

## Chapter 3: Credit Information Bureaus – International Experience

**3.1** Credit Information Bureaus have been established not only in countries with developed financial systems like U.S.A., U.K., Australia, New Zealand, France, Germany, Belgium, etc., but also in countries with less developed financial markets like Sri Lanka, Mexico, Bangladesh and the Philippines. The Bureaus established in these countries collect information on both the individual borrowers (retail segment) and the corporate sector. Broadly, separate Bureaus have been set up for collecting information on retail/individual borrowers and corporate customers; and where one Bureau collects information on both the retail and corporate borrowers, “Chinese walls” have been created between the two divisions.

**3.2** In countries like U.S.A., U.K., Australia, and New Zealand, credit bureaus are privately owned. The two large bureaus collecting information in the retail segment in the **U.S.A.** are **Equifax** and **Trans Union** which maintain data bases at the national level. The **Dun & Bradstreet** in U.S.A. is the leading Credit Information Bureau maintaining data base on the corporate sector. There are also smaller local credit bureaus and reporting agencies which, however, do not maintain data base at the national level. Dun & Bradstreet have set up offices/subsidiaries in many countries jointly with the local partners and its data base comprises 53 million business establishments. **Experian** is the leading credit referencing agency in **U.K.**, though there are a number of smaller bureaus formed with private initiative. In **New Zealand**, although there are no public Credit Information Bureaus, there are companies that provide credit reports on individuals and corporates. One of the best known companies in **New Zealand** is the **Baycorp**. In **Australia**, while **Credit Reference Ltd.**, provides information on small and medium sized businesses, **Dun & Bradstreet (Australia)** provides commercial credit information on larger corporates. While the Bureaus have been set up in these countries predominantly with private initiative, in some of the European countries, such as **France**, **Belgium** and **Germany**, credit information services or credit registers have been set up as divisions of the Central Banks. In France, the Credit Bureau Division of the Banque de France, collects information (name/address, type of activity, type of facility sanctioned, tenure of facility) at monthly intervals from banks on their lending to corporate customers above the threshold of FFR 5,00,000. The information provided to banks/lending institutions is only on the global overall exposure of a borrower, and not on payment status of the borrower. In Belgium, credit information offices have been set up as divisions of the Central Bank, viz., National Bank of Belgium, by a Royal Decree to capture defaults on instalment contracts, consumer credit, mortgage agreements, leasing and corporate borrowings. The operations of Credit Information Bureau relating to individual borrowers contains only to negative information. As per the Royal Decree, consultation of Credit Information Bureau is compulsory for consumer credit and optional for mortgage credit. The reporting and consulting criteria, content and storage periods of the registered information and operational aspects are regulated by the Royal Decree. The customer is to be officially informed when his data is entered for the first time in the data base. The customer has the right to inspect the data and ask for rectification, if necessary. The Decree makes it compulsory for all the authorised consumer, mortgage credit providing companies to provide the information to the Credit Information Bureau.

**3.3** In **Germany**, banks and financial services institutions are required to notify to the central reporting office at the German Federal Bank the details of those borrowers whose indebtedness

with them amounts to DM 3 million or more at any time during the three calendar months preceding the reporting date. The reporting office at the German Federal Bank informs the participating institutions of a borrower's total debt, and the number of lenders to the borrower.

**3.4** In **Sri Lanka**, Credit Information Bureau (CIB) has been set up under the Credit Information Bureau of Sri Lanka Act, 1990, with 51% of the issued share capital of the Bureau held by the Monetary Board, 30% by commercial banks and the remaining 19% by other lending institutions. In **Bangladesh**, the Credit Information Bureau (CIB) was formed as a department of the Central Bank. The CIB collects from commercial banks on a monthly basis information (name, directors, facilities availed – sanction, outstanding, disbursements, purpose, security, asset classification status) on all corporate borrowers who have availed facilities exceeding Taka ten lakh (INR = 1.15 BDTK) and furnishes on demand to any commercial bank a CIB report. The information is updated monthly for customers with facility above Taka 100 lakh and quarterly for customers with facility above Taka 10 lakh. The CIBI Information and Ratings in **Philippines** was established by the Central Bank, jointly with the Securities and Exchange Commission and the Financial Executives Institute of the Philippines in 1982. CIBI provides information on both corporates and individuals. The Corporate Report is an analysis of a commercial establishment, its management history, business groups, operations, payment record, banking relationships, financial condition, legal structure and business trend. The database consists of over 50,000 files. The Individual Report provides information on the individual's identity, background, business affiliations, assets, financial standing and negative records. The database consists of 1,50,000 individual records.

