



ASIC

Australian Securities & Investments Commission

REPORT 559

Survey of marketplace lending providers: 2016–17

December 2017

About this report

This report provides an overview of marketplace lending involving the provision of financial products or services, based on the findings from ASIC's survey of a limited cross-section of marketplace lending providers for the 2016–17 financial year. This is our second survey on this segment of the marketplace lending industry, following Report 526 *Survey of marketplace lending providers* (REP 526).

This report explains:

- how we conducted the survey;
- findings from the survey; and
- our next steps.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Disclaimer

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this report are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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Executive summary

- 1 Marketplace lending can provide a source of funds for consumers or small to medium enterprises (SMEs) as an alternative to traditional channels. New technology arrangements such as online platforms have allowed for investors and borrowers to be matched more easily, leading to growth in the number of investors and borrowers participating in loans via marketplace lending providers. In most cases, marketplace lending arrangements involve the provision of financial services and/or credit activities that are regulated by ASIC.
- 2 With continued growth in fintech businesses such as marketplace lending and increased adoption by consumer borrowers as an alternative source of finance, we consider it is important to continue our ongoing engagement with marketplace lending providers. This allows us to further understand new and existing business models, monitor activity levels and assess any risk indicators that emerge as the industry develops.
- 3 On 1 June 2017 we released our first report on the marketplace lending industry, [Report 526 Survey of marketplace lending providers \(REP 526\)](#), for the 2015–16 financial year. It was intended that we would survey the industry annually, on an ongoing basis. This report covers our second survey of the marketplace lending industry, for the 2016–17 financial year.
- 4 Similar to the 2015–16 survey, we asked for:
 - (a) qualitative information about marketplace lending providers' business models;
 - (b) quantitative information about borrowers and investors, loans, operational risk indicators and revenue; and
 - (c) additional comments.
- 5 The results of the survey are based on responses for 12 marketplace lending platforms. As the survey is focused on marketplace lending providers whose business involves the provision of a financial service or product regulated by ASIC, it does not cover the entire marketplace lending industry in Australia. See Section A for more information about how we conducted the survey.
- 6 The survey results show that marketplace lending regulated by ASIC continues to grow in Australia:
 - (a) in the 2016–17 financial year, the total amount borrowed through the respondents' marketplace lending platforms was almost \$300 million;
 - (b) the number of retail investors in the platforms has more than doubled since the 2015–16 survey; and
 - (c) there are new marketplace lending platforms in the industry.

- 7 More breaches of the *Corporations Act 2001* (Corporations Act), fraud and cyber security incidents were reported in this survey compared to the 2015–16 survey. See Section B for our more detailed survey findings and observations.
- 8 Through ongoing engagement with the marketplace lending industry ASIC seeks to achieve the right balance between our commitment to encourage innovation (and the opportunities created by innovative business) without compromising the proper regulation of financial products and services. We have published this report to highlight the key findings from the survey, to assist our understanding of the industry as it develops (including any key trends or risks), and to inform interested stakeholders. See Section C about ASIC’s role and our next steps in relation to marketplace lending.

A Our survey of marketplace lending providers

Key points

For our 2016–17 survey, we adopted a similar methodology to our first marketplace lending survey. Providers of 12 marketplace lending platforms responded to the survey (see paragraphs 10–11).

Why we undertook the survey

- 9 We conducted the 2016–17 marketplace lending survey for the following reasons:
- (a) marketplace lending is still a relatively new technology-based business model in Australia that may offer an alternative source of funding for consumers (i.e. individuals) and SMEs to more traditional channels;
 - (b) the survey assists our understanding of marketplace lending business models, any change in the level of risk within the industry and the activities of marketplace lending providers, including any emerging trends compared to the 2015–16 survey; and
 - (c) we received positive feedback from stakeholders that REP 526 was useful in assisting their understanding of what is happening in the marketplace lending industry.

Survey participants

- 10 The information in this report is not a reflection of the entire marketplace lending industry in Australia. Similar to REP 526, this report covers a limited cross-section of marketplace lending providers whose businesses involve the provision of a financial product or service regulated by ASIC. Not all licensed marketplace lending providers participated in the survey.
- 11 Accordingly, this report is based on survey responses from the providers of 12 marketplace lending platforms and does not cover other forms of loan-based funds, such as schemes registered as contributory and pooled mortgage schemes, or marketplace lending arrangements that do not involve the provision of a financial product or service. REP 526 was based on the survey responses from nine entities that responded to the 2015–16 survey.

Note: One respondent to the 2016–17 survey was the provider of three marketplace lending platforms, while the other respondents each operated a single platform.

How we conducted the survey

- 12 We conducted the 2016–17 survey of marketplace lending providers between August and September 2017. The survey questionnaire was based on our analysis of, and feedback received on, REP 526, as well as feedback received from survey participants.
- 13 The survey had three parts, similar to the 2015–16 survey.
- 14 The first part of the survey was required to be completed by new participants and is intended to be a ‘one off’. It will only need to be completed again if participants complete future marketplace lending surveys and there is a material change to their previous survey response. This part included questions of a qualitative nature about the survey participants’ business models, such as:
- (a) how investors and borrowers are matched and loans allocated;
 - (b) how credit risk and interest rates are determined;
 - (c) any partnerships, alliances or other arrangements involving equity investment in the business;
 - (d) fee structures and other sources of revenue;
 - (e) cyber security and information technology (IT) security arrangements; and
 - (f) conflicts of interest.
- 15 The second part of the survey included questions of a quantitative nature, which will inform us of quantitative trends over time and assist with the development of our regulatory response to the marketplace lending industry. This part was not answered for two of the 12 marketplace lending platforms, as they were newly established during the period and had not recorded a meaningful number of transactions. Questions in this part of the survey focused on:
- (a) characteristics of the borrowers and investors;
 - (b) characteristics of the loans made, including interest rates, amounts, term, security and default;
 - (c) indicators of operational risk, including complaints, breaches and cyber security threats; and
 - (d) amount of money generated from the key sources of revenue.
- 16 The third part of the survey allowed survey participants to provide additional comments.
- 17 The 2016–17 survey of marketplace lending was sent to survey participants by way of a Notice of Direction under s912C(1) of the Corporations Act. The notice represents a more formal approach in undertaking the survey by exercising ASIC’s information-gathering powers.
- 18 This report highlights key findings from the survey. This report is not meant to be a comprehensive summary of all responses received. It is also not meant to be a detailed report on every question from the survey.

