

THE
HONG KONG
ASSOCIATION
OF
BANKS

香港銀行公會

CONSUMER CREDIT DATA SHARING

As the availability of credit increases, customers enjoy more credit. It is essential that Hong Kong's credit infrastructure keeps pace with the development of a mature and robust consumer credit market that benefits all parties. In this way, the overwhelming majority of consumers with a good credit history will continue to enjoy access to credit when they need it and on better terms.

By making it possible for financial institutions (FIs) to make prudent lending decisions more quickly and accurately, Hong Kong's status as an international financial centre will also be enhanced.

Customer Benefits from Credit Data Sharing

The creditworthiness of a customer can be assessed more fairly and accurately if the customer's credit exposure and repayment history are available to the FIs.

If you are a creditworthy customer and meet the requirements of an individual FI's credit policy, you will benefit in the following ways:

- ▶ You will enjoy faster access to credit when you need it.
- ▶ A good credit record will strengthen your reputation with FIs from which you wish to borrow in the future.
- ▶ The lower your credit risk, the more favorable the terms you will enjoy.

Credit Data Storage

The credit data of customers is stored by a credit reference agency (CRA) acting as a central database for processing information.

The CRA holds factual information relating to the individuals' overall credit exposure, account repayment history, default in payment and the number of outstanding mortgages (whether the individuals act as borrowers, guarantors or mortgagors) but do not make any decisions about whether to lend or not. This will be a decision made solely by the lender and one lender may differ in its decision from another.

The CRA will update its database regularly according to the information provided by FIs.

Protection of Personal Data

The privacy of customers will be strictly safeguarded by the CRA, which is operated by an independent company and is required to comply with the Personal Data (Privacy) Ordinance.

The Code of Practice on Consumer Credit Data ensures that FIs can only access your credit data for credit assessment purposes but not for any marketing activities.

Only FIs with which you have a credit relationship or to which you have applied for credit have access to your data. The identity of the FIs with which you have a credit relationship remains confidential at all times.

Furthermore, you have the right to access your data by obtaining your credit report from the CRA and request the correction of any inaccurate data subject to documentary proof.

Frequently Asked Questions

1. What credit data of individuals do FIs currently share? How are they being used?

Under the Code of Practice on Consumer Credit Data issued by the Privacy Commissioner under the Personal Data (Privacy) Ordinance, a CRA may collect from different credit providers “positive” and “negative” credit data about an individual. “Positive” credit data means information on loans that are not in default, i.e. an individual’s overall credit exposure and account repayment history. “Negative” credit data generally means information on default in payments. For primarily unsecured consumer credit, both positive and negative credit data are collected, while for residential mortgage loans, negative credit data and the number of outstanding mortgages (for those mortgages exist on or before 2011/3/31, subject to customers’ prescribed consent) held by an individual are collected. In addition, a CRA may also collect information about an individual from official public records, such as litigation relating to recovery of debt, bankruptcy and winding-up petitions.

FIs use the information obtained through the CRA for considering any grant, review or renewal of consumer credit and, if an individual has defaulted, for debt collection purposes. In general, a credit check with a CRA forms only part of a credit approval process. FIs also take into account other information when making credit assessment.

2. FIs might tighten or even withdraw credit lines after reviewing the credit data in the CRA, causing financial hardship to over-extended borrowers. Are there any actions that the industry can take to prevent this situation?

Customers should talk to their lenders as soon as they become aware of their financial problems.

With the credit information available in the CRA, over-extended customers can be identified early enough to be given support. FIs are always prepared to discuss with customers and work out solutions for those who are in genuine financial difficulty.

3. I made some late payments in the past. Will this affect my future borrowing?

FIs recognise that customers may occasionally overlook their payment and therefore the borrower's overall consistent good repayment pattern is a more important factor in assessing the credit application.

4. Will FIs seek my consent before they report my credit data to the CRA?

FIs may report data to the CRA to the extent that this is covered by the notice given to customers under the Personal Data (Privacy) Ordinance and will, to the extent that consent is required, seek the consent of customers prior to reporting credit data to the CRA.

5. How and who will ensure the FIs will duly follow the Code of Practice on Consumer Credit Data, e.g. FIs are not using the data for marketing purposes?

Under the Code of Practice, FIs are not permitted to use the information other than for considering any grant, review or renewal of consumer credit and, if an individual has defaulted, for debt collection purposes. Using the information for other purposes, such as marketing, is not permitted. The Privacy Commissioner has the power of enforcement in this area.