

Target Market Determination: Secured Personal Loan

Effective Date: 26 November 2021

What is a Target Market Determination?

SocietyOne is required to have publicly available Target Market Determinations under section 994B of the Corporations Act 2001. This ensures we continue to design and develop our products in line with 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 a customer considers when applying for 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 dishonour 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 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, expenses 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, expenses 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 a customer's needs during the life of the loan are 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 use of risk adjusted pricing, the advertised interest rate may be lower than the rate quoted to the customer
- The application may be 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 suitability through:

- Proportion of customers that maintain payment obligations
- Complaint data, including EDR complaints
- Delinquency and loss rates
- Feedback from distributors.

Unsuitable customers

SocietyOne considers that the secured personal loan product will be unsuitable for consumers who:

- Do not meet the eligibility criteria set out above
- Do not have a suitable asset to use as security
- Require credit for everyday purchases.

Appropriateness of product

SocietyOne considers it is likely that its secured personal loan product, including the key features and attributes of the product, is appropriate for customers in the target market, and is consistent with the likely objectives, financial situation and needs of those customers. This is because the secured personal loan product:

- Has a broad target market
- Allows customers to spread the cost of a large purchase or other personal need over the life of the loan, with the certainty of a fixed rate and fixed repayment amount
- Allows customers to access a lower interest rate by providing security against the loan amount
- Is only available to customers who meet SocietyOne's credit assessment criteria and suitability requirements including serviceability.

Product distribution

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

- The SocietyOne website
- A broker, who applies for the product on behalf of the customer through a dedicated portal
- A referral from a third party partner, often via a link to the SocietyOne website/application form.

Distributors (brokers and referrers) can distribute the personal loan product on SocietyOne's behalf subject to the following conditions and restrictions:

- Brokers must hold an Australian credit licence or be appointed as a representative of an Australian credit licence holder and be accredited by SocietyOne
- Distributors must enter into an agreement with SocietyOne and adhere to the terms and conditions of that agreement
- Loan applications must be submitted via SocietyOne's broker portal or website
- Only SocietyOne may approve customer applications
- Customer must be within the target market
- Loans must meet SocietyOne credit assessment criteria and suitability requirements including serviceability
- Broker customers must agree to the Privacy Disclosure Statement, receive the Credit Guide and agree to the loan terms and conditions.

SocietyOne considers that the distribution conditions are appropriate and that it is likely the product will be distributed to customers in the target market because:

- The target market is broad
- SocietyOne maintains oversight over distributors
- Brokers must possess and maintain industry knowledge and experience
- Customers must demonstrate the capacity to make the required repayments on a loan and meet SocietyOne's credit assessment criteria.

Distributors must report to SocietyOne on the following:

- General complaints information (number and nature), to be reported quarterly
- Specific complaints, as soon as practicable after receipt of the complaint
- Incidents of fraud or potential fraud, as soon as practicable after the distributor becomes aware
- Any significant dealings in the product outside the target market, as soon as practicable after the distributor becomes aware
- Any significant feedback from a regulator which relates to the suitability of the product or its distribution, as soon as practicable after the distributor becomes aware.

Reports to SocietyOne should include:

- The date(s) the reportable event occurred
- A 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.

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 or 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 which relates to the suitability of the product or its distribution
- A significant dealing event (i.e. 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:

- A systemic issue occurs, which suggests 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 will be reviewed as follows:

- First review to be completed by: 26 November 2022
- Ongoing reviews to be completed by: every 12 months from the first review
- Trigger reviews to be completed by: within 10 days of a trigger event.