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CREDIT BUREAUS

RISK MANAGEMENT



CREDIT BUREAUS

Organizations that catering to the need of credit granting institutions for **comprehensive credit information by collecting, collating and disseminating credit information** pertaining to both commercial and consumer borrowers, to a closed user group of members.

In India a credit bureau has been set up in the year 2000 for the first time under the name 'Credit Information Bureau (India) Limited [CIBIL].

Subsequent to the enactment of CICRA 2005 (Credit Information Companies (Regulation) Act, 2005), the following three Credit Information Companies (CCs) were given in-principle Certificates of Registration (COR) in April 2009 to commence the business of credit information.

1. Equifax Credit Information Services Pvt. Ltd.
2. Experian Credit Information Company of India Pvt. Ltd.
3. 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 (Credit Information Company) 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.

Experian

- Experian is a global leader in providing information, analytical tools and marketing services to organizations and consumers to help manage the risk and reward of commercial and financial decisions.
- Experian is listed on the London Stock Exchange (EXPN)
- Its corporate headquarters are in Dublin, Ireland, and the operational headquarters in Costa Mesa, California, and Nottingham, UK.
- Experian **India established operations in Mumbai in December 2006**, and now has a second office located in New Delhi.
- The Company had **applied to the RBI for a license** to operate a Credit Information Company (CIC) in India, with leading Indian Public-Sector, Private-Sector and Non- Banking Financial Institutions as its partners and also got approval from RBI.
- it has been **offering Decision Analytics solutions** around retail and SME risk management to Indian and Multinational financial institutions.
- It has also launched its **Marketing Services unit** which is providing solutions to leading retailers and mall developers in the country.

Equifax Inc

- Equifax Inc. (NYSE:EFX), a **global leader in information solutions**, has formed **Equifax Credit Information Services Private Limited (ECIS)**, a **joint venture between Equifax and six leading Indian financial institutions**, to provide a broad range of credit data and information solutions throughout India,
- The financial institutions include Bank of Baroda, Bank of India, Kotak Mahindra Prime Limited, Religare, Sundaram Finance Limited and Union Bank of India.
- Equifax applied to the Reserve Bank of India (RBI) for a Certificate of Registration to establish the new credit information company under The Credit Information Companies (Regulation) Act, 2005.
- Equifax was granted in-principle approval in April 2009.

High Mark Credit Information Services Pvt. Ltd. (CRIF High Mark):

- CRIF High Mark is India's only credit information bureau catering to all borrower segments – MSME and Commercial borrowers, Retail consumers, Microfinance borrowers.
- It is the pioneer in building and operating the country's first and world's largest Microfinance Bureau Database.
- CRIF High Mark provides Analytics, Data Management and related Software solutions promoting a more mature credit culture in the Indian economic system and sustaining the financial needs of businesses and consumers.

- It has got the **most exhaustive and extensive databases** in India providing top-end and in-depth information solutions to banks and lending institutions ranging from micro-finance, consumer and commercial segments.
- Its **information tools** provide users with precise, easy-to-read, and extensive reports that enable any financial services organization to process information quickly and accurately.
- Its **analytics tools are highly effective** in identifying high risk customers, and forecasting trends on geographies, recoveries and lending.
- High Mark was founded in 2007 and received a Certificate of Registration from The Reserve Bank of India to operate as a Credit Information Bureau in India in 2010.
- **In June 2014, CRIF, a leading global company that specializes in the design, development and management of credit reporting, business information and decision support systems for Consumer & Commercial Lending, acquired a majority stake in High Mark.**
- Following the acquisition, High Mark Credit Information Services was renamed CRIF High Mark Credit Information Services.

CREDIT INFORMATION BUREAU (INDIA) LIMITED - CIBIL

- Incorporated in 2000. The establishment of CIBIL is an effort made by the Government of India and the Reserve Bank of India.
- It is India's first credit information bureau.
- It is a repository of information, which contains the credit history of commercial and consumer borrowers.

- CIBIL provides this information to its members in the form of credit information reports.

OBJECTIVE

(i) To **fulfill the need of credit granting institutions** for comprehensive credit information by collecting, collating, and disseminating credit information pertaining to both commercial and consumer borrowers, to a closed user group of members.

