

Responsible Lending Policy

City Finance Lending Pty Limited

Company:	City Finance Lending Pty Limited
ACN:	602 842 839
ACL:	469854
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VERSION CONTROL

Version Number	Date Updated	Notes
1	1 July 2024	Original document prepared and finalised.
2	18 February 2025	Approved by the Board

SECTION A – INTRODUCTION

1. BACKGROUND

- 1.1 This document outlines City Finance Pty Limited's ("**City Finance**") policies and procedures for meeting an Australian Credit Licensee's responsible lending obligations.
- 1.2 Under the *National Consumer Credit Protection Act 2009* (Cth) ("**the National Credit Act**"), the Responsible Lending Obligations apply where the Licensee:
 - (a) enters into a Credit Contract with an applicant;
 - (b) increases the credit limit on an existing Credit Contract; or
 - (c) makes an unconditional representation to an applicant that the licensee considers that they are eligible to do either of the above with the licensee;
- 1.3 The primary obligation is to conduct an assessment to determine whether the Credit Contract is 'not unsuitable' for the client.
- 1.4 A Credit Contract will be unsuitable where it is likely that:
 - (a) the Credit Contract does not meet the applicant's requirements and objectives; or
 - (b) the applicant will be unable to meet their payment obligations either at all or only with Substantial Hardship; or
 - (c) it does not comply with other circumstances as noted by the law that may apply to this Credit Contract.
- 1.5 To comply with its responsible lending obligations, City Finance must perform the following four steps:
 - (a) make reasonable enquiries about the applicant's financial situation, and their requirements and objectives;
 - (b) take reasonable steps to verify the applicant's financial situation; and
 - (c) make a final assessment about whether the Credit Contract is 'not unsuitable' for the applicant;
 - (d) take any steps prescribed by the regulations to verify any matter prescribed by the regulations.
- 1.6 These obligations apply to City Finance when City Finance:
 - (a) enters into a Credit Contract with an applicant;
 - (b) makes an unconditional representation to an applicant that City Finance considers that they are eligible to enter into a Credit Contract with City Finance.
- 1.7 These obligations will apply to new Credit Contracts and also when City Finance considers whether to increase a credit limit under an existing Credit Contract.

2. OBJECTIVES OF POLICY

2.1 City Finance's Responsible Lending Policy ("**Policy**") has been implemented because:

- (a) City Finance has an obligation under the law to have in place adequate arrangements to guarantee that its responsible lending obligations are met;
- (b) City Finance also has a general obligation as a licensee to deal with applicants efficiently, honestly and fairly; and
- (c) where procedures for meeting the responsible lending obligations are not managed appropriately, City Finance's Australian Credit Licence ("**ACL**") may be suspended or cancelled and City Finance and/or its Representatives may be liable for fines and/or imprisonment in extreme cases.

2.2 This Policy applies to City Finance and all of its Representatives.

3. DEFINITIONS

3.1 **ADI** refers to an Authorised Deposit-taking Institution.

3.2 **Credit Contract** refers to a contract under which credit is or may be provided to which the National Credit Act applies. The National Credit Act applies when the Credit Contract is entered into or (in the case of pre-contractual obligations) is proposed to be entered into, where:

- (a) the debtor is a natural person or a strata corporation; and
- (b) the credit is provided or intended to be provided wholly or predominantly:
 - (i) for personal, domestic or household purposes; or
 - (ii) to purchase, renovate or improve residential property for investment purposes; or
 - (iii) to refinance credit that has been provided wholly or predominantly to purchase, renovate or improve residential property for investment purposes; and
- (c) a charge is or may be made for providing the credit; and
- (d) the credit provider provides the credit in the course of a business of providing credit carried on in this jurisdiction or as part of or incidentally to any other business of the credit provider carried on in Australia.

3.3 **National Credit Act** refers to the National Consumer Credit Protection Act 2009 (Cth).

3.4 **Representative** refers to any person who acts on City Finance's behalf in relation to credit activities. This includes:

- (a) City Finance's employees and directors;
- (b) City Finance's authorised credit representatives; and
- (c) any other person acting on City Finance's behalf.

3.5 **Small Amount Credit Contracts** refers to a small-amount Credit Contract that is:

- (a) for an amount of two thousand dollars (\$2,000.00) or less;
- (b) for a term of at least sixteen (16) days but no longer than one (1) year;
- (c) not provided by an authorised deposit-taking institution (ADI); and
- (d) not a continuing Credit Contract.

