

# **Report of the Committee to Recommend Data Format for Furnishing of Credit Information to Credit Information Companies**



**RESERVE BANK OF INDIA  
DEPARTMENT OF BANKING OPERATIONS AND DEVELOPMENT  
JANUARY 2014**



**Chairman**

**Report of the Committee to  
Recommend Data Format for  
Furnishing of Credit Information to  
Credit Information Companies**

**Letter of Transmittal**

**Shri H.R. Khan  
Deputy Governor  
Reserve Bank of India  
Mumbai**

**January 31, 2014**

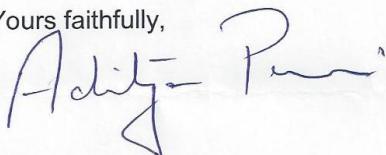
**Dear Sir,**

I have great pleasure in submitting the Report of the Committee to Recommend Data Format for Furnishing of Credit Information to Credit Information Companies.

On behalf of the members of the Committee, and on my own behalf, I convey my sincere thanks for entrusting us with this task of contemporary relevance.

With regards,

Yours faithfully,



**Aditya Puri  
Chairman**



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## **ABBREVIATIONS**

AGM	Assistant General Manager
ARC	Asset Reconstruction Company
CAD	Canadian Dollar
CEO	Chief Executive Officer
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest of India
CFO	Chief Financial Officer
CIBIL	Credit Information Bureau of India Limited
CIC	Credit Information Company
CICRA	Credit Information Companies (Regulation) Act, 2005
CIR	Credit Information Report
COO	Chief Operating Officer
COR	Certificate of Registration
CP	Commercial Paper
CRAA	Credit Reference Association of Australia
CRIB	Credit Information Bureau of Sri Lanka
CRILC	Central Repository of Information on Large Credits
CRIMS	Credit Information Management System (Sri Lanka)
DGM	Deputy General Manager
DHF	Dispute Handling Form
DHP	Dispute Handling Process
DPD	Days Past Due
ECB	External Commercial Borrowing
FCCB	Foreign Currency Convertible Bond
FCRA	Fair Credit Reporting Act (USA)
FI	Financial Institution
FICO	Fair, Isaac and Company
HFC	Housing Finance Company
HKMA	Hong Kong Monetary Authority
IBA	Indian Banks Association
IPA	Issuing and Paying Agent
IFC	International Financial Corporation

MFI	Micro Finance Institution
MFIN	Micro Finance Institutions Network
MITC	Most Important Terms and Conditions
MTM	Mark to Market
NBFC	Non-Banking Financial Company
NOC	No Objection Certificate
NPA	Non-Performing Asset
PAN	Permanent Account Number
PIPEDA	Personal Information Protection and Electronic Documents Act, Canada
RBI	Reserve Bank of India
RRB	Regional Rural Bank
SFC	State Finance Corporation
SFTP	Secured File Transfer Protocol
SHG	Self Help Group
SME	Small and Medium Enterprises
TUDF	TransUnion Data Format
UCB	Urban Cooperative Bank
UFCE	Unhedged Foreign Currency Exposure

# **Report of the Committee to Recommend Data Format for Furnishing of Credit Information to Credit Information Companies**

## **Executive Summary**

### **Credit information sharing**

Adequate amount of quality information on counterparties is a critical component of financial infrastructure. Reducing the information asymmetry between lenders and borrowers will provide a fillip to growth of credit especially among disadvantaged sections of society and foster financial inclusion and inclusive growth. An efficient system of credit information sharing reduces cost of intermediation. It allows banks to effectively price, target and monitor loans and thereby enhances competition in the credit market. It also reduces credit defaults benefitting consumers with reduction in average interest rates. The overall systemic impact would be better quality of credit portfolios freeing the capital for further credit growth and thus deepening of credit markets. Additionally, it promotes objective and transparent scrutiny/processing of credit proposals making the process less expensive. Aiding and enabling bank supervisors to monitor build-up of systemic risks including in sensitive and unregulated sectors is another positive outcome from credit information.

### **Credit Information Companies in India**

2. The Credit Information Bureau (India) Ltd. (CIBIL) was incorporated in 2000 and launched its operations in April 2004. Following enactment of the Credit Information Companies (Regulation) Act (CICRA) in 2005, three other Credit Information Companies (CICs) were also set up. With the industry having seen almost ten years of operation, the infrastructure for credit information sharing needs to be strengthened. Areas where changes are necessary include increasing the coverage of credit information business, harmonising the reporting formats across CICs, rationalising the classification of accounts and their nomenclature based on payment history, standardising the contents of credit information reports, and putting in place best practices for CICs and credit institutions.

### **International standards/experience**

3. The World Bank's General Principles for Credit Reporting states that "Credit reporting systems should effectively support the sound and fair extension of credit in an economy as the foundation for robust and competitive credit markets. To this end, credit reporting systems should be safe and efficient, and fully supportive of data subject and consumer rights". Based on international data, India is ranked 28 in "Getting Credit" and the coverage of CICs accounts for only 19.8% of adult population, as against 100% in several countries. Among country practices in information sharing not obtaining in India are the provision of free credit reports to each customer, including customer views on disputed items in the credit information reports, simplified approaches to getting credit reports rectified through any bank branch, more inclusive information covering utilities and criminal convictions, and permitting employers to access credit reports. CICs in India do not collect individual level data relating to ownership of a business, tax statements, individual's income and other personal financial information, utility payment records/telecom data, cheque bouncing, bankruptcies and court judgements. Similarly, CICs do not collect firm level data on assets and liabilities, tax and income, owner's personal income, utility payment records/telecom data, bankruptcies and court judgements.

### **Increasing coverage of credit information**

4. When enquiry is made with one CIC, a specified user will get only such information that has been provided to the CIC by its members, which may not include all credit institutions which have an exposure to the borrower. The Committee recommends that all commercial banks, RRBs, LABs and financial institutions, including HFCs and SFCs, may become members of all CICs. Cooperative banks and NBFCs with asset base of Rs. 100 crore and above may become members of all CICs. Others may be encouraged to become members of all CICs. CICs may make membership fees and annual fees as low as possible.

5. Credit information may also cover defaults in commercial paper (CP) and such products. Low usage of credit information by member institutions and other specified users needs to be addressed by requiring CICs to populate their databases with requisite credit information so that enquiries by specified users yield desired information and by arranging workshops, in association with IBA or MFIN, for creating awareness about CIRs.

## **Data Formats**

**6.** Most credit institutions furnish data on retail and commercial borrowers in the format used by CIBIL. Similarly, there is a different format for MFI reporting. Different CICs are using different formats for capturing data on corporate borrowers. The differing and inconsistent formats delays reporting, increases reporting costs, results in mismatch in reporting and prevents credit institutions from becoming members of more than one CIC. The Committee recommends using formats used by CIBIL for consumer and commercial bureau reporting, and the MFI Common Data Format for MFI reporting. The other recommendations on data formats include the following:

- (a) Additional fields recommended for inclusion in the Data Format include dispute codes, consumer comments on dispute, details of collateral, etc. The Committee recommended that information on registration of property mortgage with the CERSAI may be included along with detailed product classification for vehicle loans, information on relationship/guarantor, and Days Past Due.
- (b) If compromise settlements are the result of customer complaints against wrongful practices by the financial service provider, these should not result in a reporting that adversely affects the credit standing of the customer.
- (c) Banks may within a reasonable period arrange for capturing data on individual borrowers from SHGs for reporting to CICs.
- (d) When banks become members of all CICs, as recommended, the instructions for information sharing under multiple banking/consortium arrangements could be withdrawn.

**7.** In order to institutionalise a continuing mechanism for making changes to data formats, a Technical Working Group of banks, CICs, NBFCs and HFCs, in association with IBA/MFIN, may periodically examine the need for making changes to the data format and recommend suitable changes.

**8.** Banks should share data on unhedged foreign currency exposure with CICs. CICs may devise a suitable format/fields for incorporation of information on UFCE, and submit the same for the approval of the Reserve Bank.

**9.** Credit institutions may obtain information on derivatives from their clients and report the same to the CICs as per the fields specified in the Commercial Data Format. Banks should prevail upon their customers through application of penal rates or otherwise, for ensuring prompt reporting by the customers. The Reserve Bank of India may take up with the Ministry of Corporate Affairs for ensuring compliance by the corporate customers.

**10.** Data quality issues result in rejection of data at the CIC level. These arise mainly on account of lack of a widely accepted unique identifier. There is also no check and monitoring of poor quality of data resulting in repeated rejections. To get over this problem, data submitted by credit institutions should be populated with at least one of the commonly used identifier fields. The other measures include CICs sharing with banks the logic and validation processes involved, parameterising the reasons for rejection and circulating among the credit institutions, making rejection reports simple and understandable, and stipulating a time frame for rectification of rejections and for uploading of data by credit institutions.

**11.** Data rejection experience for same data is different at different CICs because of differing norms on data quality. A common Data Quality Index would assist credit institutions in determining the gaps in their data and also move towards improving their performance over a period of time. Credit institutions would also be able to rank their own performance against that of their peers and identify their relative position. The Committee has recommended a Data Quality Index which may be adopted by the CICs and credit institutions.

### **Credit Information Report**

**12.** CICs should have a common classification of Credit Scores so that it would be easier to understand and interpret. The Committee recommends that the CIBIL method of calibrating from 300 to 900 could be adopted by the other CICs also.

**13.** The following recommendations were made relating to CIR:

- (a) The Committee did not consider it necessary to standardise the format of the CIR as differentiation was essential to promoting competition.
- (b) CICs should report details of co-borrower and guarantor.

- (c) CICs may provide a single CIR for a borrower even if there are multiple addresses, using a unique identification number (PAN/Aadhaar No.).
- (d) CICs may have link with the database of CERSAI which has data on mortgages so that CIRs can provide information on property mortgages.
- (e) Though commercial reports may capture the names of directors/guarantors/partners/ proprietor, if a specified user required additional information on any of them separately, this may be done by accessing separate consumer reports on them.
- (f) Access may be provided to members of CICs to view data provided and updated by them. An online data correction mechanism may be put in place by CICs to enable members to confirm/upload correction requests.
- (g) Adequate disincentives may be put in place to ensure that CICs and credit institutions adhere to the timelines for data correction.
- (h) CIRs should disclose details of disputes relating to information in CIRs and customer comments thereon, if any.
- (i) Specified users and CICs should arrange to receive customer requests for rectification of data in CIRs. In the case of any correction being carried out, a free copy of the corrected report may be provided to the customer as well as to specified users who accessed the CIR during last six months.

**14.** For credit cards, credit institutions and CICs may be guided by the Reserve Bank circular dated December 20, 2013, as per which “credit card account will be treated as non-performing asset if the minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the next statement date.”

**15.** Providing customers with a free copy of their CIRs would help create awareness about the need to have credit discipline, enable customers to correct their behaviour and improve their score well before they plan to avail fresh credit of any kind, help identify identity theft at an early stage, help CICs correct and validate their database and increase their business in the long run. Reserve Bank of India may consider implementing the recommendation in due course.

**16.** CICs levy charges on enquiries even if they have no data on the entity. As “no hits” also represent information, CICs may charge even on “no hits”, but at a much lower and differentiated basis. When a CIR is corrected following a dispute, a fresh

CIR may be issued free of cost. An aggregated report, along the lines of the tri-union report in the USA, could be introduced in India after removing legal hurdles.

### **Best practices for credit institutions/CICs**

**17.** Credit institutions may consider the following in their policies/procedures:

- (a) Credit institutions should ensure that records submitted to CICs are updated regularly and that no instances of repayment are left unreported.
- (b) Centralising the issue of NOCs and providing information to CICs could help avoid discrepancies in information furnished to CICs.
- (c) All credit institutions should have nodal officers for dealing with CICs.
- (d) Customer grievance redressal, especially in respect of complaints relating to updation/alteration of credit information, should be given top priority. This may be integrated with existing redressal systems.
- (e) Credit institutions should follow the period stipulated for updation, alteration of credit information, resolving disputes, etc. Deviations should be monitored and commented upon in reviews put up to the Board on customer service.
- (f) Updation of credit information should take place on a monthly basis or at shorter intervals as agreed upon by the credit institution and the CIC.
- (g) Banks should mandate the usage of CIRs in their credit appraisal process.
- (h) First time loan applications should not be rejected for want of credit history.

**18.** CICs may consider the following in their Board approved policies/procedures:

- (a) Abide by stipulated period for updation and alteration of credit information, resolution of disputes, etc. Deviations should be commented upon in the periodical reports to the Board on customer service.
- (b) Structured processes for redressing customer grievances, including having a nodal officer for complaints, conducting root cause analysis for complaints and submitting a quarterly review on complaints to the Board.
- (c) Updation of credit information should take place on a monthly basis or at such intervals as agreed upon between the credit institution and the CIC.
- (d) For commercial data, there are only limited records in the database especially for newer CICs. The CICs may populate the database with historic data to improve their capabilities in the area.

- (e) Training should be organised by the CICs for member institutions for understanding the formats and improving the data acceptance ratio.
- (f) Have safeguards in respect of data usage by specified users.

**19.** Certain other recommendations in this regard are as follows:

- (a) When CIRs on the same borrower are accessed by more than one specified user simultaneously, say, within a period of one month, an alert may be provided by the CIC to all the specified users who have drawn the reports to avoid multiple financing for the same purpose/to avoid fraudulent transactions.
- (b) Alerts on borrowers who are changing their addresses/office are to be indicated to other credit grantors as a separate value added product without disclosing the name of the credit institution.
- (c) Customisation of reports including providing specific information such as behaviour pattern of borrowers may be done as value added products.
- (d) Ensure that credit records of borrowers are regularly updated by banks and that issues such as non-reporting of last loan instalment do not arise.
- (e) All CICs should be ISO 27001:2013 certified for information security.
- (f) CICs should have a mechanism for replicating across all CICs, the rectification/updation done at one CIC.

**20.** The Reserve Bank of India may consider evolving a suitable mechanism for providing a fast and cheap redressal of customer grievances vis-a-vis CICs, including by even expanding the scope of the Banking Ombudsman Scheme.

**21.** The reporting of cases of wilful default, even in non-suit filed cases, may be done by banks/FIs directly to the CICs of which they are members. The system of banks/FIs reporting information on non-suit filed cases of defaulters to the Reserve Bank of India is redundant and may be dispensed with. Banks may provide CICs with historical information when dissemination of the above lists by the Reserve Bank of India is discontinued.CICs may make available the data in respect of suit-filed cases on their websites more user-friendly that would facilitate search across periods and banks.The above reporting of wilful default, in suit-filed and non-suit filed cases, may be on a continuous basis, and not at quarterly rests.

# **Chapter 1**

## **Introduction**

### **Background**

**1.1** Availability of adequate amount of quality information on counterparties is a critical component of financial infrastructure in any country. By reducing the information asymmetry between lenders and borrowers, this provides a fillip to the growth of credit especially among the disadvantaged sections of society and also fosters financial inclusion and inclusive growth in the longer run. The need for such an infrastructure has increased in the recent past with the changing environment in banking where the traditional banker-customer relationships have become more formal and system-driven, and the products have become more complex and technology-based.

**1.2** As mentioned in detail in Chapter 2, initiatives towards setting up a mechanism in the form of a credit registry were first made as early as in 1962, when the Reserve Bank of India Act, 1934, was amended to introduce a new Chapter IIIA incorporating Sections 45A to 45F that provided for receiving and dissemination of credit information. The Banking Commission (Chairman: R.G. Saraiya) had also recommended in 1972 setting up of a Credit Intelligence Bureau as a statutory body which would furnish adequate and reliable credit information to banks and other financial institutions. The Credit Information Scheme thus put in place by the Bank in 1962 was discontinued in 1995 due to (a) Inordinate delay in submission of the information by banks; (b) information furnished by banks being often outdated and incomplete; and (c) the demand for such information from banks was very insignificant.

**1.3** Setting up of credit bureaus in Asia really took off only after the Asian crisis of 1997. Even in India there was need for putting in place an institutional mechanism for collecting and furnishing, on request, information on both the existing and prospective borrowers of banks and other institutions. This would go a long way in arresting the growth of non-performing advances of banks and financial institutions. Therefore, a “Working Group to explore the possibilities of setting up a Credit Information Bureau in India” (Chairman: N.H. Siddiqui) was set up in 1999. The

Group reaffirmed the urgent need for establishment of a credit bureau in India in its report of November 1999. Accordingly, Credit Information Bureau (India) Ltd. (CIBIL) was incorporated in August 2000. CIBIL launched its credit bureau operations in April 2004 and its commercial bureau operations in May 2006.

**1.4** The Working Group had also felt that a master legislation should be enacted for facilitating collection and sharing of information by the proposed Bureau. This would take care of the need for making amendments to various banking legislations, the provisions of which prohibited disclosure of information. Accordingly, the Credit Information Companies (Regulation) Act (CICRA) was enacted in the year 2005 with a view to regulate Credit Information Companies and to facilitate efficient distribution of credit. The Rules and Regulations for the implementation of the CICRA were notified on December 14, 2006.

**1.5** Subsequent to the enactment of CICRA 2005, the following three credit information companies (CICs) were given in-principle Certificates of Registration in April 2009 to commence the business of credit information.

- (a) Equifax Credit Information Services Pvt. Ltd.
- (b) Experian Credit Information Company of India Pvt. Ltd.
- (c) High Mark Credit Information Services Pvt. Ltd.

CIBIL was also given an in-principle approval in April 2009 to carry on the business of credit information since it was already functioning as a CIC prior to the enactment of the Act. Subsequently, the first three CICs were given COR during the year 2010 while CIBIL was given COR in the year 2012.

### **Constitution of the Committee**

**1.6** With the industry having seen almost ten years of operation of CIBIL and over three years of operation by the other three CICs, it was felt that the infrastructure for credit information sharing put in place by establishing the four CICs needed to be strengthened. Particular areas where changes were considered necessary included increasing coverage of the credit information business, harmonising the reporting formats across CICs, rationalising the classification of accounts and their nomenclature based on payment history, standardising the contents of credit

information reports, and putting in place best practices for CICs and credit institutions.

**1.7** The Second Quarter Review of Monetary Policy 2012-13, announced by Reserve Bank of India on October 30, 2012, had proposed that credit institutions should furnish timely and accurate credit information on their borrowers and make extensive use of available credit information as a part of their credit appraisal process. In the post-policy meeting with select bankers and IBA held in December 2012, among other issues, a need for standardisation of format for data collection as well as harmonisation/convergence among CICs to minimise duplication were discussed. In an earlier meeting held with the heads of CICs on December 20, 2012, it had been suggested that a committee comprising of a few banks, CICs, Indian Banks Association (IBA) and the Reserve Bank of India be set up to finalise an updated data format acceptable to all.

**1.8** Accordingly, Reserve Bank of India constituted the Committee in March 2013 under the chairmanship of Shri Aditya Puri, Managing Director, HDFC Bank Ltd., to examine reporting formats used by CICs and other related issues. The Committee had representation from various stakeholders including the CICs, public and private sector banks, foreign banks, NBFCs, cooperative banks, MFI sector, IBA and Reserve Bank of India. A copy of the order constituting the Committee is given as Annex 1. The following were the members of the Committee:

- |   |          |
|---|----------|
| 1. Shri Aditya Puri, Managing Director, HDFC Bank Ltd.  | Chairman |
| 2. Shri Mohan Jayaraman, CEO, Experian Credit Information Company of India Pvt. Ltd.                      | Member   |
| 3. Shri Sanjay Patel, CEO, Equifax Credit Information Services Pvt. Ltd.                                  | Member   |
| 4. Dr. Anil Pandya, Director, High Mark Credit Information Services Pvt. Ltd. @                           | Member   |
| 5. Shri Arun Thukral, CEO, Credit Information Bureau (India) Limited (CIBIL)                              | Member   |
| 6. Shri R. Venkatachalam, Deputy Managing Director and Chief Credit and Risk Officer, State Bank of India | Member   |

7.	Shri Rohinton Madon, Director and Head of Credit Risk Management, India, Deutsche Bank	Member
8.	Shri Bhaskar Niyogi, Head, Risk Policies, Portfolio Review and Reporting Methodologies, Ratnakar Bank Ltd.	Member
9.	Shri Govind Sankaranarayanan, CFO and COO, Tata Capital Financial Services Ltd.	Member
10.	Smt. S.S. Thakker, General Manager, Saraswat Cooperative Bank	Member
11.	Shri P.N. Vasudevan, Managing Director, Equitas Holding Company Pvt. Ltd.	Member
12.	Shri K. Unnikrishnan, Deputy Chief Executive, Indian Banks Association	Member
13.	Shri G.S. Hegde, Principal Legal Adviser, Legal Department, Reserve Bank of India\$	Member
14.	Shri Rajesh Verma, Chief General Manager, Department of Banking Operations and Development, Reserve Bank of India	Member Secretary

@ In the absence of Dr. Pandya, Shri Sridhar Keppurengan, Vice President (Business Development), High Mark Credit Information Services Pvt. Ltd., attended the first two meetings of the Committee. Smt. Kalpana Pandey, CEO, attended the third meeting of the Committee.

\$ Shri A Unnikrishnan, Joint Legal Adviser, Legal Department, Reserve Bank of India, was nominated as alternate member.

## **Terms of Reference**

**1.9** Terms of reference of the Committee were as under:

- (i) To examine the available formats for furnishing of credit information by credit institutions to the Credit Information Companies in respect of different sectors viz., individual borrowers (retail credit), corporates and MFIs, as prevalent in the industry currently.
- (ii) To examine the expansion of the coverage of credit information to derivatives and other off-balance sheet items in the format.
- (iii) To recommend suitable format/formats to be adopted across the various borrower segments.

- (iv) To harmonise the classification of accounts based on payment history as well as other relevant factors like restructuring, settlement, write-off, wilful default (non-suit filed/suit filed accounts), list of defaulters (non suit filed/suit filed accounts) etc in line with extant instructions.
- (v) To harmonise the components of the Credit Information Report across CICs and give a broad indication of factors for determining the credit score.
- (vi) To suggest best practices for the guidance of the Credit Institutions in respect of usage of Credit Information as a part of their credit appraisal process and also for furnishing data that is updated, accurate and complete.
- (vii) To suggest any other steps required for improving the credit information furnished by the CICs taking into account the interests of the ultimate consumer and in order to ensure better customer service.

### **Committee's approach**

**1.10** The Committee held two meetings in March and August 2013, before the first draft of the report was prepared. Pursuant to deliberations in the meetings of the Committee, meetings were also held separately by IBA with CICs and bankers for discussing issues raised by them. Similarly, a meeting was also held separately by representatives of the four CICs with Reserve Bank of India. The Committee's views evolved based on these deliberations, other informal interactions among members during the tenure of the Committee and an overview of international best practices in credit information sharing as obtaining in various countries and as enunciated in the documents of multilateral organizations such as the World Bank and the International Finance Corporation. The report was finalised in the meeting of the Committee held on January 29, 2014.

### **Overview of chapters**

**1.11** In Chapter 2, an overview of international standards and practices is provided, based on which certain broad conclusions are drawn. Chapter 3 examines the coverage of credit information business in India and suggests measures for improving the same. Issues in data formats, including categorisation of defaults and

data quality, are discussed in Chapter 4. In Chapter 5, Committee's views on Credit Information Report format and related issues have been articulated. Chapter 6 recommends best practices for adoption by CICs and credit institutions. The modalities for reporting wilful defaulters and making the system more effective and time bound are discussed in Chapter 7. Finally, in Chapter 8, the major recommendations of the Committee have been summarised.

### **Acknowledgements**

**1.12** The Committee would like to place on record its gratitude and appreciation for the valuable support extended to its work by the following: G. Sreekumar, General Manager, A. Unnikrishnan, Joint Legal Adviser, Rajesh Jai Kanth and Jayanthi Natarajan, DGMs, Alpana Tatke, AGM, and P. Leela Lakshminarayanan, Manager, from the Reserve Bank of India, Harshala Chandorkar from CIBIL, Jayati Chakraborty from Experian, Sridhar Keppurengan, Subhrangshu Chattopadhyay, Prijat Garg and Nikunj Bhagat from High Mark.

