



RIGHTS AND RESPONSIBILITIES OF CREDIT BUREAUS' CONSUMERS

Banking Conduct and Consumer Protection Department
STATE BANK OF PAKISTAN

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Preamble

CREDIT reporting systems are central to well-functioning credit markets around the world. Credit reporting data helps establish the repayment history of borrowers to make it easier for them to access loans by allowing creditors to assess the repayment capacities of their customers and make better credit decisions. The regulators use this data to monitor credit markets and lending/borrowing trends and for other analyses.

Initially, SBP was running a credit information bureau facilitating member financial institutions with the credit information of borrowers for the purpose of credit assessment and credit risk management. However, since the enactment of the Credit Bureau Act on August 24, 2015, the State Bank of Pakistan has issued licenses to two private credit bureaus as part of the State Bank of Pakistan's (SBP) National Financial Inclusion Strategy (NFIS). The role of credit bureau of SBP, accordingly, has advanced to that of a credit registry- a public entity credit bureau that has added focus on collecting system-wide information for macro prudential and other policy purposes.

According to the Credit Bureau Act, 2015, it is mandatory for the financial and credit institutions to become a member and share data with at least one of the licensed private credit bureaus.

The purpose of this booklet is to create consumer awareness about various consumer protection laws, redress mechanism and consumer rights and responsibilities enabling them to take right decision and make the right choice.

Why I Should Know About My Credit History

The credit exposure and repayment history of a person or entity are among the most important elements for risk assessment and loan appraisal. Banks inspect your credit history when they evaluate your applications for any credit facility like business loan, credit card, a loan for a car or house, etc. Based on credit payment history, banks can choose to grant or deny credit. Credit history also plays a role in credit pricing with customer having a good credit track record getting a better rate than those with poor credit history. One can experience problems in timely repayment of loans due to various reasons such as illness, unemployment etc. There can be inaccuracies in the credit history because of misreporting on errors of operational nature. In order to resolve these sorts of problems, one must be aware of their rights and responsibilities as a consumer.

My Credit Information Report (CIR)

Your credit history is recorded in a report format maintained by credit bureaus licensed by the State Bank of Pakistan under the Credit Bureau Act 2015. Your credit record contains information about your debts and credit repayment history. All member financial institutions can generate online reports of their existing and prospective borrowers. The CIR of a borrower is generally used to assess the aggregate credit exposure, his/her past track of loan repayment, and his/her creditworthiness.

Role of Credit Bureaus in My Creditworthiness

Credit Bureaus are agencies authorized to collect account information from various creditors, store collated credit information of borrowers and provide it for a fee to creditors, so they can make informed lending decisions. In Pakistan, the State Bank of Pakistan has licensed M/s Data Check Limited and M/s Aequitas Information Services Limited as private Credit Bureaus. Member Financial Institutions of these bureaus include Commercial Banks, Development Financial Institutions, Specialized Banks, Islamic Banks, Micro Finance Institutions, Investment Banks, Leasing Companies, Modarabas and Microfinance Banks. Other institutions like Utility companies may become members of credit bureaus for the purpose of sharing as well as collecting data after they are notified by the Federal Government.

My Rights and Responsibilities

In order to protect oneself from negative consequences of inaccurate data, the legal framework and regulations issued by the State Bank of Pakistan allows consumers to exercise certain rights to access and challenge data held on them and be responsible for their role in the process. A summary of these rights and responsibilities is as under:

1. Data Collection, Privacy and Disclosure

- The Credit Bureaus may collect credit and personal information to the extent prescribed in the Credit Bureaus Act, 2015. Personal information that may appear on a credit information report is also specific and limited under this Act.
- You can object disclosure of any unreasonable personal information and reflection of any extended default or overdue period in your CIR as prescribed in the Rules 4 and 5 of the Credit Bureaus Rules of 2016, accessible at <https://www.sbp.org.pk/about/act/CreditBureauRules.pdf>
- No one can access, distribute or disclose credit information in the possession or control of a credit bureau unless the Credit Bureaus Act, 2015 or any other law in force authorizes so. Similarly, no one can access credit information in the possession or control of a credit bureau or financial institutions on false pretenses, which is punishable under the law.
- You may challenge in case your credit information is shared with the entities/institutions not authorized under the provisions of the Credit Bureaus Act, 2015.

