

Dispute Resolution Mechanism for Licensed Credit Bureaus

A Dispute Resolution Mechanism (DRM) encompasses an institution's philosophy to address its customers' complaints through a well-designed, effective, transparent and impartial system. An effective dispute resolution mechanism at credit bureaus (CB) provides its customers, an opportunity to resolve their disputes/ complaints in a timely manner, which resultantly strengthens their confidence regarding the credibility of their credit information. The customers' disputes/complaints data helps the credit bureaus in highlighting the deficiencies in their existing system/ procedures, and other reporting issues originating from the data submitted through member financial institution (FI)/ credit information furnishers (CIF), etc.

Being cognizant of the global trend and local requirements, The State Bank of Pakistan has developed guidelines on dispute resolution mechanism for all the licensed credit bureaus operating in Pakistan and expects its compliance as contained in this document in true letter and spirit. The document is divided into two parts. The first part outlines the overarching principles that are important to establish a robust DRM in credit bureaus. Accordingly, the CBs are required to adopt these broad principles keeping in view their scale and scope of operations. The second part of the document prescribes processes and procedures for the establishment of DRM and its operation.

OVERARCHING PRINCIPLES

1. Oversight from the Board and Senior Management

In order to change the perception of complaint handling from regulatory compliance to a self-adopted success code, commitment at the top management is essential. Therefore, the Board of Directors (BoD) and senior management of the credit bureaus are expected to undertake measures to instill a dispute resolution culture across their organization.

2. Fairness and Transparency

The Credit bureaus are expected to embed a culture where disputes are considered as an opportunity for value addition and improvement. The decisions by CB, favorable or otherwise, should be objective, impartial, and consistent and should be supported by factual assessments performed independently, without any influences.

3. Monitoring

The credit bureaus must ensure that the operational efficiency and effectiveness of the DRM should be monitored at an appropriate level. Apart from procedural exceptions, a designated office/ department should examine the accessibility of DRM, quality of complaint processing, promptness in the resolution of disputes, and its final reporting to the senior management.

4. Consumer Rights

The customers of credit bureaus, on payment of a prescribed fee, should have access to their credit information in the form of a Credit Information Report (CIR). However, credit bureaus must ensure that the borrowers should not be charged for correcting any information in the CIR that is inaccurate, incomplete, or misleading. The relevant credit bureau shall provide a rectified copy of CIR to the consumer without charging any fee.

DISPUTE RESOLUTION MECHANISM

1. Policies and Procedures

- a. Credit bureaus are required to devise a dispute resolution policy, duly approved by the BoD, and delineate detailed procedures to deal with disputes. The procedures should clearly define the dispute resolution process, roles, and responsibilities of people involved right from the receipt of a dispute to its resolution or disposal.

2. Independent and Effective Enforceable Capacity

- a. Credit bureaus should establish a separate function independent of business lines to deal with disputes/ complaints.
- b. The dispute resolution function should report to an appropriate senior executive and must be adequately resourced to ensure its effectiveness.

3. Data Accuracy and Secrecy

- a. Credit bureaus are required to take reasonable steps to ensure that information furnished through credit information report (CIR) is accurate, complete, not misleading, and up-to-date.
- b. Credit bureaus are also obligated to put in place necessary safeguards (e.g. system checks, procedures, and automated processes) to ensure the security and safety of customer information.

4. Modes of Dispute Lodgment

- a. Credit bureaus should ensure that their customers have access to affordable and efficient dispute resolution mechanism. Accordingly, credit bureaus are advised to ensure that the following modes for complaint lodgment are visible, available and accessible to the customers at all times:
 - i. Surface Mail
 - ii. Fax
 - iii. Email
 - iv. Website/e-form
 - v. Any other written mode of lodgment, etc.

5. Recording, Classifying and Acknowledging Disputes

- a. All disputes whether lodged by the customer directly or forwarded by the State Bank of Pakistan should be recorded in the centralized DRM.
- b. A dispute once received at the credit bureau should be logged in the DRM by the concerned dispute resolution officer/designated official of the credit bureau.
- c. Each dispute that is logged in the DRM should be assigned an auto-generated dispute tracking number, for future reference.
- d. An acknowledgment should be sent to the complainant via SMS, email, or surface mail confirming the receipt of the dispute/ complaint at the credit bureau.

- e. The acknowledgment, sent via SMS, email, or surface mail must contain the complaint tracking number, approximate turnaround time, and contact details of the dispute resolution unit for follow-up on dispute by the complainant.