## Chapter 2

### International Practices

#### Credit Information Sharing

**2.1** As stated in a recent World Bank report, “A well-developed financial infrastructure makes credit markets more efficient by reducing information asymmetries and legal uncertainties that may hamper the supply of new credit. This improves the *depth* of credit market transactions and broadens access to finance. The global financial crisis has also renewed interest in the role of financial infrastructure in supporting systemic *stability*. Financial infrastructure promotes financial stability in several ways. Transparent credit reporting can support the internal risk management of financial institutions and supply financial regulators with timely information on the risk profile of systemically important financial institutions.”<sup>1</sup>

**2.2** There are three important ways in which sound and transparent methods of credit information sharing can support credit market efficiency and stability. First, lending institutions can draw on such information to decide on lending to individual customers as well as to manage the risk profile of their overall portfolios. Secondly, bank regulators can make use of credit information to appropriately calibrate regulations such as those related to capital and prudential exposure limits. Thirdly, bank supervisors can make use of such systems to assess the build-up of interconnected risks of systemically important borrowers and financial institutions.

**2.3** The World Bank has defined credit reporting systems as those that comprise the institutions, individuals, rules, procedures, standards and technology that enable information flows relevant to making decisions related to credit and loan agreements. At their core, credit reporting systems consist of databases of information on debtors, together with the institutional, technological and legal framework supporting the efficient functioning of such databases. The information stored in these systems can relate to individuals and businesses.

**2.4** An efficient credit information system helps address market failures such as adverse selection and asymmetric information between borrowers and lenders. It

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<sup>1</sup>World Bank, Global Financial Development Report, 2013.

could thus lead to a reduction in default risk and improved allocation of credit to those who had no prior access to credit. By discouraging excessive debt and rewarding responsible borrowing and repayment, it also promotes a responsible credit culture. Credit information system also enables borrowers to monitor their credit scores over a period and guard against build-up of debt that may become unsustainable as well as possible theft of identity. Using this “reputational collateral”, they will also be able to access credit outside existing banking relationships. This benefits especially disadvantaged borrower groups including small businesses, farmers with good credit history, new borrowers with limited or no physical collateral, and start-ups which do not have a prior credit history. Sharing of positive information especially helps access to finance for borrowers who would otherwise have been financially excluded.

**2.5** Apart from the advantages discussed above, an efficient system of credit information sharing also has the following benefits:

- (a) Information sharing assists in screening of borrowers as well as monitoring of credit risks. This reduces cost of intermediation and allows banks to effectively price, target, and monitor loans.
- (b) Bank supervisors are able to assess and monitor build up of systemic risks more effectively, especially regarding high exposure to certain sensitive sectors by highly interconnected and systemically important financial institutions.
- (c) By increasing the access of unregulated lenders to credit information, the systemic risks outside the ambit of traditional regulated sectors are enabled to be captured.
- (d) Competition in the credit market is enhanced as positive information on customers, which is usually not shared, also becomes available to other lenders, thereby also benefiting the better borrowers.
- (e) Reduction of default rates and average interest rates, facilitated by increased credit information sharing, leads to increased lending.

- (f) Borrowers are incentivised to maintain a good credit record, thus leading to a reduction of NPAs, better quality of credit portfolio, higher capital adequacy ratios and consequently increased lending by credit institutions.
- (g) Research has shown that credit information sharing results in deepening of credit markets.
- (h) Credit information sharing facilitates objective and transparent scrutiny/processing of credit and makes the process fast and less expensive.

**2.6** Globally, the credit reporting industry can be divided into three groups:

- (a) Credit registries: A credit registry is a model of credit information exchange whose main objectives are assisting bank supervision and enabling data access to regulated financial institutions to improve the quality of their credit portfolios. Most credit registries were started as internal databases within the central banks of the countries and are used as a tool for regulation and supervision to calibrate regulatory measures and to identify systemic risk within lending portfolios.
- (b) Credit Bureaus: A credit bureau is a model of credit information exchange whose primary objective is to improve the quality and availability of data for creditors to make better informed decisions. They collect information from a variety of credit providers including banks, credit card companies, non-bank financial institutions and also utility service providers like water, electricity, telephone companies etc.
- (c) Commercial Credit reporting companies: Commercial credit reporting companies provide information on companies and corporations collected through public sources, direct investigations and payment behaviour as reported by suppliers and trade creditors.

### **Credit Registries and Credit Bureaus**

**2.7** Of the above, the two types of institutions which provide credit information based on a formal system of exchange of information are credit registries and credit bureaus. It may be useful to delineate the major differences to be able to appreciate

the differing roles of credit registries and credit bureaus. This is given in the table below:

Credit Registry	Credit Bureau
Credit registries tend to be public entities.	Privately owned.
They are usually managed by central banks or bank supervisory agencies. In rare cases, they are also managed by a government department.	Privately operated.
Generally developed to support the role as a supervisor of financial institutions	The industry develops to fill the need for credit information sharing to support the credit markets.
Where credit registries exist, loans above a certain amount must, by law, be registered in the national credit registry.	It may be optional to become member of a credit bureau. However, in India, it is legally necessary for all credit institutions to become member of at least one bureau/credit institution company.
In some cases, credit registries have relatively high thresholds for loans that are included in their databases. However, there are registries with no threshold also. Generally, those set up to serve regulatory and supervisory objectives, have a higher threshold, while those set up to provide credit information to lenders have a much lower threshold or no threshold.	Generally there is no threshold for reporting.
Credit registries tend to monitor loans made by regulated financial institutions.	No loan monitoring. Only reporting of negative or positive repayment data.
Credit registry data are geared towards use by policymakers, regulators, and other officials.	Tend to cater to the information requirements of commercial lenders.
Provide plain vanilla products.	Typically provide additional value-added services, such as credit scores and collection services.
Data subjects not able to access and dispute errors regarding information collected exclusively for supervision.	Data subjects can access and dispute information. Data may also be accessed free of charge one or more times a year, and request can be made for correction of errors.
Users able to access consolidated information concerning prospective customers, i.e., financial obligations with all other creditors reporting to the registry.	Detailed and disaggregated information available including information on payment status.

Data source usually limited to banks and other financial institutions.	Various types of data sources which include apart from banks and other financial institutions, credit card companies and microfinance institutions, non-financial credit card companies, retailers and suppliers extending trade credit. May also include data on payments associated with utilities or telecom services.
In line with their historical role as a supporter of supervisory function, registries tend to record more detailed information about the type, terms, and structure of individual loans.	More geared toward tracking the repayment history of individual borrowers in order to provide commercially viable data to market participants.
In view of the generally larger size of loan accounts on which information is collected, information is more on legal entities.	Data collected by credit bureaus are often more comprehensive and better geared to assess and monitor the creditworthiness of individual clients.
Likely to have less data from unregulated institutions.	Unregulated institutions are likely to contribute more information to credit bureaus..
Users are usually limited to banks and financial institutions.	Entities other than banks and financial institutions are usually able to access the service.
All users generally contribute data.	Some of the users, such as landlords and employers, will not be contributing data.
National credit registries have been around longer since the 1930s as compared to private credit bureaus. They became more popular from the 1960s following crises in individual countries.	Compared to credit registries, private credit bureaus are a relatively recent institution though such bureaus have existed in Germany, Sweden and USA for nearly a century. It emerged in high income countries like France, Italy and Spain only in the 1990s.

## International standards

**2.8** The General Principles for Credit Reporting<sup>2</sup> aims at the following public policy objectives for credit reporting systems:

“Credit reporting systems should effectively support the sound and fair extension of credit in an economy as the foundation for robust and competitive credit markets. To this end, credit reporting systems should be safe and efficient, and fully supportive of data subject and consumer rights”.

**2.9** For taking forward the above objectives, the World Bank has laid down the following major principles:

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<sup>2</sup>World Bank, General Principles of Credit Reporting, 2011.

### **General Principle 1: Data**

Credit reporting systems should have relevant, accurate, timely and sufficient data – both positive and negative – collected on a systematic basis from all reliable, appropriate and available sources, and should retain this information for a sufficient amount of time.

### **General Principle 2: Data Processing: Security and Efficiency**

Credit reporting systems should have rigorous standards of security and reliability, and be efficient.

### **General Principle 3: Governance and Risk Management**

The governance arrangements of credit reporting service providers and data providers should ensure accountability, transparency and effectiveness in managing the risks associated with the business and fair access to the information by users.

### **General Principle 4: Legal and Regulatory Environment**

The overall legal and regulatory framework for credit reporting should be clear, predictable, non-discriminatory, proportionate and supportive of data subject and consumer rights. The legal and regulatory framework should include effective judicial or extrajudicial dispute resolution mechanisms.

### **General Principle 5: Cross-Border Data Flows**

Cross-border credit data transfers should be facilitated, where appropriate, provided that adequate requirements are in place.

## **Role of Key Players**

**2.10** The World Bank has also laid down the following as the roles of key players:

**Role A:** Data providers should report accurate, timely and complete data to credit reporting service providers, on an equitable basis.

**Role B:** Other data sources, in particular public records agencies, should facilitate access to their databases to credit reporting service providers.

**Role C:** Credit reporting service providers should ensure that data processing is secure and provide high quality and efficient services. All users having

either a lending function or a supervisory role should be able to access these services under equitable conditions.

**Role D:** Users should make proper use of the information available from credit reporting service providers.

**Role E:** Data subjects should provide truthful and accurate information to data providers and other data sources.

**Role F:** Authorities should promote a credit reporting system that is efficient and effective in satisfying the needs of the various participants, and supportive of data subject/consumer rights and of the development of a fair and competitive credit market.

### **Best Practices for Information Reporting Design**

**2.11** Credit history can be broadly categorised as negative data and positive data. Negative reporting includes only adverse information such as those pertaining to defaults. Positive credit data contains favourable information on borrowing accounts (both the current active accounts as well as those availed in the past). It may include data relating to the type of loan availed, the credit institutions from where such credit was availed, pattern of repayments by the borrower and the guarantees/collateral thereon. This is often referred to as “full-file credit reporting”. Credit reports that have the highest predictive power combine both positive and negative information from both banks and non-bank lenders. Credit reporting systems would also allow the reporting of all non-lender data useful for determining creditworthiness of a borrower, such as utility bills, insurance premiums, etc., to bureaus. These data sources are typically called alternate data which are supplements for banking repayment data. With alternate data, the coverage of people with some kind of payment history increases as opposed to people with no previous access to formal channels of credit.

**2.12** As may be seen from the following graph, based on research findings reported in IFC’s Credit Reporting Knowledge Guide (2012), countries where sources of information are full, and where both positive and negative information are captured by the credit information system, the predictive power of the information system of the country is very high. On the other hand, countries where sources of

information are fragmented, and where only negative information is captured by the credit information system, the predictive power of the information system of the country is very low.

<i>Types of information</i>	Positive & negative information	Negative information
<i>Sources of information</i>		
"Full" (information shared by banks, retailers, NBFIs)	High predictiveness (e.g. U.S., U.K., India)	Lower predictiveness (e.g. Australia, Swaziland)
"Fragmented" (e.g. information shared among banks only or retail only)	Lower predictiveness (e.g. Mexico, Kuwait)	Lowest predictiveness (e.g. Malaysia, Botswana)

Source: IFC, Credit Reporting Knowledge Guide, 2012.

Thus, “full information” and “full-file credit reporting” covering both positive and negative credit information are best practices for an effective credit information system.

### Country practices

**2.13** Under the following paragraphs, significant country specific practices, which have a relevance to the terms of reference of the Committee, especially best practices for customer interface and services, are discussed. These are based on information contained in Miller (2003), other literature listed under References, World Bank’s Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)) and other country specific information available in the public domain.

**2.14** The “Getting Credit” page of the Doing Business website explores two issues, one of which is the strength of credit reporting across countries. Based on data last updated in June 2013, India is ranked 28 in “Getting Credit”. Private Credit Bureaus cover 154,700,919 individuals and 5,241,709 firms, with the coverage accounting for 19.8% of adult population, as against 100% in various countries. In “Depth of Credit Information” Index, India scored five out of a maximum of six, the deficit being on account of the bureaus not distributing credit information from retailers/utility companies in addition to financial institutions.

**2.15** Setting up of credit bureaus in Asia took off only after the Asian crisis of 1997. A survey of credit bureaus in the Asia Pacific region concluded that “there is enormous amount of work to be done in the bureau front ... The main focus should be on good data capture, good data mining, education for both lenders and consumers; and proper legal framework to avoid any abuse of the system”<sup>3</sup>. The Committee examined the best practices as obtaining in different countries before examining the Indian position.

#### **Australia<sup>4</sup>**

**2.16** The four main credit reporting agencies in the Australian market are Veda Advantage, Dun and Bradstreet, Experian and the Tasmanian Collection Service. The major consumer credit reporting agency is Veda Advantage (previously named Baycorp Advantage), which states that it maintains credit worthiness related data on more than 11 million individuals in Australia and New Zealand. It has over 5,000 subscribers from a wide range of industries, including banking, finance telecommunications, retail, utilities, trade credit, government, credit unions and mortgage lenders. Veda Advantage’s Australian credit reporting business commenced in 1968 as the Credit Reference Association of Australia (CRAA), which was established by the finance industry. As discussed below, the CRAA played a central role in developments leading to the enactment of the credit reporting provisions of the Privacy Act.

**2.17** The credit bureau business in Australia is regulated by the Office of the Australian Information Commissioner, established under the Australian Information Commissioner Act 2010, which provides for the appointment of the Australian Information Commissioner, and the Freedom of Information Commissioner.

**2.18** Citizens can obtain a credit report by contacting one of the credit reporting agencies by providing information to enable them to identify the requestor. This may include full name, address, date of birth, previous address and driver’s license number. Credit reports are generally required to be given free of charge. However, there may be a charge involved if the report is required immediately.

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<sup>3</sup>Chakravarti and Chea, 2005.

<sup>4</sup> Based on information contained in the website of Australian Law Reform Commission ([www.alrc.gov.au](http://www.alrc.gov.au)) and that of the credit reporting agencies.

**2.19** Some of the important features of service delivery of one of the credit reporting agencies include the following:

- (a) Apart from personal information, a credit information has three distinct sections. The first is consumer credit information which may include credit applications made in the past five years relating to loans for household, personal or domestic purposes, information that a credit provider is a current credit provider (indicating whether credit relationship is current), details of overdue consumer credit accounts. The second relates to commercial credit information which may include credit enquiries pertaining to applications for credit for commercial purposes and details of overdue commercial credit accounts. The third relates to public record information which may include court judgements and court writs, directorship details, proprietorship details and bankruptcy information.
- (b) Overdue Accounts may be reported as a "payment default" or a "clearout".
  - (i) A payment default is an account of \$100 or more that is 60 days or more overdue. Payment defaults can only be included in the credit file if the credit provider has tried to recover some or all of the overdue amount. This means that they have asked the debtor, either in person (including over the phone) or in writing to the last known address, to pay the outstanding amount. A payment default stays on your credit file for five years, even when you have paid the overdue amount. The fact that an account has become overdue and then been paid becomes part of your credit history.
  - (ii) A clearout is also sometimes called a "confirmed missing debtor". It means that, at the time of listing the person who owes the money could not be located despite attempts to contact them. Before one can be listed as a clearout, the credit provider must make reasonable efforts to contact the debtor, either in person (including over the phone) or in writing to the last known address, to pay the outstanding amount. If the person cannot be contacted, the credit provider can immediately list the debt on your file as overdue, even if it hasn't

been overdue for 60 days or more. Clearouts remain on file for seven years from the date they're listed, even when the overdue amount has been paid. Thus, the fact that an account has become overdue and then been paid becomes part of your credit history.

- (c) The website of the credit information agency provides information on how to resolve disputes and prevent identity theft, apart from detailed tips on understanding the credit file.

## **Canada**

**2.20** In Canada, the key laws applicable to the business of credit bureaus are Personal Information Protection and Electronic Documents Act (PIPEDA), Fair Trading Act, Business Practices and Consumer Protection Act, Personal Investigations Act and Consumer Reporting Act. The relevant provisions are administered by the federal and provincial consumer agencies. The key compliance requirements are as follows:

- (a) Clearly informing individuals how their personal information will be used
- (b) Obtaining individual consent before collecting and using their personal information and only using it for the purpose for which it was collected
- (c) Disclosing personal information to individuals at their request, including details of who accessed it
- (d) Investigating disputed information and correcting any inaccuracies

**2.21** Canada's two national credit reporting agencies are Equifax Canada and TransUnion Canada. When a request is made in writing, the agencies will provide by mail, a free copy of the credit report. Requests have to be made along with copy of two pieces of identification. Requests can also be made through the agencies' website, in which case the report will be received within minutes, but a charge may apply for receiving the report online, which is around CAD 50.

**2.22** The websites of the agencies provide detailed information on how to get credit information data corrected in case there are errors. This can be done by writing to the concerned agency, which will send the form that needs to be filled in

and sent for correcting the error. The request has to be made with supporting documents, if any. The agency will contact whoever had submitted the disputed information. In case the file is changed, a copy of the new report will be sent to the requestor as well as any company that's requested the credit file in the previous two months. If the file is not changed to the satisfaction of the requestor, he/she has the right to add a brief statement to the credit file with their version of the story. A complaint can also be filed with the concerned provincial consumer agency.

### **Hong Kong<sup>5</sup>**

**2.23** The Hong Kong Monetary Authority (HKMA) has issued directions to all authorised institutions recommending their participation in the use and sharing of credit information through a credit reference agency within the limits of the Code of Practice on Consumer Credit Data issued by the Office of the Privacy Commissioner for Personal Data.

**2.24** The HKMA is not directly involved in the setting up of a credit reference agency or in the expansion of existing ones as it considers that this should best be left to the market. However, it gives impetus to the market process by emphasising the value which it attaches to widespread participation by authorised institutions. In assessing the effectiveness of institutions' credit evaluation systems during on-site examinations, the HKMA takes into account the extent to which they make full use of all relevant information about applicants for credit, including that obtained from credit reference agencies. The HKMA monitors the effectiveness of the credit reference service in Hong Kong particularly in terms of the amount of credit information disclosed to credit reference agencies and level of participation in sharing credit information by authorised institutions. It maintains close liaison with the Privacy Commissioner's Office to help to ensure that the Code of Practice on Consumer Credit Data will be regularly reviewed in the light of practical experience.

**2.25** A credit report issued by a credit reference agency may contain personal information, information from members about credit accounts with current credit usage and account repayment history, public records such as litigation relating to recovery of debt, bankruptcy and winding-up petitions, enquiry records, which list

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<sup>5</sup>Based on information posted on the website of HKMA ([www.hkma.gov.hk](http://www.hkma.gov.hk)) and websites of credit reference agencies.

members that have reviewed your credit report within the last two years and credit score, a numerical snapshot of your credit report at a particular point in time. The TransUnion credit reports can be obtained online, by mail or in person, where charges vary from HKD 220 to 240, for the first copy with charges for additional copies applied for simultaneously being around HKD 50. There are annual packages for up to 12 reports, where the average cost works out much cheaper.

**2.26** Policies followed by the credit reference agencies need to comply with the Code of Practice on Consumer Credit Data issued by the Office of the Privacy Commissioner for Personal Data, Hong Kong. Requests for correction of credit reports may be sent by mail, fax, or in person, with supporting documents, if any. If the data that is questioned was provided by a member of the agency, the member will be informed of the request and asked to confirm the accuracy of the data or rectify the record within 40 days. If the questioned data is from a public record, the accuracy of the data will be verified by checking the source of the relevant public record.

### **Russian Federation**

**2.27** The main credit bureaus operating in the Russian Federation are the TransUnion CRIF Decision Solution and Sberbank-Experian-Interfax. The credit bureaus are governed by the Federal Law on Credit Histories (2004), which describes the definition and the content of the credit history, the principles, method of formation, storing and usage of credit histories; regulates the associated activities of the credit bureau; determines the specifics of the formation, liquidation and reorganization of the credit bureau as well as the principles of its interaction with the sources of formation of the credit history, borrowers, state authorities, local authorities and the Central Bank. The objectives of the law are

- (a) to create and determine conditions for the formation, processing, storage and disclosure of information by the credit bureau.
- (b) to increase protection of creditors and borrowers through a general reduction of credit risks.
- (c) to increase efficiency of the work of credit organizations.

**2.28** Among the other important provisions of the Act are the following:

- (a) The Central Bank of the Russian Federation has a structural division, which holds a database, established in accordance with this law, to determine which credit bureau holds credit histories on a given individual/borrower.
- (b) The subject of the credit history has the right to learn from the Central Catalogue in which credit bureau his credit history is stored.
- (c) The subject of the credit history has the right to obtain his credit report from each Credit Bureau which holds his credit history once per year free of charge and as many times as he wishes for a charge, without indication of any reason, including information about the sources of credit history and about the Users of the credit history to whom credit reports were furnished.
- (d) The Subject has the right to dispute the Information in its credit history in its entirety or partially by sending to the credit bureau which holds their credit information an application for make changes and (or) additions to the credit history.
- (e) The credit bureau is obliged, within 30 days of the receipt of the application, to verify the Information contained in the credit history, requesting the relevant information from the Source of the credit history, with the exception of instances established in this Federal law. For the time of verification of the disputed information, a relevant note shall be made in the credit history.
- (f) The Credit Bureau shall update the credit history by correcting the disputed part if the application is confirmed, or shall leave it without changes. The credit bureau is obligated to inform the subject of the credit history in writing of the results of the investigation within 30 days from the date of the application receipt. A refusal to satisfy the above-mentioned application must have a legitimate reason.
- (g) It is not obligatory for the Credit Bureau to further verify disputed and confirmed information in the Credit History.

- (h) The Subject of the Credit History has the right to challenge in court the refusal to satisfy the application for making changes or additions to the credit history, as well as the credit bureau's failure to provide in writing the results of the investigation within the time frame established in the present Article.

### **South Africa<sup>6</sup>**

**2.29** The main credit bureaus operating in South Africa are Compuscan, Experian, TransUnion and XDS. Credit bureaus in South Africa are regulated under the National Credit Act and are required to be registered with the National Credit Regulator. The Act generally provides for the following:

- (a) Promote a fair and non-discriminatory marketplace for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information
- (b) Promote black economic empowerment and ownership within the consumer credit industry
- (c) Prohibit certain unfair credit and credit-marketing practices and promote responsible credit granting and use and for that purpose prohibit reckless credit granting
- (d) Provide for debt re-organization in cases of over-indebtedness,
- (e) Regulate credit information and provide for registration of credit bureaus, credit providers and debt counselling services,
- (f) Establish national norms and standards relating to consumer credit and promote a consistent enforcement framework relating to consumer credit
- (g) Establish the National Credit Regulator and the National Consumer Tribunal.

**2.30** The following are listed as the rights of a South African consumer, in matters relating to credit:

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<sup>6</sup>Based on information on the website of the National Credit Register, South Africa ([www.ncr.org.za](http://www.ncr.org.za)), and individual credit bureaus.

- (a) Right to apply for credit,
- (b) Right not to be discriminated against when applying for credit,
- (c) An understandable credit agreement in plain language,
- (d) A quote, and pre-agreement statement valid for five days,
- (e) Advertising and marketing which contains all the information on cost of credit,
- (f) Limited credit sales while at work and at home,
- (g) Feedback as to why credit application was unsuccessful,
- (h) Right to be given documents in an official language that the consumer understands,
- (i) Regulation of automatic credit limit increases,
- (j) Prohibition of reckless lending,
- (k) Regulated fees and interest on all credit agreements, including microloans,
- (l) Regulated credit bureaus and the right to one free credit report every year,
- (m) Right to access and challenge information held by a credit bureau,
- (n) Right to confidentiality of personal information,
- (o) Assistance when over indebted, negotiate with credit provider or debt counsellor, and
- (p) Debt counselling to enable restructuring of debts.

**2.31** Though the Act provides for one free credit report in a year, some bureaus provide free access to credit information for up to three months. The free reports can be accessed by providing personal and contact details, and by completing the identity authentication process.

