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Summary:
NAB is notified when a business banking customer approaches a rival. Privacy breaches a normal part of NAB's business model

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NAB Using Veda To Track Disloyal Business Customers Going To Rival Banks

Big-four bank NAB is being tipped off each time a business banking customer goes to a rival for a loan, sparking fears about privacy breaches and unfair competition.

For years Sarah* did her personal and business banking with NAB. But, in April, dissatisfied with the bank, she applied for a car loan with ANZ, which offered better rates.

NAB is notified when a business banking customer approaches a rival.

She was shocked when NAB emailed her saying its "smarter" systems alerted it to the fact she was "seeking or inquiring for finance elsewhere" and it could whip up "multiple quotes".

"I felt violated," she said. "I felt there was an invasion of my privacy because they accessed information I've never given them permission to access.

"I have a right to get second opinions and compare lenders but they put me in a very awkward position."
Veda maintains a database of the credit histories of millions of Australians.

Veda maintains a database of the credit histories of millions of Australians. Photo: Greg Newington

NAB has confirmed to Fairfax Media it receives alerts from credit reporting agency Veda and other sources when its business banking customers approach competitors about business loans.

A spokesman for Australia's biggest business bank said the tip-offs were used to better manage relationships with customers.

In recent years, NAB's business arm has been struggling to stem the loss of market share and profits as rivals try to poach its lucrative small and medium enterprise customers.

"No credit reporting agency should be able to facilitate the tracking of consumers": Kat Lane, principal solicitor at ...

"It's important our bankers keep in touch with their business customers, especially when they are taking out new lending with other institutions, to understand the intent of the finance and how it will impact on their business operations," a spokesman said.

"NAB believes in lending responsibly to our business customers."

Australia's privacy laws largely relate to personal credit reports and not business ones.

Finance broker Rod Cross, who helped Sarah with the motor vehicle finance application, said when he complained to NAB about the apparent privacy breach, he was told the "matter was dead" because business information was on the public record.

"It's like NAB is monitoring her, which is very Big Brother-ish," he said.

"It's not ethical. It's basically exploiting a little loophole in the system to be an overbearing presence on their customers and the market."

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Veda, which calculates the credit risk of each consumer based on their credit history, refused to reveal how the alert system worked and how long it had been in place.

Justin Malbon, a consumer law expert from Monash University, said NAB's "sneaky and scary" alert system raised both privacy and competition concerns.

He said banks should obtain consent from consumers to do such monitoring activities in a clear and upfront manner, and not "bury it in some document".

He also raised concerns about NAB's seemingly unfair competitive advantage, which allowed it to make a counter bid in a confidential discussion between a rival bank and a potential customer.

"How come NAB gets this privileged information and can butt in and try to take another bank's business?" Professor Malbon asked. "It seems rather underhanded.

"I wonder if this is a competition issue that will concern the ACCC."

Kat Lane, principal solicitor at the Financial Rights Legal Centre, said while it seemed credit reporting laws were protecting consumers in personal lending, it wasn't acceptable that business customers were being tracked.

"Veda shouldn't be allowed to do this," she said. "No credit reporting agency should be able to facilitate the tracking of consumers.

"It shows an increasing move towards automating the sharing of information, and it's highly disturbing."

Fairfax Media understands Veda's alert service is being used by lenders other than NAB.

"Banks may use many sources of data to manage their relationships with their customers, some of which may be their own, as well as through a variety of third parties," a Veda spokeswoman said.

Veda has been mired in controversy, having been accused of illegally selling data to marketing companies and refusing to fix errors in reports.

It was snapped up by US credit reporting behemoth Equifax for $2.5 billion earlier this year.

* Name has been changed

Websites For More Information: NAB Using Veda To Track Disloyal Business Customers Going To Rival Banks
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