easyBondpay™
makes renting easier for you

Target Market Determination

Product: easyBondpay Residential Tenancy Bond Loan

Date of this TMD

This Target Market Determination (**TMD**) is made on, and takes effect from, 5th October 2021.

The purpose of a TMD

A TMD seeks to help consumers obtain appropriate financial products. In it, the issuer considers the design of the financial product concerned (including its key attributes) and determines the appropriate target market for the product – that is, the class of consumers for whom the product would likely be consistent with their likely objectives, financial situation and needs.[1]

A TMD also specifies the conditions and restrictions on distribution of the product that make it likely that the consumers who acquire the product are in the appropriate target market.[2]

Issuer

This TMD is issued by Easybondpay Pty Ltd ABN 82 615 030 245, ACL 495421 (**we, our, us**).

Product concerned

This TMD applies to our residential tenancy bond loan product known as "easyBondpay" (**the product**).

Limitations of this TMD

This TMD assesses the suitability of the product for its intended market. That assessment is of necessity general in nature. Accordingly, this TMD does not make an assessment of the product's suitability for any consumer in particular, or taking into account such a consumer's particular circumstances.

This TMD is not intended to provide financial advice. Consumers should consult their broker or financial advisor when making a decision about acquiring the product.

This TMD is not a disclosure statement, not does it explain or summarise the product's terms and conditions. Consumers should refer to the credit contract's terms and conditions when making a decision about the product.

This TMD does not form part of the credit contract, nor does it affect or change a consumer's contractual relationship with us in any way. As to that relationship, refer to the terms and conditions of the credit contract.

The class of consumers that comprises the target market for the product

The target market for the product is consumers who wish to pay a residential tenancy bond in instalments rather than a single up-front payment.

Save for what follows, no consumers within the target market are excluded on the basis that they would not receive any benefit from the product, or that the product is not suitable for them.[3] For example, because the product is a basic loan product, there are no consumers who lose benefit under it because of their individual circumstances, or who are acquiring a risk investment product that is inappropriate for their risk tolerance level.[4] Also, as explained below, the product remains beneficial even for consumers with modest financial means.

As the product is subject to the National Credit Code,[5] an individual suitability assessment is conducted in respect of each applicant for the product. The focus of that assessment is the product's suitability for the consumer given their individual requirements or objectives, and their individual financial situation (and, specifically, their ability to comply with their financial obligations under the proposed credit contract, and without substantial hardship).[6]

The product is not suitable for consumers who fail that suitability assessment process, and hence such consumers are not in the target market.[7] Arranging for them to apply for the product will still constitute "distributing" the product to them,[8] but we consider it will not be unreasonable to do so in circumstances where a Code-lending suitability assessment process is to follow. In any case, it is beyond the scope of a TMD to prescribe how such a consumer is to be identified for exclusion.[9] It is also impossible to do so without first making the inquiries, and collecting and verifying the information, that that process requires.[10]

The product and its key attributes

The product is a simple loan repayable in instalments, namely equal monthly or fortnightly instalments over either 3 or 6 months, and being a loan to a consumer to pay a residential tenancy bond which the consumer must pay in order to secure a tenancy of a residential property.[11]

That design cannot be usurped, as the loan cannot be diverted to paying anything other than the relevant residential tenancy bond because, by the credit contract's terms, the loan moneys must be paid to the relevant bond-holding authority, or to the landlord's property manager, for the purpose of meeting the bond.

We consider there is nothing unfair, unsuitable or onerous in any attribute of the credit contract, whether it be the proposed credit charges to be applied, the terms and conditions, or the contract's readability or understandability. The loan is a modest amount, the contract duration is short in time length (6 months or less),[12] the payments are evenly spread, and there is no large final payment to be made.[13] Further, the credit contract does not involve other add-on expenses which are to be financed, such as premiums for insurance relating to the credit contract.

Also, the nature of the product is distinctive in that the consumer owns the bond at the end of the credit contract. Unlike most consumer loans, where the principal is spent on immediately used services or consumable goods, or on the purchase of devaluing and/or deteriorating goods or assets, the full amount of the principal paid by the consumer belongs to the consumer at the end of the credit contract. There is no issue as to "useful life", nor as to lack of ownership at the end of the contract. Accordingly, we consider the value of the product to a consumer to be superior to many other financial products, because it is neither a risk investment, nor a wasting investment.

The likely objectives, financial situation, and needs of the target market

Objectives

The product has been designed for consumers who wish to pay a residential tenancy bond in instalments rather than a single up-front payment. The consumer's likely objective in acquiring the product is therefore obvious, namely to defer the payment of a residential tenancy bond that would otherwise have to be paid immediately and in full. The characteristics of the product plainly match that objective.

