

Can your postcode ruin your chances of getting a mortgage?

Equifax is now using postcodes in its credit rating decisions – a move critics say amounts to discrimination



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First Australians had to worry that their smashed-avo-on-toast habit was sabotaging their homeownership dreams. Now where they live currently could determine whether they can get a mortgage, with the country's largest credit rating agency now applying postcode data when processing applications.

Equifax holds credit information on nearly 20 million Australians, according to an *ABC News* report. The credit scores the company produces are used

by banks in determining whether they will extend a home loan to a prospective borrower. Equifax's use of postcode data can make it harder for people living in poorer areas to access credit.

"It's a bit like 'the rich get richer and the poor get poorer,'" Victoria Coster, founder of Credit Fix Solutions, told *ABC News*. "I think it is actually disgraceful – the fact that if I was from a poorer suburb, I could have a lower score and I have to pay more for a home loan. It makes me sad."

One of the elements now used in assessing people's credit risk is how their neighbours in the postcode behave when they have been lent money, *ABC News* reported. In other words, your credit score can take a hit based not just on your spending habits, but on the behaviour of the average borrower in your area.

Amy Pereira from consumer advocacy organisation CHOICE told *ABC News* that postcode data shouldn't be permitted to factor into credit scores.

"Where you live now shouldn't affect where you can buy a home in the future," Pereira said.

She said she worried that the use of postcode data could lead to discrimination.

"Using postcode data is problematic because where you live is often linked to other factors like your wealth, your income, your age, ethnicity, gender and many other qualities," she told *ABC News*. "We're concerned that using postcode data to determine your creditworthiness really presents an invisible barrier."

In a statement, Equifax said it used postcode data to “form a small component” of its credit scores, and that the data “has been found, based on statistical analysis, to be a relevant factor in determining credit risk.”

The use of postcode data is part of a wider controversy – the growth of automated decision-making, or ADM, in which artificial intelligence programs are used to make decisions instead of humans. Mortgage brokers told ABC News that this algorithmic assessment of consumer spending habits can result in 50 or 100 points being lopped off a customer’s credit score because of a single transaction using a buy-now-pay-later service such as Afterpay.

Professor Lyria Bennett Moses, director of the University of New South Wales’ Allens Hub for Technology, Law and Innovation, said the use of postcode data adds another wrinkle to the ADM controversy, because a potential borrower can now be negatively impacted by the behaviour of their neighbours – and because postcodes often correlate with one’s race or national origin.

“One of the arguments against [using data from] postcodes is it will often correlate very highly with things like ethnicity or whether you’re Australian-born or an immigrant and so forth,” Moses told ABC News. “So there’s a risk, particularly using something like postcodes, that you will ultimately be doing proxy discrimination for something that might be prohibited.”

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