B Survey findings and observations

Key points

Key findings from the 2016–17 survey included:

- there were three new marketplace lending platforms in the industry;
- the reported level of activity represented approximately a doubling of both the number of borrowers and total amount borrowed since 2015–16;
- the average reported default rate across the respondents was 2.2%;
- there was a significant increase in the number of retail investors (6,851 at June 2017, compared to 2,664 at June 2016), which represented an additional \$12 million of investment in the industry; and
- loan origination fees, rather than other fees charged to borrowers or investors, remained the primary source of revenue for marketplace lending providers.

Business models

Changes to 2015–16 survey respondents' business models

- 19 In Section C of REP 526 we provided a summary of the business models of the 2015–16 survey respondents.
- 20 Significant changes to the business models outlined by these respondents in the 2016–17 survey included:
- (a) loans:
 - (i) a change in loan terms;
 - (ii) an increase in the maximum loan amount for consumer borrowers; and
 - (iii) categories of loans being described based on the risk assessment;
 - (b) new equity:
 - (i) further equity issued to an existing investor in return for the investor's commitment to provide funding for loans; and
 - (ii) new equity investment by an authorised deposit-taking institution (ADI); and
 - (c) the introduction of a broker channel to distribute loans to borrowers.

Overview of new business models

21 There were three new marketplace lending platforms reported in the 2016–17 survey. The new business models are outlined below in Table 1.

Table 1: Features of new business models

Business model feature	Description
Newly established	<p>All of the new marketplace lending platforms had only commenced operation during the survey period.</p> <p>Note: The second part of the survey, which included questions of a quantitative nature, was not completed for two of the new platforms given the absence of lending activities during the survey period.</p>
Legal structure	The providers of the new platforms all held an Australian financial services (AFS) licence. Two of the platforms were structured as managed investment schemes registered under Ch 5C of the Corporations Act (registered schemes), while one platform was structured as an unregistered scheme as it did not have retail investors.
Separate investment manager	All of the providers used a responsible entity or trustee separate to the investment manager.
External service providers	All of the providers engaged external service providers for various services including trustee and scheme custodian services, identification checks, credit reporting, marketing, valuation and banking services. In most cases the service providers appointed were not related parties.
Exposure to loans	All of the providers indicated that investors invest in loans on a fractionalised basis. One provider indicated it also had offered, and may continue to offer in the future, investments on a pooled basis.
Matching of investors and borrowers	For one platform, investors set their investment criteria, which may include such things as preferred investment term, risk grade and maximum or minimum loan investment. For two of the platforms, investors directly select the particular loan they wish to invest in from the loans available on the platform. The first client to make the request is matched to the loan.
Investment by the provider or associates	All of the providers indicated that the marketplace lending provider or its associates could invest in loans.
Securitisation and third party origination	All of the providers indicated they do not securitise their loans or acquire loans that were originated by third parties.
Affiliations	All of the providers indicated they did not have any partnerships, alliances, or other arrangements with other parties.
Fees and other revenue	The providers generated revenue from investors and borrowers. This included investment management fees paid by investors. The key source of fee revenue was from loan origination fees payable by borrowers and retaining a spread on the interest rate paid by borrowers before distributions are paid to investors. Further information about survey respondents' fees and revenue is outlined in paragraphs 45 to 52.

Business model feature	Description
Promotion to borrowers and distribution arrangements	The providers used a number of methods to promote their product to borrowers including online (e.g. website and social media) and by word of mouth. One provider engaged a public relations agency. Another provider indicated that they had arrangements with third party introducers to refer borrowers and may pay a commission for these referrals.
Promotion to investors and distribution arrangements	The providers used a number of methods to promote their product to investors including online (e.g. website and social media), word of mouth and engaging with existing relationships. One provider engaged a public relations agency. No provider had any arrangements with third parties to distribute the marketplace lending product to investors.

Conflicts of interest

- 22 One respondent who also participated in the 2015–16 survey highlighted a potential conflict not previously raised, around the refinancing of loans by marketplace lending providers where loans are in arrears and potentially going to default. A marketplace lending provider could, by refinancing, avoid any negative impact on the business and lending activities that may result from default.
- 23 As previously highlighted in REP 526, as marketplace lending continues to develop and grow, it will remain important for providers to recognise and manage potential conflicts of interest that may arise.

Borrowers

Types of borrowers

- 24 Survey respondents promoted their products to a range of different borrowers, primarily consumers (i.e. individuals) or non-consumer/business borrowers, such as SMEs, self-managed superannuation funds (SMSFs) and agribusiness.

