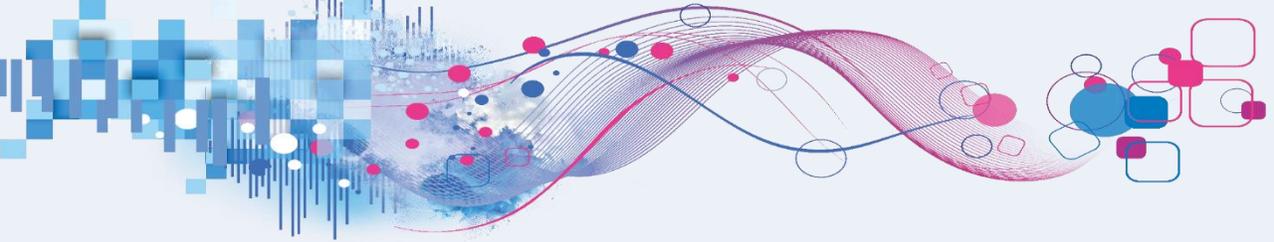


Data - Raising consumers' awareness and education on the use of data – a UK perspective

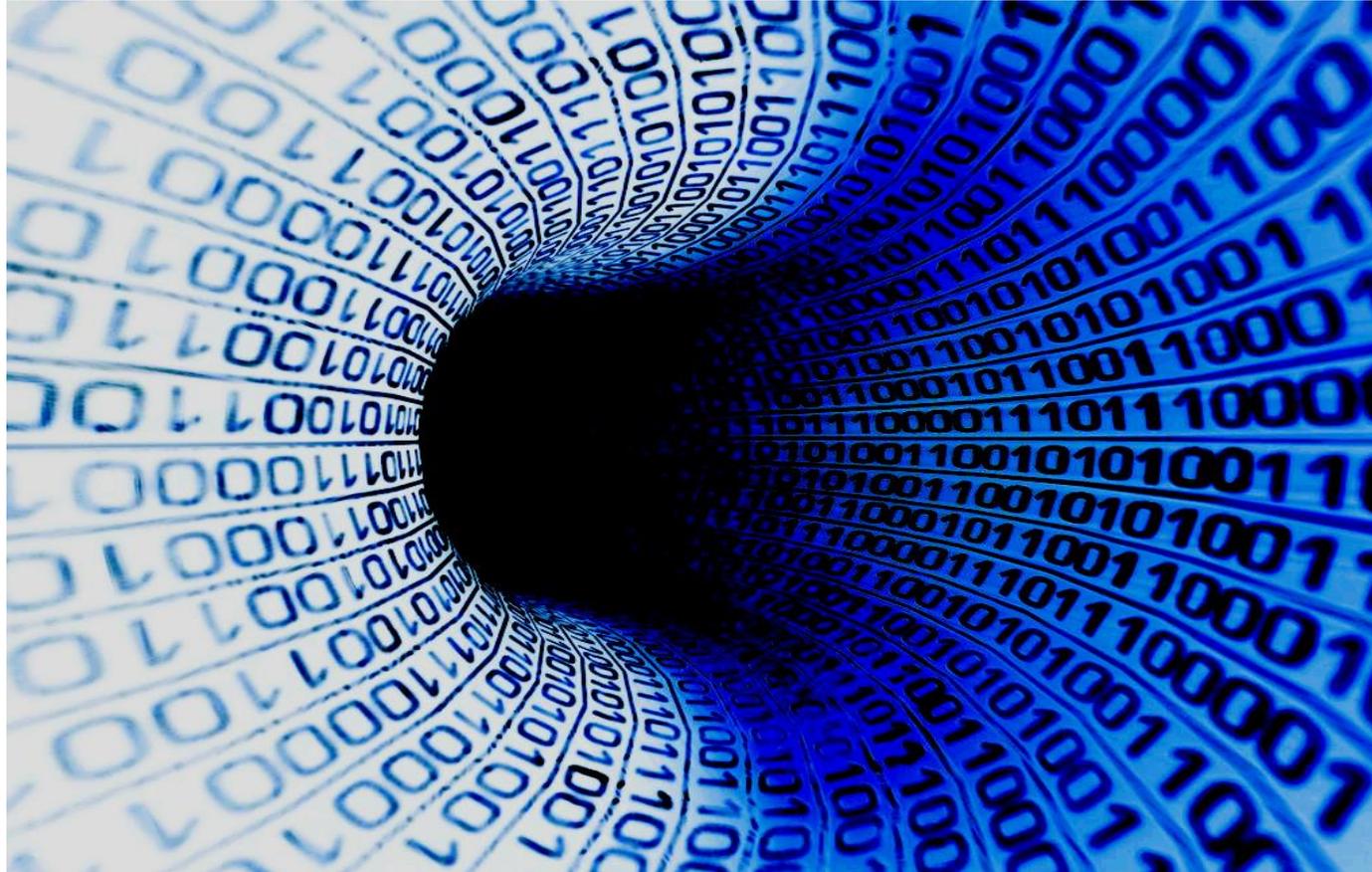
Emma Thomas, Head of Government Affairs UK & I and EMEA