**2.32** The credit report typically includes the following information: personal details, potential fraud indicators, credit score, debt summary, credit account status, adverse domain records, defaults, judgement, administration/sequestration orders, rehabilitation, payment notification (information on credit providers who require the customer to contact them), credit enquiry history (credit providers who have requested information), contact history (present and previous addresses), telephone linkages, employment history, property interest and directorship links (companies where consumer is linked as a principal). Administration and sequestration orders can stay in credit history for up to ten years.

**2.33** A typical bureau website encourages consumers to request an investigation into their disputed account information if they find an error on their credit report or to send the credit bureau proof of any changes to their contact details. The Credit Bureau will update the information and also investigate where required. If information is found to be inaccurate, or can no longer be verified, it will be deleted. If an investigation does not resolve the question within the 20 business days that the process allows for then the matter can be referred to the Credit Information Ombudsman.

### **Sri Lanka<sup>7</sup>**

**2.34** Sri Lanka was the first country in the South Asian region to set up a credit bureau, following a banking crisis, when it set up the Credit Information Bureau of Sri Lanka (CRIB) in 1990 through an Act of Parliament. CRIB is a public-private partnership, with the Central Bank holding the majority of equity. A Deputy Governor of the Central Bank is the Chairman of the Bureau in Sri Lanka and the Bank is also represented on the Board of the Bureau by a senior officer.

**2.35** The principal business of the bureau is to issue credit information reports (called “iReports”) to member institutions and the general public. CRIB provides credit information services through an automated “Credit Information Management System” (CRIMS). The credit information reports are basically divided into two major categories such as “Consumer” (Individual) and “Corporate” (Business). The Banks and approved financial institutions access their customers’ credit information online

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<sup>7</sup>Based on information posted on the website of the Credit Information Bureau of Sri Lanka ([www.crib.lk](http://www.crib.lk))

through the bureau website. In addition to issuing credit information reports, the bureau provides various value added services to banks and approved financial institutions.

**2.36** The law allows any individual or corporate entity to request for his/her/its own credit report or Self Inquiry Credit Report (iReport) from the bureau. The bureau issues such credit reports to any subject to whom that information is related to. Credit reports can be obtained by visiting the office of the bureau or through any bank, in which case the report will be delivered by registered post to the home address. The iReport application form is downloadable from the website of the bureau or from any bank branch. Individuals will have to apply along with the National Identity Card/Valid Passport/Valid Licence and a deposit receipt for Rs. 250. Corporate iReports would require along with the completed application form, Business Registration Certificate, Article of Association VAT registration certificate (If registered) and a deposit receipt for Rs.700. The proprietor of a sole proprietor business, partner of a partnership or a director of a limited liability company alone can request for the iReport of their firm/company.

**2.37** The Dispute Handling Process (DHP) is designed to resolve disputes/discrepancies which may arise due to various reasons such as data entry errors, technical errors, etc., when banks and financial institutions report data to the Bureau. Common type of disputes relate to irrelevant credit facilities, incorrect repayment history, incorrect credit facility details, un-updated credit facility details and incorrect or irrelevant personal details. A Dispute Handling Form (DHF) is provided along with the iReport. The duly completed Dispute Handling Form (DHF) should reach the CRIB office within 30 days from the date of issue of an iReport, along with a photocopy of the iReport highlighting the disputed information and supporting documents which could help expedite the process. A dispute in a corporate iReport can only be raised by an authorized signatory who requested the corporate iReport. CRIB will forward the dispute/s to the relevant reporting institution(s) for necessary action. A minimum period of 14 days is required to resolve any dispute. An amended iReport will be issued free of charge once the dispute is resolved. If the dispute is not satisfactorily resolved, it can be placed before the Financial Ombudsman, who has the power to inquire into and settle any complaints and disputes between individual customers and financial institutions under the Ombudsman Scheme.

## **United Kingdom<sup>8</sup>**

**2.38** The three main consumer credit reference agencies in the UK are Call credit, Equifax and Experian. Customers can write to any of the three agencies and ask for a copy of his/her credit reference file, for a cost of £2. The letter should indicate full name, any other names used or been known by in the last six years (maiden name), full address including postcode, any other addresses where lived at in the last six years, date of birth, and a cheque or postal order for £2 payable to the credit reference agency. The agency will provide a copy of the file within seven working days. The agencies may need more time if they seek proof of name and address from a utility bill or bank statement. This is to make sure that no one else gets the file by mistake or to check that no one else fraudulently applies for the credit reference file.

**2.39** If the credit file contains inaccuracies, the customer can raise his/her concerns with the credit reference agency. The problem may lie with the original lender or organization that supplied the agencies with the information, and they could also be contacted instead. While most cases are resolved speedily by the agency/information provider, if there is an obvious inaccuracy which is not corrected, the Information Commissioner's Office extends help, though it is not its role to decide on financial disputes.

**2.40** If a lender using credit scoring refuses credit, the customer can ask the lender to explain why credit was refused. Rejections may be on account of some information in the credit reference file perceived as negative by the lender. It may also be because the credit score of the lender was below a minimum threshold. Credit may also be refused to persons, who in the opinion of the lender, cannot afford the loan. Lenders do not have to explain how their credit scoring works. The customer can, however, ask the bank to review the decision, if the scoring was done using a computer. A customer can also ask a lender to review the decision by providing additional information, which could change the decision of the lender.

## **United States of America**

**2.41** The Fair Credit Reporting Act (FCRA) of the USA requires each of the nationwide credit reporting companies – Equifax, Experian, and TransUnion – to

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<sup>8</sup>Based on "Credit Explained", Information Commissioner's Office, United Kingdom.

provide customers with a free copy of their credit report, on request, once every 12 months. The FCRA promotes the accuracy and privacy of information in the files of the nation's credit reporting companies. The Federal Trade Commission (FTC), the nation's consumer protection agency, enforces the FCRA with respect to credit reporting companies.

**2.42** Under the law, a citizen is also entitled to a free report if a company takes adverse action against him/her, such as denying credit, insurance, or employment, and the request for the report is made within 60 days of receiving notice of such action. The notice will give the name, address, and phone number of the credit reporting company which had provided the report. A citizen is also entitled to one additional free report a year if unemployed and plan to look for a job within 60 days, if on welfare, or if credit report is inaccurate because of fraud, including identity theft. Otherwise, a credit reporting company may charge a reasonable amount for another copy of the credit report within a 12-month period.

**2.43** A credit report includes information on where a person lives, how bills are paid, and whether he/she has been sued or has filed for bankruptcy. Nationwide credit reporting companies sell the information available with them to creditors, insurers, employers, and other businesses that use it to evaluate a person's applications for credit, insurance, employment, or renting a home. The free annual report is provided through a central website, toll-free telephone number and a mailing address set up by the three nationwide credit reporting companies. The law entitles each citizen to order one free copy of his/her report from each of the nationwide credit reporting companies every 12 months. While requests for free credit reports made online are responded to immediately, requests over phone and by mail would take 15 days to provide the credit reports.

**2.44** The website of the FTC warns customers against websites offering "free credit reports", "free credit scores" and "free credit monitoring" and trying to offer other free products which may come with strings attached. The FTC also warns against "imposter" websites which use "free report" as part of their name or have URLs that deliberately misspell the official site ([www.annualcreditreport.com](http://www.annualcreditreport.com)) that dispenses free reports. The FTC also provides the following as two major reasons why anyone should be getting a free credit report:

- (a) Make sure the information is accurate, complete, and up-to-date before you apply for a loan for a major purchase like a house or car, buy insurance, or apply for a job.
- (b) Help guard against identity theft.

**2.45** The website of FTC also advises customers on what steps are to be taken when information in a credit report is found to be inaccurate. Credit reporting companies investigate the complaints within 30 days unless if they find the dispute to be frivolous. The complaints are taken up with the information provider, which verifies the information, and if found inaccurate, report the results back and also notify all the three credit reporting companies. After the investigation, the credit reporting company gives a copy of the written results along with a free copy of the report if the dispute results in a change, which does not count as the annual free report. If an item is changed or deleted, the credit reporting company cannot put the disputed information back in the file unless the information provider verifies that it is accurate and complete. The credit reporting company must also send the customer written notice that includes the name, address, and phone number of the information provider.

**2.46** If information is inaccurate, the creditor or other information provider is to be informed in writing that an item in the report is disputed. If the provider reports the item to a credit reporting company, it must include a notice of the dispute raised by the customer. If an investigation doesn't resolve the dispute with the credit reporting company, the customer can ask that a statement of the dispute be included in the file and in future reports. The customer can also, for a fee that may have to be paid, ask the credit reporting company to provide his/her statement to anyone who received a copy of the credit report in the recent past. When a customer tells the information provider that an item is disputed, a notice of the dispute must be included every time the information provider reports the item to a credit reporting company.

**2.47** Other relevant information is as follows:

- (a) A credit reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. There is no time

limit on reporting information about criminal convictions, information reported in response to an application for a job that pays more than \$75,000 a year, and information reported because the person has applied for more than \$150,000 worth of credit or life insurance. Information about a lawsuit or an unpaid judgment against a person can be reported for seven years or until the statute of limitations runs out, whichever is longer.

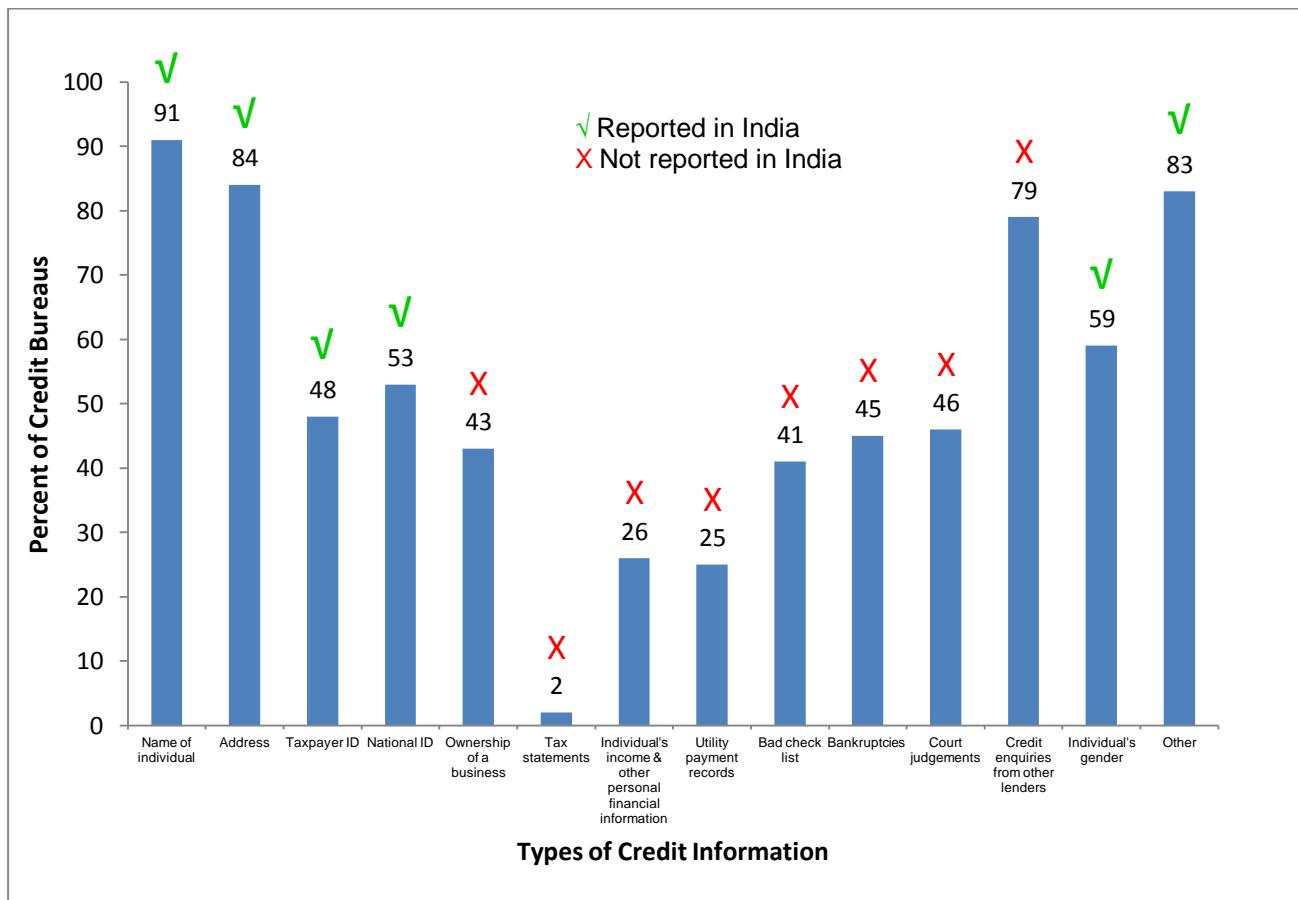
- (b) The FCRA specifies who can access the credit report. Creditors, insurers, employers, and other businesses that use the information in the report to evaluate your applications for credit, insurance, employment, or renting a home are among those that have a legal right to access the report.
- (c) An employer can get a copy of an individual's credit report only upon the written consent of the individual.

### **Position in India**

**2.48** In India, a credit registry named Central Repository of Information on Large Credits (CRILC), which was announced in September 2013, is in the process of being set up in the Reserve Bank of India. However, provisions for arrangements similar to a credit registry were made as early as in 1962, in the wake of a turmoil in the banking sector, when the Reserve Bank of India Act, 1934, was amended to add provisions empowering the Reserve Bank of India, among other things, to collect credit information, call for returns and furnish credit information to banking companies (Part IIIA – Sections 45A to 45F of the Reserve Bank of India Act, 1934).

**2.49** As of now, in India, the entities engaged in the business of credit information are known as Credit Information Companies (CIC), which are distinct from the credit repository and are in the nature of credit bureaus as discussed earlier. They maintain credit information of borrowers (including individuals, corporate, SMEs) which can be accessed by the lending institutions. CICRA 2005 provides for regulation of CICs and to facilitate efficient distribution of credit and for matters connected therewith or incidental thereto. Further, no company shall commence or carry on the business of credit information without obtaining a certificate of registration from the Reserve Bank under the Act.

**2.50** A comparison of the individual level information collected by credit bureaus across the world with those collected by CICs in India is given in the graph below:

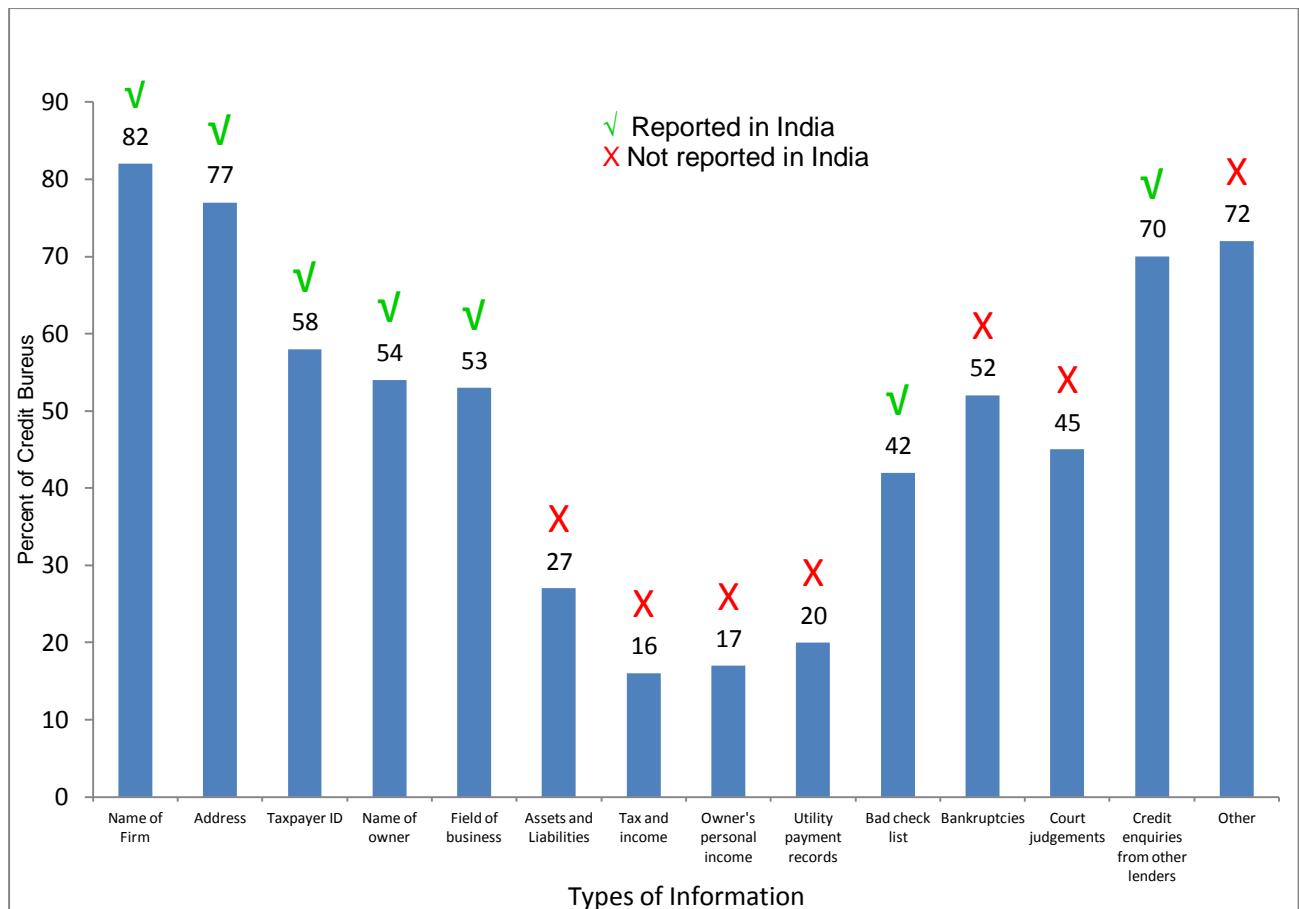


Source: Based on Doing Business Indicators, Credit Reporting Knowledge Guide, International Financial Corporation, 2012.

**2.51** It may be seen from the above that all CICs in India do not collect individual level data of the following types:

- (a) Ownership of a business
- (b) Tax statements
- (c) Individual's income and other personal financial information
- (d) Utility payment records/Telecom data
- (e) Instances of cheque bouncing
- (f) Bankruptcies
- (g) Court judgements

**2.52** A comparison of firm level information collected by credit bureaus across the world with those collecting by CICs in India is given in the graph below:



Source: Based on Doing Business Indicators, Credit Reporting Knowledge Guide, International Financial Corporation, 2012.

**2.53** It may be seen from the above that CICs in India do not collect firm level data of the following types:

- (a) Assets and liabilities
- (b) Tax and income
- (c) Owner's personal income
- (d) Utility payment records/Telecom data
- (e) Bankruptcies
- (f) Court judgements

These information elements provide additional insight into the borrower's standing. Given the larger objectives of financial inclusion of the banking industry, telecom data being available to the CICs will be of specific importance in aiding this objective.

## **Chapter 3**

### **Coverage of Credit Information**

#### **Introduction**

**3.1** As mentioned in Chapter 2, India is ranked 28 on the “Getting Credit” page of the World Bank. Private Credit Bureaus cover 154,700,919 individuals and 5,241,709 firms, with the coverage accounting for 19.8% of adult population (as of June 2013), as against 100% in various countries. The low coverage is partly accounted for by the lower penetration of financial services in the country. However, it also emphasises the need to further improve the coverage of credit information business in the country. Development of the credit information sector will further the agenda of financial inclusion.

**3.2** The requirement of an adequate, comprehensive and reliable information system on the borrowers through an efficient database had been felt by the Reserve Bank, Central Government, banks and other players in the banking and financial sector. With a view to provide necessary legislative support to the business of credit information, CICRA 2005 was enacted, and the Act along with the Rules and Regulations framed there under came into effect from December 14, 2006. The Act, inter-alia, provides for the regulation of CIC by the Reserve Bank of India.

#### **Relevant Provisions of CICRA 2005**

##### **Credit Information**

**3.3** In terms of Section 2(d) of CICRA, “credit information” means any information relating to:

- (i) the amounts and the nature of loans or advances, amounts outstanding under credit cards and other credit facilities granted or to be granted, by a credit institution to any borrower;
- (ii) the nature of security taken or proposed to be taken by a credit institution from any borrower for credit facilities granted or proposed to be granted to him;
- (iii) the guarantee furnished or any other non-fund based facility granted or proposed to be granted by a credit institution for any of its borrowers;

- (iv) the credit worthiness of any borrower of a credit institution;
- (v) any other matter which the Reserve Bank may, consider necessary for inclusion in the credit information to be collected and maintained by credit information companies, and, specify, by notification, in this behalf;

**Types of Credit Information:**

Negative information consists of statements about defaults or arrears in payment. Positive information may include details of outstanding types of credit, amount of loan and repayment patterns.

CICs in India serve the purpose of storing and sharing more comprehensive borrower information – both negative and positive. Thus, they act as repositories of positive and negative credit information on individuals and businesses that can be consulted to check their history.

International evidence suggests that information sharing increases access to credit. Studies have also shown that sharing of only negative information results in higher default rates while systems that include both positive and negative information result in lower default rates.

RBI has been rather proactive in adopting some of the global best practices of positive data sharing right from the inception. Even mature bureau markets like Brazil and Australia have started witnessing a move towards a limited positive data sharing environment only as late as 2013. Several other jurisdictions have also started evaluating the possibility of increasing the scope of credit reporting.

## **Scope of credit Information**

**3.4** Section 2(b) and 2(c) define “borrower” and “client”, indicating who are covered by CICRA 2005. In terms of Section 2(b) of CICRA 2005, “borrower” means any person who has been granted loan or any other credit facility by a credit institution and includes a client of a credit institution.

**3.5** In terms of Section 2(c), “client” includes:

- (i) a guarantor or a person who proposes to give guarantee or security for a borrower of a credit institution; or
- (ii) a person-

- (A) who has obtained or seeks to obtain financial assistance from a credit institution, by way of loans, advances, hire purchase, leasing facility, letter of credit, guarantee facility, venture capital assistance or by way of credit cards or in any other form or manner;
- (B) who has raised or seeks to raise money by issue of security as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), or by issue of commercial paper, depository receipt or any other instrument;
- (C) whose financial standing has been assessed or is proposed to be assessed by a credit institution or any other person or institution as may, by notification, be directed by the Reserve Bank;

### **Credit institutions**

**3.6** In terms of Section 2(f) of CICRA, “credit institutions” mean a banking company and includes:

- (i) a corresponding new bank, the State Bank of India, a subsidiary bank, a co-operative bank, the National Bank and regional rural bank;
- (ii) a non-banking financial company as defined under clause (f) of section 45-I of the Reserve Bank of India Act, 1934;
- (iii) a public financial institution referred to in section 4A of the Companies Act, 1956;
- (iv) the financial corporation established by a State under section 3 of the State Financial Corporation Act, 1951;
- (v) the housing finance institution referred to in clause (d) of section 2 of the National Housing Bank Act, 1987;
- (vi) the companies engaged in the business of credit cards and other similar cards and companies dealing with distribution of credit in any other manner;

- (vii) any other institution which the Reserve Bank may specify, from time to time, for the purposes of this clause;

### **Mandating submission of data/credit information to all CICs**

**3.7** In terms of Section 15 of the Act, every credit institution has to become a member of at least one CIC. Further, the Act contemplates CICs seeking credit information only from members and members providing such information to CICs. Since four CICs have been granted COR by RBI, there is the consequent issue of data existing in silos. As of now, when enquiry is made with one CIC as to a borrower/client, a specified user will get only such information that has been provided to the CIC by its members, which may not include all credit institutions to whom the borrower/client may have a current or have had a past exposure.

