

All Banks/DFIs

Dear Sirs/Madam,

REPORTING TO CREDIT BUREAUS

The role of credit bureaus in the efficient credit allocation through extension of credit facilities to SME and consumer sectors has attracted global attention. However, for smooth functioning of credit bureaus, an elaborate policy and regulatory framework needs to be put in place. The State Bank is actively working on a developmental project focusing on developing a policy and regulatory framework for credit bureaus. With the completion of this project and putting in place the necessary policy and regulatory framework, the credit bureaus would be in a better position to cater to the credit information needs of their stakeholders.

Meanwhile, it has been observed that a few private credit bureaus are already operating in the country and some of the banks/DFIs are voluntarily reporting credit data / obtaining credit reports from them. The State Bank has been receiving an increasing number of complaints from the customers of banks/DFIs regarding misreporting of their names to the private credit bureau(s). Upon probing the matter, we have learnt that the banks/DFIs are, inter alia, reporting the amounts reversed in their books, on negotiated settlement with customers, as “write-offs” and the amounts under dispute as “defaults” to the private credit bureau(s). Furthermore, the banks/DFIs are referring the small borrowers to the Credit Information Bureau (CIB) of State Bank of Pakistan despite the fact that their names are reported by the banks/DFIs to the private credit bureau(s) and not to the CIB.

In order to curb this tendency on the part of banks/DFIs, the following instructions are being issued:-

- i) The reversals / write-offs made as a consequence of settlement in writing, through mutual consent of the bank/DFI and the borrower, should not be reported as “write-offs” to a private credit bureau(s).
- ii) The amounts in dispute with the customers, substantiated with the documentary evidence, should be reported as “amounts under dispute” and not as “defaults” to a private credit bureau(s).
- iii) The banks/DFIs shall send an intimation letter to the concerned borrower before reporting his name as “defaulter” to a private credit bureau(s). Such letter shall, inter alia, inform the borrower about the implications of reporting his / her name to a private credit bureau(s) as defaulter, and allow a reasonable time period (at least 15 days) for

reconciliation / settlement of overdue liability.
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iv) Whenever any further information / clarification regarding a borrower reported to the CIB or a private credit bureau(s) is sought by the SBP, the concerned bank / DFI shall be required to provide such information / clarification to this Department within three working days of receipt of such query.

v) The banks/DFIs shall properly guide their customers as and when they approach them seeking information about their outstanding liabilities.

All banks/DFIs are advised to ensure meticulous compliance of the above instructions. Failure to comply with these instructions shall render them liable for a punitive action under the Banking Companies Ordinance, 1962.

Please acknowledge receipt

Yours faithfully,
Jameel Ahmad

Director.