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A GUIDE TO GREATER CREDIT DATA SHARING

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THE
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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.

Financial institutions (FIs) already report limited credit data for sharing but such data is mainly default related. The Privacy Commissioner is undertaking a public consultation on the proposal that FIs be allowed to share a wider scope of credit data while protecting customer privacy. This will include repayment history, credit limits and outstanding balances of your credit cards and personal loans (excluding residential mortgages).

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

The Hong Kong Association of Banks fully supports greater credit data sharing, which has long been practised in countries with major financial centres, such as the United States, the United Kingdom, Germany and Japan.

Customer Benefits from Greater 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 favourable the terms you will enjoy

Credit Data Storage

The credit data of customers is stored by a credit reference agency acting as a central database for processing information. The information already exists with FIs today and no new information will be required from customers.

The credit reference agency will only hold factual information and will 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.

If the proposal is implemented after public consultation, information to be shared among FIs will be limited to data relating to credit cards and personal loans (excluding residential mortgages), and will not extend to data relating to personal income, deposits and other customer assets.

The credit reference agency will update its information regularly.

Protection of Personal Data

The privacy of customers will be strictly safeguarded by the credit reference agency, 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 will continue to ensure that FIs can only access your credit data for credit assessment purposes. The data will not be used for any marketing activities or shared with non-financial institutions.

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

The security system at the credit reference agency will protect against unauthorised access to your personal data.

At all times, you will have the right to access your data and request the correction of any inaccurate data.

Frequently Asked Questions

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

Currently, FIs already share limited credit data through a credit reference agency, including past due payments, public records (such as writs, declaration and discharge of bankruptcy), the number of times the individual has made an application for consumer credit and the number of times the individual's record has been accessed by FIs. Going forward, subject to regulatory approval, FIs hope to share more credit data such as types of credit account, repayment history, credit limits and outstanding loan balance. However, data in relation to deposit accounts, securities accounts, insurance accounts etc. are not and will not be reported and shared.

FIs use the information obtained through the credit reference agency 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 credit reference agency 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 sharing more credit data, 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 more credit information available to FIs, 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.

Recognising that introduction of more credit data sharing might have possible short-term impact on over-extended borrowers, HKAB has been working with the Privacy Commissioner on possible measures to address these concerns.

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

FIs recognise that customers may occasionally overlook their payment, especially when they travel abroad. A factor, which is of far greater importance to FIs in assessing your credit application, is an overall consistent good repayment pattern.

4) Will FIs seek my consent before they report my credit data to the credit reference agency?

FIs may report data to the credit reference agency 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 has not already been given (e.g. in standard form bank documentation), seek the consent of customers prior to reporting credit data to the credit reference agency.

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 on Consumer Credit Data issued under the Personal Data (Privacy) Ordinance, 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.