Contents

1. The challenge – the ‘black box’ theory
2. Engagement of consumers
3. The shift to consumer outcomes - FCA, ICO and Regulator expectation
4. The initiative – joint effort
5. Linkage with EMEA and CCD
6. Next steps

The challenge – the ‘black box’ theory



Engagement of consumers

Who wants to check their credit data?

Engagement only happens at life events or points of application

- Rarely do consumers care;
- They want the end product quickly;
- Everything has to be digital;
- People don't get financial advice routinely;
- Where do people get information from?
- Has to be part of the journey they are making
- Tend to engage when something goes wrong



Consumer empowerment

FCA rules place the consumer as king

- Regulated business have to demonstrate that the consumer is front and centre of the consideration

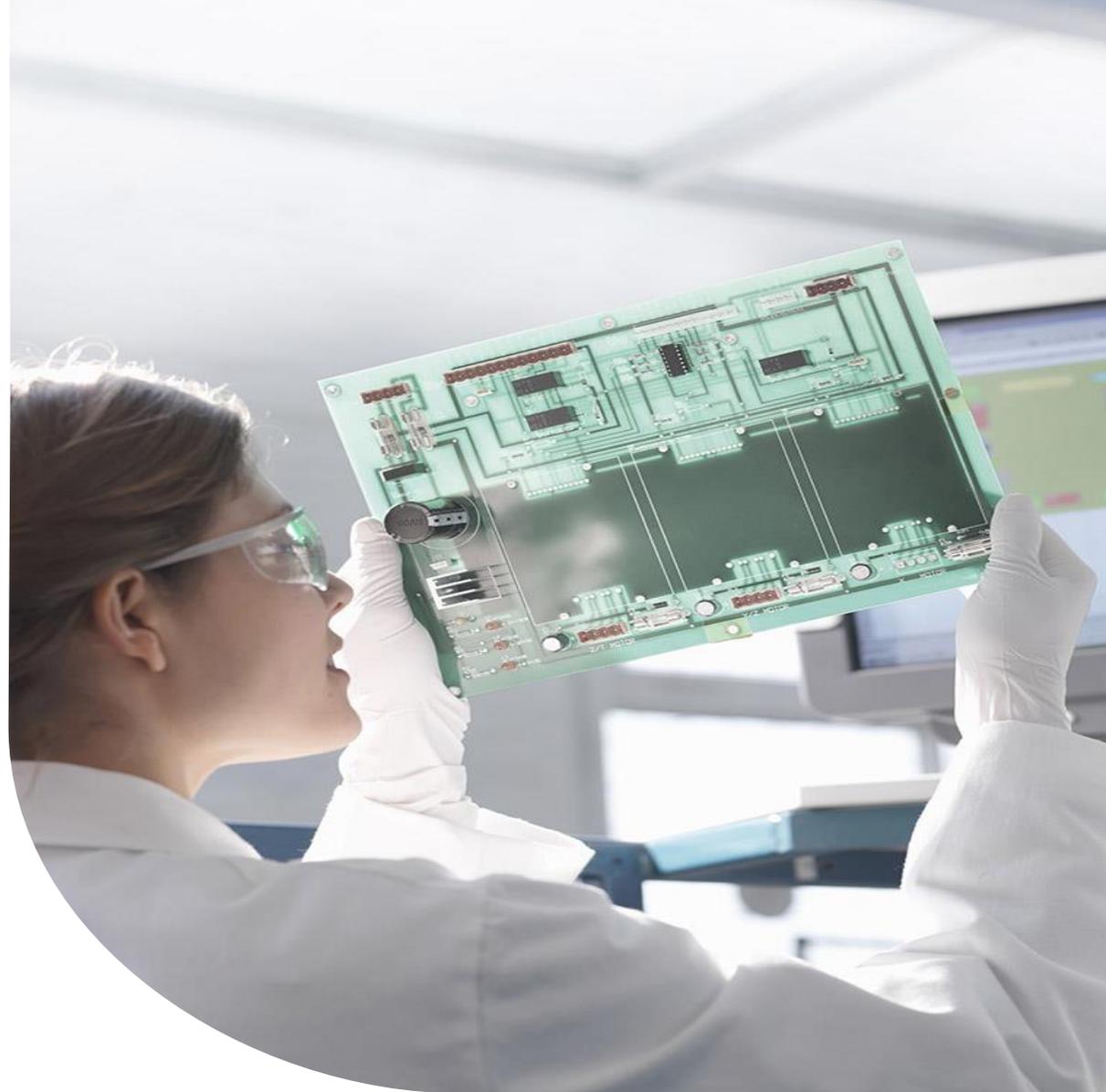
Transparency is essential

- Regulators expect when consumer data is being used that consumers understand and there is explain ability

GDPR will test the boundaries

- More consumers are aware of their rights
- Greater legal scrutiny of operations.

Why update the Guide to Credit Scoring in the UK?



Purpose and objectives

The purpose of the new guide is to build trust in the collection and use of credit information during the credit lifecycle

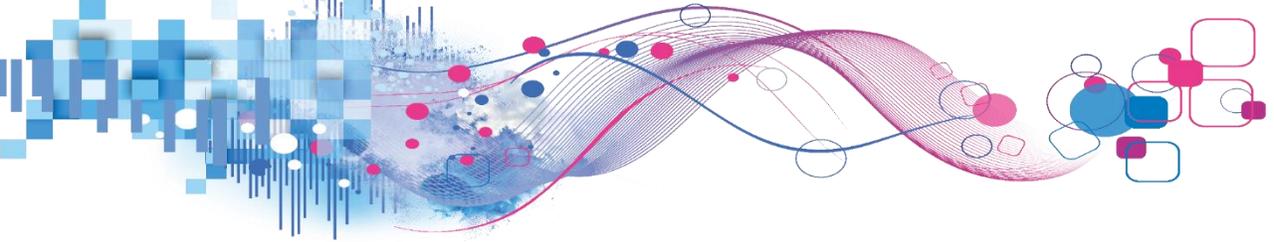
We are proposing to do this by:

- Increasing openness and transparency for the consumer
- Promoting best practices across industry as the guide sets out good practices and identifies expectations for CRAs and lenders
- Providing reassurances for the regulator that CRAs operate to good practices and principles