2. Ethical and Fair Conduct:

- You are entitled to a fair, equitable and professional treatment by Credit Bureau. If you are a senior or differently-abled citizen, you will be extended special assistance.
- It is your responsibility to comply with the terms and conditions of the availed product/service and exhibit civility in your dealings with the credit bureau.

3. Right to Know and Dispute Incomplete and Inaccurate Information

- You have the right to know the reason when your credit application is denied because of incomplete or inaccurate information supplied by the Credit Bureau.
- You or your authorized attorney may obtain your CIR from a Credit Bureau licensed by the State Bank of Pakistan, on payment of a prescribed fee.
- The report shall come with the name, address, and contact details of the issuing Credit Bureau to enable you to file a dispute against incomplete or inaccurate information supplied by the Credit Bureau.
- In an event where you have objection on the accuracy, completeness or correctness of your CIR, you may notify the concerned credit bureau of the alleged error. You will receive an acknowledgement receipt against such notification of error along with summary of your rights.
- Once the requisite corrections are made, the Credit Bureaus are required to provide you, free of cost, a copy of an updated CIR.

4. Solving Your Credit Problems

- A history of timely credit payments helps you get additional credit. If you are having problems paying your bills, contact your creditors at once.
- Try to work out a modified payment plan with them that reduces your payments to a more manageable level.

5. Grievance Record and Redressal

- You can contest a CIR, bill or credit denial, by contacting the relevant credit institution in writing mentioning your name, account number, the rupee amount in question, and the reason you believe the bill is wrong.
- Keep all your original documents, especially receipts and billing statements.
- Observe complaint resolution timelines, hierarchies, and report complaints as per defined mechanisms.

6. Complaint Resolution by the State Bank of Pakistan

- In case of non-resolution of your issue by the respective Credit Bureau and/or the lending institution(s), you may lodge a complaint to the State Bank of Pakistan at cpd.helpdesk@sbp.org.pk
- Your complaint should clearly state the facts explaining why you think the information is incomplete or inaccurate.

Contact Details of Licensed Credit Bureaus

Managing Director,

Data Check Limited

Mezzanine Floor, Bahria Complex III,

M.T. Khan Road, Karachi

Tel: +92-21-35642320-7

Fax: +92-2135642330

Webmail:-www.datacheck.com.pk

Chief Executive,

Aequitas Information Services Limited

Building 8, Sector B,

Phase 5, DHA, Lahore

Tel: +92-42-35871251-3

Fax: +92-42-35871250

Webmail: www.tasdeeq.com

Frequently Asked Questions

1. What is a Credit Information Bureau/Credit Registry?

A Credit Information Bureau (CIB) is an organization that collects and collates credit data on borrowers from its member financial institutions. The financial data is then aggregated in system and the resulting information (in the form of credit reports) is made available online on request to contributing member financial institutions for the purpose of credit assessment, credit scoring, and credit risk management. The major purpose of this database is to enable the Financial Institutions (FIs) to know the credit history of their prospective customers thus enabling them to make informed and timely lending decisions.

2. What is the Electronic Credit Information Bureau (eCIB) of the State Bank of Pakistan?

The State Bank of Pakistan (SBP) established the Electronic Credit Information Bureau (eCIB) in December 1992. The scope and activities of eCIB are governed under the provisions of the Banking Companies Ordinance (BCO), 1962. Section 25(A) vests powers upon SBP to call for credit information in such a manner as it may deem necessary and make such information available to any banking company, which is a member (https://www.sbp.org.pk/publications/prudential/ordinance_62.pdf)

3. How your credit information is gathered in eCIB database?

All member FIs are required to submit entire borrowers' records online to eCIB on monthly basis by 10th of every month.

4. Can an individual borrower request its credit institution/lending financial institution not to share his/her information from a Credit Bureau?

No. The Credit Bureaus licensed by the State Bank of Pakistan are empowered under the Credit Bureaus Act, 2015 to collect credit information. The member financial institutions are required to report entire credit records irrespective of any limit to the licensed Credit Bureaus (Clause 10 of the Credit Bureau Act, 2015)

5. Is there any regulation restricting financial institutions from lending to an individual borrower having negative CIR?

