

Target Market Determination

1. About this document

This target market determination (TMD) seeks to offer consumers an understanding of the class of consumers for which this product has been designed, having regard to the objectives, financial situation and needs of the target market.

This document is not to be treated as a full summary of the product's terms and conditions and is not intended to provide financial advice. Consumers must refer to the relevant terms and conditions available at <https://deferit.com/en-au/terms/> when making a decision to use this product.

This TMD applies to the *Deferit* product and is effective from 5 October 2021.

2. Class of consumers that fall within our target market

The information below summarises the overall class of consumers that fall within the target market for the *Deferit* product based on the products' key attributes and the objectives, financial situation and needs that they have been designed to meet.

a) *Product Description and Key Attributes*

The *Deferit* product allows consumers to split their bill payments into 4 equal instalments. This product is aimed at helping people have better control over their bills, budget and smooth their cash flow payments.

Deferit has inbuilt controls that ensures the product is used responsibly. Only eligible customers will have their bill accepted on the platform. Additionally, new customers are given an initial low account limit. Once a customer starts making more repayments their account limit increases gradually. If a customer misses a repayment, they are unable to upload any more bills.

There are no late fees or interest on the *Deferit* product, even in instances where a customer is late or misses making an instalment payment. The only fees a customer will ever pay is a \$5.99 monthly fee (plus card processing fees on the instalment payment) which is only activated if the customer has an active bill that they are paying off for that month.

In instances where a customer is experiencing financial hardship, *Deferit* has a hardship policy in place which provides customers with various flexible options. We also do not charge the monthly fee if a customer is placed on a hardship plan.

Although we obtain a customer's consent to check their credit worthiness **before** they use the product, *Deferit* does not negatively report customers who fail to make repayments in the credit reporting system. We also do not sell debts that are owed to us. Therefore, there is no adverse long-term impact on a customer that does not meet their repayment obligations.

Given the above, the target market for the *Deferit* product is a wide range of consumers.

The *Deferit* product's key attributes are:

1. **Split payments.** The product allows the customer to split bill payments into 4 equal instalments, payable every 2 weeks.
2. **Automated.** The product requires no manual bill entry. The customer uploads a photo of the bill they wish to pay onto their online account (either through the website or mobile application) and selects the amount they want to defer, the date they want it to be paid and the bill gets paid on that date.

3. **Flexibility.** A customer can move repayments dates around for free to manage their cash flow.
4. **Fees.** There is a \$5.99 active monthly fee (which the customer will only pay if they have an active bill that month that they are paying) and card processing fee (1.5% + 20 cents). There are no establishment fees, late fees and interest fees.
5. **Convenience.** Allows customers to manage their bills and make automated payments.
6. **In-built controls.** A customer who fails to pay an instalment cannot upload more bills onto the platform.
7. **Eligibility requirements.** To be eligible to use the Deferit product:
 - We assess the customer's credit history, ability to make payments, current indebtedness as well as other commitments. We also set an account limit on customers and increase it slowly based on the customer's repayment activity.
 - Customer must be over 18 years of age and have a valid debit or credit card.
 - Customer must be successfully onboarded which includes an identity check, verification of email and phone number and credit check.

b) Class of customers that fall within this target market

The Deferit product is designed for consumers who:

- Are looking to pay their bills on time and not incur late fees or interest from billers.
- Seek to budget their bills and smooth cash flow payments over a period of time.
- Need flexibility in cash flow management as bill payment cycle is not aligned with payments.
- Seek short-term low-cost funding by being able to pay off an existing bill in 4 instalments over time without interest or late fees.
- Seek convenience of bill management and the elimination of manual payments on one platform.
- Seek to take control over their personal finances and bill payment schedule.
- Would benefit from a product that has in-built controls:
 - account limits are set and increased steadily only when repayments are made.
 - a bill cannot be uploaded if there is an overdue repayment amount.
- Are able to make repayments as determined by the eligibility criteria.
- Looking to lock in pay on time discounts.
- Comfortable using a digital only product.