Some examples where consumers struggle to understand

Most of consumers complaints relate to a misalignment between what they believe their rights are and what they actually are and what CRAs' role is with regards to data

- **CRAs are fully responsible for the accuracy of my data:** *“A company has registered an incorrect debt against me. How has the CRA allowed this?”*
 - Data supplied to a CRA is checked for validity, consistency and accuracy. If data is misrepresented, Experian as a CRA, cannot know. We rely on the credit providers and the consumers to inform us when the data is incorrect. Once we are told we work hard to get discrepancies resolved as quickly as possible.
- **CRAs must correct inaccurate data when notified by the consumer:** *“I have asked the CRA to correct the value of my debt.”*
- CRAs do not own the data and cannot therefore change it without consulting first the lender/provider that supplied it.
- **Consumers do not understand what appears on their credit report:** *“Why does a bankruptcy order appear on my credit report?”*
 - This type of publicly available information is used by lenders to assess a consumer's creditworthiness and underpins the legitimate interest of promoting responsible lending and helping to prevent over-indebtedness.
- The length of time for which information can be held and its ongoing impact on credit score (particularly in relation to defaulted accounts and CCJs): *“Why I am still having a negative influence from this lender while I no longer owe them any money?”*
- Once an account has been in default and even when settled, an account will remain on a credit file for a period of time. This impact a credit score even after the default has been settled.



