



RISE OF THE NON- BANKS

CORY BANNISTER,
LA TROBE FINANCIAL'S
VICE PRESIDENT AND
CHIEF LENDING OFFICER,
SHARES WHY THERE
IS AN INCREASING
ADOPTION OF NON-
BANKS IN AUSTRALIA.

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La Trobe Financial's Cory Bannister believes a healthy loan market needs both banks and non-bank lenders. "A wide range of lenders improves competitiveness, drives innovation and ultimately gives people choice," the company's Vice President and Chief Lending Officer explains. "Without non-banks stepping in to fill the void in the current environment, many consumers will be left with their finance needs unmet, which has the potential to produce a further drag on the economy."

Non-bank lenders offer a variety of loan solutions to customers. Unlike traditional banks, they are not governed by the Australian Prudential Regulation Authority (APRA). They do, however,

comply with laws under the Australian Securities and Investment Commission (ASIC).

La Trobe Financial is the oldest non-bank in Australia, having started operations in 1952. It provides a range of finance options for borrowers. “Our point of difference is that we offer alternative solutions across both residential and commercial property; we have multiple borrower types such as individuals, corporates and trusts; and we can cater to a variety of purposes including debt consolidation, equity release and construction – all at competitive interest rates,” says Cory.

He highlights that non-banks offer more flexible loan products, tailoring loans for borrowers who do not fit the lending criteria of the banks. In addition, Cory is seeing a growing acceptance of non-banks in Australia. “The current environment has seen a marked shift in consumer sentiment away from the major banks and a strong willingness to seek non-bank alternatives to provide financial solutions for what are now under-served markets.”

The increasing adoption of non-banks comes primarily from people who are finding it difficult to obtain bank approval. “Just because an applicant has been turned down for a loan by a bank does not mean they present an unacceptable credit risk

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for a prudent lender,” Cory says. “Some borrowers get declined simply because they don’t meet the technical criteria of the bank’s automated credit decision systems and are therefore placed in the too-hard basket.”

This is where non-bank lenders fit in. “Non-banks use manual underwriting processes – requiring human involvement – to properly assess the credit worthiness of individual applicants,” Cory explains. “This ensures that credit is delivered to those in society who require it and who can afford it. For example, if you’re self-employed you might not have evidence of cash flow or PAYG statements which can mean your loan application gets rejected by bank lenders. Non-banks take all

aspects of the borrower’s financial circumstances into consideration rather than using blanket one-size-fits-all rules.”

Non-banks aren’t just for customers who have been turned away from banks. They serve a range of individuals from first home buyers to property investors to those who are self-employed. “More than 25 per cent of La Trobe Financial’s loans are for who you would describe as bank ‘prime customers’,” Cory notes, indicating individuals with high credit scores. “They come to us for better service and a quicker response.”

Cory has seen a rise in the number of high-net-worth individuals looking for loans at La Trobe Financial. He believes it is due to the availability of loans offered and the company’s high level of services. “We cater for loan amounts of up to \$A25 million, including loans for luxury residential property, commercial property, self-managed super funds and even development finance – all of which see strong demand from high net worth borrowers,” Cory says.

As economies evolve, so do customer finance needs. “Non-banks are the most agile at adapting to change and new technology; pivoting on a dime to fill new opportunities as they are presented,” Cory says. “A great current example is the emergence of the gig and freelance economies. These create a greater need for non-bank lending solutions due to the temporary and transient nature of consumer’s employment. These economies include services such as Uber, Airbnb, Airtasker and Deliveroo which are all growing at a rapid rate as they afford people the flexibility to choose their work hours.”

With the number of people using such services for employment, non-banks like La Trobe Financial are poised to cater to their requirements. “The issue for people working in these industries looking for finance is that the irregular nature of their employment often means that they sit outside major banks’ loan acceptance criteria,” Cory says. “Without non-bank lenders that can assess their applications manually, they are often frozen from the market.”

Cory expects to see continued growth in the non-bank sector over the coming years. “The current economic and regulatory conditions are expediting the shift to non-banks in the immediate term,” he says. “This is likely to be the catalyst for longer-term growth in the sector, both for consumer sentiment – as future generations choose performance over historical allegiance – and product availability, as banks continue to ‘simplify’ their product offerings.” ■