3.6 **Substantial/Financial Hardship** arises where an applicant is reasonably unable to meet their contractual obligations due to illness, unemployment or other reasonable cause (can include a change in the applicant's financial circumstances or reduction in income).

SECTION B – DISCLOSURE DOCUMENTS

4. DOCUMENTS PROVIDED TO APPLICANTS

4.1 In addition to the responsible lending obligations, City Finance must also provide certain disclosure documents to applicants at particular stages of the credit process.

4.2 The table below outlines these documentation requirements:

Document	Content	When to Provide
Credit Guide	<p>The Credit Guide Must:</p> <ul style="list-style-type: none">(a) Disclose information about City Finance's obligation to not enter an applicant into an unsuitable Credit Contract;(b) Outline how the consumer can request a copy of the written assessment;(c) Disclose City Finance's relationship with a mortgage manager or product designer where City Finance has entered into a Credit Contract as a result of credit assistance provided by a mortgage manager or product designer. <p>The Credit Guide does not need to include fees, charges and commissions.</p>	<ul style="list-style-type: none">(a) As soon as practicable after City Finance become aware that the applicant is likely to enter into a Credit Contract with City Finance.(b) City Finance's credit representatives will give a Credit Guide to the applicant at the same time that they give the applicant the Credit Guide of City Finance.
Final Assessment that the Credit Contract is not unsuitable	Please refer to Section G.	<ul style="list-style-type: none">(a) City Finance must give an applicant the written Final Assessment, free of charge upon request.

		(b) City Finance is not required to give a written Final Assessment where the Credit Contract is not entered into or the credit limit is not increased.
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SECTION C – PROCEDURES FOR MAKING REASONABLE ENQUIRIES

5. MAKING REASONABLE ENQUIRIES

5.1 In making reasonable enquiries about the particular applicant's financial situation, their requirements and objectives, City Finance will consider the following:

- (a) the potential impact on the applicant of entering into an unsuitable Credit Contract;
- (b) the potential negative impact on the applicant if the Credit Contract is unsuitable, making more extensive enquiries if it is relatively likely there will be a serious impact. For example, if the size of a loan is large relative to the applicant's capacity to repay the loan;
- (c) the complexity of the Credit Contract, making more extensive enquiries where the Credit Contract has complex terms;
- (d) the capacity of the applicant to understand the Credit Contract, making more inquiries where it becomes clear that:
 - (i) the applicant has limited capacity to understand the Credit Contract and their payment obligations under the Credit Contract. For example, applicants with limited knowledge of English;
 - (ii) the applicant has conflicting objectives;
 - (iii) the applicant is confused about their objectives (or has difficulty articulating them); or
 - (iv) there is an apparent mismatch between the applicant's objectives and the product being considered by the applicant;
- (e) whether the applicant is an existing applicant or a new applicant; and
- (f) the nature of the particular service being provided.

5.2 City Finance will take any other steps it considers necessary to ensure that all reasonable enquiries have been made.

6. REASONABLE ENQUIRIES ABOUT A CONSUMER'S FINANCIAL SITUATION

6.1 City Finance must obtain information about the applicant's income, expenses and other circumstances that are likely to affect the applicant's ability to meet the financial obligations of the proposed Credit Contract.

6.2 In making reasonable enquiries about the applicant's financial situation, City Finance will consider the following:

- (a) the items raised in City Finance's Assessing Procedure;
- (b) the amount and nature of the applicant's income such as:
 - (i) sources (including whether any income or benefits are received from Centrelink);
 - (ii) amounts received;
 - (iii) frequency and consistency of income received; and
 - (iv) length of employment (including whether any employment appears to have recently ended or commenced)
- (c) the extent of the applicant's fixed expenses such as:
 - (i) rent;
 - (ii) repayment of existing debts; and/or
 - (iii) child support;
- (d) the applicant's essential living expenses (including the needs of dependants and any particular or unusual circumstances);
- (e) the applicant's discretionary expenditure such as entertainment, take-away food, alcohol, tobacco and/or gambling;
- (f) the extent to which any existing debts are to be repaid from the credit advanced;
- (g) the contents of the applicant's credit record, including any registered defaults;
- (h) whether the applicant has defaulted on payments to credit providers in the previous 90 days ;
- (i) the applicant's circumstances including:
 - (i) their age; and
 - (ii) number of dependants;
- (j) any significant changes to the applicant's financial circumstances that are reasonably foreseeable such as:
 - (i) a change in living arrangements; or
 - (ii) changes to the applicant's employment arrangements such as seasonal employment;
- (k) indirect income sources (such as income from a spouse); and

- (l) any other matters that City Finance considers to be relevant in assessing whether the Credit Contract will be 'not unsuitable' to the applicant.