**3.8** To overcome the above problem, the following three solutions were considered by the Committee:

- (a) Firstly, the specified user would be required to seek credit reports from all the four CICs. This is not only time consuming but will also be an additional burden on the borrowers as banks recover the Credit Information Report (CIR) charges from the borrower. However, it was observed that the costs of individual reports are not very high, which may vary across types of reports, specified users and customers on whom credit reports are being sought.
- (b) Secondly, banks have suggested that data submission be made mandatory by all credit institutions to all CICs for ensuring the availability of the data relating to the borrowers of all banks/FIs with all CICs. Some banks stated that they are willing to provide data to all the CICs to ensure that they have consistent and common customer information subject to the CICs having a standardised data format. However, with compulsory mandating of data submission to all the four CICs, the fees borne by credit institutions for being admitted as members and also for the annual fees would need to be taken into consideration. Further, for implementing this option, the issue of different rejection rates among the CICs on the same set of data would also need to be resolved.

(c) Thirdly, CICs could be mandated to become members of each other. In terms of Section 15(3) of the Act, a CIC may, at its option, become member of another CIC. Thus the Act does not stipulate that CICs have to compulsorily become members of each other. By mandating such membership, it would be possible for any CIC which does not have any data/credit information on the borrower/client whose details are being sought by the credit institutions to source the same from the other CICs. In such a scenario, the issue of *inter se* charges for accessing information between the CICs could be worked out by them separately or the Reserve Bank could mandate a maximum for such charges through an amendment to the regulations. However, considering the present level of competition in the sector, the Committee observed that there could be practical issues in ensuring that acceptable rates are arrived at for *inter se* sharing of information in CICs and could potentially have the undesirable effect of worsening the position of some of the CICs.

**3.9** The Committee felt that there was a necessity to set norms for sharing data among the CICs as this would give a holistic view of the borrower/client instead of fragmented information. The three CICs set up after CIBIL have a paucity of historical data with them as opposed to CIBIL which has been in existence for more than 10 years. It was suggested that if these CICs wanted a level playing field in respect of access to historical data, they may have to pay credit institutions to provide access to the same, as it involved cost for credit institutions to furnish such data to the CICs. Among other suggestions that were considered was to produce a Common Credit Information Report on the lines of the Tri-Bureau report available in the USA. The Committee recommends that the Reserve Bank of India may explore means of introducing this in consultation with all CICs and in a manner customised to the credit information infrastructure existing in the country.

**3.10** A brief write-up on data submission protocols as currently in vogue is given in Annex 2. A suggestion that came up for consideration in this connection was to have a common infrastructure where the banks could dump data into the SFTP (Secured File Transfer Protocol) server for new data. However, the data load itself is a simple activity with banks uploading data on their SFTP Servers from where different CICs

could download such data or pushing the same data set to the SFTP servers of the CICs.

**3.11** The Committee considered the fact that though the Regulations provide for retaining credit information for a minimum of seven years, CICs generally include credit information only for up to three years in the credit information reports provided by them. Since all the CICs are now more than three years old, the historical advantage that CIBIL has is not as big today as it was in the initial years.

**3.12** After considering the different suggestions relating to coverage of credit information, the Committee decided to recommend the following with a view to increasing the coverage of credit information available with each CIC and for promoting their usage:

- (a) All commercial banks, Regional Rural Banks, Local Area Banks and financial institutions, including HFCs and SFCs, may be compulsorily required to become members of all CICs and submit data to them.
- (b) Cooperative banks and Non-Banking Finance Companies with an asset base of Rs. 100 crore and above may be compulsorily required to become members of all CICs. Others with assets below Rs.100 crore may be encouraged to become members of all CICs.
- (c) Considering the changed requirements, CICs may make the membership fees and annual fees as low as possible to attract more members. For credit institutions with asset base of up to Rs.100 crore, the annual fees and the membership fees should not exceed Rs. 10,000 and Rs.100,000 respectively.

Such compulsory membership with all the CICs, as recommended above, may be required to be taken up by credit institutions mentioned above within 90 days from the date of intimation by the Reserve Bank of India or the regulator concerned.

### **Reporting of derivatives**

**3.13** The Committee felt that derivatives, being off-balance sheet instruments, its treatment need not be different from that of guarantees and letters of credit. While information sharing on derivatives is an issue of importance to banks, mark to

market positions and related market risks posed to banks and customers is not a matter of direct concern to CICs as long as they do not result in a default. In the event of such default, including on margin payments, it crystallises as an asset on the books of the bank, and would normally be reflected in the reporting of credit information to CICs.

**3.14** However, a suggestion was made in the context of the orders of the Hon'ble Supreme Court in Kotak Mahindra Bank Limited and Others vs. Hindustan National Glass and Industrial Limited and Others<sup>9</sup>, that derivatives should also be covered in the existing system of sharing credit information with CICs. A view was expressed that disclosure of off-balance sheet items was a global practice and should be implemented in India as well. It was felt that there was a need to identify relevant information on derivative deals required to be shared by banks. However, as divulging of information on derivatives could reveal the position of the bank, it was suggested that the Committee may set a roadmap for the future. Detailed comments of the Committee on derivatives reporting are given in Chapter 4 on data formats.

### **Defaults in Redemption of Commercial Paper**

**3.15** One of the issues considered to improve the coverage of credit information was to include defaults in commercial paper (CP) as part of credit information. For this it needs to be considered whether the default by a company issuing CPs could be considered as falling under Section 2(d) of CICRA 2005. Though the term "credit information" has been defined in CICRA 2005 in a very broad manner to include any information relating to the "creditworthiness of any borrower of a credit institution", the statute is silent as to the factors that determine the creditworthiness of a borrower. It needs to be considered whether credit information reporting should go beyond the details of fund-based and non-fund based facilities being provided by credit institutions. On a combined reading of Section 14 with Sections 2(b),(c),(d) and (g) of CICRA 2005, it may appear that the Act envisages the business of a CIC to be that of collecting, processing, reporting, etc., of information relating to credit facilities granted or to be granted by a credit institution to a borrower.

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<sup>9</sup>(2013) 7 SCC 369.

**3.16** On the other hand, it is also possible to take a view that information relating to default in redemption of CP form part of the information relating to the creditworthiness of the issuer company and is material to assessing the creditworthiness of the borrower on a holistic basis. The specific inclusion of CP in Section 2(c) (ii) (B) of the Act also seems to support such a view. Further, default in redemption of CPs may be considered to form part of determining ‘creditworthiness’ of an entity and non-inclusion of such information may lead to gaps in ‘credit information.’

**3.17** After taking into account both points of view, the Committee recommends that CICs may include information relating to Commercial Paper in their data format for collecting credit information from credit institutions. Accordingly, it is suggested that information on the following fields may be captured:

- (a) Name of CP Issuer
- (b) Name of IPA
- (c) Amount
- (d) Issue Date
- (e) Maturity Date
- (f) Name of Credit Rating Agency
- (g) Rating assigned
- (h) Amount of default

Credit institutions may start submitting information on CPs to CICs. Commercial format would require changes to accommodate information on CPs. The Committee recommends that the above fields may be captured and the modalities for the same may be discussed in the Technical Working Group for Data Formats proposed at paragraph 4.9(a) below.

#### **Dissemination of credit information by UCBs/RRBs/NBFCs:**

**3.18** It was brought to the notice of the Committee that not all institutions which are required under provisions of CICRA 2005 to be members of at least one CIC, were complying with the provisions. Institutions not complying with the provisions included various UCBs, RRBs and NBFCs, apart from SFCs and rural cooperative institutions. While the number of such institutions becoming members of CICs has

increased in recent months on account of the initiatives taken by the Reserve Bank of India, there is need to make all eligible institutions fully compliant. It is, therefore, necessary to create greater awareness among these institutions about the benefits to be had from becoming members of CIC for improving the health of their credit portfolios. This is also necessary to avoid borrowers arbitraging across types of institutions. The Committee recommends that the Reserve Bank of India may require the entities under its jurisdiction that are not members of CICs to obtain such membership as mandated under CICRA 2005 and as recommended in paragraph 3.12 above.

### **Low usage of Credit Information Reports**

**3.19** An important issue in this context was the low usage of credit information by member institutions and other specified users. While the usage of credit information reports has increased over the years, it was reported that the usage varied from bank to bank. While some of the banks have made it mandatory to take reports before sanctioning any loan, other banks obtain reports on selective basis. Although some banks felt that cost of obtaining a report was one of the considerations, a proposal was mooted that an empirical study of some of the banks could be taken to establish the benefits accruing out of better screening of loan applicants through CIR. The CICs however, were of the opinion that prices would come down with increased usage. The Committee recommends that workshops may be arranged by CICs regularly, in association with IBA or MFIN, as the case may be, for creating awareness about CIRs and their use in credit appraisal.

**3.20** In respect of usage of credit information, some of the members were of the view that mandating compulsory usage of CIR may not be feasible especially in the case of commercial data where enquiries by specified users do not yield desired information due to limited records in the database. A roadmap should be laid out as to when CICs would have such information in their database. The Committee recommends that the CICs may populate their databases with such information with appropriate support from the credit institutions and the regulator in providing complete information in a timely manner, within a period not exceeding one year.

**3.21** Credit Institutions may include, in their credit appraisal processes/loan policies, suitable provisions for obtaining Credit Reports from one or more CICs so

that the credit decisions are based on information available in the system. In this context, the credit institutions may institute board approved policies for credit bureau usage in all lending decisions and account opening.

## **Chapter 4**

### **Data Formats**

#### **Introduction**

**4.1** The Reserve Bank of India had instructed banks and financial institutions (FIs) in October 2002 and February 2003 respectively, to obtain the consent of all borrowers to facilitate submission of details of borrowing accounts to CIBIL for compiling credit information data base that could be accessed by member banks. With a view to giving further impetus to data reporting to CIBIL, banks/FIs were advised in June 2004 that their Boards should review the measures for furnishing credit information to CIBIL. The Reserve Bank of India had earlier advised banks and FIs in October 2002 that CIBIL would be providing the format for submission of data on non-suit filed accounts. With the establishment of three more CICs, as discussed in Chapter 1, banks/FIs were advised in June 2012 to provide CICs, of which they were members, the current data in the existing format. They were also advised to provide historical data to enable the new CICs to validate their software and develop a robust database.

**4.2** In terms of Regulation 7(2) of CIC Regulations 2006, every CIC shall adopt a format with the approval of the Reserve Bank of India, for collecting credit information and forward the format to its member credit institutions or CIC, as the case may be, along with the notice in Form C sent to them for collecting credit information. In compliance with the regulation, the CICs have sent their formats to the Reserve Bank of India. However, specific approvals were not considered so far, as the Reserve Bank felt that the industry being still relatively new, best practices needed to be allowed to be developed in the market based on the changing environment and evolving nature of products of credit institutions.

**4.3** Banks and other credit institutions have, accordingly, been reporting data in various formats prescribed by the CICs. At present, most credit institutions furnish data on retail and commercial borrowers in the format used by CIBIL (Annex 3), referred to as the CIBIL-TUDF (TransUnion Data Format). In keeping with the spirit of innovation, High Mark, one of the three new CICs, has evolved a reporting format for microfinance institutions (MFI) largely catering to the information requirements of

such institutions. This format, referred to as the MFI Common Data Format (Annex 4), has since become an industry standard for MFI reporting. This format has since been standardised for use across MFIs in association with MFIN.

**4.4** Different CICs are using different formats for capturing data on corporate borrowers from the member banks/FIs making the process of data submission cumbersome for the members. Any mismatch in reporting due to the different data formats of the CICs can also lead to customer grievance. In addition, some banks were also not providing historical data to the new CICs.

### **Issues in Data Formats**

**4.5** Banks and other credit institutions have brought to our notice that the differing and inconsistent formats throw up the following challenges:

- (a) Credit institutions find it difficult to provide timely data to all CICs of which they are members.
- (b) Reporting in multiple formats has a high technical cost and ongoing maintenance cost.
- (c) Mismatch in reporting due to the different data formats of the CICs can lead to customer grievances.
- (d) Credit institutions tend to avoid becoming members of other CICs in view of the reporting costs involved. This hampers growth of the industry and competitiveness among the different CICs.

**4.6** In view of the above, one of the major terms of reference of this Committee is “To examine the available formats for furnishing of credit information by credit institutions to the Credit Information Companies in respect of different sectors viz., individual borrowers (retail credit), corporates and MFIs, as prevalent in the industry currently.” Accordingly, the Committee has examined the existing formats being used by the different CICs and its views thereon are discussed below.

**4.7** The Committee was informed that, in developed countries, a standardised ‘Metro 2’ format was being used by the credit bureaus. In India, from the user point of view, the format had to be standardised. In this regard, CICs had been advised to

furnish the existing formats used by them to the Reserve Bank for examination for standardisation of data formats relating to various business segments, viz., consumer, commercial and microfinance, and suggest modifications therein. In this connection, it was suggested that there could be separate data format for SMEs. The Committee is, however, of the view that the format for corporate sector would be sufficient for SMEs also.

### **Suggestions/Recommendations**

**4.8** The Committee received various suggestions relating to data formats. These along with recommendations of the Committee are given below:

(a) *Standardised data format:*

CIBIL format could be taken as the base for standardisation of data format for consumer and commercial borrowers. As banks were more used to and satisfied with the CIBIL format it was felt that the same could be adopted as the base for moving to the common industry format. The CICs could consider the fields which could be retained as basic or fundamental fields which are essential across all the four CICs, for evolving a common data format taking into account the changes as per the agenda as well as the discussions on the suggestions received through the IBA. The common data format so evolved in consultation with the IBA may be sent to the Reserve Bank of India for its approval. While the Committee felt that a common format should be used for uploading data to all CICs and that changes to the data format needed to be incorporated to make the data base richer and searches easier, it was also felt that it may not be possible to revise the formats and ensure compliance by banks and CICs at one go. Moreover, issues like availability of additional data required in the banking system, changes to be made in the computer systems of the banks, etc., would also have to be gone through in detail, which would be a gradual and time consuming process. Hence, the Committee recommends that the following formats may be approved as common formats for the time being especially since credit institutions are familiar with these formats:

- (i) Formats being used by CIBIL for consumer bureau and commercial bureau reporting.
  - (ii) Format developed by High Mark for MFI reporting.
- (b) *Additional fields in Data Format:*
- Additional fields were suggested by one of the CICs, which have been given in Annex 5. Some banks were of the view that they may not be able to give all the data as given in Annex 5. In this connection, the specific suggestions received along with the Committee's recommendations thereon are discussed below:
- (i) Priority Sector Lending: It was argued that this field is not relevant to credit assessment or credit worthiness. The regulatory classification of an asset is not linked to creditworthiness of borrower. Definition of PSL also varies based on amount, transaction type and other factors. It cannot thus be aggregated at the borrower level. Hence, priority sector status is not required by CICs or subsequent credit grantors. The Committee agrees with this argument and feels that a separate indicator for priority sector lending is not required.
  - (ii) Breakup of amount overdue: As of now, overdues are reported in the current format in an aggregated manner. This provides sufficient information on the borrower to any potential lender from a credit perspective. Providing details of overdues. Providing breakup of such overdues as suggested in Annex 5 does not add any value. The Committee agrees with this view and feels that such breakup of overdues need not be provided.
  - (iii) Among several indicators provided for collateral, it was felt that multiplicity of fields on registration/engine number/chassis number may be avoided and that only vehicle make and registration number were required for vehicle loans. Though providing chassis number is desirable, the Committee felt that it should not be made mandatory. In addition, the Committee also felt that the registration number with

CERSAI could be added in respect of property mortgages registered with it.

It was also represented that making changes to the Data Reporting Format and getting the entire financial and banking industry adopt it is a long drawn exercise. Changes made three years back are yet to be implemented by some banks. In their view, changes to the formats can be considered after a few years. It was also suggested that additional fields could be discussed in the Technical Working Group referred to elsewhere in this report.

However, in keeping with the terms of reference of the Committee, which requires it to recommend suitable formats to be adopted across the various borrower segments, the Committee recommends that the suggestions for changes to the format as made in Annex 5, subject to the comments made at (i) to (iii) above, may be accepted for implementation.

For any additional data requirement from CICs, say, security details, which may not be available in existing software and which needs to be done with the help of the vendors of software, members should be provided sufficient time for implementation.

(c) *Compromise settlements:*

Data formats should include cases where compromise settlements have taken place. While agreeing with this suggestion, the Committee felt that compromises may be entered into for various reasons. If compromise settlements are the result of customer complaints against wrongful practices by the financial service provider, these should not result in a reporting that would adversely affect the credit standing of the customer.

(d) *Detailed product classification:*

It was suggested that all CICs should provide detailed product classification, e.g., car loans, commercial vehicles and construction equipment vehicles, under auto loans. As the CICs did not foresee any problem in providing such details, provided the credit institutions report the same, the Committee commends the suggestion for implementation.

(e) *Information regarding relationship/guarantor:*

In the commercial segment, information regarding relationship/guarantor is very extensive and is not present in CBS system. It was suggested that the following fields for relationship/guarantor segment can be dropped:

- (i) Business category/business type
- (ii) Mobile/Telephone number
- (iii) State/Pin code/Country

The Committee does not favour dropping the above fields. On the other hand, it recommends that the fields can be added for submission to the CICs. Credit institutions may accordingly start capturing this data in their CBS and modify the systems as it is important to link the owners across different businesses as it will enhance the value of the commercial bureau.

(f) *Members of Self Help Groups (SHG):*

In order to assess the ability of borrowers to repay, it was suggested that lenders should also consider prior borrowings from banks-SHG linkage apart from borrowings from MFIs. It was, therefore, felt that banks may capture and provide credit related information of individual borrowers within the SHG to the CICs. Members from banks were of the opinion that it was not feasible for the banks to provide borrower level information to bureaus for the following reasons:

- (i) Loans under the SHG program are given by the banks directly to the SHG and not individually to its members.
- (ii) The disbursement of loan funds is done at a member level only within a SHG (by the SHG internally) and the respective quantum/tenors of the same is decided by the group, from time to time. This financial flexibility provided to the group is an inherent feature of the SHG structure.
- (iii) Banks do not have information on outstanding and repayment behaviour of each member loan.

- (iv) It was not possible to build such data within a short period and that a time limit for providing such data was also not feasible.

However, banks suggested that personal demographic information (Name/Address/Telephone, etc.) of each member of the SHG at the time of granting the credit facility could be made available.

A view was also expressed that credit information on individual members of SHGs was critical to establish their credit history which would in turn foster growth of credit to the sector. It was, therefore, suggested that the committee should set a timeframe within which banks should get this data and start contributing to the bureaus. Accordingly, the Committee recommends that banks may be required within a reasonable period of, say, eighteen months, to arrange for capturing the required data from SHGs for reporting to CICs.

(g) *Multiple banking/consortium lending*

The Reserve Bank has issued guidelines regarding sharing of information among banks while lending under multiple banking/consortium arrangements. In case the CICs can capture such data also, the information would become available at a central point. Following the recommendation of the Committee elsewhere in the report that commercial banks become members of all the four CICs, the present instructions for such information sharing would become redundant and could be withdrawn.

(h) *Cross reporting:*

Guidelines for cross reporting, e.g., where individual is borrower and corporate is co-borrower, or vice versa, should be clearly intimated by CICs. In this case, CICs clarified that the formats have fields to incorporate the data where, consumer data will be reported in the consumer bureau and corporate co-borrower will be reported in commercial bureau. It was also commented that this has to be contextually discussed. In the case of limited companies the borrower is a commercial entity and the directors/ authorised representatives, in case

they avail loans in their names, should be treated as individual loans. However, in the case of partnership and proprietorship concerns, the treatment as partner/proprietor would be in individual capacities and there would, therefore, have to be a link between the two. The Committee felt that the position of an individual in his own capacity or proprietor of his own concern and that as a partner has to be seen differently from a credit perspective, even though one may influence the other. Links, if required, would in any case be captured by one or more of other demographics, such as address, date of birth, PAN Card No., etc.

(i) *Reporting Days Past Due:*

Information on Days Past Due (DPD) should also be shown in the credit information reports. Though only asset classification was being shown earlier, the new format of CIBIL is now showing DPD also. The Committee recommends that all banks should be required to share DPD data in their reporting under asset classification.

(j) *Treatment of part instalment due:*

A view was expressed that the format required by the CIC does not filter out the ‘small-overdue’ or ‘part-instalment due’ customers, i.e., less than one instalment. This small overdue in the customer account may be on account interest and other bank charges, delayed payment charges or TDS deduction from instalment, and not having direct bearing on creditworthiness of a customer. This results in overdues being shown even against customers who are regular in their payments resulting in complaints to the Reserve Bank of India. It was therefore suggested that the format should mention one bucket overdue only if one full instalment is due. The Committee felt that credit institutions should submit data as it is and qualitative information on what filters to apply based on amount and period could be done by the specified users and others who make use of the data. In this connection, it was also mentioned that the methodology for calculating credit scores will take care of such small amounts of overdues for short periods. It was also easier for credit institutions to submit data without any filtering. The Committee, therefore, felt that no change was required in this regard.

(k) *Income data:*

The Committee felt that income data should not be reported for the following reasons:

- (i) Income data is among the most confidential data submitted by a customer to a bank, and cannot be shared without the express consent of the customer.
- (ii) Income is not a determinant of creditworthiness and can at best indicate the quantum of facilities.
- (iii) Disclosing such data is fraught with risk and could lead to misuse.
- (iv) Credit institutions would in any case seek income data from borrowers at the time of lending.
- (v) It is also not the global practice to include income data in credit reports.

The Committee, therefore, recommends that the following fields may be dropped in the consumer segment:

- (i) Net gross income indicator
  - (ii) Monthly/annual income
- (l) *Identification numbers:*

In the commercial segment, corporate identification number and credit history of the directors of the company (based on DIN number) also should be included. The Committee agrees with this suggestion.

(m) *Software for reporting:*

There should be only one format for uploading and reverting reject data from the CIC as conversions/reconversions between formats like Excel/TUDF/ Notepad, etc., during the process of furnishing data create validation issues. The Committee agrees with the suggestion and commends the same for implementation.

### **Ongoing mechanism for making changes**

**4.9** The Committee further recommends the following to institutionalise a continuing mechanism for making changes to data formats:

- (a) A Technical Working Group of banks, CICs, NBFCs and HFCs, in association with IBA/MFIN, may periodically, preferably at intervals of one year, examine the need for making changes to the data format and recommend suitable changes.
- (b) The working group may take up, on priority basis, changes in the commercial sector, where there is an urgent need to capture data required for sharing of information among member banks under consortium/multiple banking arrangements.
- (c) Based on the recommendations made by the Working Group, the Reserve Bank may approve changes to the data format.

### **Classification of Accounts: Methodology for Indicating Status**

**4.10** One of the terms of reference of the Committee related to harmonisation of the classification of accounts based on the payment history as well as other relevant factors like restructuring, settlement, write-off, wilful default (non-suit filed/suit filed), list of defaulters (non-suit filed/suit filed), etc., in line with extant instructions. There were complaints from customers when accounts where compromise settlements were entered into or where disputes were settled are classified as “settled”, which had a negative connotation. CICs stated that the classification is linked to what banks are reporting. Suggested changes to the formats are discussed below.

#### **(a) Consumer Data Format (CIBIL):**

**4.11** Suggested changes to the Consumer Data Format of CIBIL along with the Committee’s views thereon are given below:

No.	Field Name	Present status	Suggested changes
1.	Suit Filed/Wilful Default	1. Non suit filed 2. Suit filed 3. Wilful Default 4. Suit filed (Wilful Default)	As the Master Circular on Wilful Default appears to pertain only to entities (industry/unit); the applicability of this classification to individuals being reported in the consumer formats may be examined by the Reserve Bank.
2.	Written-off and Settled status	1. Restructured Loan 2. Restructured Loan (Govt. Mandated) 3. Written-off 4. Settled	Please see comments at 4.12 - 4.14 below.

