Introducing AUSTRALIA’S digital property platform

By 2020, thanks to legislators, lenders, property specialists, banks and others working together, most property transactions in Australia will be processed through the online PEXA network. Could it provide a template for the UK to follow?

Property Exchange Australia, or PEXA as it’s better known, is an online network that connects over 6,000 lawyers, conveyancers and financial institutions. To date, more than a million transactions have been completed on the platform, for a combined value in excess of A$100 billion – and it’s growing at a rate of 300% per annum. But long before it was a widely used national platform, it was a legislative dream. In 2008, the Council of Australian Governments put e-conveyancing on its agenda. Two years later, PEXA, then known as NECDL, was formed to bring property transactions into the 21st century.

WHY CHANGE NEEDS TO HAPPEN
Conveyancing as we know it is an established, reliable process. But it’s also outdated, using language and procedures that appear antiquated and ineffective in the modern world. The current system may work, but there is room for significant improvement. In a fast-paced digital economy, property cannot remain stagnant.

THE BENEFITS OF PEXA
Digitisation cuts down conveyance cycles significantly by reducing paperwork and allowing for near real-time electronic fund movement. Documents can be verified electronically by the land registry, which both provides security and makes communications more efficient. Gary Howard, General Manager of Redstar Customer Lending Operations at NAB, says a property settlement can be a stressful experience, but, with PEXA enabling digital settlements, the process of property exchange has been simplified and digitised. “Before digital settlements, paperwork and manual processes increased the risk of errors and delays for our customers. Now, customers can expect faster access to funds and have more confidence that settlement will occur on time.”

Unsurprisingly, it’s this aspect of e-conveyancing that many find attractive. A report by UK Finance mentions that, in mortgage lenders’ experience, the home-buying process can be extended if parties do not provide the information required in a timely way. Perceived delays often occur because of the conveyancing process, and a system like PEXA can significantly cut down on this type of back and forth.

But what about property owners themselves? With settlement optimised, PEXA promises individuals and businesses involved in the conveyancing process considerable savings – all of which can translate to shorter timelines and less procedural expenses. It also allows for online scheduling of settlements and eliminates the need for physical settlements. The time recovered can be reinvested into the customer service experience, invaluable for individuals and businesses alike.

GETTING IN ON THE GROUND FLOOR
As the above suggests, there’s a lot for banks to like about a platform such as PEXA. Yet early attempts in Australia failed, mostly because they didn’t account for financial services providers, and because they didn’t consider the realities facing those working in the real-estate business. Buy-in from Australia’s four main banks – NAB, ANZ, Westpac and the Commonwealth Bank of Australia – was crucial in getting PEXA up and running. The involvement of these institutions, which between them represent around 80% of the Australian lending market, encouraged everyone else to get on board.

Besides the business benefits, banks are a natural fit to take on a leading role in an endeavour of this scope, thanks to their extensive experience in digital transactions. In summary, it’s a win-win for banks, who get to reap the rewards of change and have a say in the future of property transactions. As Mike Cameron, PEXA’s Group Executive, Customer & Revenue, says, “Providing a forum for the banks and practitioners to collaborate and establish a shared vision for how a digital property ecosystem should look now and in the future has been crucial in creating a system that works for everyone.”

As with all new technology, appropriate safeguards against fraud need to be in place – there must be a balance between speed and due diligence. Digital signature technology is also a cause for concern for some. In light of recent mass data breaches, cybersecurity is a worry, too, especially for such a vital part of the UK economy. In the age of GDPR and data privacy, the use and transfer of crucial property information – deeds, payment confirmations, agreements and more – is something that needs to be closely monitored.

PEXA appears confident in this regard. In addition to complying with ARNECC (the Australian Registrars’ National Electronic Conveyancing Council), it is also subject to an annual independent review by Ernst & Young.

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WHAT ARE THE UK’S PLANS?
The Digital Street initiative, developed by the UK government, is exploring what land registration will look like in 2030. The goal is to use digital technology to make buying and selling simpler, as well as providing absolute guarantee of ownership. An investigation of the use of blockchain and AI is also on the cards. Sajid Javid, the Home Secretary, has stated that the government is “not looking to rip up the existing system and start again”. However, he has said that “we are on the cusp of a digital revolution which will allow us to replace the current largely paper-based approach to buying and selling. People assure us that in 25 years’ time it will all be very different. But we don’t want to wait 25 years for change.”

IT’S GOING TO TAKE TIME
PEXA experts warn that, even after everyone is aligned, there is still a lot of work to be done. With more than £4 trillion worth of land and property involved, it’s impossible to expect things to be simple. To that end, careful planning, measurable goals and logical timetables are crucial to making sure no messy, protracted dual processes – paper-based and electronic – occur. It’s important to remember that success isn’t going to come all at once.

To support the transition, PEXA has created teams to visit businesses in person to provide hands-on guidance to new members. It also has a dedicated help centre on hand for real-time problem-solving and an online community forum which allows network participants to provide peer-to-peer support.

WHAT WE CAN LEARN FROM PEXA
The clearest lesson is to not leave banks out of any initial discussions. Co-ordinating between various interest groups is also key – one of the main reasons for the failure of PEXA’s predecessors was down to third-party interests not being aligned to state-led initiatives.

Clearly articulating the benefits to everyone involved upfront can overcome inertia and promote support of the transition – even a perfectly designed system won’t work if people aren’t using it. “When considering an initiative like e-conveyancing, it outwardly appears to be a straight tech-based programme,” says Cameron. “However, the critical factor in the development and overarching success of the initiative rests in the ability to create a network of digitally enabled banks, land registries, revenue offices and legal and conveyancing firms.”

With everyone engaged and fully committed, there is a lot less risk of half-measures and compromises – a path which is likely to lead to confusion and cumbersome in-between practices. “Making sure you have the right people at the table to agree and commit to a shared goal is essential to ensure the success of the initiative,” states Cameron.

Finally, it’s important to remember that there will be bumps along the road. That’s normal. “PEXA would be the first to say that it did not get everything right first time,” reveals Howard. “But what it eventually achieved is a truly collaborative system that is capable of operating elsewhere.”

FRIENDS ON THE OTHER SIDE OF THE WORLD
Having gone through an arduous but ultimately fruitful process, banks in Australia are more than happy to help their UK counterparts adapt and integrate e-conveyancing. Considering how much time and money could be saved by building on their experiences, it’s probably worth taking them up on that offer.