**3.5** The major privately owned Credit Information Bureaus in the world are Dun & Bradstreet, Experian and Equifax. **Dun & Bradstreet (D & B)**, headquartered in USA is the major player in the corporate segment. D & B was established in 1841 and operated through 217 offices. It has a data base of credit information on about 53 million business establishments. Its operations can be classified into two broad areas (which operate as two separate divisions):

1. Providing past payment history of Corporates, credit score and other related customised reports. These reports are provided only to the members and are priced at approximately US \$1 per report.
2. Providing business information reports which include details such as, business background, financial position, payment information, financial risk assessment, public record filings (Uniform Commercial Code filings, bankruptcy filings and business registrations) and other special events. These reports are provided to members as also to others, for a fee (about US \$250 per report).

There is an arms-length relationship between the two divisions. The data for the Credit Information Bureau is sourced from the members and is not used for the business information reporting purposes. All the data provided in the business information reports are independently collected by D & B from corporates and public records. In order to ensure timeliness and accuracy of information, Dun & Bradstreet has a policy of maintaining direct contacts with businesses and reviewing data quality at the point of collection itself. D&B generates 670,000 data updates per day.

**3.6** Dun & Bradstreet has, in the past two years, set up bureaus, in partnership with Trans Union, in Canada, Mexico, Spain, Hong Kong and South Africa. The Mexican Credit Bureau was set up in 1997 by D & B jointly with banks in Mexico. The participating banks took up 70% of the Bureau's total paid-up capital while the remaining 30% was contributed by D & B and Trans Union who also supplied the technology. The total investment in the Mexican Credit Information Bureau was of the order of about US \$ 2 million.

**3.7 *Experian*** is a subsidiary of The Great Universal Stores PLC, UK, a holding company with interests in home shopping, retail, property investment, finance and information service businesses. It operates mainly in UK and USA. Experian is the largest Credit Information Bureau in the UK handling approximately two thirds of all credit enquiries. The client base of Experian includes banks, finance houses, mobile phone providers, utilities, etc. Experian has a database of 170 million records in UK and 205 million records in USA of individual credit accounts. It also maintains credit information on commercial enterprises. The core services provided by Experian are –

- Information Services, which account for 50% of the revenues,
- Target marketing,
- Decision Support, and
- Outsourcing.

Experian provides three important products

- [i] Credit Account Information products,
- [ii] Credit Application Previous Searches, and
- [iii] Fraud Alert System.

The annual sales of Experian is US \$ 1.5 billion and it employs 11,000 people. Apart from USA and UK, it also has offices in Argentina, Australia, Austria, Canada, France, Germany, Hong Kong, Ireland, Italy, Netherlands, Portugal, South Africa, Spain and Sweden. Experian has an affiliate Credit Bureau called CBA Information Services (CBA). CBA maintains a wide range of information and credit services and offer credit reports for consumer lending, business lending and real estate lending.

**3.8 *Equifax***, based in USA, serves the financial services, retail credit card and telecommunications sectors. Equifax provides consumer and commercial credit information, fraud detection and prevention services, card marketing services, account acquisition services, mortgage information, out sourcing of collection services, authentication of buyers and sellers and issuance and management of digital certificates and directories. Equifax is a leading provider of consumer and commercial information in USA, Canada, UK, Spain, Portugal and Latin America (Chile, Brazil, Argentina, Peru, Columbia, El Salvador and Mexico). Equifax has 13,000 employees and operates in 18 countries. It has sales of \$1.70 billion and a data base of 400 million consumers and businesses around the world.