6.3 If City Finance takes into consideration the relevance of indirect income to an applicant's financial situation, City Finance is required to obtain information of the earning person's financial situation in accordance with Section 6.2 and verify that information is in accordance with Section 10.1.

7. REASONABLE ENQUIRIES ABOUT A CONSUMER'S REQUIREMENTS AND OBJECTIVES

7.1 In making reasonable enquiries about the particular applicant's requirements and objectives, City Finance will consider the following:

- (a) the value of the Credit Contract needed or the maximum amount of Credit Contract sought;
- (b) the timeframe for which the Credit Contract is required;
- (c) the purpose for which the Credit Contract is sought and the benefit to the applicant;
- (d) whether the applicant seeks particular product features or flexibility;
- (e) whether the applicant requires any additional expenses to be included in the amount financed, and whether the applicant is aware of the additional costs of these expenses being financed; and
- (f) any other matters that City Finance considers to be relevant in assessing the applicant's purpose for which the Credit Contract is sought and whether the proposed Credit Contract meets that purpose.

8. PROCESSES TO ENSURE THAT REASONABLE ENQUIRIES ARE MADE

8.1 City Finance will have the following processes in place to ensure that it can satisfy sections 6 and 7 above:

- (a) City Finance will collect from the prospective client all the information relevant to making the assessment as noted in sections 6 and 7 above via an online application;
- (b) If further information is required City Finance will request this information directly from the applicant via telephone/SMS or email;
- (c) City Finance will record and/or store the information received from the prospective applicant in accordance with its account opening procedures; and

8.2 City Finance will ensure that there are adequate systems and enough staff in place for these requirements to be met.

8.3 Where City Finance uses a credit application and behavioural scoring systems to decide whether the contract is not unsuitable for the applicant, City Finance will ensure the relevant legislative requirements for Responsible Lending are met.

9. FACTORS RELEVANT TO THE SCALABILITY OF THE REASONABLE ENQUIRIES

- 9.1 City Finance will partake in further extensive applicant enquiries where the potential negative impact on the applicant is likely to be relatively serious if the Credit Contract is unsuitable.
- 9.2 Less extensive inquiries will be undertaken by City Finance where the Credit Contract has relatively simple terms that most applicants can understand.
- 9.3 More extensive enquiries will be undertaken where the Credit Contract has complex terms.
- 9.4 More enquiries about the applicant's requirements and objectives will be undertaken when it becomes evident to City Finance that:
 - (a) the applicant has limited capacity to understand the Credit Contract and the payment obligations under the contract;
 - (b) the applicant has conflicting objectives;
 - (c) the applicant is confused about their objectives or has difficulty articulating them; and
 - (d) there is an apparent mismatch between the applicant's objectives and the product being considered by the applicant.
- 9.5 If the applicant is an existing applicant of City Finance and City Finance already has information on file about the applicant, less extensive enquiries about the applicant and less extensive verification procedures can be performed.

SECTION D – PROCEDURES FOR VERIFICATION

10. VERIFICATION OF INFORMATION PROVIDED BY A CONSUMER

- 10.1 To verify the information collected from the applicant, City Finance will collect the following:
 - (a) Credit Report including information/reports from other credit providers (if available);
 - (b) Bank account statements covering at least the 90 days prior to the assessment (e.g. income and expenses can be verified by examining account statements over a period of time);
 - (c) In some cases, recent payroll receipts/payslips and confirmation of employment with the applicant's employer or recent income tax returns, a statement from the person's accountant setting out details of the applicant's financial position, Business Activity Statements or financial statements for self-employed applicants;
 - (d) Statements of Expenses for larger loans in respect of liabilities e.g. mortgage statements etc; and
 - (e) any other information held about an existing applicant.
- 10.2 City Finance will collect any further information it deems necessary to verify the information given by the prospective client, particularly if there are inconsistencies.