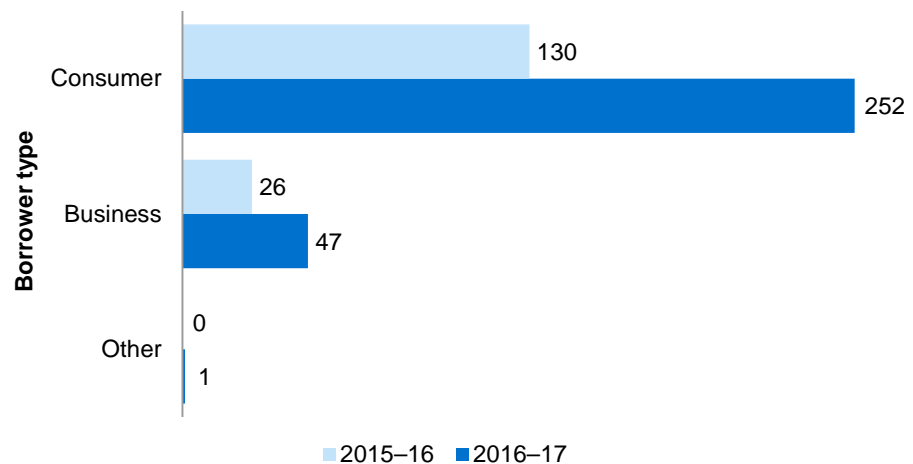
Note: Where a marketplace lending platform provides consumer loans, the provision of the loans is regulated under the *National Consumer Credit Protection Act 2009* (National Credit Act) and the National Credit Code in Sch 1 to the National Credit Act. These requirements do not apply to business purpose loans and loans to non-consumers (such as corporate entities).

- 25 For the 2016–17 survey, the total number of borrowers reported was 18,746 (compared to 7,448 in the 2015–16 survey). A breakdown of borrower types is shown below in Table 2.

Table 2: Number of borrowers by borrower type

Borrower type	2016–17	2015–16
Consumer borrowers	18,542	7,415
Business borrowers	201	33
Other borrowers	3 (SMSFs)	0
Total borrowers	18,746	7,448

- 26 The average age of consumer borrowers was 41, which was the same as in the 2015–16 survey.
- 27 The total amount of funds borrowed over the survey period increased to \$300 million compared with \$156 million in 2015–16. The proportion of borrower types remained largely consistent with the 2015–16 survey, with consumer loans representing over 80% of the total borrowed amount and close to 99% of the total number of loans. Overall, the level of activity reported for 2016–17 represents approximately a doubling of both the number of borrowers and total amount borrowed since the 2015–16 survey.
- 28 Figure 1 shows the amount borrowed through the respondents' marketplace lending platforms in the 2016–17 financial year by borrower type, compared with 2015–16.

Figure 1: Amount borrowed by borrower type (\$ million)

Note: See Table 3 in the appendix for the complete data used in this figure (accessible version).

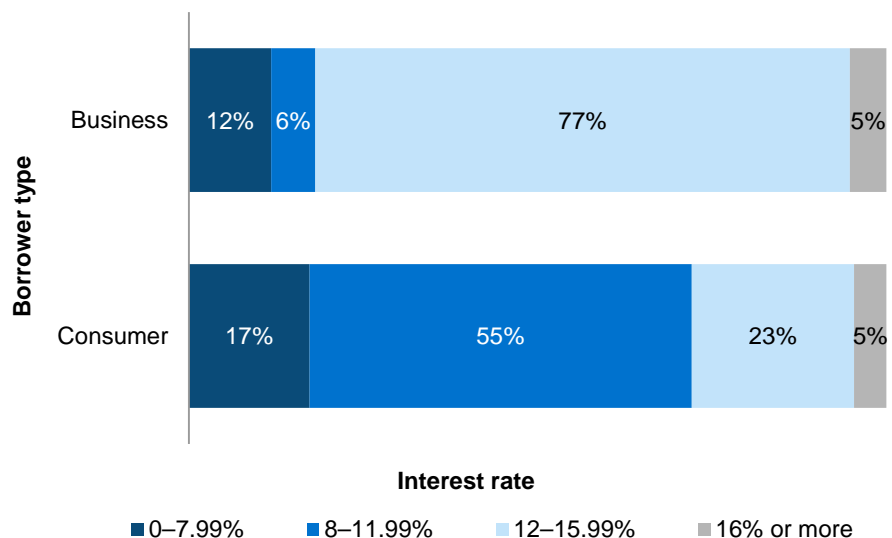
Loan applications

- 29 Approximately 63,000 applications for loans were received directly and indirectly (via brokers or advisers) in 2016–17, compared with approximately 100,000 in 2015–16. The decrease in application numbers was in part due to one large marketplace lending provider who changed how they categorised ‘applications’. In the 2015–16 survey, they included applications for a personalised interest rate for consumer loans, but only included the number of full loan applications in the 2016–17 survey.
- 30 Of the applications received over the survey period, 44,500 were declined—approximately 70% of all applications. This decline rate was 53% in the 2015–16 survey. The rate of declined applications included both direct and indirect applications and varied by respondent from approximately 50% to 97%. The time within which loans were approved and funding received was on average 13 days.

Interest rates

- 31 We asked respondents about the interest rates that borrowers were charged for loans. The average interest rate charged for loans entered into during 2016–17 was 10.5%. The average interest rate of each dollar borrowed during 2016–17 was 13%.
- 32 This result was expected as there were a small number of loans with considerably higher interest rates. These results are consistent with the 2015–16 survey where the majority of loans were provided at interest rates between 8% and 14%. Figure 2 below shows the distribution of loans by interest rate and type of borrower.

Figure 2: Distribution of loans by interest rate and borrower type (by number of loans)

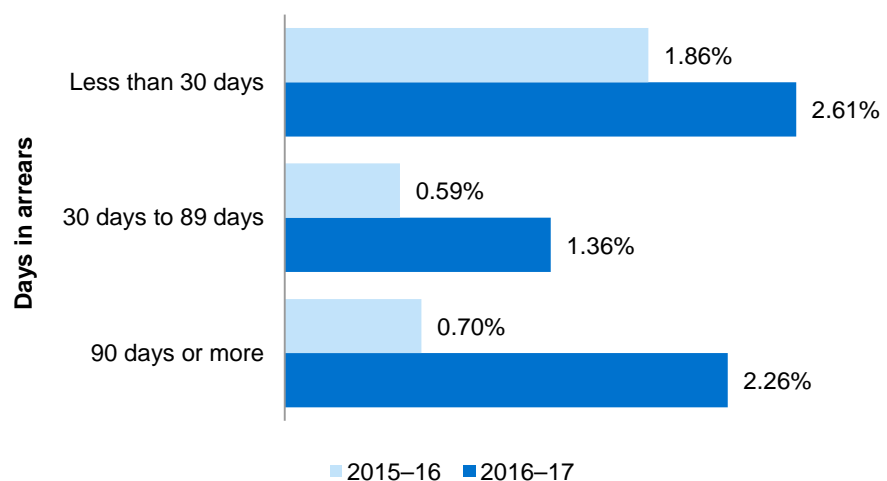


Note: See Table 4 in the appendix for the complete data used in this figure (accessible version).