		5. Post (WO) Settled 6. Account Sold 7. Written Off and Account Sold 8. Account purchased 9. Account Purchased and Written off 10. Account Purchased and Settled 11. Account Purchased and Restructured	
3	Asset Classification	1. Standard 2. Substandard 3. Doubtful 4. Loss 5. Special Mention Account	<p>No change required in the format at present.</p> <p>However, the no. of DPD should be captured by the credit institutions for reporting to the CICs.</p>

**4.12** As for item 2 in the table above, it was suggested that the fields from 5 to 11, namely, Post (WO) Settled, Account Sold, Written Off and Account Sold, Account Purchased, Account Purchased and Written Off, Account Purchased and Settled, Account Purchased and Restructured, need not be reported to CICs as these do not pertain to the creditworthiness of the borrower. These fields are more relevant to the credit institution (i.e., the bank) and the classifications do not add to the credit report of the borrower. It has, therefore, been suggested that these fields may be done away with. It has also been suggested that Points 1 to 5 should be part of the CIR, but the remaining points 6 to 11 could be excluded from the reporting (Field Post WO Settled should be part of the CIR).

**4.13** On the other hand, it has also been suggested that the fields not be done away with for the following reasons:

- (a) The fields have a direct correlation to the creditworthiness of an individual and are important from a risk management perspective and helps specified users to take an informed decision.
- (b) In the absence of the above fields, continuity of information could be broken.
- (c) Data is also provided by ARCs, which are members of some of the CICs.

**4.14** In view of the above, the Committee felt that all the fields (1) to (11) may be retained. However, it was necessary that the term “Settled” is explained suitably in the CIR as this is leading to complaints from customers, who perceive the use of term as having a negative connotation reflecting adversely on their creditworthiness. As the process of “settlement” could also follow complaints of wrong debits and contested charges, the use of the term “settled” should not be viewed adversely by the specified users. Necessary explanations to the effect could be provided by CICs in their CIRs.

#### **(b) Commercial Data Format (CIBIL)**

**4.15** Suggested changes to the Commercial Data Format of CIBIL along with the Committee’s views thereon are given below:

No.	Field Name	Present status	Suggested changes
1.	Suit Filed/Default Status	1. Not a suit filed case 2. Suit filed 3. Trial in Progress 4. Decree issued by Court 5. Execution of Decree	One suggestion made is that this field needs to be linked to information on status of wilful default (Rs. 25 lakh and above) and Defaulters list(Rs. 1 crore and above). However, it has been argued that it cannot be linked as suggested above, as the information pertaining to wilful default (Rs. 25 lakh and above) and defaulters list (Rs. 1 crore and above) is in public domain.
2.	Indication for Wilful Default / Default of Rs. 1 crore and above	New fields to be introduced.	1. Wilful Default (non-suit filed) 2. Wilful Default (suit filed) 3. Date classified as wilful default 4. Defaulter (Rs.1 crore and above (non-suit filed) 5. Defaulter (Rs.1 crore and above (suit filed) 6. Month and Year of classification as Doubtful/Loss in case of Defaulter (Rs.1 crore and above)
3.	Account status	1. Open 2. Closed by payment 3. Settled and closed 4. Restructured 5. Written off 6. Settled Post Write off 7. Invoked 8. Devolved	The fields Written Off, Settled Post Write off, Invoked and Devolved need not be reported to CICs as these do not seem to pertain to the credit worthiness of the borrower. It appears that these fields are more relevant to the credit institution (i.e. the bank). These classifications do not add to the credit report of the borrower. It has, therefore, been suggested that these fields may be done away with.  The above ‘Status’ fields have a direct correlation to the credit worthiness of an

			individual and are important from a risk management perspective. We recommend that these should not be done away with.
4.	Asset Classification	1. Standard 2. Sub-standard 3. Doubtful 4. Loss 5. Special Mention Accounts 6. No. of days past due (0 to 999) 7. Above 999 days past due	No change required in the format at present.  However, the number of DPD should be captured by the Credit Institutions for reporting to the CICs.
5.	Major reasons for restructuring	1. Restructured due to non-performance 2. Others	1. Due to external / extraneous factors* 2. Due to company / borrower specific issues **

\* - external environment, general downturn in economy, etc.

\*\* - change in management, performance of promoters.

**4.16** The Committee agrees with the recommendations at item nos. 2, 4 and 5 in the table above, barring those relating to the list of defaulters, as these have been recommended to be dispensed with for reasons elaborated in Chapter 7. As for item no. 1, information on wilful default is available in the public domain only in respect of suit filed cases. The Committee is of the view that if its recommendations made in Chapter 7 below to discontinue reporting of defaulters and introducing direct reporting by banks to CICs on wilful defaulters, is accepted, it may be possible to provide a link as suggested. As for item no. 3 in the table above, for the same reasons as discussed in paragraphs 4.13 and 4.14 above, the Committee recommends that the fields may be retained.

### Data on Derivatives

**4.17** It was suggested that the sharing of derivatives related information with CICs, as discussed in paragraphs 3.13 and 3.14 above, should preferably follow the same format as that prescribed for the periodic sharing of information among banks. The Reserve Bank of India had issued a circular dated December 8, 2008, regarding sharing of such information on derivatives among banks under consortium and multiple banking arrangements. The format for information sharing was provided in Part IV of the Annex to the circular.

**4.18** In this regard, the following suggestions were made to the Committee:

- (a) The exposure details under Part IV of the above circular are quite granular. From a credit risk perspective, the key information regarding derivative exposure of the borrower are the mark-to-market position, the crystallised losses and the nature of currencies dealt in (market depth, volatility and home jurisdiction considerations).
- (b) The other detailed information sought may not give additional benefits for assessing credit risk, for the following reasons:
  - (i) After changes were made in recent years to the derivative regulations, the risk of loss on derivative structures are linear, except in the case of options purchased by the company (there is no credit risk since premium payment is made upfront at the time of purchase).
  - (ii) With all derivative contracts required to be supported by specific underlying transactions, the risk of speculation on currencies/tenors is mitigated by RBI regulation.
- (c) Sharing details of derivatives exposures such as negative mark to market position exposes the borrower to the risk that certain market participants may attempt to benefit, by taking proprietary positions, taking into account certain large outstanding derivative positions.
- (d) The risk mentioned above can also arise since market players may have different information protection mechanisms to restrict the internal sharing of such information received, within different divisions of the organization, such as risk, treasury, coverage, etc.
- (e) The stipulations under Part V of the above circular dated December 8, 2008, requiring currency-wise details of unhedged exposure of the borrower, give rise to the following other practical issues:
  - (i) The borrowers have, in general, not been forthcoming in sharing such information with lenders, particularly with banks that are not part of the consortium.

- (ii) The nature and extent of disclosures on derivatives in the financial reports of companies are not uniform. Mandatory adherence to Accounting Standards 30 to 32 would be a positive step in ensuring uniformity.
- (iii) The company may not have all details which are mentioned in the Annex to the above circular. In particular, estimated impact of exposures beyond one year may be difficult to forecast, except in cases where the company has drawn down external commercial borrowings, e.g., potential exposures arising out of bids on long term contracts, spot sales of metals in international markets, etc.
- (iv) Unhedged foreign currency exposures *per se* may not add significant value to the credit assessment of the borrower. This is because hedging strategies of companies are also dependent upon the following:
  - The natural hedges available to a company from its business model which could arise from exports, imports, offshore manufacturing, 'cost plus' contract arrangements, etc.
  - The underlying business economics, e.g., conversion of currencies in which debt is denominated on the balance sheet (say, INR/USD) to achieve savings in interest cost, etc.
  - Foreign currency translation risk exposures.

**4.19** A view was also expressed that the implications of unhedged forex exposure on the net worth of the company over a period of time could result in increase in risk from the financing institution's point of view. The lack of data on unhedged forex exposure has also been a major factor affecting banks' ability to price the derivatives appropriately. The Reserve Bank of India has also issued a circular dated January 15, 2014, on "Capital and Provisioning Requirements for Exposures to entities with unhedged Foreign Currency Exposure", mandating incremental and capital requirements for such exposures. The extent of natural hedge available to a company can be considered in addition to provide a fair and complete position of a

corporate. As stated in the above Reserve Bank circular, “Natural hedge may be considered when cash flows arising out of the operations of the company offset the risk arising out of the FCE defined above. For the purpose of computing UFCE, an exposure may be considered naturally hedged if the offsetting exposure has the maturity/cash flow within the same accounting year. For instance, export revenues (booked as receivable) may offset the exchange risk arising out of repayment obligations of an external commercial borrowing if both the exposures have cash flows/maturity within the same accounting year”. In view of the foregoing, the Committee recommends that banks could share data on UFCE with CICs.

**4.20** For the purpose of sharing data on derivatives, the Committee examined the present Commercial Data Format of CIBIL. It was observed that the field “Credit Type” in this format contains, among other things, derivatives, plain vanilla forex forward contract, plain vanilla interest rate swap, plain vanilla foreign currency option, complex interest rate derivative with optionalities and complex derivative loan involving foreign currency with options. Thus, the present system already provides for capturing data on different types of derivatives.

**4.21** It was also observed that the fields in Part IV of the Reserve Bank of India circular dated December 8, 2008, correspond to various fields of the Commercial Data Format of CIBIL as indicated below.

No.	Column Headings in Part IV of circular dated December 8, 2008	Field specified in Commercial Data Format
(1)	Nature of the Derivatives Transactions	Credit Type
(2)	Notional Amount of Contracts	Sanctioned Amount / Notional Amount of Contract
(3)	Weighted Average Maturity of Contracts	Tenure / Weighted Average maturity period of Contracts
(4)	Amount of Positive MTM for the Bank (Not due for settlement)	Current Balance/Limit Utilised / Mark to Market
(5)	Amount of Contracts classified as NPA	Asset Classification
(6)	Notional Amount of Outstanding Contracts which have been restructured*	Notional Amount of Outstanding Restructured Contracts
(7)	Major Reasons for restructuring	----

\* Restructuring here refers to partial/full termination of derivative contracts  
(Ref.DBOD.No.BP.BC.31/21.04.157/2012-13 dated July 23, 2012)

**4.22** It may be seen from the above that the Commercial Data Format of CIBIL includes most of the information that banks are required to share under consortium and multiple banking arrangements, vide Reserve Bank of India circular dated December 8, 2008. However, as the fields do not exactly match with each other, the Committee recommends that credit institutions may obtain information on derivatives from their clients and report the same to the CICs as per the fields specified in the Commercial Data Format shown above. As regards the contention of certain banks that their customers do not share all information as required under the above reporting formats, the Committee felt that banks should prevail upon their customers through application of penal rates or otherwise, for ensuring prompt reporting by the customers. The Committee also felt that the Reserve Bank of India may take up with the Ministry of Corporate Affairs for ensuring compliance by the corporate customers.

**4.23** As regards Part V of the above circular, relating to unhedged foreign currency exposures of the borrower, CICs may devise a suitable format/fields for incorporation, and submit the same for the approval of the Reserve Bank of India.

### **Issues in Data Quality**

**4.24** One of the major challenges in submission of data by credit institutions to CICs relates to quality issues which result in rejection of data at the CIC level. As at present the rejected data was not getting populated in the database of the CICs, it represents a deficiency in the database with CICs. Data quality issues arise for the following different reasons:

- (a) Data rejection is on account of lack of the lack of a widely accepted unique identifier. As a result, there can be no guarantee of an error free 100 per cent data capture by CIC.
- (b) Banks face different data rejection experience when the same data is submitted to the four CICs in the same format. The different acceptance level of at different CICs is because the CICs have evolved their own standard norms on data quality.

(c) There is no check and monitoring of poor quality of data resulting in instances of repeated rejection, even though the responsibility of submission of 100 per cent error free data rests with the member banks. It is necessary to know at the bank level the reasons for the data file getting rejected.

**4.25** In order to resolve the above problems and to develop an effective system to ensure that the data once rejected is not rejected again, the Committee recommends that the following steps may be taken:

- (a) Data submitted by credit institutions should be populated with at least one of the identifier fields, viz., PAN Card No., Passport No., Driving Licence No., Voter ID Card No., Aadhaar No., Telephone number, etc.
- (b) The CICs should share with banks the logic and validation processes involved so that instances of data rejection can be minimised.
- (c) The reasons for rejection need to be parameterised and circulated among the credit institutions concerned.
- (d) A time frame should be stipulated for rectification of rejections and for uploading the data by credit institutions.
- (e) Rejection reports should be made simple and understandable so that they can be used for fixing reporting and data level issues.

### **Data Quality Index**

**4.26** The Committee felt that a common Data Quality Index would assist credit institutions in determining the gaps in their data and also move towards improving their performance over a period of time. In addition, they would also be able to rank their own performance against that of their peers and identify their relative position. The draft Data Quality Index as agreed upon by all the CICs giving different parameters for assessing the data submitted the Credit Institutions is provided at Annex 6. The Committee recommends that CICs and credit institutions may adopt the Data Quality Index for assessing the quality of data submissions and make efforts towards improving data quality and minimising data rejections.

## **Chapter 5**

### **Credit Information Report**

#### **Introduction**

**5.1** One of the terms of reference of the Committee related to harmonising the components of the Credit Information Report (CIR) across CICs and giving a broad indication of factors for determining the credit score. The Committee is of the view that such a measure would be in the interest of the customers and all other stakeholders.

**5.2** On a study of the CIRs issued by different CICs, it was observed that the key sections are as under:

- (a) Consumer name and other details: Personally identifiable information, i.e., name, date of birth/age, gender, address, identifiers (PAN Card No., passport number, driving licence no./ Voter ID Card No./ Ration Card No./Aadhaar card no., etc.), telephone numbers, etc.
- (b) Consumer address: Past and Present Addresses (can vary in number, sometimes up to five addresses are given).
- (c) Credit score: If provided by the CIC.
- (d) Account details: Detailed listing, loan-wise, showing the consumer's loans and repayment history. This may include the following:
  - (i) Type of borrowing (Personal loan, Housing Loan, etc.)
  - (ii) Name of the credit institution from where the facility was availed.
  - (iii) Ownership of the account (Individual/Joint/Guarantor)
  - (iv) Date of disbursement of loan
  - (v) Last payment date
  - (vi) Closed date (if account is no longer being serviced)
  - (vii) Amount disbursed/High credit (For credit cards, it indicates the single largest usage of the card ever made)
  - (viii) Current balance
  - (ix) Amount overdue.

- (e) Payment history/Account classification: Up to 36-month history of days past due/asset classification for the particular account. All months for a particular year are displayed in a single row.
- (f) Enquiry details: Summary/details of enquiries that have been made on the consumer at the CIC.

## Credit Scoring

**5.3** A brief write-up on credit scoring is given in the box given below:

### Credit Scoring

CICs typically build scores using three historical data files :

- Defaults on previous credit transactions
- Positive payment behaviour (trade line data)
- Previous searches/inquiries.

In certain circumstances, the models may include other types of data, such as court judgments and bankruptcies, demographic data (e.g., age of the borrower) or aggregated information at the geographic level.

In India, CICs are known to include high utilisation of credit limit (especially in the case of credit cards) and the borrower having a higher percentage of unsecured loans (like credit cards or personal loans) in the loan portfolio towards computing the credit score. A key advantage of credit scoring is the CIC's ability to establish a quantifiable measure of risk in what is otherwise a highly subjective process. Having a numeric value (a measure of probability of default) for risk is valuable in its own right but becomes increasingly powerful when integrated into automated processes and used to proactively manage strategy and a lender's appetite for risk.

In most developed countries, credit bureau databases have had many years to develop, are rich in information, and usually offer high quality data, thus providing an ideal base for data mining and data modelling. In particular, the introduction of credit scoring in the 1950s in the United States—coupled with the automation of workflow and credit underwriting — played a key role in the rapid rise of consumer lending.

In many emerging markets, however, credit bureau databases are considerably less rich: they may have information only from banks and may not have been operational long enough to house historic information and build the diversity of information sources required for value-added products. In these circumstances, it may be difficult, or indeed impossible, to build some of the more sophisticated solutions, such as credit scoring. The bureau may then consider offering models that rely more heavily on customer demographic characteristics than on credit performance data. Although less predictive, these models often provide a useful introduction to the methodology for lenders with little or no previous experience in credit scoring.

When adequate quantities of reliable information are available, scores can be statistically derived, typically by using some form of multivariate regression analysis. The techniques used to develop the models are similar to those used for any other type of customized model development. Further, adoption of the models would require that individual portfolios be retrospectively tested before the models are implemented.

**(Source: Based on Credit Reporting Knowledge Guide, International Finance Corporation, 2012)**

**5.4** In India, the following parameters are applied towards determining the credit score:

Parameter	Comment
(a) Length of Credit History.	Longer the better.
(b) Number of defaults.	Less is better.
(c) Severity of defaults.	Less is better.
(d) Recent repayment trends/Repayment patterns: Number of periodic intervals since the most recent Credit Account Defaults with their associated total values.	Older the last default the better.
(e) No. of accounts which are overdue.	Lesser number of delinquencies in repayment history leads to better credit score
(f) Amount overdue/Current Outstanding.	Less the better.
(g) Presence of charge off/write-off.	Charge off or Loan defaults and loan repayment delinquencies negatively impact the credit score. For example, late payments will lower the score, but re-establishing a good track record of making payments on time will raise the score.
(h) Mix of credit, i.e., unsecured loans, personal loans, credit cards etc.	---
(i) Number of loan enquiries made recently.	Less the number, better the credit score.
(j) Occupation, Income and length of time in current address.	Not used in credit score.

**5.5** The ranges/values for credit score currently being used at the four different CICs are as follows:

- (a) Experian: Current version of Experian Credit Score range is from “-35 to 1005”. The CIC is in the process of launching the new version of the Experian Credit Score with values ranging from 300 to 900. Experian also displays confidence level of scores as part of its CIR.
- (b) Equifax: 1 to 999
- (c) High Mark: Has not commenced credit scoring.
- (d) CIBIL: 300 to 900

**5.6** It was felt that the CICs should have a common classification of Credit Scores so that it would be easier to understand and interpret. If there were any variations, they could illustrate with examples mapping each others' scale. In this connection, the Committee felt that as the methodology for arriving at the credit score was proprietary and as it was not appropriate to impose a uniform methodology, it may not be possible to have a uniform calibration for the entire classification. However, the top and bottom of the calibration could be made uniform. As of now, CIBIL was having 300 and 900 at both the ends of the calibration, while the other CICs had different methods. The Committee recommends that the CIBIL method of calibrating from 300 to 900 could be adopted by the other CICs also.

### **Suggestions/recommendations**

**5.7** The Committee deliberated on several suggestions regarding CIR that came up for consideration in order to make it more user friendly. These suggestions and other comments along with the recommendations of the Committee are given below:

(a) *Standardising format of CIR:*

Each CIC has some unique feature in its CIR. Some are more detailed on variations reported in the name, address, phone number and ID number of the borrower whereas CIR of some CICs show missed payments history and individual account-wise payment history during the last four years (whereas other CICs show payment history for three years). These differences would be resolved to some extent when data collection formats used by the CICs are standardised. The Committee did not consider it necessary to standardise the format of the CIR as such differentiation was essential to promoting competition in the market.

(b) *Reporting co-borrower and guarantor:*

CIC should report co-borrower and guarantor details. This will facilitate deciding on the extent of exposure one can consider on an entity. The Committee agrees with the suggestion and commends the same for implementation.

(c) *Reporting loans declined:*

CIC should provide non-financial data relating to loans declined during the previous one or two years with details of product and amount applied for. It has been pointed out that this needs to be captured to ascertain the extent of overleveraging/arbitrage efforts, if any. However, it has also been argued that it may be prejudicial to the interests of the customer if a rejection in one bank were to be used as a ground to reject the same customer in another credit institution as the customer has not displayed delinquent credit behaviour and could be unfairly rejected by a subsequent lender. Further, a rejection due to lack of comprehensive information provided will once again unfairly impact the customer reputation negatively and may lead to complaints and other customer related issues. The Committee agrees that past rejections should not adversely affect future loan applications and thus such information need not be reported.

(d) *Unique identity:*

Providing unique identification number where the address of the borrower changes frequently: While accessing commercial CIRs, if a borrower has more than one address, it is shown under different reference numbers and banks. If the specified user wants to ensure the identity of the customer with different addresses, they have to access all the CIRs with all the reference numbers and the fee payable would correspondingly increase. The Committee, therefore, recommends that CICs may provide a single CIR for one borrower even if the firm/person has more than one address by utilising a unique identification number such as PAN/Aadhaar No. provided by the credit institution.

(e) *Information on mortgage of properties:*

CIRs can provide information on mortgage of properties. However, as such information pertaining to mortgages is not shared in the consumer bureau format, the suggestion is not implementable as of now. The Committee recommends that going forward, the CICs may be required to have such linkage with the database of the Central Registry (CERSAI) which has data on mortgages.

(f) *Multiple borrowings:*

In order to reflect multiple borrowings, both current and past, of the same customer, it was suggested that CIRs should provide information in the following order:

- (i) Live accounts: Limits/Liability
- (ii) Closed accounts: Limits/Liability
- (iii) Overall position of NPA Status/Wilful Default/Suit may be furnished separately for different banks, without naming them.

The above information may be provided facility-wise. The Committee agrees with the above and recommends that in the case of multiple borrowings of the same customer, involving both current and past accounts, information on various accounts may be provided in the order of live accounts, closed accounts and overall position of NPA status/wilful default/suit filed, with limits and liability for each account.

(g) *Summary information:*

A consolidated summary of NPA status borrower-wise (and not account or limit wise) may be shown as borrower could have many facilities and in order to have an overview of the CIR. Each CIC has its own report layout to represent the credit information in the credit report. This also becomes a competitive advantage of one over the other. Hence, such changes could be innovations which each CIC could bring about. Secondly, most of the banks who access reports in a machine readable format do not have a need for report representation in a summary format. It has also been argued that the suggestion would not be feasible unless there is a commonly agreed borrower level classification process. Individual account information adds more value to credit risk evaluation and would need to be retained. In view of this, the Committee did not consider it necessary to provide a summary in the CIR as suggested.

(h) *Inferences/interpretation:*

CICs do not provide any inference or indicative remarks about past practices of the borrower. Bankers/lenders who are seeking the reports

from CICs have to draw their own inferences/ interpretations. It is possible that two bankers may infer differently on the same report of one CIC. As such, the present format of CICs reporting system shows only a theoretical situation which needs to be addressed. In this context, it was suggested that the CIR should also have suitable remarks for drawing inferences. The Committee was of the considered view that it is beyond the scope of CICs' functioning to provide any inference and that it is not the practice anywhere in the world that credit bureaus provide interpretations or inferences based on their own CIRs.

(i) *Linking consumer and commercial reports:*

It was suggested that CICs may explore the possibility of linking consumer and commercial reports so that the consumer report of any individual may also be reflected in the commercial report of a firm/company of which he/she may be a director/guarantor/partner/proprietor. Effectively implementing this would require credit institutions to capture and submit personal and demographic information pertaining to them. On a careful consideration of the suggestion, the Committee felt that though commercial reports may capture the names of directors/guarantors/partners/proprietor, if a specified user required additional information on any of them separately, this may be done by accessing separate consumer reports on them.

(j) *Viewing account updates:*

CICs should provide a special 'view' access to members to view account level updates in their database through a front-end interface. This should have all the factors which are supposed to be reported by the member. In this connection, it has been suggested that the data quality index should be able to indirectly fulfil this requirement. The Committee, however, agrees with the suggestion that a "read only" access could be provided to members to view the data provided and updated by them.

(k) *Resolution of queries from members:*

For resolution of queries and data reporting, it was suggested that a front end should be provided by CICs to their members to confirm or upload

correction request. The Committee felt that this suggestion was similar to the earlier one on providing a “read only” access and agrees with the suggestion. However, it has been argued that the suggestion involves a full-fledged customer data correction exchange, as is available in certain other jurisdictions, and will need to be developed as an industry initiative. This will need to be studied in detail. It has been suggested that what is required is a basic workflow solution from each CIC in the current stage. The Committee recommends that necessary steps be taken to put in place a full-fledged online data correction mechanism as suggested.