6. Turnaround Time (TATs)

The key to efficient and effective customer service is to resolve the grievance of customers within the defined timeline. Since disputes/ complaints are the voice of customers (VoC), it is important that VoC is timely recorded and responded. Accordingly, credit bureaus are advised to comply with the following timelines:

Acknowledgment	The acknowledgment must be sent to customers within 48 hours of receipt of the dispute/complaint
Final Reply	The final reply must be sent to the customer within 10 working days from the date of receipt of the dispute/complaint.*
Interim Reply	In case, the matter requires detailed scrutiny, an interim reply should be sent to customers after 10 working days
<p>* However, in the case where detailed investigations are required, the final reply may take up to 30 working days from the date of receipt of the dispute.</p> <p>The closure of complaints must be provided in a tangible form.</p> <p><i>In cases where disputes are not resolved to the satisfaction of the complainant, credit bureaus must include in their reply that the complainant may approach the State Bank of Pakistan as an alternate grievance redressal forum for redressal of their complaints.</i></p>	

7. Feedback Mechanism

- a. Credit bureaus must ensure the availability of a mechanism where, besides complaints, consumer feedback is also received on their products and/or services.
- b. Credit bureaus should ensure that complaints closure are followed by consumer feedback on timeline and quality of resolution. These consumer feedbacks should be compiled periodically and utilized for improvements in existing services, processes and procedures.

8. Escalation Procedure

- a. Credit bureaus should internally devise a suitable escalation mechanism for effective dispute resolution. For this purpose, an automated escalation matrix shall be devised within DRM. The triggers for such escalation should not be limited to turnaround time only but disputes with material significance should also be escalated to the next hierarchy.

9. Analysis of Data

- a. Credit bureaus are required to suitably categorize each dispute logged in the DRM and conduct periodic analysis to identify issues and bring improvement in their systems, processes and procedures.
- b. A list of complaint categories is being given at **Annexure-A & Annexure B**. However, credit bureaus may not construe these complaint categories as exhaustive and may add further categories depending upon the complaints received/handled by them from time to time.

10. Record Keeping

- a. Record keeping can help to comply with a range of legislative requirements and protect the entities from legal challenges. Thus without records, entities and/or customers are at

risk Record keeping can be useful to prove compliance, avoid potential penalties and fees, etc. Therefore, credit bureaus are advised to retain all the records related to disputes/complaints for at least 12 months or for period prescribed under any other regulation or law, whichever is longer.

11. Reporting to SBP

- a. Each quarter, credit bureaus shall report (both in softcopy and in hardcopy) the performance of their DRM on the prescribed format (Annexure-A & Annexure B), duly signed by the Head of Dispute Resolution.
- b. The return should be submitted within fifteen (15) days after the end of every quarter to the Director, Banking Conduct & Consumer Protection Department, State Bank of Pakistan.

Name of Licensed Credit Bureau
Summary of Complaints Handled during Quarter XX, 20XX

Financial Data Issues						
Complaint Categories	Complaint Processing				Complaint Quality	
	Pending complaints of last quarter	No. of complaints received during the current quarter	No. of complaints resolved during the current quarter	Pending complaints at the end of the current quarter	Total breaches of TATs in complaints lodged during the quarter	Total No. of Complaints escalated during the quarter
1	2	3	4	5	6	7
Incorrect write off/ waiver/ financial relief reported						
Incorrect amount under litigation reported						
Incorrect amount reported in the overdue category						
Duplicate loan reported						
Incorrect loan amount reported						
Delay in data update						
Issue in reporting of outstanding liabilities						
Incorrect borrower code issues						
Loan history issues						
Incorrect amount of recovery reported- write off/waiver issues						
Incorrect credit score						
CIR not issued						
Excessive CIR charges						
Payment made but not updated in CIR						
Miscellaneous						
Total no. of complaints						

Annexure - B

Non-Financial Data Issues						
Complaint Categories	Complaint Processing				Complaint Quality	
	Pending complaints of last quarter	No. of complaints received during the current quarter	No. of complaints resolved during the current quarter	Pending complaints at the end of the current quarter	Total breaches of TATs in complaints lodged during the quarter	Total No. of Complaints escalated during the quarter
1	2	3	4	5	6	7
Correction of name						
Correction of father's name						
Correction of date of birth						
Correction of address						
Correction of CNIC number						
Director information not updated						
Miscellaneous						
Total no. of complaints						