



AS A CONSUMER
Here's what should you know about
Credit, Credit Reporting and Credit Bureaus

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1.0 PERSONAL CREDIT

1.1 What is credit?

Credit is money that an individual borrows or a service or a product that an individual buys without making a payment upfront. Banks, credit unions and other financial institutions may offer credit in the form of a loan. Other forms of credit include your cell phone charges, telephone charges, utilities charges and hire purchase account balance which you pay at the end of the month or billing cycle.

1.2 Why is it important to manage my credit?

Managing your credit means paying back the creditor any amount owed, plus the interest or any other charges in the time period agreed. It is important to manage your credit to ensure that:

- a. The terms of repayment of the credit or servicing of the debt remain favourable to you;
- b. The creditor is more likely to approve another loan or offer you a service or product on credit because you have proven that you are likely to make payments as agreed;
- c. You are able to benefit from a lower interest rate, lower fees and other favourable terms because the creditor considers you to be a responsible borrower and rewards you accordingly;
- d. You build a positive credit “track record” with creditors, which will encourage other creditors to want to do business with you; and
- e. You are able to access credit with more favourable collateral requirements.

1.3 What can I do to improve my credit?

Some actions that you can take to improve your credit include:

- a. Paying your loans and bills on time (telephone, cable, loans, utilities and hire purchase accounts);
- b. Applying for credit only if you could meet the repayment obligation and the credit is really needed;
- c. Using credit cards wisely - keep balances low and meet minimum payments on time; and
- d. Communicating with your lender to renegotiate terms of repayment or to refinance your obligation, if you encounter difficulties in meeting your payment obligations.

1.4 How do banks and other lenders currently access my credit history?

When your application for credit is being assessed, lenders will contact all the references you have provided and perform credit checks with your previous lenders to see if you have been a responsible borrower. However, a new law will be passed in the Eastern Caribbean Currency Union (ECCU) which will allow for the establishment of a credit bureau to provide financial institutions and other types of credit granting institutions, access to your credit history in the form of a credit report.



2.0 CREDIT BUREAUS AND CREDIT REPORTING

2.1 What is a credit bureau?

The purpose of the credit bureau is to collate information on your borrowing behaviour to create a “credit history”. The credit bureau collects information from financial institutions and other credit providers in addition to a wide range of publicly available information such as court judgments and bankruptcy notices, which is compiled into a credit report. The credit bureau will be allowed to collect information from credit providers such as: banks, insurance companies, mortgage companies, credit unions, telecommunications companies, utility companies, and even public sources like courts, civil records offices, etc. Over time, as it builds up a database with historical information, the credit bureau will produce other tools such as a credit score, fraud prevention and identity theft prevention tools for the benefit of the borrower and creditor.

2.2 What is credit reporting?

Credit reporting is a system of collating information from various sources, such as: banks, credit unions, other credit providers and government agencies, on an individual’s credit history. This information is made available to lenders with the consent of borrowers to allow lenders to determine their creditworthiness. Credit reporting enables lenders to make responsible decisions in relation to who is granted credit and the terms under which it is offered. The information obtained through credit reporting therefore, helps lenders to reduce the risks and costs of lending.

2.3 How will a lender be able to access my credit report?

Your credit report will be made available to a lender only when you have provided signed consent to that lender to access your report. The lender is required to obtain signed consent from you in support of an application for credit. The credit report is generated from a secure system to which the lender has secured access. If you are concerned that your report has been accessed without your consent, you could request from the credit bureau a list of all lenders who have accessed your report.

2.4 What happens if I do not provide consent to a lender to access my credit report?

If you do not provide your consent to a lender to inquire on your credit history with the credit bureau, you may be denied the credit facility for which you are applying. However, the lender may choose to conduct its due diligence on your application for credit using other means. In so doing, your application for credit may take more time to be approved and you may also not benefit from the best interest rates and terms. A lender may also choose to decline your application if it could not gather sufficient information regarding your credit history using alternate means.



2.5 Can I see what my credit report looks like?

As a borrower whose credit history is stored in the credit bureau, you will be entitled to request one free copy of a credit report from the credit bureau each year. You are also entitled to a copy of the credit report without cost should a lender decline your application for a loan based on negative information in your credit report. In all other cases, you can pay to obtain a copy of your credit report from the credit bureau.

2.6 Will my entire credit history be reflected in my credit report?

The draft credit reporting legislation seeks to give every borrower a fair chance to build a good credit history and thus be able to access credit under fair conditions. A credit bureau cannot report information on a credit for a period longer than seven years after the date of termination or settlement of such credit. The period over the next one to two years will be extremely crucial for borrowers to understand the implications of the credit bureau and be given an opportunity to correct their borrowing behaviour, so that their access to credit can be improved once the credit bureau is up and running.