(ii) **Data sharing needs of players in the market:** Banks, Financial Institutions, Non-Banking Financial Companies, Housing Finance Companies, and Credit Card Companies use CIBIL's services. **Data sharing is based on the Principle of Reciprocity**, which means that only members who have submitted all their credit data, may access Credit Information Reports from CIBIL.

(iii) To **improve the functionality and stability of the Indian financial system** by containing NPAs while improving credit grantors' portfolio quality. CIBIL provides a vital service, which allows its members to make informed, objective and faster credit decisions.

OWNERSHIP/ PROMOTERS OF CIBIL

- CIBIL's equity was held by State Bank of India, Housing Development Finance Corporation Limited, Dun & Bradstreet Information Services India Private Limited and Trans Union International Inc.
- The shareholding pattern was in the proportion of 40:40:10:10 respectively.

- The Reserve Bank of India has in the month of May, 2016 permitted **100% foreign direct investment in the credit information companies** subject to certain conditions like diversified ownership at the acquirer entity and directors' nationality being Indian.
- CIBIL, which began operations in August 2000, was formed as a joint venture between banks and TransUnion.
- Trans Union acquired an 82% stake in CIBIL in the year 2016 to become TransUnion CIBIL, India's leading credit information company.

Segments in which CIBIL Provides Credit Reports

CIBIL is a composite Credit Bureau, which caters to both commercial and consumer segments through two segments namely,

- Consumer Credit Bureau covers credit availed by individuals, and
- Commercial Credit Bureau covers credit availed by non-individuals such as partnership firms, proprietary concerns, private and public limited companies, etc.

Members of CIBIL

Banks, Financial Institutions, State Financial Corporations, Non-Banking Financial Companies, Housing Finance Companies and Credit Card Companies are Members of CIBIL.

Functions of CIBIL

- For credit grantors **to gain a complete picture of the payment history of a credit applicant**, they must be able to gain access to the applicant's complete credit record that may be spread over different institutions.
- CIBIL collects commercial and consumer credit-related data and collates such data to create and distribute credit reports to members.

SOURCE OF INFORMATION FOR CIBIL

CIBIL primarily gets information from its members only, and at a subsequent stage will supplement it with public domain information in order to create a truly comprehensive snapshot of an entity's financial track record.

What is a Credit Information Report?

- A Credit Information Report (CIR) is a **factual record of a borrower's credit payment history** compiled from information received from different credit grantors.
- Its purpose is to help credit grantors make informed lending decisions - quickly and objectively.

MEASURES TAKEN BY CIBIL TO ENSURE THE SECURITY OF MEMBER'S DATA

CIBIL has adopted state-of-the-art technology to provide information security.

The important aspects are detailed below:

- **Information in their database is accessed only on a strictly Need to Know basis.** For example, the access to the Data Center is available only to authorized personnel engaged in regular systems and database administration.
- **Access control devices, surveillance cameras** installed at strategic locations, and biometric access system at the Data Center with the highest levels of security.
- **Comprehensive perimeter security solution** consisting of a Firewall, Intrusion Detection and Vulnerability Assessment System to secure the network infrastructure from external security risk
- **Installation of the following devices to deal with fire hazards** - State-of-the-art (VESDA) smoke detection system to provide early warning and isolation of potential fire hazards and FM200 base, Fire Suppression System to extinguish fire with minimal damage to the IT systems.
- **Anti- Virus software installed on all servers** in the Data Center. Security patches and necessary configurations are continuously applied to the Servers and Network appliances.
- **the two-way transmission of information** between CIBIL and its Members.

- In this regard, **CIBIL uses 128-bit SSL encryption for all Web-based transactions**, including FTP Cryptographic solutions for all information sent or received through any physical media i.e., CD DAT and DLT.

Encryption of Data by CIBIL

- Encryption is a technique used to mask proprietary information in order to prevent it from being accessed by unauthorized individuals.
- Only authorized individuals who have been provided with the appropriate decoding software can unscramble the information. secure.