Financial situation

The financial situation of consumers of the product will vary, but it is noted that the product cannot be acquired by a consumer unless they meet a number of financial tests that we apply in the Code-lending suitability assessment process referred to above. These tests go to better ensuring that no consumer who is issued the product will have inadequate financial means to meet their payments under the credit contract.[14]

That Code-lending suitability assessment process also requires the applicant to provide access to their last 90 days bank statements, so that independently verifiable income and expenses details are then available for analysis.

The fiscal reasons for consumers electing to pay a bond in instalments will also likely vary. A consumer may simply desire to apply available funds to other wants. On occasion, a consumer's financial position may mean they are not able to pay the bond in full immediately, or that it will be a burden or hardship for them to pay it in full immediately.

The most likely reason, however, is not the consumer's financial situation, rather the simple convenience, and the aid to budgeting, that is gained by spreading an expense over smaller periodic instalments.

Needs

As noted above, the purpose for which the product is sought by a consumer is, and can only be, to assist the consumer to secure a residential tenancy, *viz.* the purpose of securing a necessity (that is, shelter). Spending reasonably on shelter is not discretionary spending, it is necessary spending on a basic human necessity. It is needed to meet a human requirement of the most fundamental kind. The product thus assists a consumer to meet their needs in that respect.

Even where a consumer *must* pay in instalments by reason of their financial situation, it is noted that the only alternative to instalment payment is not to take out the residential tenancy at all.[15] Using the product, the consumer can elect to relieve themselves of the burden of immediate payment, yet still have the ability to meet their basic need for shelter. Bond lending is, in that sense, beneficial lending.

A survey we conducted when launching the product found there were 23 existing parties offering residential bond loans, and the majority of them had been doing so for over 10 years. Those statistics tend to demonstrate that the product fulfils a well-founded need for it by consumers in the target market.[16]

Consistency between the target market and the product

We assess that the product, including its key attributes, as described above, has been designed in a way that is likely to be consistent with the likely objectives, financial situation and needs, as identified above, of consumers in the target market, as identified above, and for whom the product is intended.

In particular, we so assess based on our experience of issuing the product over the last 5 years.[17] In that time, there may have been consumer complaints (or contested debt collection claims) where a consumer has alleged that monies are not owed, or that consent was not given for an account to be debited, or otherwise in respect of the administration of the product once issued, but there has never been any material complaint that the product was of no or little utility or benefit to a consumer, or operated to the disadvantage of a consumer, or was otherwise not appropriate to the likely objectives, financial situation or needs of a consumer.

Distribution of the product

Distributors

Distributors of the product are legally obliged to take reasonable steps that will result in, or are reasonably likely to result in, distribution of the product being consistent with this TMD.[18]

The product is only distributed by us direct to consumers through our online application portal, or through residential property managers (in which case, the applicant is ultimately directed to the online application portal in any event). The clients of, and the services offered by, those third party distributors are consistent with the target market for the product.[19]

There is no facility for a person to obtain the product otherwise than above. Accordingly, the distribution method tends to make it certain that the product is distributed consistently with this TMD, and is only distributed to consumers in the target market.[20]

Distribution conditions

The product must only be distributed by third party distributors who are previously authorised by us in writing to do so.

Distributors must use reasonable endeavours to only distribute the product to consumers in the target market identified above, and in circumstances where the product is likely to be consistent with the likely objectives, financial situation and needs of the target market as identified above.

Distributors must also use reasonable endeavours to not distribute the product to any consumer –

1. who is not a person desiring the product to assist them to pay a residential tenancy bond
2. who is under the age of 18 years
3. having suspected poor creditworthiness, or known to have bad debts or inadequate financial means
4. suspected of providing misleading or fictitious bond funding application details or
5. suspected of other or previous fraudulent activity, whether relating to bond funding or not.

All applications for the product must be made via the relevant online application portal.[21]

We assess that these distribution conditions are appropriate, and will make it likely that the consumers who acquire the product will be in the target market for whom the product has been designed (having regard to the fact that, in order to so acquire the product, the consumer must also pass a Code-lending suitability assessment).

