HOW DOES YOUR BANK LIKE YOUR FACEBOOK POSTS?

First our bank accounts, now our social media accounts?!

It's no secret that the banks are scrutinising our transaction accounts, but what about our social media accounts?

We know that banks have easy access to data on our saving and spending habits.

When we apply for any type of finance, our income and spending is categorised AND scrutinised by the potential lender.

Your current lender will have access to your spending details. If you apply to a new lender they will most likely want to see your bank statements and transaction histories.

Open banking legislation has been passed recently and dictates that by 2021 all banks in Australia will need to provide open banking, and it starts with the big 4 in February 2020.

Open banking is where you will be able to direct your bank to share your account and transaction information such as balances, regular debits, repayments, how much you spend and where you spend it. The aim is to make it easier for a new lender to understand your finance habits and history, allowing them an opportunity to assess a loan application with them more easily.

But wait – there's more…

A report by the University of Melbourne[1] suggests that we could expect our social media habits (aka boasting about our recent spending) to be scrutinised by the banks.

That amazing weekend away, brunch with friends or that recently redecorated home could cost you your next mortgage approval!

The lenders may think your spending habits will impact your loan serviceability. Serviceability is your ability to meet or service your home loan repayments.

Why is that?

We could make some assumptions on where this is headed based on two reasons.

1. What's happening overseas

According to media in the UK[2], lenders are refusing mortgage applications and questioning tax and insurance claims based on social media posts.

2. Major Aussie lenders can use public information

Some of the major lenders state in their privacy policy that they "may collect information about you that's publicly available"[3]. What this public information actually is, is unknown (and possibly dependent on your privacy settings).

If the UK reports are anything to go by, it could very well mean your social media activity.

The paper by the University of Melbourne proposes a need to reconsider the role of new technology and data in the financial sector.

Dr Chris Culnane is quoted as saying "… We need to ensure these opportunities are used to improve the financial wellbeing of customers. This requires increased levels of transparency so decision making is fair and accountable, and customers know what data is being collected, how it's being used, and on what basis decisions are being made."

How can you increase your chances of home loan approval?

Of course the usual checklist applies:

- Show a regular and strong savings history
- Hold down a solid job
- Watch your spending and expenses
- Create a 'buffer' for the unexpected
- Keep 'clean credit' – pay your loans, bills and credit cards on time
- Limit 'bad debt' – eg personal loans and credit cards, **AND...**
- ***The big tip from this article is to control who you share your spending habits with!***

You don't know who could be watching you!

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1. *University of Melbourne, FinFuture – The Future of Personal Finance in Australia, August 2019*
2. *This is money UK, Why your Facebook profile could stop you getting a mortgage, March 2018*
3. *ANZ Privacy Policy, February 2019 & NAB Privacy Policy, Version dated July 2019*