Late repayment and default rates

- 33 Respondents were asked about current and expected default rates. The average default rate for the survey period was 2.2%, an increase of 1.6 percentage points on the 2015–16 survey. The expected default rate for the 2016–17 financial year (as indicated in the 2015–16 survey) was 2.9%.
- 34 Of the respondents that reported current default rates, seven respondents reported default rates greater than 0%. Almost all defaults were for consumer loans. These default rates varied across the respondent marketplace lending providers from 0.1% to 3.6% for consumer loans (current default rate at 30 June 2017). In the 2015–16 survey only three respondents reported default rates greater than 0%, ranging from 0.1% to 3.4%.
- 35 When the respondents were asked about their expected default rate for the 2017–18 financial year, the average expected default rate was 2.4%, with responses ranging from 0% to 6%. In the 2015–16 survey, the respondents' expected default rate for the 2016–17 year averaged 2.9%, with expected defaults ranging from 0% to 4% of loans across the respondent marketplace lending providers.
- 36 Figure 3 shows the distribution of loans in arrears by the number of days in arrears. Loans in arrears represented 6.23% of outstanding loan balances by dollar amount (with 2.26% of these in default—meaning more than 90 days in arrears). This compared with 3.15% of outstanding loans in arrears reported in the 2015–16 survey.
- 37 An increase in competition and longer operating history of marketplace lending providers may have led to a slight increase in risk appetite, leading to more loans in arrears and default. This may also be a function of the greater number of total borrowers. We will continue to monitor trends in arrears and defaults, particularly if there are any further signs of increase in future periods.

Figure 3: Loans in arrears out of total outstanding loans (by value)



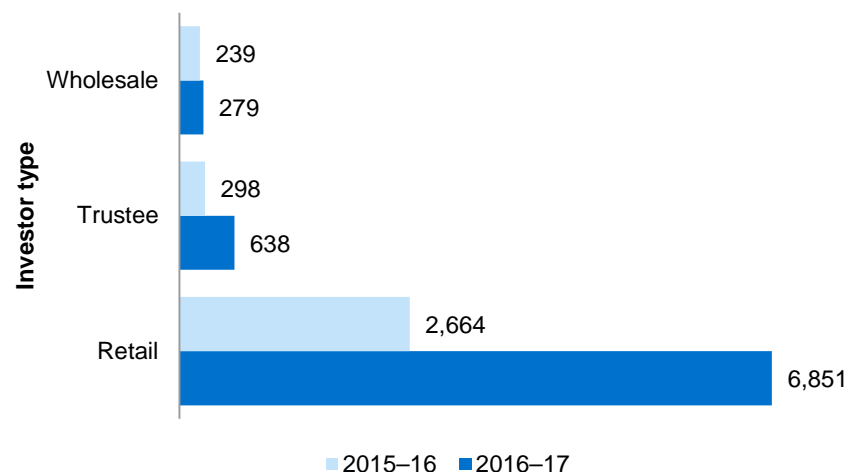
Note: See Table 5 in the appendix for the complete data used in this figure (accessible version).

Investors

Types of investors

- 38 The survey results indicated that both retail and wholesale clients continue to invest in marketplace lending platforms. The majority of the respondents indicated that their platforms restrict investment to wholesale investors. Of those respondents that provide services to retail clients, some focus on retail investors only, while others allow both wholesale and retail clients to invest, similar to the 2015–16 survey.
- 39 As at June 2017, the nine marketplace lending providers who responded to the second part of the survey reported a total of 7,768 investors, consisting of 6,851 retail investors, 279 wholesale investors and 638 trustee investors. As at June 2016, the eight respondents to this part of the 2015–16 survey reported 2,664 retail investors, 239 wholesale investors and 298 trustee investors.

Figure 4: Number of investors by type (retail, wholesale and trustees)



Note 1: Figure 4 reflects the responses of the survey participants and is not a measure of growth of the whole marketplace lending industry.

Note 2: See Table 6 in the appendix for the complete data used in this figure (accessible version).

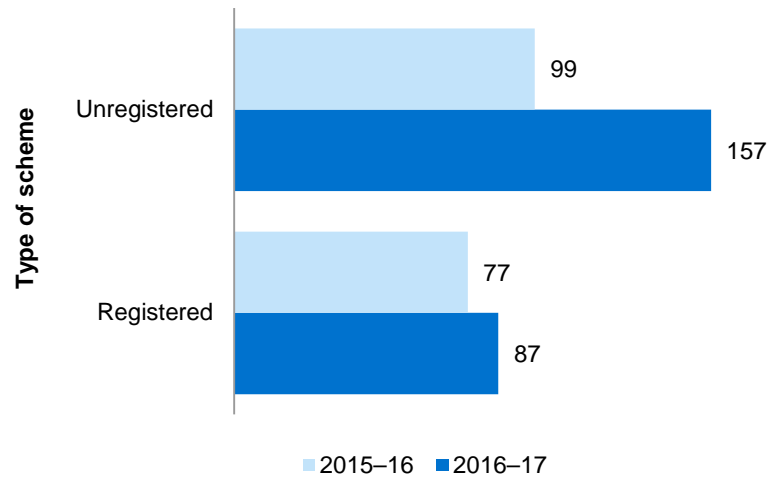
- 40 Investment by wholesale investors accounted for the majority of the investment in the respondents' marketplace lending platforms by dollar amount.