Reviewing this TMD

We will conduct an initial review of this TMD one year after it takes effect. That review must be completed by the last business day of October 2022.[22]

We will then conduct periodic reviews, and which must be completed no less than every 4 years after the completion of each previous review.[23]

We consider that more frequent reviews are unnecessary as, based on our experience of issuing the product over the last 5 years, we assess that the risk of the product offending the design and distribution laws is extremely low. Other factors in this assessment are that the product is a simple loan product, it is not a risk investment, and we have issued it for some years through a proven and reliable distribution network.[24]

We will also review this TMD in the event of certain "review triggers", namely –

1. Any material change we propose to make to the design or distribution of the product.
2. Any circumstance that materially changes a factor as taken into account in this TMD.
3. Any change in laws or Government policy impacting design and distribution obligations.
4. Any occurrence of a "significant dealing" as defined under the next heading.
5. Any serious non-compliance with this TMD.
6. Any notification, feedback or complaint (whether from a distributor, consumer or other person), or any other circumstance, which suggests –
   (a) the distribution conditions in this TMD are inadequate
   (b) the product has been distributed outside the target market as identified above or
   (c) the product, including its key attributes, may be (or may have become) inconsistent with the likely objectives, financial situation and needs of the target market as identified above.
7. Any other event or circumstances which suggest this TMD or any of its contents may be inadequate or no longer appropriate or in need of change.
8. Any request from ASIC that we review this TMD.

Where a review trigger has occurred, this TMD must be reviewed within 10 business days.

Where any circumstance has occurred that would reasonably suggest that this TMD is no longer appropriate then, from as soon as practicable, but no later than 10 business days, after we become aware of that, we must not distribute the product unless and until we have reviewed this TMD and also, if the review determines this TMD is no longer appropriate, we have made a new TMD for the product which complies with s.994B.[25]

Our Compliance Officer is responsible to carry out any periodic or other review.

He or she must go through this TMD in detail, and make sure it is effective, up-to-date, relevant and robust.[26]

Should it appear necessary or desirable, he or she will amend this TMD, and re-issue the amended version.

Also, should it appear necessary to him or her, he or she may also recommend that we cease offering the product, or cease to distribute it through any particular third party distributor.

Monitoring and reporting

We will continuously monitor that the product is distributed in accordance with this TMD.

All distributors must report in writing to us promptly, and in any case within 10 business days, any complaint relating to the product,[27] and also any "significant dealing" in respect of the product,[28] which we define as –

(a) any non-compliance with the distribution conditions set out above

(b) any dealing in the product which is not consistent with this TMD[29]

(c) any complaint as aforesaid which relates to the design and/or distribution of the product, or

(d) any other event which may suggest any inadequacy in, or any ineffectiveness of, this TMD.

Such reports must include the substance of the complaint, non-compliance, dealing or other event in question, and should also include any other general feedback relating to the product and its performance.[30]

Based on our experience of distributing the product for the last 5 years, we do not anticipate any significant dealing of the kind listed, nor do we anticipate many complaints. Therefore, no specific reporting period (or minimum number of occurrences for a report) have been fixed, rather all distributors must report every single such occurrence to us immediately it occurs and, in any event, within 10 business days.[31]

If we become aware of a "significant dealing" as defined above in respect of the product, being one that is not consistent with this TMD, we will report it in writing to ASIC as soon as practicable, and in any case within 10 business days, after becoming so aware.[32]

Record keeping

We will collect and keep complete and accurate records of our decisions (and the reasons for them, and the information relied on) in relation to formulating and reviewing this TMD, and in relation to review triggers.[33]

Distributors are also legally obliged[34] to keep records of certain information in relation to the product, namely –

(a) the steps the distributor has taken to ensure that its distribution of the product is consistent with this TMD

(b) any information that the distributor is required to report to us as set out under the preceding heading (including the number of complaints the distributor receives in relation to the product) and

(c) the dates on which the distributor reported to us any of the above.

The records referred to under this heading must be kept for up to seven years.[35]

[1] *Regulatory Guide 274: Product design and distribution obligations*, Australian Securities and Investments Commission, December 2020, para. RG 274.8, <https://download.asic.gov.au/media/5886971/rg274-published-11-december-2020.pdf>. References herein to "RG" with a number are to paragraph numbers of Regulatory Guide 274.

[2] RG 274.9.

[3] In particular, there is no differentiation based on a consumer's life stage: refer to RG 274.75. Nor is there any need to differentiate, as adults of all ages need shelter.

[4] Refer to RG 274.85.

[5] *National Consumer Credit Protection Act 2009*, <http://classic.austlii.edu.au/au/legis/cth/consol_act/nccpa2009377/>, Schedule 1.

