

Target Market Determination: Secured Personal Loan

What is a Target Market Determination?

SocietyOne is required to have Target Market Determinations under the Treasury Laws Amendment (*Design and Distribution Obligations and Product Intervention Powers*) Act 2019. This regulation is in place to ensure we continue to design and develop our products in line our customers' needs and distribute our products to suitable audiences.

The following Target Market Determination describes who the target market is for a SocietyOne secured personal loan, and outlines conditions for how the product can be distributed. It also details the events or circumstances where the Target Market Determination for this product may need to be reviewed.

Secured Personal Loan

Product suitability

The product is suitable for customers who meet the general eligibility criteria, which is as follows:

- Minimum age of 18 years
- Earning more than \$30,000 p.a. from employment (Centrelink may be supplementary income)
- Australian citizen or permanent resident
- Good credit history
- Have eligible assets (car, motorbike, caravan, marine vessel) to use as security for the loan
- Loan purpose varies, but mainly for personal use

The product is designed to meet the needs of customers looking to fund a personal purpose such as:

- Buy or refinance assets, e.g. car, caravan, marine vessel, motorcycle
- Better manage personal debt obligations through consolidating debt (better interest rate/repayment amount)
- Finance a personal need (renovation, holiday, other large purchase)

The key factors the customer considers when purchasing a personal loan are:

- Interest rates, associated fees, and repayment obligations
- Flexibility to pay out the loan early
- Ease of application and time to approval
- Security and eligibility
- Brand trust

The typical financial position of the suitable customer for the SocietyOne secured personal loan product is one where the customer has an income / expenditure surplus, is able to afford repayments over time but requires funds in the short term, or has a vehicle that can be used as security to access a better interest rate, higher loan size or longer loan term.

Secured personal loan product features

The key product features are:

- Borrow between \$5,000 and \$70,000
- Choose between loan terms of 2, 3, 5 or 7 years, with monthly or fortnightly repayments
- Risk adjusted pricing, based on the customer's credit profile
- Fees include an establishment fee, included in the total loan amount, and relevant dishonor fees

Security requirements:

- Eligible asset types include vehicles, motorbikes, caravans, marine vessels
- Minimum security value required is \$5,000 - \$20,000 (depending on loan size)
- There is no limit on the age of asset
- Comprehensive insurance may be required

The product meets the customers' needs through the following key benefits:

- Access a rate quote (price/cost discovery) and self-determine if the product is suitable, in a quick and simple way prior to a formal loan application.
- Fixed repayments and rate over the lifetime of the loan, to give the customer certainty of product cost.
- The ability to pay out the loan early with no penalty fees.
- No ongoing monthly fees.
- The timing of direct debits can align to the customer's pay cycle.
- The digital application process allows customers to apply quickly and easily
- Ability to access a better interest rate, higher loan amount and/or longer term by pledging an asset as security

Secured personal loan potential risks and controls

Product affordability is assessed at the time of application to ensure the loan is affordable by:

- Complying with responsible lending obligations
- Reviewing bank statements to verify income and liabilities as part of the assessment process
- Performing a credit file check to confirm liabilities and repayment history
- Assessing serviceability and product suitability

The potential for a customer to misrepresent their financial needs, liabilities and expenses is controlled by:

- Reviewing bank statement to verify income and liabilities, credit file check to confirm other credit facilities and repayment history
- Performing identity and fraud checks
- The verification of income with bank statement or through payslips

A customer's inability to meet financial obligations due to financial hardship is controlled through the provision of hardship arrangements, made available to customers as a way to manage short term change in their financial circumstances.

Changes in the customer's needs during the life of the loan is managed by:

- The ability to pay out the loan early, with no penalty
- The option to refinance with SocietyOne

Asset eligibility is assessed at the time of application by:

- Confirming the value of the asset via Glass's Guide or Redbook
- Confirming the asset is unencumbered or an existing financier will be paid out
- Confirming the borrower is the owner of the asset

The potential for the security to change during the life of the loan (e.g., security is sold, stolen, written off)

- Customer can replace the existing asset with another asset
- Insurance or customer payout
- Convert from a secured personal loan to an unsecured personal loan (with a change in interest rate)

Common reasons why a customer may not proceed with an application

Customers may not be satisfied with the quote element of the product because:

- Due to the risk adjusted pricing, the advertised rate was lower than the rate quoted to the customer
- The application was declined (i.e. customer was not eligible for a quote)

Typical complaints made by personal loan customers

Customers may not be satisfied with the purchased personal loan product due to:

- The fees or interest charged when payment obligations are not met
- The options available for changing loan repayments (varying the contracted amount or frequency)
- The credit enquiry recorded on the customer's credit file
- Accessibility to account/payment change information
- Estimated value of asset used as security

- Higher interest rate on conversion to unsecured personal loan

Product performance measures

SocietyOne measures its customer satisfaction and customer suitability through:

- Percentage of customers that maintain payment obligations
- The ability for the customer to pay the loan out in full
- Complaint data including EDR complaints
- Customer feedback
- Delinquency and loss rates
- Feedback from distributors

Product distribution

A customer can access a secured personal loan from SocietyOne via:

- The SocietyOne website, known as the direct acquisition channel
- A broker, who applies for the product on behalf of the customer through a dedicated portal
- Referred via third party partners, often via a link to the SocietyOne website / application form

Distributors are limited by the following conditions and restrictions:

- Only SocietyOne may approve customer applications
- Distributors must be approved and adhere to contract terms and conditions
- Customer must be within the target market
- Loan must meet SocietyOne Credit Policy and suitability requirements including serviceability.
- Customer must accept the privacy disclosure and receive the Credit Guide

Review Triggers

Events that would signal to SocietyOne that the target market determination requires review, include:

- A material change to the product or its distribution
- A significant increase, beyond expected levels, in the volume of nature of complaints, dispute or defaults
- A change in law or its application, a change in relevant industry code, an AFCA determination, a court decision, or ASIC or other regulatory guidance that materially affects the product
- Feedback from a regulator or consumer group which relates to the suitability of the product or its distribution
- A significant dealing event

A significant dealing event is selling a product to a segment of customers who fall outside the target market

SocietyOne will stop distributing its secured personal loan (a 'stop distribution' event) if:

- Systemic issue suggesting a breach of core compliance obligations
- A cyber security event results in a compromise of customer data or fraudulent compromise of the business
- Funding limitations restrict the funding available for loans

The Target Market Determination for secured personal loans is reviewed annually.

- First review start date: October 2022

Reporting

Brokers and Referrers can distribute the personal loan product on SocietyOne's behalf. These distributors must notify SocietyOne of:

- Complaints (number and nature) to be reported quarterly
- Significant dealings - any dealings in the product outside the target market must be reported immediately
- Incidents of fraud - any instances of fraud or potential fraud, must be reported immediately
- Any other significant feedback from a regulator or consumer group which relates to the suitability of the product or its distribution

Reports to SocietyOne should include:

- Date(s) the reportable event occurred
- Description of the reportable event and suspected root cause
- How the reportable event was identified
- If a significant dealing event occurs, the steps, if any, that have been, or will be, taken in relation to the significant dealing