Types of platforms

- 41 Seven of the respondents' 12 marketplace lending platforms were structured as registered schemes, with the balance operating as unregistered schemes. During the 2016–17 financial year, there were three new marketplace lending platforms, two of which operated as registered schemes. One responsible entity of an existing registered scheme decided to deregister the scheme and operate as an unregistered scheme for wholesale investors.

42 The total amount invested in registered schemes was reported to be \$87 million, while \$157 million was invested in unregistered schemes.

Figure 5: Investment in registered and unregistered schemes (\$ million)

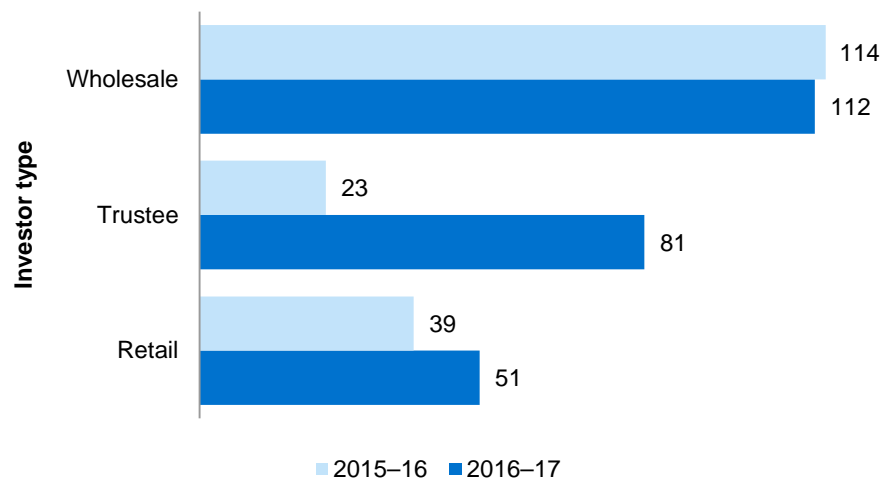


Note: See Table 7 in the appendix for the complete data used in this figure (accessible version).

Amount of funds invested

43 The total amount invested in the marketplace lending platforms operated by the respondents as at 30 June 2017 was \$244 million, consisting of \$112 million (45.9%) invested by wholesale investors, \$81 million (33.1%) by trustee investors and \$51 million (21%) by retail investors.

Figure 6: Amount invested by investor type (\$ million)



Note: See Table 8 in the appendix for the complete data used in this figure (accessible version).

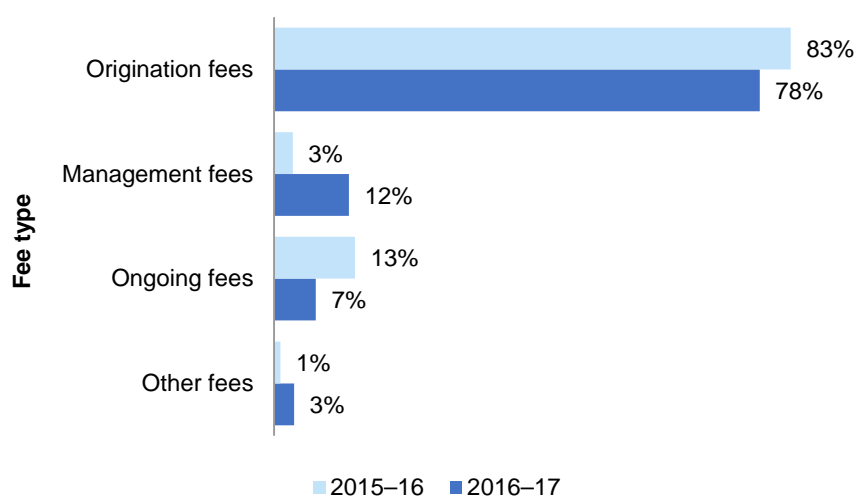
44 The total amount invested increased by \$68 million, from \$176 million (in 2015–16) to \$244 million (in 2016–17). The amount invested by wholesale investors decreased slightly, by \$2 million, while the amount invested by retail investors rose by \$12 million. There was a notable increase in the

amount invested by trustee investors (from \$23 million to \$81 million), which represented an almost four-fold increase in the last year.