“*Your Credit Data Explained*” – a guide for consumers

Content

The guide is divided into 15 sections to provide a step by step breakdown of a typical consumer journey

In each section there is advice for the consumer and an explanation of:

- Consumer rights with regard to data
- Principles that guide CRAs when handling data and what the benefits for consumers and industry come from this
- How CRAs operate in this respect

Format & Design

- Your Credit Data Explained is designed to be an interactive, digital guide that is easy for consumers to use and get to know, but recognising that not everyone is online, **offline versions will also be produced**
- Rather than a traditional document or white paper, its digital format will allow consumers to select the information they want, when they want it and to do so early in the process
- Information to be presented up front and in an engaging format
- It will contain links to other sources of consumer information and education. Particular attention to vulnerable consumers (with low levels of digital or financial literacy)
- This is a first draft and it will also undergo a Plain English review

The 15 steps in the typical credit lifecycle

1. I seek credit: The journey starts
2. I want to compare products and prices: Comparison websites
3. Would I be eligible for credit: Eligibility checks
4. I make a credit application: The application process
5. Is my identity checked and protected?
6. What data is used by the lender to take a decision? Credit worthiness checks
7. Can I afford the credit? Is this considered by the lender? Affordability checks?
8. Does the lender assign me a credit score? Scorecards and the scoring process
9. My application got accepted: Communication to the consumer: Acceptance
10. My application got refused: Communication to the consumer: Credit Refused
11. Alternative options where refused credit
12. Influencing future credit decision making
13. Self-contributed data
14. Customer relationship management
15. How do I find out more? Financial education

Section 6: What data is used by the lender to take a decision? Credit worthiness checks

When you apply for credit or request a change to a credit agreement (e.g. increase your credit limit) lenders are required to assess your 'creditworthiness', that is, whether you are likely to repay the loan before making a decision. To do this, lenders need to check some information about you, in addition to verifying your identity (*see section 5 above*).

The information about you which the lender typically consults includes:

- Credit information
- Public information
- Non- credit information

While some of this information may be available to the lender (in particular, if you are an existing customer), lenders regularly obtain this information from a CRA database as they maintain information from other lenders and organisations in one place.

The amount of data a CRA will hold on you will depend on whether you are new to credit (because of your age, have recently lived abroad or has never taken out a credit) or you have borrowed from lenders that do not share information with a CRA.

In addition to creditworthiness checks to assess the likelihood that you will repay the loan, lenders are also required to do 'affordability checks' to assess whether you can afford the credit. The latter - which is explained in Section 7 (*insert a link*) - may involve consulting other type of data.

What credit information is used?

Lenders will first want to understand your 'credit history'. This is how well you have managed your credit commitments and paid your mobile phone or utility bills in the past and which financial commitments you have at present. This is a primary factor to determine your creditworthiness as it gives an insight as to what kind of borrower you are and how much money you owe.

Credit history information includes your credit/s accounts, the outstanding balance and whether you have paid on time or you have any missed payments or defaults. This information is provided by some lenders or providers to the CRAs on a monthly basis. It is possible that some organisations do not share information with the CRA or may not share information with all three CRA. This may be due to the size or even type of organisation.

In addition to credit accounts and repayment data, CRAs hold or produce other data which will also appear on your credit report:

- number of (hard) credit searches made about you
- your CRA score if requested by a lender (see section 8 for further details on scores)
- information about your past addresses and your financial connections with other people (for example because you have a joint bank account or joint credit products)
- 'Flags and triggers' (CRAs can add certain information to the credit report, for example, if there are signs of repayment difficulties (e.g. because you ask regular cash advances on credit cards or payday loans). These flags are provided by the lenders or providers as part of the monthly information that is shared with the CRA.

What public information is used?