11. INFORMATION OBTAINED FROM THIRD PARTIES

11.1 Where City Finance relies on information provided from credit assistance providers or third-party sources, City Finance will conduct the following procedures to ensure the reliability of information collected:

- (a) checks to ensure that the information in preliminary assessments only comes from the applicant and bank statements come from their financial institution; and
- (b) compliance procedures to actively discourage inappropriate practices (e.g. ensuring that any incentives offered to intermediaries encourage, rather than discourage, appropriate information collection practices).

11.2 Should City Finance have any reason to doubt the reliability of the information it will not rely on the information provided.

SECTION E – ENQUIRIES AND VERIFICATIONS FOR SMALL CREDIT CONTRACTS

12. ADDITIONAL ENQUIRIES AND VERIFICATION FOR SMALL CREDIT CONTRACTS

12.1 City Finance must not enter into, or offer to enter into, a Small Amount Credit Contract with an applicant who will be the debtor under the contract if:

- (a) upon making the enquiries and verifications for subsection **Error! Reference source not found.** City Finance discovers that the applicant's:
 - (i) repayments relating to Small Amount Credit Contracts in a payment cycle would exceed 10% of the applicant's income.

SECTION F – MAKING A FINAL ASSESSMENT THAT A CREDIT CONTRACT IS 'NOT UNSUITABLE'

13. FINAL ASSESSMENT

13.1 City Finance is required to make a final assessment that a Credit Contract is 'not unsuitable' for the applicant prior to:

- (a) entering into a Credit Contract with an applicant; or
- (b) making unconditional representations to an applicant about their eligibility to enter into a Credit Contract with City Finance.

13.2 A final assessment must be made within:

- (a) ninety (90) days before the Credit Contract is entered into.

14. THE 'NOT UNSUITABLE' REQUIREMENT

14.1 A Credit Contract is unsuitable if, at the time of the assessment, it is likely that the applicant:

- (a) will be unable to comply with their financial obligations under the Credit Contract (e.g. to make repayments); or
- (b) will only be able to comply with their financial obligations with substantial hardship; or
- (c) the Credit Contract will not meet the applicant's requirements and objectives.

14.2 In assessing whether a Credit Contract is "not unsuitable", City Finance will:

- (a) make reasonable enquiries and verifications as per sections 5 to **Error! Reference source not found.** of this Policy;
- (b) make an assessment that the applicant is able to comply with their financial obligations without substantial hardship; and
- (c) ensure that the Credit Contract meets the applicant's requirements or objectives.

14.3 The assessment of the applicant's capacity to meet their payment obligations will be based on the enquiries set out in section 6 and 11. City Finance will also consider the likely maximum amount to be payable under the Credit Contract (including fees) when determining whether the applicant has the capacity to meet the payment obligations.

15. DETERMINING WHETHER A CREDIT WILL MEET A CONSUMER'S REQUIREMENTS AND OBJECTIVES

15.1 In determining whether a Credit Contract meets an applicant's requirements and objectives City Finance will have regard to the following factors:

- (a) the items raised in City Finance's Credit Policy;
- (b) the nature of the Credit Contract requested by the applicant, and the applicant's stated objectives in obtaining the Credit Contract;
- (c) if the applicant has more than one requirement or objective, the relative importance of each to the applicant (e.g. whether the cost of the Credit Contract or flexibility to make later changes is more important to the applicant);
- (d) if the credit is to purchase a specific item, the term of the credit relative to the likely useful life of the asset;
- (e) the interest rate, fees and charges applying to the Credit Contract;
- (f) the applicant's understanding of the proposed Credit Contract;
- (g) the complexity of the Credit Contract, and whether a more basic product could meet the applicant's needs;
- (h) if other expenses are to be financed, whether the applicant is aware of this and accepts the additional costs of these expenses being financed;

- (i) any other factors City Finance considers relevant.