Fees and other revenue

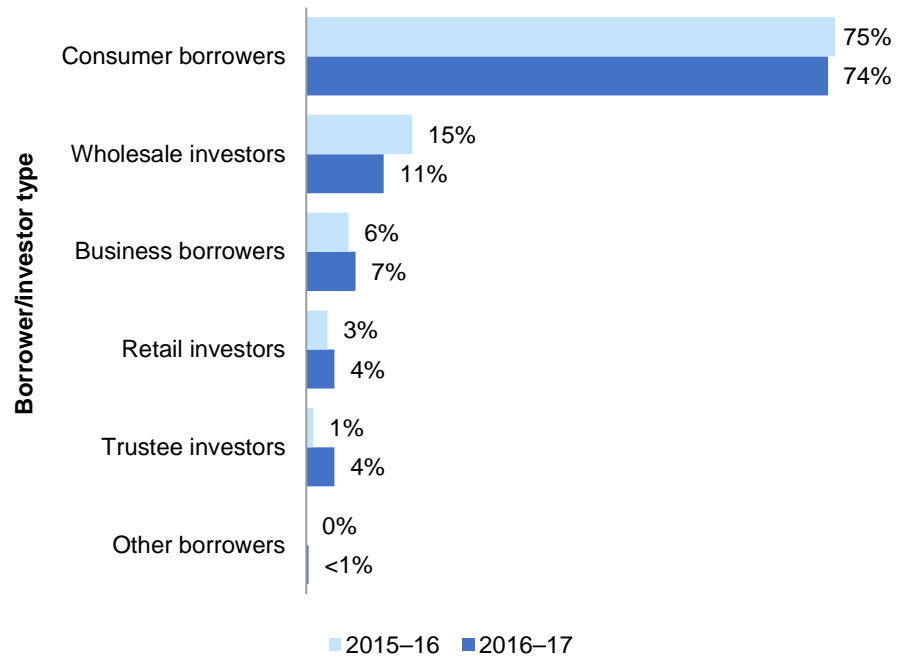
- 45 We asked respondents to outline their fee revenue sources generated from borrowers and investors. As was the case in the 2015–16 survey, respondents primarily earned fee revenue from loan origination, and from consumer borrowers. Loan origination fees accounted for approximately 78% of total fee revenue. There were some other small ongoing and other fees received from borrowers—otherwise, the remaining revenue was generated by investors through management fees.
- 46 Respondents primarily earned fee revenue from consumer borrowers. The fee revenue from borrowers included origination fees (\$8,652,585), ongoing fees (\$149,588), and other fees (\$297,191).
- 47 The main component of investor fee revenue was investment management fees charged to investors (which may be calculated as a percentage of the interest earned on the loans, investors’ portfolio balances, or funds under management) and other fees including an exit fee when investors withdraw money from their portfolio balance. The fee revenue from investors included management costs (\$1,351,419), ongoing fees (\$605,256), origination fees charged to investors (\$118,612) and other sources (\$65,019).
- 48 Figure 7 below shows the sources of revenue by fee type, and Figure 8 shows the distribution of fee revenue by borrower/investor type.

Figure 7: Total fee revenue by fee type



Note: See Table 9 in the appendix for the complete data used in this figure (accessible version).

Figure 8: Total fee revenue by borrower/investor type

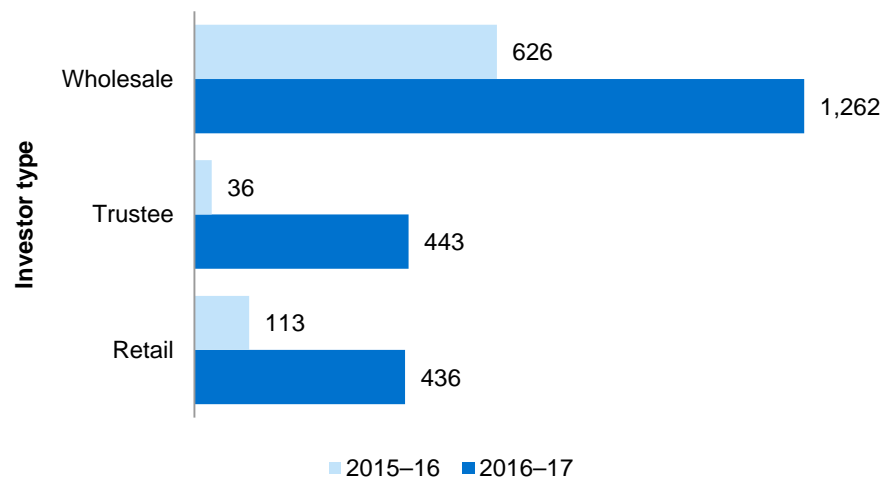


Note: See Table 10 in the appendix for the complete data used in this figure (accessible version).

49 Of the total revenue earned by respondents, 19% was generated from investors, with wholesale investors accounting for 11.2%, followed by retail investors (3.9%) and trustee investors (3.9%). This compares to the 2015–16 survey where wholesale investors accounted for 15%, followed by retail investors (3%) and trustee investors (1%).

50 Figure 9 below shows the distribution of investor fee revenue by investor type.

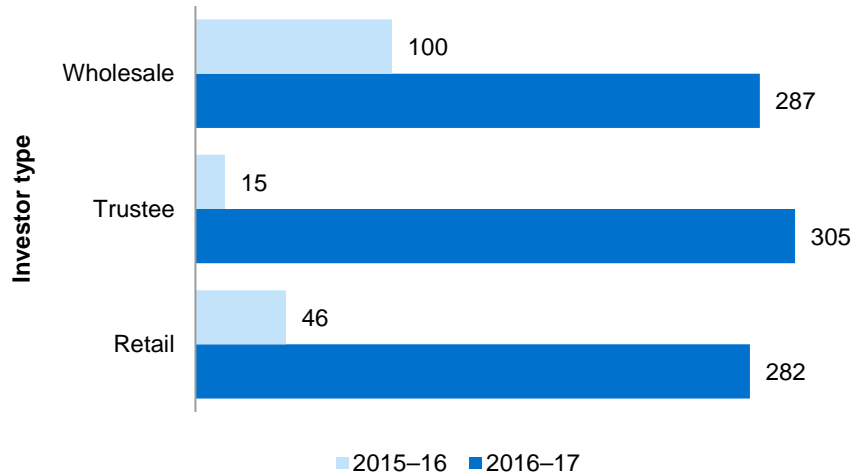
Figure 9: Investor fee revenue by investor type (\$ thousand)



Note: See Table 11 in the appendix for the complete data used in this figure (accessible version).

51 The average revenue received by way of investor fees increased significantly across each category: wholesale, trustee and retail. However, there were significant variances between each entity’s fees. Figure 10 shows the average investor fee revenue by investor type.