[6] *Ibid.*, s.131(2). Comparing that Code-lending suitability assessment with a TMD (which assesses whether a product is likely to be consistent with the target market's likely objectives, financial situation and needs, and how to distribute the product so it is likely distributed to that target market), the coincidence is obvious. Given that, by law, the product can only be "issued" after the applicant has passed an individual Code-lending suitability assessment, it would seem to follow that, by reason of that fact alone, this TMD is then "such that it would be reasonable to conclude that, if the product were to be issued … to a retail client in accordance with the distribution conditions … it would likely be consistent with the likely objectives, financial situation and needs of the retail client", as required by s.998B(8). Indeed, it is more than "likely" the case that the product will be so consistent, it will have been assessed that it is "actually" the case. Further, because before its "issue" the product has been actually assessed by the issuer as meeting the objectives and requirements (i.e. needs) of the particular consumer, and reasonably conformably within their financial situation, then arguably nothing more is required by way of the "reasonable steps" that a distributor must take so that the product is "reasonably likely" to be distributed consistently with this TMD, as required by s.994E(3)(d), at least so far as concerns consistently with "the likely objectives, financial situation and needs of the retail client". Which raises the questions: why require a parallel, but "market-wide", suitability assessment when an individual personal suitability assessment is already required? If the aim of a TMD is to stop the issue of products to consumers unless they have certain characteristics defined in the TMD, isn't to assess the particular consumer's actual characteristics of that kind at the time of application a better way to achieve that? If the "design and distribution obligations are intended to help consumers obtain appropriate financial products" (RG 274.5), isn't a Code-lending suitability assessment process a more "consumer-centric" way of doing that? What meaningful utility is there in doing a TMD as well? Arguably, Code-lending products should have been excluded from the TMD regime or, at the least, ASIC ought to have provided guidance in RG 247 as to what "reasonable" design and distribution steps it considered may remain to be carried out by issuers and distributors of Code-lending products given that a consumer-specific suitability assessment is required to be done anyway.

[7] As it is for a TMD to circumscribe the "target market" – see its definition in s.994A, *Corporations Act 2001*, <http://classic.austlii.edu.au/au/legis/cth/consol_act/ca2001172/>. Unless otherwise stated, references herein to sections and regulation numbers are respectively to sections of that Act and regulation numbers of the *Corporations Regulations 2001*, <http://classic.austlii.edu.au/au/legis/cth/consol_reg/cr2001281/>.

[8] Arranging for them to be able to apply for the product constitutes "dealing" in a financial product (s.766C(1) and (2)), and hence engaging in "retail product distribution conduct" (S.994A) in relation to them.

[9] RG 274.71: "the design and distribution obligations do not require an issuer to assess the suitability of products for the circumstances of individual consumers".

[10] A task for which ASIC's guidance extends to 43 pages. See *Regulatory Guide 209: Credit licensing: Responsible lending conduct*, Australian Securities and Investments Commission, December 2019, pages 17-59, <https://download.asic.gov.au/media/5403117/rg209-published-9-december-2019.pdf>.

[11] In limited circumstances, the consumer can also seek to draw down further funds, but only to meet a rent deposit payable by the consumer relating to the same residential tenancy of the same residential property. It rarely happens, so they are not "likely" to do so.

[12] Thus avoiding the "particular consideration" identified in RG 274.91.

[13] Refer to RG 274.77.

[14] The current tests are: a consistent minimum income of $1500 per month; income to be at least 10 times the monthly instalment; no more than 3 dishonours in the last 90 days; loan commitments must be less than 40% of income; and there must be no existing debt agreements with more than $500 owing.

[15] Unless the landlord relents on a bond being paid, in which case the product is both unnecessary and unobtainable.

[16] Refer to RG 274.144.

[17] RG 274.78 states that "data and outcomes from previously issued products of a similar nature … should drive an issuer's determination of whether a product feature or attribute affects the product's appropriateness for a target market …"

[18] S.994E(3).

[19] Refer to RG 274.88, Table 3, 3rd dot point.

[20] S.994B(8)(a), and RG 274.143.

[21] This is thus the only distribution "channel" available. Refer to RG 274.177(b).

[22] Since this TMD is "made" (that is, effectively issued – see s.1371) on 5th October 2021, the maximum period for the purposes of s.994B(5)(e) is 12 months and 26 days.

[23] Refer to the requirements of s.994B(5)(f).

[24] Refer to RG 274.110.

[25] Refer to the requirements of s.994C(3).

[26] The review must also be conducted in accord with ASIC's expectations in RG 274.154-RG 274.156 so far as applicable.

[27] S.994F(4) and RG 274.217–RG 274.218.

[28] Distributors should note that they are legally obliged to do so under s.994F(6).

[29] S.994F(6) and RG 274.211–RG 274.215.

[30] Refer to RG 274.118.

[31] In other words, the reporting period for the purposes of s.994B(5)(g) is a maximum of 10 business days.

[32] S.994G. The information that ASIC anticipates will be reported to it is set out in RG 274.162, Table 5.

[33] S.994F(1).

[34] S.994F(2)–(3).

[35] S.1101C.