No, SBP regulations/ instructions do not place any restriction on banks and financial institutions on lending to any person having a negative CIR. The financial institutions have to make their own lending decisions based on their policies, borrower's credit history and its repayment capacity. If the banks/DFIs decide to take exposure on defaulters, they should strictly follow their risk management policies, credit approval criteria, properly record reasons, and justifications in the approval form (Clause 2 of R-3 of Prudential Regulations available at <https://www.sbp.org.pk/publications/prudential/PRs-Jan-2015.pdf>).

6. A financial institution has turned down my credit application; does it mean that I am not entitled to avail any credit facility from other financial institutions as well?

No. Negative CIR does not debar any individual from seeking any financing facility from any financial institutions in Pakistan. Financial institutions make a lending decision based on information available to them and in the light of their policies, borrower's total exposure, repayment track record and capacity.

7. When I approach eCIB for making any correction/change in my CIR, why is the matter referred to financial institutions? Can credit bureau amend my CIR at my request?

The eCIB does not amend any CIR at its own, at the request of the borrower. The onus of reporting accurate data to the eCIB rests with the reporting financial institution; hence, eCIB cannot verify the borrower's claim at its end. Any correction in eCIB data can only be made through the reporting financial institution.

8. If I settle my overdue liabilities today, how long will it take to clear my CIR?

The banks and financial institutions are required to make an online interim update of the borrowers' record immediately but not later than 10 days from the date of settlement of overdue. The interim update statement reflects in the "remarks" portion and the overdue amount will subsequently be cleared in the reporting month to which it pertains. However, the history of such overdue will continue to be reflected in e-CIB for 24 months from the date of settlement. In case of private credit bureaus, this history will be reflected as per clause 5 of Credit Bureau Rules available at <https://www.sbp.org.pk/about/act/CreditBureauRules.pdf>

9. Does the eCIB take any punitive action against financial institutions reporting wrong information on any borrower?

Yes. The financial institutions are subject to penal actions under the provision of law on account of misreporting/erroneous reporting in the eCIB database.

10. How can I resolve the dispute with Financial Institution(s) regarding reporting to eCIB?

Please approach your concerned FI and if the dispute/complaint is not resolved then you can approach eCIB through helpdesk, the link of which is given below: <http://www.sbp.org.pk/cpd/cpd-help.asp>

Please note that SBP does not interfere/take up matters that are already pending before a court of law or any legal forum.

11. Does the CIR provide a credit rating of the borrower? Does it reflect only negative information?

The CIR neither expresses any opinion about the borrower's creditworthiness nor assigns any rating to the individual borrowers. It provides a factual position of the borrowers' credit exposure both negative as well as positive as on a certain date.

12. How the negative Credit Information Report (CIR) can be improved?

The borrower may discuss the matter with the lending financial institutions and work out a repayment/settlement plan with them. Once the loan account becomes regular, CIR will reflect the revised position. The report, however, will continue to reflect the history of such negative/overdue information for consumer/individual borrowers' in the eCIB reports of the State Bank of Pakistan for a period upto two years (in case of private credit bureaus, please refer to FAQ No. 8 above).

13. What is the Credit Scoring Service?

It is through Credit Scoring that lenders assess the creditworthiness of an individual. A credit score is factually a numeric term that can be used to predict a variety of financial behaviors. These scores determine the likelihood of loan default.

Disclaimer: This booklet is only for the general information of consumers regarding their rights and responsibilities while dealing with Credit Bureaus. It does not substitute or override regulations and instructions issued by the SBP, through circulars and circular letters.

For specific queries, please contact us at:

State Bank of Pakistan

I.I. Chundrigar Road Karachi Pakistan.

Phone: 111-727-111

Email: info@sbp.org.pk

Web: www.sbp.org.pk

References/ Website Links:

<https://www.sbp.org.pk/about/act/CreditBureauAct-2015.pdf>

<https://www.sbp.org.pk/about/act/CreditBureauAct-2016.pdf>

<https://www.sbp.org.pk/about/act/CreditBureauRules.pdf>

<https://www.sbp.org.pk/publications/prudential/PRs-Jan-2015.pdf>

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