(l) *Delay in resolving discrepancies in CIR:*

It was represented to the Committee that the process for resolving alleged discrepancies in CIRs was long and cumbersome and hampers the ability of the customer to obtain credit facilities in a hassle-free manner, thereby sometimes involving substantial opportunity costs. There should be a time-frame to effect rectifications after obtaining the approval of the credit institution. CICs are taking about 20 days to give a report to borrower and if any wrong report is pointed out by him, shall be rectified only after approval by the lender who furnished the details of defaults. If the lender takes its own time to rectify such defects, it would tantamount to denial of justice. Hence, there should be a stipulated time frame to effect such rectification. It is also important that credit institutions respond to disputes raised by consumers in a timely manner so that rectification of wrong reporting, if any, can be done effectively and in a time bound fashion. In this connection, the Committee felt that the existing provisions under Rules 20(3)(c) and 25(3)(c) of the CIC Rules which provide a time limit of 21 and 30 days respectively to the credit institutions and the CICs would be sufficient to take care of the need for timely rectification of errors. However, the Committee recommended that adequate disincentives be put in place to ensure that CICs and credit institutions adhere to the stipulated timelines.

(m) *Disclosing disputed information in CIRs:*

It was suggested that if certain information in a CIR is disputed, then the fact that it has been disputed should also be disclosed in the CIR, as long

as the dispute has not been satisfactorily resolved. In this connection, a view was expressed that the definition/classification of a dispute may vary across the industry. As such, disclosing nature of disputes could make the reporting extremely complex. Since there is no uniform/standard interpretation across the industry for dispute classification, it was recommended that only disputes which are *sub judice* or pending with a consumer forum/Banking Ombudsman should be disclosed along with appropriate classification. Different categories for such disputes may be discussed and prepared by the Technical Working Group before recommending to the Reserve Bank of India. The disputes raised by the consumer with the credit institution needs to be tagged at the time of data submission by the credit institution. Disputes raised at the CICs will be incorporated appropriately in the CIRs by them. After considering the different views, the Committee felt that, in keeping with international practice as discussed in detail in Chapter 2, CIRs should also provide appropriate disclosures if any information contained therein has been disputed and the matter has not been satisfactorily resolved. If the customer so desires, his/her comment could also be added to the CIR.

(n) *Rectifying wrong information in CIRs:*

It was suggested that particulars of banks needs to be disclosed in the CIR. As of now, the CIR of a borrower when accessed by a bank does not provide the names of the other banks from where the customer had availed various loans. When a discrepancy is noticed by the customer, he/she has to again approach the CIC by paying higher amount to again contact the bank/branch for rectification of the discrepancy. This process is long, cumbersome and expensive, and delays the process of obtaining credit facilities. A customer can also access his/her own CIR from the CIC which provides details of the reporting banks/institutions. Some banks felt that bank/branch details are competition sensitive information and that such information has no bearing on taking credit decisions. Taking into account the fact that customers obtain their copies of CIR from either specified users or CICs, the Committee recommends that both the specified users and CICs should have arrangements in place to receive

customer requests for rectification of data in CIRs. Banks receiving such requests may forward the same to the concerned CIC, which will take up the matter with the concerned credit institution which had provided the disputed data. In the case of any correction being carried out in the CIR, the CIC may provide a free copy of the corrected report to the customer as well as to the specified users to which the report had been issued during the previous six months.

### **Credit Cards**

**5.8** In respect of credit cards, there are provisions/options for making repayment with minimum amount of dues. In such cases, there need not be any reporting of overdue in repayment of dues. Customers make use of these facilities to rotate funds through credit cards to derive maximum period of credit. CICs have to take note of this situation and accordingly rate the customers and furnish reports. In this regard, the Committee recommends that credit Institutions and CICs may be guided by the Reserve Bank circular dated December 20, 2013, according to which a “credit card account will be treated as non-performing asset if the minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the next statement date.” It was also added therein that “Banks should follow this uniform method of determining overdue status for credit card accounts while reporting to credit information companies and for the purpose of levying of penal charges, viz., late payment charges, etc., if any”.

### **Pricing of CIR and related aspects**

**5.9** The CIC Regulations 2006 provide for the maximum amount of fees that can be charged by CICs and specified users for providing CIRs. Accordingly, for providing to an individual his own credit information, a CIC may charge such amount as it deems appropriate not exceeding Rs. 100. Every specified user shall also furnish a copy of the credit information to such person as referred to in Section 21(1) of the Act, subject to a charge of amount not exceeding Rs. 50. In this connection, the suggestions received by the Committee, along with its recommendations, are discussed below:

*Pricing of CIR:*

**5.10** It was suggested that one CIR may be provided free of cost by every CIC once in a calendar or financial year to every customer. It was mentioned in this connection that the CICRA drafted in 2005 had a cap of Rs 100/- to be charged for a credit report and that considering the inflation over the last eight years and operational costs for authenticating an individual, facilitating dispute resolution and investments to service the customers, the base price should at a minimum be retained. It was also argued that the one free report could be popularised after the introduction of eKYC, etc., since the costs of ID verification of the purported person seeking the report etc, would then be a seamless process.

**5.11** The Committee considered the suggestions received in this regard, and the fact that international standards and the practices in different countries require that one CIR be provided to all citizens free of cost. The Committee, after a careful consideration of the differing views, felt that it was desirable that each customer of a credit institution be entitled to one base level consumer CIR free of cost every financial year from each CIC. This is the internationally accepted practice and would bring in the following benefits:

- (a) It would help create awareness among customers and the need to have a good credit discipline.
- (b) It would enable customers to correct their behaviour before it becomes too late.
- (c) It would enable customers to have a chance of improve their score well before they plan to avail fresh credit of any kind.
- (d) It would help identify identity theft at an early stage.
- (e) In the long run, it would help increase the business of CICs.
- (f) It also helps CICs correct and validate their database.

The content of the base level CIR may be arrived at by the CICs in consultation with the IBA before recommending the same to the Reserve Bank of India for its approval. Any additional request within the same period may be charged as per

existing norms. While marketing premium versions of the CIR, equal publicity to the low-cost CIRs may also be made so that consumers can take an informed decision. The Committee recommends that in view of cost considerations and the fact that CICs in India are still in their early years of existence in a long gestation business, the Reserve Bank of India may consider implementing the above suggestions in due course.

*Basis of pricing CIR:*

**5.12** The rates charged by the CICs for CIRs are not uniform. It has also been observed that CICs levy charges on enquiry even if they do not have any data on the entity. In this connection, it was suggested that there must be a pre-defined price range for charging for these reports. Further, the pricing for CIR should be based on per CIR successfully generated and not on per enquiry basis. The Committee feels that there is merit in the suggestion that the charges should be based on each report issued and not on a per enquiry basis. However, it was also pointed out that “no hits” also represent valuable information in the Indian context. For mature databases, it is likely that new or first time borrowers are entering the system and a “no hit” on a well populated database may actually be positive information that might give a lender more comfort to lend. In the first few years of a bureau’s operations, a “no hit, no charge” policy does not penalise the user for incomplete data. However, as the data size of a bureau grows, a “no hit” is itself valuable data. The Committee, therefore, recommends that CICs may charge even on “no hits”, but they should be charged much lower on a differentiated basis.

*Charging by slabs:*

**5.13** It was represented to the Committee that the charges of some of the CICs for extracting CIRs are on the basis of slabs, i.e., if the number of CIRs extracted by a bank are more, the amount payable is less. In this process, smaller banks have to pay more as the number of CIRs extracted would be less. It was suggested that these charges should be rationalised. The Committee felt that it may not be appropriate to regulate these charges as they may be decided based on the forces of competition in the market.

*Pricing of consumer vs. commercial CIR*

**5.14** It was brought to the notice of the Committee that the cost of accessing a commercial CIR is higher than that of a consumer CIR even though the process of accessing and uploading/processing of commercial data is the same as consumer data. It was suggested that such wide disparity be reduced to help effective dissemination of credit information and generation of reports without burdening the customers. The Committee felt that the charges for such CIRs may be decided on the basis of market demand and the differentiation applied by different CICs for such reports. It was also considered that CIC Regulations 2006 provide for a lower limit of Rs. 500 for CICs providing CIR of an individual to a specified user, as against a higher limit of Rs. 5000 for CIR on others. It was therefore not considered necessary to suggest regulation of the charges for such reports.

*Corrected CIRs:*

**5.15** In the event of a dispute resulting in the CIR being corrected, a fresh CIR may be issued free of cost, which will not count for the annual free CIR. However, the Committee recommends that the cost of the CIR may be borne by the members of CICs, if they are responsible for the inaccurate data.

*Aggregated CIRs:*

**5.16** It was also suggested that an aggregated report, along the lines of the tri-bureau report in the USA, could be introduced in the Indian market also. However, CICRA 2005 does not provide for an aggregator as a specified user as of now. This suggestion could be implemented after removing the legal constraints.

## **Chapter 6**

### **Best Practices in Credit Information**

#### **Introduction**

**6.1** One of the issues affecting the credit information business was the lack of a uniform set of standards or best practices that could push the performance of credit institutions and CICs to the desired level and also raise the bar for the rest of the sector. The Committee felt that certain best practices need to be prescribed for credit institutions and CICs.

#### **Best practices for Credit Institutions**

**6.2** The following best practices were suggested for adoption by credit institutions:

- (a) Credit institutions should ensure that the records submitted to CICs are updated regularly and that no instances of repayment, including that of the last instalment, are left unreported.
- (b) NOCs issued to borrower after repayment of a loan and furnishing of information to CIC regarding a borrower are being sent from different points in a bank. Due to lack of updation of information, there could be discrepancy in the information furnished to CICs, leading to customer grievances. Such instances could be avoided by centralising the issue of NOCs and providing information to CICs.
- (c) All credit institutions should have nodal officers for dealing with CICs.
- (d) Customer grievance redressal should be given top priority especially in respect of complaints relating to updation/alteration of credit information.
- (e) Grievance redressal in respect of credit information should be integrated with the existing systems for grievance redressal. Aspects relating to customer grievances pertaining to credit information may also be an integral part of customer service policy of banks.
- (f) Credit institutions should abide by the period stipulated under CICRA 2005 and the rules and regulations framed thereunder in respect of updation,

alteration of credit information, resolving disputes, etc. Procedure prescribed under Rule 20 and 21 of the Credit Information Companies Rules, 2006 in this regard should be adhered to. Deviations from stipulated time limits should be monitored and commented upon in the periodical reports/reviews put up to the Board/Committees of Board on customer service.

- (g) Updation of credit information should take place on a monthly basis or at such shorter intervals as may be mutually agreed upon between the credit institution and the CIC.
- (h) All credit institutions should give full customer information to the CICs. For instance, identifier information like PAN No., Aadhaar No., Voters ID Card No., etc., are not provided by credit institutions for all records.
- (i) Banks should mandate the usage of CIRs in their credit appraisal process.
- (j) First time borrowers' loan applications should not be rejected just because they have no credit history.

The Committee recommends that every credit institution shall take the above into account while formulating or reviewing the policy and procedure under the CICRA with the approval of their Board of Directors.

### **Best practices for CICs**

**6.3** The following best practices were suggested for CICs:

- (a) CICs should abide by the period stipulated under the CICRA and the rules and regulations framed thereunder in respect of updation, alteration of credit information, resolution of disputes, etc. Procedure prescribed under Rules 25 and 26 of the CIC Rules, 2006 in this regard should be adhered to. Deviations from stipulated time limits should be monitored and commented upon in the periodical reports/reviews put up to the Board/Committees of Board on customer service.
- (b) CICs should have a structured and systematic process for redressing customer grievance redressal.
- (c) CICs should have a nodal officer for dealing with customer complaints.

- (d) CICs should have a system for conducting root cause analysis for complaints.
- (e) Following a dispute regarding a CIR, if it is established that the reason for the dispute lies with the CIC itself or with the information provided by a credit institution to the CIC, the CIC may provide a free copy of the same type of CIR to the customer after correction of the credit information.
- (f) Data on complaints may be compiled by CICs on a quarterly basis. A quarterly review on complaints may be put up to the Board of Directors.
- (g) Updation of credit information should take place on a monthly basis or at such shorter intervals as may be mutually agreed upon between the credit institution and the CIC.
- (h) In respect of commercial data, there are only limited records in the database especially for the newer CICs. The CICs may prepare a roadmap for populating the database with historic data to improve their capabilities in the area.
- (i) Training should be organised by the CICs for member institutions on understanding the formats, importance of data reporting and how to improve data acceptance ratio.
- (j) Safeguards in respect of data usage in terms of Rule 27 of the Rules by specified users should be built into agreements with the specified users.
- (k) It was suggested that CICs could get their FAQs on the website approved by the Reserve Bank of India. The Committee felt that as FAQs and the responses would change periodically, it would neither be practicable nor desirable to have the same vetted by the regulator.

The Committee recommends that all CICs shall take the above into account and put in place a system for consumer complaint redressal with the approval of their Board of Directors. Such policy may be displayed on their websites.

**6.4** Some suggestions from credit institutions, as forwarded by IBA in respect of CICs are as follows:

- (a) Whenever CIRs on the same borrower are accessed by more than one specified user simultaneously, say, within a period of one month, an alert may be provided by the CIC to all the specified users who have drawn the reports to avoid multiple financing for the same purpose/to avoid fraudulent transactions. The Committee agrees with this recommendation and commends the same for implementation.
- (b) Alerts on borrowers who are changing their addresses/office are to be indicated to other credit grantors. The Committee recommends that this may be done as a separate value added product without disclosing the name of the credit institution.
- (c) Behaviour pattern of the borrowers, viz., frequency of loans obtained, frequency of banks/FIs approached, etc., to be provided. However, it was felt that the behaviour pattern of the borrower is already a part of the existing bureau report and is thus currently available. The Committee recommends that this may be done as a separate value added product.
- (d) Customisation of reports as per the specific requirement of a specified user. The Committee recommends that this may be done as a separate value added product by CICs which are not already doing the same.
- (e) CICs should ensure that the credit record of borrowers are regularly updated by banks and that issues such as where repayment of the last instalment of a loan does not get reported does not arise. The Committee felt that this may be implemented by CICs for which this was not already a part of their existing processes.
- (f) CICs to provide list of member banks enrolled with them to know about member banks sharing their information with them and for taking credit decision based on their report accordingly. In this connection, it was suggested that in order to know the credit data contributor to a bureau, such information should be made available by the bureaus on a regular basis to all its members along with the volume of data being reported. The Committee feels that this suggestion may be irrelevant if the recommendation that all banks are required to be members of all CICs is

accepted and implemented. Reporting the volume of data was not considered necessary.

- (g) It was suggested that all CICs should be ISO 27001:2013 certified for Information security. The Committee agrees with the suggestion and commends the same for implementation.
- (h) Rectification carried out by any of the CICs should be updated/replicated across the other CICs also with an acknowledgement from the member bank. Following detailed deliberations on the suggestion, the Committee was of the view that the CICs put in place a mechanism for exchanging such information with other CICs.

### **Court cases**

**6.5** Referring to the spate of court cases being received at the Reserve Bank of India, it was suggested that complaints need to be addressed by credit institutions and CICs on an urgent basis. It was emphasised that the credit institutions and CICs should have a structured process of complaint redressal including a Consumer Protection Committee under the Board should be constituted.

### **Banking Ombudsman Scheme**

**6.6** It was also suggested that the CICs could be brought under the Banking Ombudsman Scheme. In the connection, it was felt that grievances against CICs are usually on account of delayed responses, wrong matching of records, non-updation of records, etc., where part of the blame may also lie with the bank/s concerned. In such cases, the loss to the person concerned may not be easily quantifiable. On the other hand, the Banking Ombudsman generally deals only with cases against banks, and that too only such cases which involve identifiable and quantifiable losses arising from deficiencies in service, and not imputed/notional losses. It was thus not considered necessary to bring the business of credit information under the purview of the Banking Ombudsman Scheme. The Reserve Bank of India, however, may consider evolving a suitable mechanism for providing a fast and cheap redressal of customer grievances vis-a-vis CICs, including by even expanding the scope of the Banking Ombudsman Scheme.

## Chapter 7

### Reporting Wilful Defaulters

#### **Introduction**

**7.1** The Reserve Bank of India had over the years, with a view to putting in place information on defaulters and “wilful defaulters” in the public domain, introduced a series of measures. A brief timeline on these measures is given below:

- |               |  |
|---------------|--|
| April 1990    | Half-yearly reporting by banks to the Reserve Bank of India on wilful defaulters enjoying fund-based aggregate credit limits of Rs. 2 crore and above from the banking system.   |
| April 1994    | Scheme of half-yearly disclosure of information on defaulting borrowers (doubtful and/or loss and suit filed accounts) of banks and FIs (Rs. one crore and above of fund-based and non-fund based accounts) for collection/dissemination of information from/to banking companies. |
| February 1999 | Banks/FIs advised to collect and disseminate information on cases of wilful default of Rs. 25 lakh and above.  |
| March 2003    | Defaulters and wilful default cases where banks have filed suit to be reported to CIBIL which would in turn publish on their website. Reserve Bank to continue disseminating such information on non-suit filed cases.   |
| 2011          | Suit filed defaulters and wilful default cases to be reported to the other CICs also, where banks are members, which were required to publish the information on their websites.   |

#### **Definition of Wilful Default**

**7.2** For the above purpose, wilful default as originally defined in 1999 broadly covered the following:

- (a) Deliberate non-payment of the dues despite adequate cash flow and good networth;

- (b) Siphoning off of funds to the detriment of the defaulting unit;
- (c) Assets financed either not been purchased or been sold and proceeds have been misutilised;
- (d) Misrepresentation / falsification of records;
- (e) Disposal / removal of securities without bank's knowledge;
- (f) Fraudulent transactions by the borrower.

**7.3** The term "wilful default" was later redefined and deemed to have occurred if any of the following events is noted:

- (a) The unit has defaulted in meeting its payment / repayment obligations to the lender even when it has the capacity to honour the said obligations.
- (b) The unit has defaulted in meeting its payment / repayment obligations to the lender and has not utilised the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes.
- (c) The unit has defaulted in meeting its payment / repayment obligations to the lender and has siphoned off the funds so that the funds have not been utilised for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets.
- (d) The unit has defaulted in meeting its payment / repayment obligations to the lender and has also disposed off or removed the movable fixed assets or immovable property given by him or it for the purpose of securing a term loan without the knowledge of the bank/lender.

### **Need for change**

**7.4** The above system requires suitable changes for the following reasons:

- (a) Introduction of the above two lists predate the enactment of CICRA 2005, when there was no system of centralised credit information on borrowers. With the establishment of the four CICs, a system of centralised credit information is currently in place and the dissemination

of information by the Reserve Bank of India, though now limited to non-suit filed accounts, appears to be superfluous.

- (b) Out of the two lists, having a system of reporting defaulters of Rs. 1 crore and above, put in place in the year 1994, is completely redundant, with the functioning of four CICs, and needs to be discontinued.
- (c) As banks already have systems in place for reporting credit information to CICs, which also includes a field for wilful default, having a separate system for reporting through the Reserve Bank of India would also be redundant.

### Suggestions

**7.5** In view of the above, the present practice of the Reserve Bank of India obtaining information from banks/FIs on non-suit filed cases of defaulters/wilful defaulters and circulating it among banks/FIs could be dispensed with. Suitable fields could be added in the existing formats for reporting to CICs by banks. This will also help integrating the search facility at the specified user level. Further, direct reporting of this data by banks to CICs will also enable timely and automatic updation of wilful default status.

**7.6** At present, only banks/FIs are required to report data in respect of wilful defaulters and not the other credit institutions, viz., NBFCs, UCBs, RRBs, SFCs, HFCs. Exclusion of such entities from the guidelines of wilful defaulters may lead to arbitrage by borrowers. It is, therefore, recommended that such credit institutions may also report data on wilful default to all the CICs.

**7.7** However, while discontinuing the system of RBI disseminating the information, it will also have to be ensured that the wilful default information, including historical data on such borrowers, reaches all banks. With the setting up of CICs and their operations having stabilised over the last few years, the need for RBI disseminating the list of defaulters of Rs. 1 crore and above (non-suit filed accounts) and the list of wilful defaulters of Rs.25 lakh and above (non-suit filed accounts) is redundant and could be discontinued or replaced with alternative reporting methods.

## **Recommendations**

**7.8** The Committee's recommendations in this regard are given below:

- (a) The reporting of cases of wilful default, even in non-suit filed cases, may be done by banks/FIs directly to the CICs of which they are members. This may be implemented from a cut-off date as directed by the Reserve Bank of India. Credit institutions may take into account the information with CICs in terms of extant instructions in this regard while taking credit decisions.
- (b) The present system of banks/FIs reporting information on non-suit filed cases of defaulters of Rs. 1 crore and above to the Reserve Bank of India may be dispensed with.
- (c) Banks may provide the CICs with historical information when dissemination of the above lists by the Reserve Bank of India is dispensed with.
- (d) CICs may make available the data in respect of suit-filed cases on their websites more user-friendly that would facilitate search across periods and banks.
- (e) The above reporting of wilful default, in suit-filed and non-suit filed cases, may be on a continuous basis, and not at quarterly rests.

## **Chapter 8**

### **Summary of Recommendations**

**8.1** Reserve Bank of India may explore means of introducing a Common Credit Information Report on the lines of the tri-bureau report available in the USA, in consultation with all CICs and in a manner customised to the credit information infrastructure existing in the country. (Paragraph No.3.9)

**8.2** All commercial banks, Regional Rural Banks, Local Area Banks and financial institutions, including HFCs and SFCs, may be compulsorily required to become members of all CICs and submit data to them.(Paragraph No. 3.12(a))

**8.3** Cooperative banks and Non-Banking Finance Companies with an asset base of Rs. 100 crore and above may be compulsorily required to become members of all CICs. Others with assets below Rs.100 crore may be encouraged to become members of all CICs. (Paragraph No. 3.12(b))

**8.4** Considering the changed requirements, CICs may make the membership fees and annual fees as low as possible to attract more members. For credit institutions with asset base of up to Rs.100 crore, the annual fees and the membership fees should not exceed Rs. 10,000 and Rs.100,000 respectively. (Paragraph No. 3.12(c))

**8.5** Such compulsory membership with all the CICs, as recommended above, may be required to be taken up by credit institutions mentioned above within 90 days from the date of intimation by the Reserve Bank of India or the regulator concerned. Regulatory departments of the Reserve Bank of India may follow up with the regulated entities under their jurisdiction that are not members of CICs to obtain such membership as mandated under CICRA 2005.(Paragraph Nos. 3.12 and 3.18)

**8.6** CICs may include information relating to Commercial Paper in their data format for collecting credit information from credit institutions. The information shared may include the following fields relating to CPs: Name of CP Issuer, Name of IPA, Amount, Issue Date, Maturity Date, Name of Credit Rating Agency, Rating assigned and Amount of default. Commercial format would require changes to

accommodate this information on CPs. The modalities for capturing these fields on CP may be discussed in the Technical Working Group for Data Formats.(Paragraph No. 3.17)

**8.7** Workshops may be arranged by CICs regularly, in association with IBA or MFIN, as the case may be, for creating awareness about CIRs and their use in credit appraisal.(Paragraph No. 3.19)

**8.8** The Committee recommends that the CICs may populate their databases with commercial data records with appropriate support from the credit institutions and the regulator in providing complete information in a timely manner, within a period not exceeding one year.(Paragraph No. 3.20)

**8.9** Credit institutions may include, in their credit appraisal processes/loan policies, suitable provisions for obtaining Credit Reports from one or more CICs so that the credit decisions are based on information available in the system. In this context, the credit institutions may institute board approved policies for credit bureau usage in all lending decisions and account opening.(Paragraph No. 3.21)

**8.10** Required changes in format of data reported by credit institutions to CICs:

- (a) *Standardised data format:* CIBIL format could be taken as the base for standardisation of data format for consumer and commercial borrowers. As banks were more used to and satisfied with the CIBIL format, it was felt that the same could be adopted as the base for moving to the common industry format. The Committee recommends that formats being used by CIBIL for consumer bureau and commercial bureau reporting and format furnished by High Mark for MFI reporting be continued.
- (b) *Additional fields in Data Format:* Additional fields were suggested by one of the CICs, which have been given in Annex 5. Of these, the Committee felt that a separate indicator for priority sector lending and breakup of overdues were not required. For vehicles, only vehicle make and registration number may be mandated. Though chassis number is desirable, the Committee felt that it should not be made mandatory. The Committee also felt that the registration number with CERSAI could be

added in respect of property mortgages registered with it. The Committee recommends adoption of suggestions for changes to the format as made in Annex 5, subject to the comments above. For any additional data requirement from CICs, say, security details, which may not be available in existing software and which needs to be done with the help of the vendors of software, members should be provided sufficient time for implementation.