16. ASSESSING SUBSTANTIAL HARDSHIP

16.1 In determining whether a Credit Contract will likely cause hardship to the applicant, City Finance will have regard to the following factors:

- (a) the items raised in City Finance's Credit Policy;
- (b) how much of a surplus there is between the money the applicant is likely to have remaining after their ongoing expenses have been deducted from their after-tax income and the proposed additional repayments;
- (c) the source of income (including whether all or part of the applicant's income is sourced from Centrelink payments or similar);
- (d) how consistent and reliable the applicant's income is (and the size of the payment obligations relative to their income level);
- (e) the applicant's other debt repayment obligations and similar commitments (e.g. child support);
- (f) whether the applicant is likely to have to sell their assets (e.g. car) to meet their payment obligations; and
- (g) whether the applicant is able to meet their payment obligations under a Credit Contract from income, rather than an equity asset.

16.2 Additionally City Finance has developed appropriate systems to respond to hardship requests from applicants. Please refer to City Finance's Hardship Policy.

17. KEEPING RECORDS

17.1 City Finance will keep a record of materials that it gathers and are used in making a final assessment as to whether the Credit Contract is 'not unsuitable'.

17.2 The record must be kept in a form that will enable City Finance to give the applicant a written copy of the assessment if a request is made.

17.3 All records of these enquiries and verifications and any other records in relation to this Policy must be kept for seven (7) years, or as otherwise stipulated in the City Finance Document Retention Policy.

18. PROVIDING A WRITTEN ASSESSMENT

18.1 City Finance will provide free of charge to the applicant a copy of the written assessment that the Credit Contract is 'not unsuitable' for the applicant when requested by the applicant within:

- (a) seven (7) business days if requested within two (2) years of the start of the Credit Contract; or
- (b) twenty-one (21) business days if requested after two (2) years.

- 18.2 City Finance is not required to provide a copy of the written assessment if the Credit Contract is not entered into.
- 18.3 City Finance will ensure that the written assessment:
- (a) is concise and easy for the applicant to understand, and includes reference to the relevant factual information provided by the applicant that City Finance used to assess the Credit Contract as 'not unsuitable';
 - (b) includes a record of the financial information obtained and the requirements and objectives communicated by the applicant so that the applicant has the opportunity to check the factual basis on which City Finance made the assessment;
 - (c) reflects the situation in which the borrower's capacity to make payments depends on the availability of income provided by another person.;
 - (d) assists the applicant in understanding that the Credit Contract has been assessed as 'not unsuitable' for them; and
 - (e) assists City Finance in demonstrating compliance with the responsible lending obligations.
- 18.4 The written assessment provided by City Finance to the applicant should include a record of the financial information obtained about the applicant, and the requirements and objectives communicated to City Finance by the applicant.
- 18.5 If City Finance is an assignee, City Finance will have in place arrangements with the credit provider/lessor who assigned their rights to City Finance that will ensure City Finance can access or prepare a written copy of the assessment, and give it to the consumer if a request is made.
- 18.6 If the applicant seeks a reverse mortgage information statement City Finance will give them City Finance's reverse mortgage information statement.
- 18.7 The applicant will be given the opportunity by City Finance to check the factual basis on which City Finance made the assessment which City Finance has provided to the applicant.

SECTION H – CONCLUSION

19. TRAINING

- 19.1 Employees of City Finance who deal with clients need to have an understanding of the Responsible Lending Policy and procedures. Consequently, all employees of will receive regular training and information about City Finance's Responsible Lending procedures and obligations. This training will be scheduled and conducted at the discretion of the Compliance Officer.

20. ENFORCEMENT AND REVIEW

- 20.1 Non-compliance with this Policy may result in disciplinary action being taken against the Representative involved and may also result in prosecution under the law where that act is

illegal. This may include re-assessment of bonus qualification, termination of employment and/or fines and imprisonment (in cases that contravene for instance the National Credit Act).

- 20.2 City Finance's Compliance Officer is responsible for monitoring the implementation and ongoing compliance with this Policy. Refer to the Breaches and Incidents Policy for further information.

21. AUDITS AND RECORDS

- 21.1 The policies and procedures outlined in this document must be audited as part of any City Finance's compliance audit.
- 21.2 All records of these audits and any other records in relation to this Policy must be kept for seven (7) years, or as otherwise stipulated in the City Finance's Document Retention Policy.

22. POLICY REVIEW

- 22.1 This Responsible Lending Policy will be reviewed on at least an annual basis by the Compliance Officer, having regard to the changing circumstances of City Finance. The Compliance Officer will then report to the Director on compliance with this Policy.

Issued by ***City Finance Pty Limited –18 February 2025***