In addition to your credit history, lenders may look at publicly available data about you which can also help to determine your creditworthiness. This information, also held by CRAs, includes:

- Court judgments (CCJ's) and Bankruptcy orders, IVA's etc which could have been made against or by you at a time you had problems with your past credit commitments. This information is made publicly available through statutory public registers.
- Electoral Roll data showing your name and address if you are a registered voter (which tells the lender where you live and for how long). When you register in the electoral roll, your details are communicated to the three CRAs and updated on a yearly basis (except when you move addresses when this is done on a monthly basis). Living at the same address or having the same job for a long period of time are signs of stability which are considered positively by lenders when assessing your creditworthiness or identity verification.

What other non-credit information is used?

There are new data sources that have been identified and become available over the last few years. They are becoming increasingly important as they improve the lenders' capability to assess your creditworthiness and also your affordability even when you have not previously taken out many traditional credit products— *see next section*. In turn, lenders can offer better access to credit and better conditions while protecting people from experiencing financial distress.

This non-credit data includes:

- Information on how you pay your rent: whilst this is relatively new to the data sharing world, it has been recognised that this can provide a benefit to tenants that have little credit information available on them. After all, the ability to pay rent, is very similar to making a mortgage payment so important that this monthly outgoing is also considered when looking at outgoing commitments. Rental payment can help to demonstrate your ability to pay a credit commitment based on your historical rental payment behavior.
- Another area of increased data sharing is in the utilities sector. This will include how you make payments against your gas, electric and water accounts – which will demonstrate, for example, that you pay your bills regularly. Again, these sectors, whilst relatively new to the data sharing environment, are growing in size with most mainstream suppliers, now contributing monthly performance information to the CRA.

These new data sources benefit consumers who may have little or no credit history - often referred to as “thin” or no existent credit files (for example, young people who have never applied for credit). New data sources allow them to build a credit history and improve their credit scores which helps them to access to mainstream credit ■

Your rights: Data held by CRAs

- If a lender/any organisation **shares data about you with a CRA**, they should inform you by either direct communication or notified via their privacy policies. These privacy policies will also include details about how your data is used by CRAs. This CRA information notification is referred to as CRAIN. You can read more about CRAIN here (insert link).
- If a lender/any organisation intend to **request a credit report** from a CRA as part of an application for credit, they should inform you in advance. This is also normally contained in their privacy policies.
- You have the right to request a copy of your **credit report** to any CRA that holds your data for free, in writing or by online means. You should receive it within 7 working days or sooner if online.
- You can also request your **credit score** from CRAs.
- If you have **any concern with the data** contained in your credit report, you can ask the CRA to raise a query or dispute with the organisation that provided the data.

Your rights: what to do if you think your data is incorrect or has changed

CRAs receive data about you from organisations (banks and other companies with whom you have a financial relationship) and from public sources. CRAs rely on those organisations, and yourself to inform us when something is not correct. Once we are told we work hard to get it resolved as quickly as possible. The next steps will involve:

- **Make a request/ lodge a complaint to the lender or the CRA** - If you have any concern with data contained in your credit report, you can ask the CRA to investigate it or contact the lender directly. If you contact the CRA, it will add a “notice of dispute” on your credit report. This is a temporary marker on a record to advise that it is under investigation and should not be relied upon.
- **The CRA investigates your dispute** - Within 28 days the CRA will investigate your request and get back to you. Be aware that the CRA cannot modify the data without consulting first the organisation that supplied it to check and confirm its accuracy. You may prefer to contact the lender directly who would also have to investigate your dispute. If you did choose to approach the lender directly, the lender cannot add a ‘notice of dispute’ on your behalf as this can only be done when you approach each of the CRA’s directly.
- **If you are successful** - If the information provided is inaccurate, the CRA after having verified with the supplier, will inform you that the necessary adjustments have been made in your credit report and the notice of dispute has been removed.
- **If you are unsuccessful** – if your request was unsuccessful (the lender not agreeing with your request), the CRA will also inform you about this. There are then other options:
 - *You can lodge a complaint directly with the lender.* If you are still unhappy with the response from the lender, you have the right to refer it to the Financial Ombudsman Service for free. This is an independent public body that aims to resolve disputes between consumer and businesses like lenders and CRAs. Contact details can be found at www.financial-ombudsman.org.uk. You can also refer your concerns to the ICO (*insert link to relevant section above*).
- *You can also file a “notice of correction” with the CRA.* This is a marker added by the CRA to your credit report to explain that you wish that any organisation searching your records to take an additional statement or fact into account. Any application that contains a notice of correction, should be manually reviewed. A manual review of an application does not necessarily mean that any decision will be any different, it purely means that the extra information that you have provided will be reviewed further by an individual.

