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RBI Working Group suggests roadmap for Credit Information Bureau

The Working Group constituted by the Reserve Bank of India to explore the possibilities of setting up a Credit Information Bureau in India submitted its report today. The Group in its report has pointed out that under the existing legal framework disclosure of information on banks' customers is prohibited. However, pending legislative amendments, a beginning might be made for setting up a Credit Information Bureau that can operate with information relating to suit filed accounts and information on transactions on which the constituent has given consent to the bank to disclose.

The Group in its report has recommended that the Bureau should collect both negative and positive information relating to credit, trade and financial information including external borrowings on corporate and consumer/retail segments such as, credit facilities availed of from banks, NBFCs as also credit cards held, indebtedness to housing finance companies, mobile phone companies, etc.

The Group has expressed the view that a foreign technology partner might also be involved in setting up of the Bureau to benefit from the expertise available with them.

According to the Group, the Credit Information Bureau should be a repository of both, positive and negative information. This would require enactment of a master legislation to facilitate collection and sharing of information. The Group has recommended that the Bureau could be set up as a company under the Companies Act, 1956 or as a subsidiary company with share capital contribution from its user groups viz., commercial banks, financial institutions and non-banking financial companies registered with the Reserve Bank.

The Group has recommended that the Bureau should be technology-driven and professionally managed company with minimum manual intervention. The Bureau should use state-of-the-art information technology. It has also recommended building up an effective system and evolving a code of conduct among the members for protection of data and regulation of its use.

The Group has also recommended that the Credit Information Bureau should function as a commercial organisation. The Group has also envisaged establishing of more than one Bureau to cater the need of different market segments and much coverage of geographical area of the country.

The Group has also noted that since information relating to informal trade centre and inter-deposit corporate deposits would have to be collected from the market sources, the Bureau should have an effective market intelligence division. This division should have the responsibility of not only collecting financial information but also validating it.

The Group has noted that an appropriate regulatory framework for credit information bureau is necessary. Accordingly it has suggested that the proposed legislation should have provisions in relation to data protection, privacy, redressal of grievances for customers, etc.

The copies of the report are being sent to the Government and banks. The report is also being released to the public for information through the RBI website (URL : www.rbi.org.in) . The Reserve Bank will further process the report taking into account the comments and views of all concerned.

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