TYPE OF INFORMATION ON BORROWERS AVAILABLE WITH CIBIL

The 'Cibil Information Report' (CIR) includes the following information:

- Basic borrower information like:
- Name
- Address

In case of individuals

- Identification numbers
- Passport ID
- Voters ID
- Date of birth

In case of non-individuals

- D-U-N-S® Number
- Registration Number
- Legal Constitution
- Records of all the credit facilities availed by the borrower
- Past payment history
- Amount overdue
- Number of inquiries made on that borrower, by different members
- Suit-filed status.

TYPE OF INFORMATION NOT INCLUDED IN THE CIR

The CIR does not contain:

- Income/Revenue details
- Amount(s) deposited with the bank
- Details of borrowers' assets
- Value of asset(s) mortgaged
- Details of investment(s)

FREQUENTLY ASKED QUESTIONS

1. When is a credit facility classified as “default”?

Ans. CIBIL does not classify any accounts as default accounts. It merely reflects this information after the member has classified it as such. The

Number of Days Past Due and/or Asset Classification as per RBI definition as submitted by members is reflected in the CIR.

2. How do I ensure that a CIR drawn on me as an individual/ organization does not contain negative information?

Ans. The best preventive measure is to exercise good money management practices and make repayments on time. Please see 'How to improve your credit score' section for more details.

3. If I am a first-time borrower, will I be at a disadvantage as there will be no information on me?

Ans. As a new borrower, there will be a new file created for you. It will then be in your interest to build up a favorable repayment track record for future credit applications.

4. Access to CIBIL Information - Who can access CIRs?

Ans. Reports can be accessed by Members on the principle of reciprocity, i.e. Only those Members who have provided all their data to CIBIL are permitted to access CIRs. Members can do so only to take valid credit decisions. Disclosure to any other person or entity is prohibited.

5. Can the borrower obtain his own CIR from CIBIL?

Ans. Yes, if a member has drawn a report on that borrower, a copy of the same can be obtained from the Member.

6. Can CIBIL provide CIRs to credit providers in other countries?

Ans. No, CIBIL will provide credit information reports only to its Members in India.

7. Whether the Right to Information Act, 2005 is applicable to CIBIL?

Ans. No; The reason being that the CIBIL is not a *Public Authority as defined under Sec 20h) of the Right to Information Act, 2005.

8. Does the CIR indicate if credit should or should not be given?

Ans. The CIR only provides available factual credit information, and does not provide any opinion indication or comment pertaining to whether credit should or should not be granted.

9. If my credit application has been rejected, will this fact appear in my credit record?

Ans. The Members do not provide this information to CIBIL and, hence, it will not be in the CIR

10. If a credit grantor has denied me credit, would others reject my application?

Ans. Not necessarily. Different credit grantors may use a CIR differently, or take into account other factors when they assess your application. Although one bank may deny you credit, another bank could take a different view and accept your application.

11. What benefits does a borrower get from CIBIL?

Ans. CIBIL's CIRs are aimed at helping credit grantors make fast and objective lending decisions. This will contribute to a more competitive credit market place among Credit Grantors.

12. Rectifying Inaccurate Information in Your Credit Report - How do I rectify information in a credit report drawn on me?

Ans. Please contact the credit grantor from whom you have availed the loan and request the necessary changes. The credit grantor will then report the change to CIBIL and we will subsequently make the necessary updates in our records.

FREE FULL CREDIT REPORT (FFCR)

- RBI, vide its notification dated September 2016, has directed all the Credit Information Companies to provide access in electronic format, upon request and after due authentication of the requester, to one free full credit report (FFCR) including credit score, once in a year (January- December), to individuals whose credit history is available with the CIC.
- This report must show the **latest position of the credit institutions exposure to the individual** as per records available with the CIC.
- The **contents of the FFCR** shall be the same as appearing in the most detailed version of the reports on the individual provided to credit institutions, including the credit score.
- All CIs should put in place necessary systems to provide access to the above described FFCR once, at any time, during a year, upon request, to individuals whose credit data they hold, from the year commencing January 1, 2017.
- The CICs should notify on their website the procedure for accessing the FFCR, and also have a board approved policy in this regard.