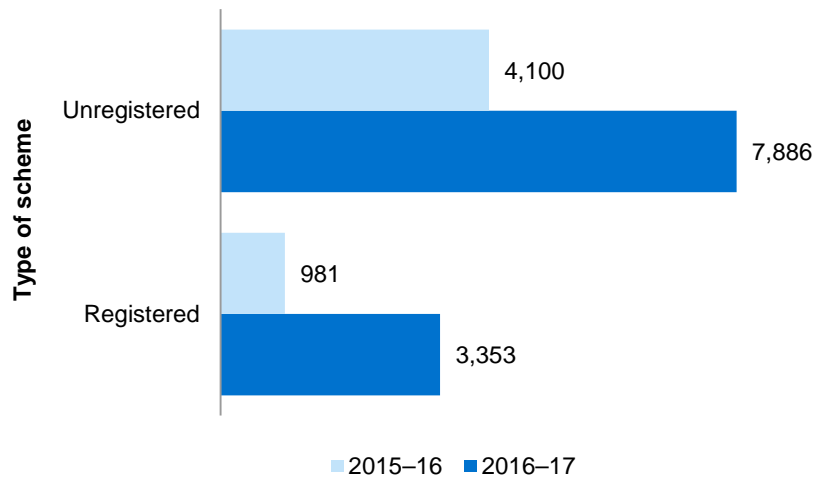
Figure 10: Average investor fee revenue by investor type (\$)



Note: See Table 12 in the appendix for the complete data used in this figure (accessible version).

52 Figure 11 shows the fee revenue for marketplace lending platforms by their legal structure (i.e. registered and unregistered schemes).

Figure 11: Total fee revenue for registered and unregistered schemes (\$ thousand)



Note: See Table 13 in the appendix for the complete data used in this figure (accessible version).

Complaints

- 53 Five respondents noted they had received complaints during the survey period. All advised that they did not receive complaints from investors, and in aggregate received 46 borrower complaints. Of the complaints received, 14 were escalated for resolution via external dispute resolution processes.
- 54 All complaints were resolved except two which were ongoing at the end of the survey period.
- 55 The most common areas of complaints were in relation to hardship applications, non-approval of credit applications and terms of loan repayments.
- 56 Other areas of complaint involved loan fees, alleged non-compliance with lending requirements, credit inquiries and marketing material received.
- 57 By comparison, five respondents also completed this section in the 2015–16 survey. Similar to this year’s survey, all advised that they received no complaints from investors, and 25 borrower complaints (seven of which were escalated for resolution via external dispute resolution processes). Similar areas of complaint and most common complaints were also reported.

Breaches, fraud and cyber security

- 58 Five respondents identified breaches or likely breaches of their obligations under the Corporations Act, as well as incidents or suspected incidents of fraud and cyber security breaches, compared to four respondents in the 2015–16 survey. Across the five respondents:
- (a) There were 10 breaches or likely breaches of the Corporations Act, of which two were reported to ASIC as a significant breach under s912D, compared to seven breaches or likely breaches (with one reported to ASIC) during the 2015–16 survey.

Note: Under s912D of the Corporations Act, an AFS licensee is required to notify ASIC of a breach or likely breach of the financial services laws that is significant. We have issued regulatory guidance for AFS licensees about breach reporting obligations—see [Regulatory Guide 78](#) *Breach reporting by AFS licensees* (RG 78).

- (b) There were 353 incidents or suspected incidents of fraud, compared to 126 incidents or suspected incidents of fraud during the 2015–16 survey.
- (c) There was one cyber security incident, compared to zero during the 2015–16 survey.

C ASIC's role and next steps

Key points

During the survey period, we continued to engage with potential marketplace lending providers via ASIC's Innovation Hub and assessed six licensing applications from marketplace lending providers.

Our surveillance has highlighted instances of non-compliance with the Corporations Act and ASIC Act in relation to advertising and promotional material and disclosure documents for marketplace lending products, which we have raised with the relevant marketplace lending providers.

We will continue to undertake further surveys of marketplace lending providers who are regulated by ASIC. When considering future surveys, we will have regard to the proposed powers for the Australian Prudential Regulation Authority (APRA) to gather data from non-ADI lenders, which may include marketplace lending providers.

ASIC's role and activities in relation to marketplace lending

- 59 Marketplace lending providers are generally subject to regulation by ASIC. Section D of REP 526 outlined ASIC's role and activities in relation to marketplace lending. In March 2016 we published [Information Sheet 213](#) *Marketplace lending (peer-to-peer lending) products* (INFO 213), which outlines the regulatory requirements for marketplace lending involving the provision of financial products and services.
- 60 During the survey period we assessed six licensing applications from marketplace lending providers. Three AFS licence variations were approved, one full AFS licence was approved and one Australian credit licence (credit licence) application was approved. One credit licence application was withdrawn, and there is currently one credit licence application on hold.
- 61 The Innovation Hub has also engaged with 36 potential marketplace lending providers since its inception.
- 62 We have continued to undertake surveillance work in relation to some marketplace lending providers' compliance with the Corporations Act and the ASIC Act. Some of this work is in response to complaints and referrals we have received. We identified additional compliance concerns for some providers during the survey period, including:
- (a) in our review of advertising and promotional material:
 - (i) statements that fees and costs were not payable by investors when fees and costs were outlined to be payable by investors in the disclosure document;

- (ii) absence of information for investors about how interest rates were determined to support that there was a reasonable basis for forecast returns outlined; and
 - (iii) references to ASIC approval when ASIC does not approve the product or promotional material and it is the obligation of the provider to ensure ongoing compliance; and
- (b) in our review of disclosure documents, including Product Disclosure Statements (PDSs) and disclosure to wholesale clients, inadequate disclosure about:
- (i) risks associated with investing in the marketplace lending product; and
 - (ii) relevant fees and costs payable by investors.
- 63 We raised the above concerns with the relevant marketplace lending providers and asked them to amend their advertising and promotional material.