- (c) *Compromise settlements:* The Committee felt that data formats should include cases where compromise settlements have taken place. However, if compromise settlements are the result of customer complaints against wrongful practices by the financial service provider, these should not result in a reporting that would adversely affect the credit standing of the customer.
- (d) *Detailed product classification:* The Committee accepted that detailed product classification, e.g., car loans, commercial vehicles and construction equipment vehicles, under auto loans could be furnished by CICs if so reported by the banks.
- (e) *Information regarding relationship/guarantor:* In the commercial segment, information regarding relationship/guarantor is very extensive and is not present in CBS system. However, the Committee felt that Business category/type, Mobile/Telephone number, State/Pin-code/Country enhance the value of the commercial bureau data and hence should be captured by the banks in their CBS.
- (f) *Members of Self Help Groups (SHG):* Credit information on individual members of SHGs was critical to establish their credit history which would in turn foster growth of credit to the sector. The Committee recommends that banks may be required within a reasonable period of, say, eighteen months, to arrange for capturing the required data from SHGs for reporting to CICs.
- (g) *Multiple banking/consortium lending:* As the Committee has recommended that commercial banks become members of all the four CICs, the present

instructions of RBI for such information sharing in this regard would become redundant and could be withdrawn.

- (h) *Cross reporting:* Guidelines for cross reporting, e.g., where individual is borrower and corporate is co-borrower, or vice versa, should be clearly intimated by CICs. The formats have fields to incorporate the data where consumer data will be reported in the consumer bureau and co-borrower will be reported in commercial bureau. The Committee felt that the position of an individual in his own capacity or proprietor of his own concern and that as a partner has to be seen differently from a credit perspective, even though one may influence the other. Links, if required, would in any case be captured by one or more of other demographics, such as address, date of birth, PAN Card No., etc.
- (i) *Reporting Days Past Due:* The Committee recommends that all banks should be required to share DPD data in their reporting under asset classification.
- (j) *Treatment of part instalment due:* The Committee felt that credit institutions should submit data as it is while qualitative information on what filters to apply based on amount and period could be done by the specified users and others who make use of the data.
- (k) *Income data:* The Committee felt that income data was not necessary to be reported due to confidentiality issues.
- (l) *Identification numbers:* In the commercial segment, corporate identification number and credit history of the directors of the company (based on DIN number) also should be included.
- (m) *Software for reporting:* There should be only one format for uploading and reverting reject data from the CIC as conversions/reconversions between formats like Excel/TUDF/Notepad, etc., during the process of furnishing data create validation issues. (Paragraph No. 4.8)

**8.11** To institutionalise a continuing mechanism for making changes to the data formats, the Committee recommends that a Technical Working Group of banks,

CICs, NBFCs and HFCs, in association with IBA/MFIN, may periodically, preferably at intervals of one year, examine the need for making changes to the data format and recommend suitable changes. The working group may take up, on priority basis, changes in the commercial sector, where there is an urgent need to capture data required for sharing of information among member banks under consortium/multiple banking arrangements. Based on the recommendations made by the Working Group, the Reserve Bank may approve changes to the data format.(Paragraph No. 4.9)

**8.12 Suggested changes to the Consumer Data Format of CIBIL:**

- (a) Suit Filed/wilful default - As the Master Circular on Wilful Default appears to pertain only to entities (industry/unit), the applicability of this classification to individuals being reported in the consumer formats may be examined by the Reserve Bank.
- (b) Written-off and Settled status –The Committee felt that it was necessary that the term “Settled” is explained suitably in the CIR as customers perceive the use of term as having a negative connotation reflecting adversely on their creditworthiness. As the process of “settlement” could also follow complaints of wrong debits and contested charges, the use of the term “settled” should not be viewed adversely by the specified users. Necessary explanations to the effect could be provided by CICs in their CIRs.
- (c) Asset Classification –The number of days past due (DPD) should be captured by the credit institutions for reporting to the CICs.(Paragraph Nos. 4.11 and 4.14)

**8.13 Suggested changes to the Commercial Data Format of CIBIL:**

- (a) New fields to be introduced to indicate wilful default of Rs. 25 lakh and above (suit filed and non-suit filed accounts).
- (b) Asset Classification: Number of DPD should be captured by the credit institutions for reporting to the CICs.

(c) Field showing major reasons for restructuring should indicate whether the restructuring was due to external/extraneous factors such as external environment, general downturn in economy, etc., or company / borrower specific issues such as change in management, performance of promoters. (Paragraph Nos. 4.15 and 4.16)

**8.14** Banks could share data on unhedged foreign currency exposures with CICs. CICs may devise suitable format/fields for incorporation, and submit the same for the approval of the Reserve Bank of India. Credit institutions may obtain information on derivatives from their clients and report the same to the CICs as per the fields specified in the Commercial Data Format. Banks should prevail upon their customers through application of penal rates or otherwise, for ensuring prompt reporting by the customers. Reserve Bank of India may also take up with the Ministry of Corporate Affairs for ensuring compliance by the corporate customers.(Paragraph Nos. 4.19, 4.22 and 4.23)

**8.15** Data submitted by credit institutions should be populated with at least one of the identifier fields, viz., PAN Card No., Passport No., Driving Licence No., Voter ID Card No., Aadhaar No., Telephone number, etc. The CICs should share with banks the logic and validation processes involved so that instances of data rejection can be minimised. The reasons for rejection need to be parameterised and circulated among the credit institutions concerned. A time frame should be stipulated for rectification of rejections and for uploading the data by credit institutions. Rejection reports should be made simple and understandable so that they can be used for fixing reporting and data level issues.(Paragraph No. 4.25)

**8.16** CICs and credit institutions may adopt the Data Quality Index for assessing the quality of data submissions and make efforts towards improving data quality and minimising data rejections. (Paragraph No. 4.26 and Annex 6)

**8.17** CIBIL method of calibrating credit score from 300 to 900 could be adopted by the other CICs also so that they have a common classification of Credit Scores which would be easier to understand and interpret.(Paragraph No. 5.6)

**8.18** Recommendations related to CIR:

- (a) *Standardising format of CIR*: Each CIC has some unique feature in its CIR. Differences would be resolved to some extent when data collection formats used by the CICs are standardised. The Committee did not consider it necessary to standardise the format of the CIR as such differentiation was essential to promoting competition in the market.
- (b) *Reporting co-borrower and guarantor*: CIC should report co-borrower and guarantor details. This will facilitate deciding on the extent of exposure a credit institution can consider on an entity.
- (c) *Reporting loans declined*: The Committee felt that information relating to loans declined in previous periods need not be reported by CICs as such information could be prejudicial to the interests of the customer if a rejection in one bank were to be used as a ground to reject the same customer in another credit institution.
- (d) *Unique identity*: CICs may provide a single CIR for one borrower even if the firm/person has more than one address by utilising a unique identification number such as PAN/Aadhaar No. provided by the credit institution.
- (e) *Information on mortgage of properties*: Information on mortgages of properties is not being shared in the consumer bureau format. CICs may be required to have such linkage with the database of the Central Registry (CERSAI) which has data on mortgages.
- (f) *Multiple borrowings*: In the case of multiple borrowings of the same customer, involving both current and past accounts, information on various accounts may be provided in the order of live accounts, closed accounts and overall position of NPA status/wilful default/suit filed, with limits and liability for each account.
- (g) *Linking consumer and commercial reports*: To a suggestion that there should be a link between commercial and consumer reports in the case of firms/companies, the Committee felt that though commercial reports may

capture the names of directors/ guarantors/ partners/ proprietor, if a specified user required additional information on any of them separately, this may be done by accessing separate consumer reports on them.

- (h) *Viewing account updates:* It was suggested that CICs should provide a special ‘view’ access to members to view account level updates in their database through a front-end interface. The Committee agrees with the suggestion that a “read only” access could be provided to members to view the data provided and updated by them.
- (i) *Resolution of queries from members:* For resolution of queries and data reporting, it was suggested that a front end should be provided by CICs to their members to confirm or upload correction request. The suggestion involves a full-fledged customer data correction exchange, as is available in certain other jurisdictions, and will need to be developed as an industry initiative. This will need to be studied in detail. It was suggested that what is required is a basic workflow solution from each CIC in the current stage. The Committee recommends that necessary steps be taken to put in place a full-fledged online data correction mechanism as suggested.
- (j) *Delay in resolving discrepancies in CIR:* It was represented to the Committee that the process for resolving alleged discrepancies in CIRs was long and cumbersome and hampers the ability of the customer to obtain credit facilities in a hassle-free manner, thereby sometimes involving substantial opportunity costs. The Committee recommended that adequate disincentives be put in place to ensure that CICs and credit institutions adhere to the timelines stipulated under the CIC Rules.
- (k) *Disclosing disputed information in CIRs:* The Committee felt that as per the international practice, CIRs should also provide appropriate disclosures if any information contained therein has been disputed and the matter has not been satisfactorily resolved. If the customer so desires, his/her comment could also be added to the CIR.
- (l) *Rectifying wrong information in CIRs:* Both the specified users and CICs should have arrangements in place to receive customer requests for

rectification of data in CIRs. In the case of any correction being carried out in the CIR, the CIC may provide a free copy of the corrected report to the customer as well as to the specified users to which the report had been issued during the previous six months.(Paragraph No. 5.7)

**8.19 NPA in credit card account:** For the purpose of reporting on credit card customers, the Committee recommends that credit institutions and CICs may be guided by the Reserve Bank circular dated December 20, 2013, according to which a “credit card account will be treated as non-performing asset if the minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the next statement date.”(Paragraph No. 5.8)

**8.20 Pricing of CIR and related aspects:** The Committee felt that it was desirable for each customer of a credit institution to be made entitled to one base level consumer CIR free of cost every financial year from each CIC. Such a move would help create awareness among customers and the need to have a good credit discipline, enable customers to correct their behaviour before it becomes too late, enable customers to have a chance of improve their score well before they plan to avail fresh credit of any kind, help identify identity theft at an early stage and in the long run help increase the business of CICs. It would also help CICs correct and validate their database. The content of the base level CIR may be arrived at by the CICs in consultation with the IBA before recommending the same to the Reserve Bank of India for its approval. In view of cost considerations and the fact that CICs in India are still in their early years of existence in a long gestation business, the Reserve Bank of India may consider implementing the above suggestions in due course.(Paragraph No. 5.11)

**8.21 Basis of pricing CIR:** The rates charged by the CICs for CIRs are not uniform. The Committee feels that there is merit in the suggestion that the charges should be based on each report issued and not on a per enquiry basis. The Committee recommends that CICs may charge even on “no hits”, but they should be charged much lower on a differentiated basis. (Paragraph No. 5.12)

**8.22 Charging by slabs:** It was represented to the Committee that the charges of some of the CICs for extracting CIRs are on the basis of slabs, i.e., if the number of

CIRs extracted by a bank are more, the amount payable is less. The Committee felt that it may not be appropriate to regulate these charges as they may be decided based on the forces of competition in the market. (Paragraph No. 5.13)

**8.23 Corrected CIRs:** In the event of a dispute resulting in the CIR being corrected, a fresh CIR may be issued free of cost, which will not count for the annual free CIR. However, the Committee recommends that the cost of the CIR may be borne by the members of CICs, if they are responsible for the inaccurate data. (Paragraph No. 5.15)

**8.24 Aggregated CIRs:** As regards the suggestion that an aggregated report, along the lines of the tri-bureau report in the USA, could be introduced in the Indian market, it was observed that CICRA 2005 does not provide for an aggregator as a specified user as of now. This suggestion could be implemented after removing the legal constraints. (Paragraph No. 5.16)

**8.25** The Committee recommends that every credit institution take the following best practices into account while formulating or reviewing the policy and procedure under the CICRA with the approval of their Board of Directors.

- (a) Credit institutions should ensure that the records submitted to CICs are updated regularly and that no instances of repayment, including that of the last instalment, are left unreported.
- (b) Instances of non-updation of repayment information could be avoided by centralising the issue of NOCs and providing information to CICs.
- (c) All credit institutions should have nodal officers for dealing with CICs.
- (d) Customer grievance redressal should be given top priority especially in respect of complaints relating to updation/alteration of credit information.
- (e) Grievance redressal in respect of credit information should be integrated with the existing systems for grievance redressal. Aspects relating to customer grievances pertaining to credit information may also be an integral part of customer service policy of banks.

- (f) Credit institutions should abide by the period stipulated under CICRA 2005 and the rules and regulations framed thereunder in respect of updation, alteration of credit information, resolving disputes, etc. Procedure prescribed under Rule 20 and 21 of the Credit Information Companies Rules, 2006 in this regard should be adhered to. Deviations from stipulated time limits should be monitored and commented upon in the periodical reports/reviews put up to the Board/Committees of Board on customer service.
- (g) Updation of credit information should take place on a monthly basis or at such shorter intervals as may be mutually agreed upon between the credit institution and the CIC.
- (h) All credit institutions should give full customer information to the CICs. For instance, identifier information like PAN No., Aadhaar No., Voters ID Card No., etc., are not provided by credit institutions for all records.
- (i) Banks should mandate the usage of CIRs in their credit appraisal process.
- (j) First time borrowers' loan applications should not be rejected just because they have no credit history. (Paragraph No. 6.2)

**8.26** CICs should take following best practices into account and put in place a system for consumer complaint redressal with the approval of their Board of Directors. Such policy may be displayed on their websites.

- (a) CICs should abide by the period stipulated under the CICRA and the rules and regulations framed there under in respect of updation, alteration of credit information, resolution of disputes, etc. Procedure prescribed under Rules 25 and 26 of the CIC Rules, 2006 in this regard should be adhered to. Deviations from stipulated time limits should be monitored and commented upon in the periodical reports/reviews put up to the Board/Committees of Board on customer service.
- (b) CICs should have a structured and systematic process for redressing customer grievance redressal.

- (c) CICs should have a nodal officer for dealing with customer complaints.
- (d) CICs should have a system for conducting root cause analysis for complaints.
- (e) Following a dispute regarding a CIR, if it is established that the reason for the dispute lies with the CIC itself or with the information provided by a credit institution to the CIC, the CIC may provide a free copy of the same type of CIR to the customer after correction of the credit information.
- (f) Data on complaints may be compiled by CICs on a quarterly basis. A quarterly review on complaints may be put up to the Board of Directors.
- (g) Updation of credit information should take place on a monthly basis or at such shorter intervals as may be mutually agreed upon between the credit institution and the CIC.
- (h) In respect of commercial data, there are only limited records in the database especially for the newer CICs. The CICs may prepare a roadmap for populating the database with historic data to improve their capabilities in the area.
- (i) Training should be organised by the CICs for member institutions on understanding the formats, importance of data reporting and how to improve data acceptance ratio.
- (j) Safeguards in respect of data usage in terms of Rule 27 of the Rules by specified users should be built into agreements with the specified users.  
(Paragraph 6.3)

**8.27** Whenever CIRs on the same borrower are accessed by more than one specified user simultaneously, say, within a period of one month, an alert may be provided by the CIC to all the specified users who have drawn the reports to avoid multiple financing for the same purpose/to avoid fraudulent transactions. (Paragraph No. 6.4(a))

**8.28** Alerts on borrowers who are changing their addresses/office are to be indicated to other credit grantors without disclosing the name of the credit institutions. (Paragraph No. 6.4(b))

**8.29** Behaviour pattern of the borrowers, viz., frequency of loans obtained, frequency of banks/FIs approached, etc., may be provided as a separate value added product by CICs. (Paragraph No. 6.4(c))

**8.30** Customisation of reports as per the specific requirement of a specified user may be done as a separate value added product by CICs which are not already doing the same. (Paragraph No. 6.4(d))

**8.31** CICs should ensure that the credit records of borrowers are regularly updated by banks and that issues such as where repayment of the last instalment of a loan does not get reported does not arise. (Paragraph No. 6.4(e))

**8.32** All CICs should be ISO 27001:2013 certified for Information security. (Paragraph No. 6.4(g))

**8.33** CICs should put in place a mechanism whereby rectification carried out by any of the CICs is updated/replicated across the other CICs also with an acknowledgement from the member bank. (Paragraph No. 6.4(h))

**8.34** With a view to decreasing court cases involving credit institutions and CICs, it was felt that complaints need to be addressed by them on an urgent basis. The Committee recommends that credit institutions and CICs should have a structured process of complaint redressal including a Consumer Protection Committee under the Board should be constituted. (Paragraph No. 6.5)

**8.35** Reserve Bank may consider evolving a suitable mechanism for providing a fast and cheap redressal of customer grievances vis-a-vis CICs, including by even expanding the scope of the Banking Ombudsman Scheme. (Paragraph No. 6.6)

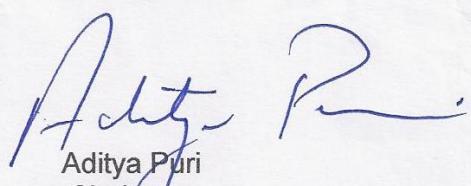
**8.36** NBFCs, UCBs, RRBs, SFCs, HFCs may also report data on wilful default to all the CICs. (Paragraph No. 7.6)

**8.37** Recommendations regarding dissemination of information on defaulters/ wilful defaulters:

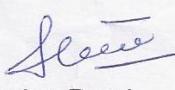
- (a) The reporting of cases of wilful default, even in non-suit filed cases, may be done by banks/FIs directly to the CICs of which they are members. This may be implemented from a cut-off date as directed by the Reserve Bank of India. Credit institutions may take into account the information with CICs in terms of extant instructions in this regard while taking credit decisions.
- (b) The present system of banks/FIs reporting information on non-suit filed cases of defaulters of Rs. 1 crore and above to the Reserve Bank of India may be dispensed with.
- (c) Banks may provide the CICs with historical information when dissemination of the above lists by the Reserve Bank of India is dispensed with.
- (d) CICs may make available the data in respect of suit-filed cases on their websites more user-friendly that would facilitate search across periods and banks.
- (e) The above reporting of wilful default, in suit-filed and non-suit filed cases, may be on a continuous basis, and not at quarterly rests. (Paragraph No. 7.8)

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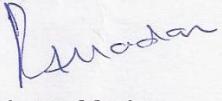
  
Aditya Puri  
Chairman

  
Mohan Jayaraman  
Member

  
Sanjay Patel  
Member

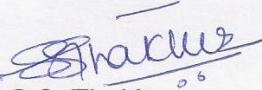
  
Arun Thukral  
Member

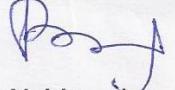
  
R. Venkatachalam  
Member

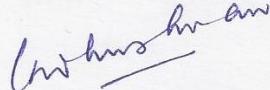
  
Rohinton Madon  
Member

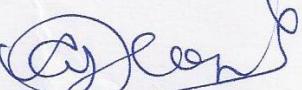
  
Bhaskar Niyogi  
Member

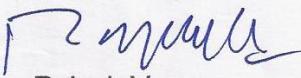
  
Govind Sankaranarayanan  
Member

  
S.S. Thakker  
Member

  
P.N. Vasudevan  
Member

  
K. Unnikrishnan  
Member

  
G.S. Hegde  
Member

  
Rajesh Verma  
Member Secretary

Mumbai  
January 29, 2014



## Annex 1

### **MEMORANDUM**

#### **Committee to recommend data format for furnishing of credit information to Credit Information Companies**

The Second Quarter Review of Monetary Policy 2012-13 announced on October 30, 2012 had proposed that credit institutions should furnish timely and accurate credit information on their borrowers and make extensive use of available credit information as a part of their credit appraisal process. The extract of the Policy Statement is reproduced below:

##### ***Dissemination of Credit Information***

*97. Credit Information Companies (CICs) are an important part of the financial sector infrastructure. The success of the credit information collection and dissemination system depends on the quality and timeliness of data supplied by credit institutions to the CICs, and also extensive use of data available with CICs by credit institutions for taking decisions on loan applications. Consequent to operationalisation of the CICs (Regulation) Act, 2005 with effect from December 14, 2006 four CICs are currently operating in India.*

*98. It has been observed that the number of credit information reports accessed by credit institutions at the time of sanctioning loans is considerably less than the number of credit applications considered by them. This shows that credit institutions may not be furnishing accurate and timely credit data to the CICs in some cases and also are not relying as much on available credit information at the time of taking credit decisions as they should, even after taking into account the fact that records pertaining to first-time borrowers may not be available in the system. It is, therefore, expected that:*

*• credit institutions should furnish timely and accurate credit information on their borrowers and make extensive use of available credit information as a part of their credit appraisal process.*

2. At the post-policy meeting with select bankers and IBA held on December 21, 2012, there was a detailed discussion on CICs, focusing inter-alia, on the need for standardization of format for data collection, need for harmonization/convergence among the CICs to minimize duplication, cost of securing credit report from CICs and issue of CICs specializing in various borrower-segments. The issues had also been

discussed with the heads of CICs in a meeting on December 20, 2012 wherein it had been suggested that a committee comprising of few banks, CICs, IBA and RBI be set up to finalise an updated data format acceptable to all. It is therefore, proposed that Committee may be set up with representation from CICs, banks and RBI to look into various issues associated with the CICs.

3. The composition and broad terms of reference of the Committee is proposed as under:

### 3.1 Composition of the Committee

1.	Shri Aditya Puri, Managing Director, HDFC Bank	Chairman
2.	Shri Mohan Jayaraman, Managing Director, Experian Credit Information Company of India Private Ltd.	Member
3.	Shri Sanjay Patel, Managing Director & CEO, Equifax Credit Information Services Private Limited	Member
4.	Dr. Anil Pandya, @ Director, High Mark Credit Information Services Private Limited	Member
5.	Shri Arun Thukral, Managing Director, Credit Information Bureau (India) Limited (CIBIL)	Member
6.	Shri R. Venkatachalam, Deputy Managing Director and Chief Credit & Risk Officer, State Bank of India	Member
7.	Shri Rohinton Madon, Director and Head of Credit Risk Management, India, Deutsche Bank	Member
8.	Shri Bhaskar Niyogi, Head – Risk Policies, Portfolio Review and Reporting methodologies, Ratnakar Bank Ltd.	Member
9.	Shri Govind Sankaranarayanan, CFO & COO, Corporate Affairs, Tata Capital Financial Services Ltd.	Member
10.	Mrs. S. S. Thakker, General Manager, Saraswat Co-operative Bank	Member
11.	Shri P. N. Vasudevan, Managing Director, Equitas Holding Company Pvt. Ltd.	Member
12.	K Unnikrishnan, Deputy Chief Executive, Indian Banks' Association	Member
13.	Shri G. S. Hegde, \$ Principal Legal Adviser, Legal Department, Reserve Bank of India	Member
14.	Shri Rajesh Verma, Chief General Manager, DBOD, Reserve Bank of India	Member Secretary

- @ In the absence of Dr. Pandya due to business travel, Shri Sridhar K, VP – Business Development will be representing High Mark Credit Information Services Pvt. Ltd.
- \$ In the absence of Shri G.S. Hegde, Principal Legal Adviser, Shri A Unnikrishnan, JLA will attend and provide legal inputs.