c) Excluded class of consumers

The *Deferit* product has not been designed for individuals who:

- a. Have a high level of indebtedness and are unable to make repayments.
- b. Require a product that allows for discretionary retail spending.
- c. Are not able to use a digital service

3. Consistency between target market and the product

The key features and attributes of the *Deferit* product are likely to be consistent with the likely objectives, financial situation and needs of the class of consumers in the target market. The *Deferit* product allows the consumer to split their bills into 4 equal instalments rather than paying the bill upfront. This is consistent with the consumer's objective of budgeting and smoothing cash flow payments. The product allows flexibility in terms of moving around repayment dates for free, again this is consistent with the consumer's likely objective of flexibility in cash flow management. The product is also consistent with the consumer's objective of obtaining pay on time discounts and many of our users have secured these discounts.

The product has no interest or late fees, the only fee is a monthly fee of \$5.99 (and card processing fees). Consumers in the target market are looking for a low-cost option to be able to pay their bill on time. The average monthly fee of deferring a bill (or multiple bills) is \$5.99 plus the card processing fees. Average late fees from major billers are circa \$14 (for a once-off bill). As a result, the product is consistent in 1) providing the consumer their objective of being able to pay their bills proactively on time and not falling into arrears for minimal cost and 2) avoiding late fees from a biller which puts them in a worse financial position. Typical usage for a customer is just shy of 4 times a year which suggests customers are using the product to smooth quarterly or lumpy bills which they often struggle to budget to pay on time.

Lastly, the product has in-built controls such as eligibility requirements, account limits and restrictions on further use if a customer missed a scheduled repayment. This is consistent with ensuring that the customer remains in control of their finances and only customers in the target market are acquiring the product.

4. How the *Deferit* product will be distributed

Distribution Conditions

The *Deferit* product is distributed through *Deferit's* mobile application and website (with the source of acquisition either being direct to consumer distribution, affiliate marketing or partnerships.)

The website also provides specific content about both products' features, how they work and what they aim to achieve. We also have a customer service helpline where customers can contact our trained customer representatives with any questions they have about the products. Our customer representatives do not receive any commissions based on the number of customers they onboard which ensures that there is no conflict of interests.

Distribution Restrictions

This product should only be distributed under the following circumstances:

- To individuals that meet the eligibility requirements.

Adequacy of distribution conditions and restrictions

The distribution conditions and restrictions make it likely that consumers who acquire the products will be in the class of consumers for which the products have been designed.

The distribution for *Deferit* product is direct to the public and at all times we have complete control as to who is acquiring the product and retain the right to accept or refuse a consumer's bill based on whether they meet the eligibility criteria. This oversight and control make it likely that only consumers in the target market will acquire the product. All our marketing and promotional materials are also directed towards our target market consumers' needs and objectives of better budgeting, smoothing payments/cash flows, paying bills on time and access to low-cost finance.

5. Reviewing this target market determination

To ensure that the TMD remains appropriate for the products over time, we will review the TMD in following instances:

Initial review	Within the first year of the effective date (5 October 2022).
Periodic reviews	At least every 2 years using a risk-based approach from the initial review.

Review triggers
or events

Any event or circumstances that would suggest the TMD is no longer appropriate. This may include (but not limited to):

- An event or circumstance that would materially change a factor taken into account when making this TMD;
- Distribution conditions and restrictions found to be inadequate;
- External events such as adverse media coverage or regulatory attention; and
- Significant changes in metrics outside tolerance, including, but not limited to:
 - complaint trends and the nature;
 - consumers able to upload a bill when they have an overdue instalment;
 - customers able to transact beyond account limit;
 - bad debts beyond risk tolerance
- Occurrence of a significant dealing.

Where a review trigger has occurred, this target market determination will be reviewed within 10 business days.