- *You should also consider that any organisation that reviews your credit file will also see this notice.* This is important to know as credit files are reviewed for many different reasons, such as tenancy vetting or for certain jobs. The notice of correction will remain in your credit file as long as you want so you will need to write to the CRA should you wish this to be removed.
- **If data has changed (Notice of disassociation)** – You should also ensure that any historic financial connections to an ex-partner/spouse are removed as this can also impact you. This can be done by adding a ‘Notice of disassociation’ to your credit file to ensure that you are no longer connected or associated with this individual. This can only be done if there are no financial accounts open or in some extenuating circumstances.

CRA principles on data handling

CRA's strictly follow the data protection principles:

- Lawfulness, fairness and transparency: personal data should be used lawfully, fairly and in a transparent manner.
- Purpose limitation: personal data should be collected for specific, explicit and legitimate purposes and only used for such purposes.
- Data minimisation: personal data should be adequate, relevant and limited to what is necessary in relation for the purposes for which they are used.
- Accuracy: personal data should be accurate and kept up to date.
- Storage limitation: personal data should be kept in a form which permits identification of the individual for no longer than is necessary for the purposes for which they are used.
- Security: personal data should be used in a manner that ensures appropriate security, including protection against unauthorized or unlawful use and against accidental loss, destruction or damage.
- Accountability: CRA's take responsibility for what we do with personal data and how we comply with these principles.

In addition, CRA's apply industry standards agreed with other market participants and regulators, including on how data is communicated by lenders to CRA's to ensure consistency.

If you want to read more about the data protection principles, please see (*insert link to GDPR/ICO website*).

- **What CRAs do**
- **Quality**
 - CRAs constantly monitor, assess and update the data they hold or receive to ensure it complies with data protection rules and industry standards. This include:
 - Data loading: data supplied to a CRA is checked for integrity, validity, consistency, accuracy, age to make sure it's fit for purpose. These checks pick up things like irregular date of birth, names, addresses, account start and default dates and gaps in status history.
 - Data matching: data supplied to a CRA is matched to their existing databases to help make sure it's assigned to the right person, even where there are discrepancies like spelling mistakes or different version of a person's name.
- **Security**
 - Security sits at the core of CRAs' operations. Data is treated as a highly secure business asset. CRAs have developed and apply robust security frameworks in line with common international standards, and which are reviewed periodically.
 - Before sharing data with any other organizations, CRA apply strict access control processes to check that organization's identity and, where applicable, to confirm whether it is registered with regulators. Be aware that in some cases however, CRAs are compelled, by law, to disclose certain data for certain purposes (for example the police can request access for crime of fraud prevention and detection)
 - In case of a potential data breach, all CRA have contingency plans for damage limitation and are under the obligation to report types of serious breaches within 72 hours of its discovery.
- **Consistency**
 - Data held on you by the three regulated CRAs may be different as lenders do not have to share their data with all CRAs. When you apply, lenders may check your file at one, two or the three of them. The credit industry is working together in order to improve data sharing across all product types and all lenders with all regulated CRA's to ensure the fullest possible picture of the person is available for the industry.
 - Each lender may have its own way and process to communicate data to CRAs. To increase consistency, the credit industry with the Information Commissioners Office (ICO) have agreed on common industry data standards on how data is communicated to CRAs. They aim to make it easier for you to understand and interpret your credit report, irrespective of which CRA has prepared the report.
 - For further information on how CRAs handle your data, see CRAIN.

Signatories & endorsers

- Credit References Agencies
- Consumers
- Lenders, Service Providers and Trade Associations
- Regulators