### **3.2 Terms of Reference**

- (i) To examine the available formats for furnishing of credit information by credit institutions to the Credit Information Companies in respect of different sectors viz., individual borrowers (retail credit), corporates and MFIs, as prevalent in the industry currently.
  - (ii) To examine the expansion of the coverage of credit information to derivatives and other off-balance sheet items in the format.
  - (iii) To recommend suitable format/formats to be adopted across the various borrower segments.
  - (iv) To harmonise the classification of accounts based on payment history as well as other relevant factors like restructuring, settlement, write-off, wilful default (non-suit filed/suit filed accounts), list of defaulters (non suit filed/suit filed accounts) etc in line with extant instructions.
  - (v) To harmonise the components of the Credit Information Report across CICs and give a broad indication of factors for determining the credit score.
  - (vi) To suggest best-practices for the guidance of the Credit Institutions in respect of usage of Credit Information as a part of their credit appraisal process and also for furnishing data that is update, accurate and complete.
  - (vii) To suggest any other steps required for improving the credit information furnished by the CICs taking into account the interests of the ultimate consumer and in order to ensure better customer service.
4. The Committee would have its secretariat at the Credit Information Division, DBOD. The Committee would be requested to submit its report within 6 months from the date of its constitution.



**(Anand Sinha)**  
**Deputy Governor**  
**March 11, 2013**

## Annex 2

### Data Submission Protocols

#### **Set up:**

CICs allocate unique Member IDs and provide Members with a User ID and Password for secured data transmission.

#### **Data Acceptance modes:**

**1) Transmission through Secured Protocols:** Data acceptance in CICs occurs through highly secured file transfer mechanisms such as:

**a) HTTPS: (*Secured Hyper Text Transfer Protocol*)**

Member logs in to an internet interface using the CICs provided user-id and password to submit data. The site is SSL certified, thereby establishing a secure connection between Member and the CICs.

**b) SFTP: (*Secured File Transfer Protocol*)**

The member submits data using third party SFTP software (generally procured by the institutions) using secured ports for necessary data outflow and using a secured ID and Password for the SFTP interface.

#### **Data Receipt through Physical media (DVD/CD):**

Typical process at the CIC end would be

- On receipt of the CD, the packet is scanned for any tampers. The log file is updated.
- The concerned Operations Manager scans for viruses, etc., and reviews the contents. The concerned officer makes an entry into the Information Asset Register, as per the specified format, capturing various details and assigning an asset tag to the physical media.
- The file is then uploaded on to CICs data load server through HTTPS mode internally at the CICs.
- Once the data has been uploaded, the physical media is then placed under lock and key at a secured place with a restricted access.

## Annex 3

### Data Submission Format of CIBIL

#### A. Consumer Bureau

Segments		Fields					
<b>Header</b>	Reporting Member / Processor User ID	Reporting Member / Processor Short Name	Cycle Identification	Date Reported and Certified	Reporting Password	Authentication Method	Member Data
<b>Name</b>	Consumer Name	Date of Birth	Gender				
<b>ID</b>	ID Type	ID Number	Issue Date	Expiration Date			
<b>Telephone</b>	Telephone Number	Telephone Extension	Telephone Type				
<b>Email</b>	E-Mail ID						
<b>Address</b>	Consumer Address	State Code	PIN Code	Address Category	Residence Code		
<b>Account</b>	Current/New Reporting Member Code	Current/New Member Short Name	Current/New Account Number	Account Type	Ownership Indicator	Date Opened/ Disbursed	Date of Last Payment
	Date Closed	Date Reported and Certified	High Credit/ Sanctioned Amount	Current Balance	Amount Overdue	Number of Days Past Due	Old Reporting Member Code
	Old Member Short Name	Old Account Number	Old Account Type	Old Ownership Indicator	Suit Filed/ Wilful Default	Written-off and Settled Status	Asset Classification
	Value of Collateral	Type of Collateral	Credit Limit	Cash Limit	Rate Of Interest	Repayment Tenure	EMI Amount
	Written-off Amount (Total)	Written-off Amount (Principal)	Settlement Amount	Payment Frequency	Actual Payment Amount	Occupation Code	Income
	Net/Gross Income Indicator	Monthly/Annual Income Indicator					

#### B. Commercial Bureau

Segments		Fields					
<b>Header</b>	Member ID	Previous Member ID	Date of Creation & Certification of Input File	Reporting / Cycle Date	Information Type	Filler	
<b>Borrower</b>	Member Branch Code	Previous Member Branch Code	Borrower's Name	Borrower Short Name	Company Registration Number	Date of Incorporation	
	PAN	CIN	TIN	Service Tax #	Other ID	Borrower's Legal Constitution	Business Category
	Business/ Industry Type	Class of Activity 1	Class of Activity 2	Class of Activity 3	SIC Code	Sales Figure	Financial Year
	Number of Employees	Credit Rating	Assessment Agency / Authority	Credit Rating As On	Credit Rating Expiry Date	Filler	
<b>Address</b>	Borrower Office Location Type	Borrower Office DUNS Number	Address Line 1	Address Line 2	Address Line 3	City/Town	District
	State/Union Territory	Pin Code	Country	Mobile Number(s)	Telephone Area Code	Telephone Number(s)	Fax Area Code
	Fax Number(s)	Filler					
<b>Relationship</b>	Relationship DUNS Number	Related Type	Relationship	Business Entity Name	Business Category	Business / Industry Type	Individual Name Prefix
	Full Name	Gender	Company Registration Number	Date of Incorporation	Date of Birth	PAN	Voter ID
	Passport Number	Driving Licence ID	UID	Ration Card No	CIN	DIN	TIN
	Service Tax #	Other ID	Percentage of Control	Address Line 1	Address Line 2	Address Line 3	City/Town
	District	State/Union Territory	Pin Code	Country	Mobile Number(s)	Telephone Number(s)	Telephone Area Code
	Fax Number(s)	Fax Area Code	Filler				

Segments		Fields					
<b>Credit Facility</b>	Account Number	Previous Account Number	Facility / Loan Activation / Sanction Date	Sanctioned Amount/ Notional Amount of Contract	Currency Code	Credit Type	Tenure / Weighted Average maturity period of Contracts
	Repayment Frequency	Drawing Power	Current Balance / Limit Utilized /Mark to Market	Notional Amount of Outstanding Restructured Contracts	Loan Expiry / Maturity Date	Loan Renewal Date	Asset Classification
	Asset Classification Date	Amount Overdue / Limit Overdue	Overdue Bucket 01 ( 1 – 30 days)	Overdue Bucket 02 ( 31 – 60 days)	Overdue Bucket 03 ( 61 – 90 days)	Overdue Bucket 04 (91 – 180 days)	Overdue Bucket 05 (Above 180 days)
	High Credit	Installment Amount	Last Repaid Amount	Account Status	Account Status Date	Written Off Amount	Settled Amount
	Major reasons for Restructuring	Amount of Contracts Classified as NPA	Asset based Security coverage	Guarantee Coverage	Bank Remark Code	Wilful Default Status	Date Classified as Wilful Default
	Suit Filed Status	Suit Reference Number	Suit Amount in Rupees	Date of Suit	Dispute ID No.	Transaction Type Code	Filler
<b>Guarantor</b>	Guarantor DUNS	Guarantor Type	Business Category	Business / Industry Type	Guarantor Entity Name	Individual Name Prefix	Full Name
	Gender	Company Registration Number	Date of Incorporation	Date of Birth	PAN	Voter ID	Passport Number
	Driving Licence ID	UID	Ration Card No	CIN	DIN	TIN	Service Tax #
	Other ID	Address Line 1	Address Line 2	Address Line 3	City/Town	District	State/Union Territory
	Pin Code	Country	Mobile Number(s)	Telephone Area Code	Telephone Number(s)	Fax Area Code	Fax Number(s)
	Filler						
<b>Security</b>	Value of Security	Currency Type	Type of Security	Security Classification	Date of Valuation	Filler	
<b>Dishonour of Cheques</b>	Segment Identifier	Date of Dishonour	Amount	Instrument / Cheque Number	Number of times dishonoured	Cheque Issue Date	Reason for Dishonour
	Filler						
<b>File Closure</b>	Number of Borrower Segments	Number of Credit Facility Segments	Filler				

## Annex 4

### MFI Common Data Format

Field No.	Segment	Field Name	Character Type	Length	Required/ Required when present	Comments
1	Member	Segment Identifier	A/N	6	Required	Must contain the value "CNSCRD" to identify the Member Segment.
2	Member	Member Identifier	A/N	35	Required	Customer ID
3	Member	Branch Identifier	A/N	30	Required	
4	Member	Kendra/Centre Identifier	A/N	30	Required	
5	Member	Group Identifier	A/N	20	Required when present	This is a required field if Loan Category is T01 or T02
6	Member	Member Name 1	A/N	100	Required	
7	Member	Member Name 2	A/N	50	Required when present	
8	Member	Member Name 3	A/N	50	Required when present	
9	Member	Alternate Name of Member	A/N	30	Required when present	
10	Member	Member Birth Date	D (DDMMCCYY)	8	Required	
11	Member	Member Age	N	3	Required	
12	Member	Member's age as on date	D (DDMMCCYY)	8	Required	Provide either of the below: 1. Date on which Member Age (field 11) is calculated by lender 2. Date on KYC document from which Member Age (field 11) is calculated by lender
13	Member	Member Gender Type	A/N	1	Required	Enumerated: F - Female M - Male
14	Member	Marital Status Type	A/N	3	Required	Enumerated: M01 - Married M02 - Separated M03- Divorced M04 - Widowed M05 - Unmarried M06 - Untagged
15	Member	Key Person's name	A/N	100	Required	
16	Member	Key Person's relationship	A/N	3	Required	Enumerated: <b>K01 - Father</b> <b>K02 - Husband</b> <b>K03- Mother</b> K04 -Son K05 -Daughter K06-Wife K07-Brother K08-Mother-In-law K09-Father-In-law K10-Daugther-In-law K11-Sister-In-law K12-Son-In-law K13-Brother-In-law K15 -Other

Field No.	Segment	Field Name	Character Type	Length	Required/ Required when present	Comments
17	Member	Member relationship Name 1	A/N	100	Required	
18	Member	Member relationship Type 1	A/N	3	Required	Enumerated: <b>K01 - Father</b> <b>K02 - Husband</b> <b>K03- Mother</b> K04 -Son K05 -Daughter K06-Wife K07-Brother K08-Mother-In-law K09-Father-In-law K10-Daugther-In-law K11-Sister-In-law K12-Son-In-law K13-Brother-In-law K15 -Other
19	Member	Member relationship Name 2	A/N	100	Required	
20	Member	Member relationship Type 2	A/N	3	Required	Enumerated: <b>K01 - Father</b> <b>K02 - Husband</b> <b>K03- Mother</b> K04 -Son K05 -Daughter K06-Wife K07-Brother K08-Mother-In-law K09-Father-In-law K10-Daugther-In-law K11-Sister-In-law K12-Son-In-law K13-Brother-In-law K15 -Other
21	Member	Member relationship Name 3	A/N	100	Required	
22	Member	Member relationship Type 3	A/N	3	Required	Enumerated: <b>K01 - Father</b> <b>K02 - Husband</b> <b>K03- Mother</b> K04 -Son K05 -Daughter K06-Wife K07-Brother K08-Mother-In-law K09-Father-In-law K10-Daugther-In-law K11-Sister-In-law K12-Son-In-law K13-Brother-In-law K15 -Other
23	Member	Member relationship Name 4	A/N	100	Required	

Field No.	Segment	Field Name	Character Type	Length	Required/ Required when present	Comments
24	Member	Member relationship Type 4	A/N	3	Required	Enumerated: <b>K01 - Father</b> <b>K02 - Husband</b> <b>K03- Mother</b> K04 -Son K05 -Daughter K06-Wife K07-Brother K08-Mother-In-law K09-Father-In-law K10-Daugther-In-law K11-Sister-In-law K12-Son-In-law K13-Brother-In-law K15 -Other
25	Member	Nominee Name	A/N	100	Required	
26	Member	Nominee relationship	A/N	3	Required	Enumerated: <b>K01 - Father</b> <b>K02 - Husband</b> <b>K03- Mother</b> K04 -Son K05 -Daughter K06-Wife K07-Brother K08-Mother-In-law K09-Father-In-law K10-Daugther-In-law K11-Sister-In-law K12-Son-In-law K13-Brother-In-law K15 -Other
27	Member	Nominee Age	N	3	Required	
28	Member	Voter's ID	A/N	20	Required when present	
29	Member	UID	A/N	40	Required when present	
30	Member	PAN	A/N	15	Required when present	
31	Member	Ration Card	A/N	20	Required when present	
32	Member	Member Other ID 1 Type description	A/N	20	Required when present	Provide type of ID provided if ID is other than Voter ID, UID, PAN or Ration Card
33	Member	Member Other ID 1	A/N	30	Required when present	
34	Member	Member Other ID 2 Type description	A/N	20	Required when present	Provide type of ID provided if ID is other than Voter ID, UID, PAN or Ration Card
35	Member	Member Other ID 2	A/N	30	Required when present	
36	Member	Other ID 3 Type	A/N	20	Required when present	Provide type of ID provided if ID is other than Voter ID, UID, PAN or Ration Card
37	Member	Other ID 3 Value	A/N	30	Required when present	

Field No.	Segment	Field Name	Character Type	Length	Required/ Required when present	Comments
38	Member	Telephone Number 1 type Indicator	A/N	3	Required when present	Enumeration: P01-Residence P02-Company P03- Mobile P04-Permanent P07-Other P08-Un tagged
39	Member	Member Telephone Number 1	A/N	15	Required when present	If landline, affix STD Code
40	Member	Telephone Number 2 type Indicator	A/N	3	Required when present	Enumeration: P01-Residence P02-Company P03- Mobile P04-Permanent P07-Other P08-Un tagged
41	Member	Member Telephone Number 2	A/N	15	Required when present	If landline, affix STD Code
42	Member	Poverty Index	N	20	Required when present	
43	Member	Asset ownership indicator	A/N	1	Required when present	Enumeration: Y- Yes N- No
44	Member	Number of Dependents	N	2	Required when present	
45	Member	Bank Account - Bank Name	A/N	50	Required when present	Provide bank in which borrower is maintaining Savings Bank A/C
46	Member	Bank Account - Branch Name	A/N	50	Required when present	Provide branch name in which borrower is maintaining Savings Bank A/C
47	Member	Bank Account - Account Number	A/N	35	Required when present	Provide Savings Bank A/C number
48	Member	Occupation	A/N	50	Required when present	
49	Member	Total Monthly Family Income	N	9	Required	
50	Member	Monthly Family Expenses	N	9	Required	
51	Member	Member's Religion	A/N	3	Required when present	Enumeration: R01 - Hindu R02 - Muslim R03 - Christian R04 - Sikh R05 - Buddhist R06 - Jain R07 - Bahai R08 - Others R09 - Religion not stated
52	Member	Member's Caste	A/N	30	Required when present	
53	Member	Group Leader indicator	A/N	1	Required when present	Enumeration: Y- Yes N- No U- Untagged
54	Member	Centre Leader indicator	A/N	1	Required when present	Enumeration: Y- Yes N- No U- Untagged

<b>Field No.</b>	<b>Segment</b>	<b>Field Name</b>	<b>Character Type</b>	<b>Length</b>	<b>Required/ Required when present</b>	<b>Comments</b>
55	Member	Dummy	A/N	30	Required when present	Reserved for future use
56	Address	Segment Identifier	A/N	6	Required	Must contain the value "ADRCRD" to identify the Address Segment.
57	Address	Member's Permanent Address	A/N	200	Required	House No, Street Name, Locality Name, City / Village
58	Address	State Code ( Permanent Address)	N	2	Required	Must be a code as defined in Appendix A
59	Address	Pin Code ( Permanent Address)	N	10	Required	Provide complete 6 digit PIN Code
60	Address	Member's Current Address	A/N	200	Required	House No, Street Name, Locality Name, City / Village
61	Address	State Code ( Current Address)	N	2	Required	Must be a code as defined in Appendix A
62	Address	Pin Code ( Current Address)	N	10	Required	Provide complete 6 digit PIN Code
63	Address	Dummy	A/N	30	Required when present	Reserved for future use
64	Account	Segment Identifier	A/N	6	Required	Must contain the value "ACTCRD" to identify the Account Segment.
65	Account	Unique Account Reference number	A/N	35	Required	This field will not change even if the Account number in MFI system changes.  This field must be consistent on each submission basis to avoid duplication of information.
66	Account	Account Number	A/N	35	Required	
67	Account	Branch Identifier	A/N	30	Required	
68	Account	Kendra/Centre Identifier	A/N	30	Required	
69	Account	Loan Officer for Originating the loan	A/N	30	Required	
70	Account	Date of Account Information	D (DDMMMCYY)	8	Required	
71	Account	Loan Category	A/N	3	Required	Enumeration: T01- JLG Group T02- JLG Individual T03 - Individual
72	Account	Group Identifier	A/N	20	Required when present	This is a required field if Loan Category is T01 or T02
73	Account	Loan Cycle-id	A/N	30	Required when present	Indicate whether the borrower is taking the first, second or third loan within the same lender
74	Account	Loan Purpose	A/N	20	Required	

Field No.	Segment	Field Name	Character Type	Length	Required/ Required when present	Comments
75	Account	Account Status	A/N	3	Required	Enumeration: S01 - Loan Submitted S02 - Loan Approved - Not yet disbursed S03 - Loan Declined S04 - Current S05 - Delinquent S06 - Written Off S07 - Account Closed S15 - Cancelled
76	Account	Application date	D (DDMMCCYY)	8	Required when present	
77	Account	Sanctioned Date	D (DDMMCCYY)	8	Required when present	
78	Account	Date Opened/Disbursed	D (DDMMCCYY)	8	Required	
79	Account	Date Closed (if closed)	D (DDMMCCYY)	8	Required when present	This is required if account status is S07
80	Account	Date of last payment	D (DDMMCCYY)	8	Required when present	
81	Account	Applied For amount	N	9	Required when present	
82	Account	Loan amount Sanctioned	N	9	Required	
83	Account	Total Amount Disbursed (Rupees)	N	9	Required	
84	Account	Number of Instalments	N	3	Required when present	Original Loan tenure
85	Account	Repayment Frequency	A/N	3	Required when present	Enumeration: F01- Weekly F02 - Biweekly F03 - Monthly F04- Bimonthly F05- Quarterly F06- Semi annually F07-Annually F08-Single Payment Loan (bullet / balloon) F10-Other
86	Account	Minimum Amt Due/Instalment Amount	N	9	Required	Provide amount payable in a single instalment
87	Account	Current Balance (Rupees)	N	9	Required	Provide principal outstanding
88	Account	Amount Overdue (Rupees)	N	9	Required	

Field No.	Segment	Field Name	Character Type	Length	Required/ Required when present	Comments
89	Account	DPD (Days past due)	A/N	3	Required when present	Enumeration: 000 = 0 payments past due (current account) with Positive Balance 001 to 999 = Number days past due. If an account is above 999 days, mark as 999 XXX = No payment history available for this month
90	Account	Write Off Amount (Rupees)	N	9	Required when present	
91	Account	Date Write-Off (if written-off)	D (DDMMCCYY)	8	Required when present	
92	Account	Write-off reason (if written off)	A/N	20	Required when present	Enumeration: X01- First Payment Default X02-Death X03-Willful Default Status X04-Suit Filed, Wilful Default Status X09-Untagged X10 - Not Applicable
93	Account	No. of meetings held	N	3	Required when present	
94	Account	No. of meetings missed	N	3	Required when present	
95	Account	Insurance Indicator	A/N	1	Required when present	Enumeration: Y- Yes N- No
96	Account	Type of Insurance	A/N	3	Required when present	Enumeration: L01 - Life Insurance L02 - Credit Insurance L03 - Health/Medical Insurance L04 - Property Insurance L05 - Liability Insurance L10 - Other
97	Account	Sum Assured/Coverage	N	10	Required when present	
98	Account	Agreed meeting day of the week	A/N	3	Required when present	Enumeration: MON - Monday TUE - Tuesday WED - Wednesday THU - Thursday FRI - Friday SAT - Saturday SUN - Sunday
99	Account	Agreed Meeting time of the day	A/N	5	Required when present	Should be in HH:MM format
100	Account	Dummy	A/N	30	Required when present	Reserved for future use

## Annex 5

### Fields Suggested for Inclusion in Data Format

Field Name	Benefit to be derived from inclusion into standard reporting format
Dispute codes	Improve customer service
Dispute description	Improve customer service
Dispute date	Improve customer service
Consumer Comments on Dispute	Improve customer service
Branch code	Will help better region / branch wise reporting to RBI
Secured / unsecured indicator	Flag to differentiate secured / unsecured loans for better risk monitoring
Loan type	Loan type list is as defined by CIBIL and needs to be updated to fit bank capture of loan type
Priority sector indicator	For better reporting to RBI
Original Charge Off Amount	Improve credit risk scores
Date of write-off	Improve credit risk scores
Closed account action code	Improve credit risk scores
Closed account remarks	Improve credit risk scores
Amount Overdue (principal)	Improve customer service
Amount Overdue (interest)	Improve customer service
Amount Overdue (Late payment/overdue interest)	Improve customer service
Amount Overdue (membership fee)	Improve customer service
Amount Overdue (other charges)	Improve customer service
Valuation date for collateral	Prevent collateral fraud - help in building a sustainable asset registry
Type of charge on collateral	Prevent collateral fraud - help in building a sustainable asset registry
Description of collateral	Prevent collateral fraud - help in building a sustainable asset registry
Name of owner of collateral	Prevent collateral fraud - help in building a sustainable asset registry
Address of collateral	Prevent collateral fraud - help in building a sustainable asset registry
Vehicle make of collateral	Prevent collateral fraud - help in building a sustainable asset registry
Registration number of collateral	Prevent collateral fraud - help in building a sustainable asset registry
Engine number of collateral	Prevent collateral fraud - help in building a sustainable asset registry
Chassis number of collateral	Prevent collateral fraud - help in building a sustainable asset registry
Additional owners of collateral	Prevent collateral fraud - help in building a sustainable asset registry
Consumer Identification Number	Internally assigned Customer number, where available - addnl verification indicator
Father's name	Captured on every application form, useful for better match & reduction in false positive
Spouse name	Captured on every application form, useful for better match & reduction in false positive
SI account branch IFSC code	Where standing instruction for repayment exists, will improve matching accuracy
SI account number	Where standing instruction for repayment exists, will improve matching accuracy

## Annex 6

### Data Quality Index

#### A. Demographics

Attributes	Measurement Criteria	Weightage
<b>Name</b>	<b>Availability which satisfies all conditions :</b>  a) Minimum 2 tokens b) 1 token with minimum 2 alphabets c) No numerals present	<b>20</b>
<b>DOB</b>	<b>Availability which satisfies all conditions :</b>  a) Right format of ddmmmyyyy b) Date should be earlier than 1st Jan 1998 c) Date should be later than 1st Jan 1928	<b>20</b>
<b>Identifier : PAN / Voter ID / UID</b>	<b>Availability of ANY ONE identifier which satisfies ALL respective conditions :</b>  PAN : a) Should be 10 in length b) First 5 and last character should be alphabets c) The 4th character has to be either P or H d) The 6th to 9th character should be numerals  Voter ID : a) Should be between 10 - 14 in length b) First 2 digits should be alphabets  UID : a) Should be 12 in length b) Should be all numeric	<b>20</b>
<b>PINCODE</b>	<b>Availability which satisfies all conditions :</b>  a) Should be 6 numeric in length b) Exclude cases of all digits of same number (0 to 9) c) Exclude 123456 d) Exclude cases where last 3 digits are zeros	<b>20</b>
<b>Phone</b>	<b>Availability which satisfies all conditions :</b>  a) Should be minimum 5 numerals in length	<b>20</b>

## B. Trade Data

<b>Attributes</b>	<b>Measurement Criteria</b>	<b>Weightage</b>
DPD/ Asset Classification	Availability which satisfies all conditions :  a) Either DPD or Asset Classification is reported; cannot be Blank b) DPD, if reported, has to be a numeral field c) Asset Classification, if reported, has to be 01( Standard), 02(Sub-Standard), 03(Doubtful), 04(Loss), 05(Special Mention)	20
High Credit / Sanctioned Amount	Availability	20
Date Opened	Availability in right format of ddmm/yyyy	20
Balance Amount	Availability; should be reported as 0 if no balance	20
Account Type (1-% of others)	Availability; minimum reporting of "Others"	20