Further surveys and proposed APRA data-gathering powers

- 64 We will continue to undertake further surveys of marketplace lending providers who are regulated by ASIC.
- 65 The two surveys conducted so far have been a useful way of monitoring growth and development in the marketplace lending industry. The surveys have also assisted us in carrying out ASIC's regulatory role of overseeing marketplace lending providers whose businesses involve the provision of a financial product or service.
- 66 On 17 July 2017 the Australian Government released the [draft Treasury Laws Amendment \(Non-ADI Lender Rules\) Bill 2017](#) for public consultation, which proposes to provide APRA with powers to gather data from non-ADI lenders.

Note: See the Hon Scott Morrison MP, Treasurer and the Hon Kelly O'Dwyer MP, Minister for Revenue and Financial Services, [Turnbull Government acts to further strengthen financial stability](#), joint media statement, 17 July 2017.

- 67 Depending on the final form of the legislation and the timing of its passage through parliament, marketplace lending providers may be affected by these reforms. We will have regard to these reforms when considering future surveys of the marketplace lending industry.

Appendix: Accessible versions of figures

This appendix provides accessible table data for the figures presented in this report.

Table 3: Amount borrowed by borrower type (\$ million)

Borrower type	Amount borrowed in 2015–16 (\$ million)	Amount borrowed in 2016–17 (\$ million)
Consumer	130	252
Business	26	47
Other	0	1

Note: This is the data contained in Figure 1.

Table 4: Distribution of loans by interest rate and borrower type (by number of loans)

Borrower type	Interest rate of 0–7.99%	Interest rate of 8–11.99%	Interest rate of 12–15.99%	Interest rate of 16% or more
Business	12%	6%	77%	5%
Consumer	17%	55%	23%	5%

Note: This is the data contained in Figure 2.

Table 5: Proportion of loans in arrears to total outstanding loans (by value)

Days in arrears	2015–16	2016–17
Less than 30 days	1.86%	2.61%
30 days to 89 days	0.59%	1.36%
90 days or more	0.70%	2.26%

Note: This is the data contained in Figure 3.

Table 6: Number of investors by type (retail, wholesale and trustees)

Investor type	2015–16	2016–17
Wholesale	239	279
Trustee	298	638
Retail	2,664	6,851

Note: This is the data contained in Figure 4.

Table 7: Investment in registered and unregistered schemes (\$ million)

Type of scheme	Amount invested in 2015–16 (\$ million)	Amount invested in 2016–17 (\$ million)
Unregistered	99	157
Registered	77	87

Note: This is the data contained in Figure 5.

Table 8: Amount invested by investor type (\$ million)

Investor type	Amount invested in 2015–16 (\$ million)	Amount invested in 2016–17 (\$ million)
Wholesale	114	112
Trustee	23	81
Retail	39	51

Note: This is the data contained in Figure 6.

Table 9: Total fee revenue by fee type

Fee type	2015–16	2016–17
Origination fees	83%	78%
Management fees	3%	12%
Ongoing fees	13%	7%
Other fees	1%	3%

Note: This is the data contained in Figure 7.

Table 10: Total fee revenue by borrower/investor type

Borrower/investor type	2015–16	2016–17
Consumer borrowers	75%	74%
Wholesale investors	15%	11%
Business borrowers	6%	7%
Retail investors	3%	4%
Trustee investors	1%	4%
Other borrowers	0%	< 1%

Note: This is the data contained in Figure 8.

Table 11: Investor fee revenue by investor type (\$ thousand)

Investor type	Fee revenue in 2015–16 (\$ thousand)	Fee revenue in 2016–17 (\$ thousand)
Wholesale	626	1,262
Trustee	36	443
Retail	113	436

Note: This is the data contained in Figure 9.

Table 12: Average investor fee revenue by investor type (\$)

Investor type	Average fee revenue in 2015–16 (\$)	Average fee revenue in 2016–17 (\$)
Wholesale	100	287
Trustee	15	305
Retail	46	282

Note: This is the data contained in Figure 10.

Table 13: Total fee revenue for registered and unregistered schemes (\$ thousand)

Type of scheme	Fee revenue in 2015–16 (\$ thousand)	Fee revenue in 2016–17 (\$ thousand)
Unregistered	4,100	7,886
Registered	981	3,353

Note: This is the data contained in Figure 11.

Key terms

Term	Meaning in this document
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services Note: This is a definition contained in s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
associate	Has the meaning given in Div 2 of Pt 1.2 of the Corporations Act
credit licence	An Australian credit licence under s35 of the National Credit Act that authorises a licensee to engage in particular credit activities
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
current default rate	Total number of loans in default divided by total number of outstanding loans on issue at a point in time
consumer	A natural person or strata corporation. Note: See s5 of the National Credit Act.
default	A failure by a borrower to make a repayment when it is due on a loan, for a period of 90 days or more
managed investment scheme	Has the meaning given in s9 of the Corporations Act
National Credit Act	<i>National Consumer Credit Protection Act 2009</i>
National Credit Code	National Credit Code at Sch 1 to the National Credit Act
survey period	2016–17 financial year
registered scheme	A managed investment scheme that is registered under s601EB of the Corporations Act
REP 526 (for example)	An ASIC report (in this example numbered 526)
responsible entity	A responsible entity of a registered scheme as defined in s9 of the Corporations Act
retail client	A client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations
retail investor	An investor that is a retail client

Term	Meaning in this document
RG 78 (for example)	An ASIC regulatory guide (in this example numbered 78)
wholesale client	A client who is not a retail client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations
wholesale investor	An investor that is a wholesale client

Related information

Headnotes

borrower, investor, loan, marketplace lending provider, platform

Regulatory guides

[RG 78](#) *Breach reporting by AFS licensees*

Legislation

Corporations Act, Ch 5C, s912C, 912D

National Credit Act, Sch 1 (National Credit Code)

Reports

[REP 526](#) *Survey of marketplace lending providers*

Information sheets

[INFO 213](#) *Marketplace lending (peer-to-peer lending) products*