SME trust issue that information sharing can play in encouraging market participation in a solution. We are pleased to be able share some of our observations from our current work relating to the implementation of a new way of sharing data for consumers to enable shopping around by allowing the sharing of statement data between lenders. This sharing via a secure mechanism has stringent layers of governance and security surrounding its use and any such similar system should also have these principles to ensure trusted use and subsequent demand in uptake.

Experian would be happy to participate in the development of pilot to look at how to improve automated decisioning in the SME market which could include the provision of public and non-public data, the role of pre-qualification and automated exchange of bank statements.