Illion to roll out Tic:Toc's compliant lending software to banks

James Eyers

Credit data giant illion is partnering with Tic:Toc to provide the fintech's responsible lending platform to illion's broad, existing customer base, a move that could help smaller lenders slice credit approval times and compete with the majors.

The partnership between illion and Adelaide-based fintech Tic:Toc, which is 28 per cent owned by Bendigo and Adelaide Bank, could also be used by challenger banks to reduce IT development costs, and prepare them for the adoption of open banking which is set to drive more automation of core banking processes including loan assessments.

Illion is already the largest provider of income and expenditure data to banks and other lenders, which is currently done via a process some refer to as "screen scraping", which involves customers sharing banking credentials for their data to be accessed.

Tic:Toc's 'responsible lending-as-a-service' product, known as XAI Validate, enables fully compliant lending processes because it lets users assess customers on actual income and expenses against ASIC's regulatory requirements, without having to rely on stated financials, HEM or other proxies for reasonable inquiry.

"You don't want 150 banks all building to 150 [different solutions]. You want people building to platforms, providing industry solutions," said Simon Bligh, CEO of illion.

"The customer experience is shifting very rapidly to digital and this solves an industry problem we want the market to be able to access."

Tic:Toc founder Anthony Baum said partnering with illion "will help make our tech available to the industry".

It can be used for all lending including car loans, personal loans and credit cards. The software automates the underwriting processes, removing lengthy assessment times: loans are approved in hours as opposed to days. But it allows human input to override suggestions made by the algorithms, helping to improve the system.

Both illion and Tic:Toc have applied to the Australian Competition and Consumer Commission for accreditation as data recipients under the open banking regime. They will also consider becoming "intermediaries" when those rules are finalised by the ACCC.

Mr Baum declined to say how many lenders are using the software after it was launched in February, but said there are "banks and non banks of a range of sizes" on the system and exploring new applications.

The system may be of more interest to smaller lenders given the procurement challenges in major banks and their reluctance to turn to new systems for core processes embedded into complex, legacy IT systems.

But mutual and smaller banks, who are less digitised, could use their existing connections with illion to compete more effectively with the big banks on turning around loan requests.

Mr Bligh said COVID-19 has accelerated digitisation trends and lenders should realise that when "someone at home is looking to refinance they have the market at their fingertips, and someone who can deliver great customer experience can benefit. Things like open banking and XAI Validate create end-to-end customer experience which enables that."

Tic:Toc's is not the only responsible lending application being offered to lenders. Regional Australia Bank, accredited as one of the first two open bank recipients, is using a similar system developed by Basiq, an outsourced service provider under the open banking rules.

Tic:Toc is also lending directly, using Bendigo's balance sheet. It originates around $100 million of mortgages per month, on loan portfolio growth of 128 per cent over the 2020 financial year. It expects its settled loan portfolio to exceed $1 billion this quarter. Credit quality is strong, with 0.12 per cent of its loans more than 30 days in arrears.

Anthony Baum, founder of Tic:Toc: "We have industrialised open banking capability into enterprise software."