2.7 How can I query errors in my credit report?

You can query errors in your credit report by providing a written note of dispute to the credit bureau. The credit bureau will be required to investigate the disputed information, seek clarification from the provider of the disputed information and take any steps necessary to correct the information. If the credit bureau determines that the information in the credit report is accurate or if the credit bureau makes a change to the information that you are not satisfied with, you could request that a statement of claim stating that the information is not correct be attached to your credit history file for future users of your credit history. If you are not satisfied with the decision of the credit bureau you may file an application for review with the Secretary of the Review Commission appointed by the Minister of Finance, which will independently review your case and make a decision on the matter.

2.8 How can I find out about who has accessed my credit report?

You can find out who has accessed your credit report by requesting such information from the credit bureau. The credit bureau should, in no later than three days after receipt of your request, furnish you with the information regarding your credit report.

2.9 What is a credit history?

A credit history is a summary of the lending relationship between a consumer and a creditor or provider of a goods and services on credit. A credit history generally contains identification information (name, address, unique identification number), account information (name of creditor, date a loan was given, type of loan, amount of loan), payment information (monthly payment, original and current balance, on-time/late payments), and arrears information (if any). A credit history provides a reliable indication to a creditor of



whether the applicant will repay his credit obligation. The credit bureau will provide this credit history in the form of a report called a “credit report” to certain users as identified by “The Credit Reporting Act.”

2.10 Who would provide the credit bureau with information on my credit history?

The draft credit reporting legislation makes provisions for the financial institutions such as: banks and other licensed financial institutions, money services businesses, credit unions or similar co-operative institutions, insurance companies and microfinance institutions, hire purchase companies, telecommunication providers, electricity service providers, water and sewage companies and development banks; to provide the credit bureau with your information.

2.11 Why is there a need for the credit bureau to collect information from utility, telecommunication, and hire purchase companies?

Not every borrower may have a loan from a bank or other financial institution. These borrowers will not be able to show a formal credit history. However, most persons are likely to have taken credit in other forms, for example, through utilities, telephone or hire purchase services. Payment of bills for these services is also an indicator of a borrower’s payment behaviour and can therefore be used to build a credit history. The idea of allowing the credit bureau to collect data from telecommunications and utility companies is to allow potential borrowers who do not have access to formal credit to show creditors that they are responsible in meeting other payment obligations in a timely and consistent manner and can therefore be potentially good borrowers.

2.12 Who will access my credit reports from the credit bureau?

Persons who can access your credit report from the credit bureau are those with a permissible purpose under the draft credit reporting legislation. They include those to whom you are applying for credit (or acting as a guarantor), landlords to whom you are applying for a lease, insurers to whom you are applying for insurance and certain employers that are recruiting for positions that entail financial responsibility. As a borrower, you will also have access to your credit reports from the credit bureau without cost once a year or should a lender decline your application for a loan based on negative information in a credit report. In other instances you can pay to obtain a copy of your credit report from the credit bureau.

2.13 How will the credit bureau ensure that my credit information is protected?

Under the Credit Reporting Bill, each person involved in the credit information sharing system, including: the credit bureau, the providers of information (banks, telecommunication companies, hire purchase companies, utilities, etc.) and the users of this information, are required to take the necessary steps to protect and preserve the confidentiality of the information shared. This means they will be required to put in place the policies and procedures and necessary technology and staff to safeguard the data. Any failure to



comply with the law will result in penalties. The requirement for your consent to be provided before your report can be disseminated to an entity, also serves as further protection of your information.

3.0 *EASTERN CARIBBEAN CURRENCY UNION (ECCU) CREDIT BUREAU PROJECT*

3.1 What is the ECCU Credit Bureau Project?

The ECCU Credit Bureau Project commenced in 2007 and is funded by Global Affairs Canada (GAC). The objective of the Project is to establish the framework that will allow for the regulation and supervision of a modern credit reporting system in the ECCU. The ECCB receives technical assistance and advisory services from the International Finance Corporation (IFC) for the Project. Over the years, the ECCB has and continues to engage key stakeholders towards drafting comprehensive credit reporting legislation for the ECCU region. The legislation is currently being finalised; following which it will be submitted for approval by the ECCB Monetary Council and subsequent passage by the member territories.

3.2 Why is there a need for a credit bureau in the ECCU?

Credit bureaus play an important role in facilitating credit information sharing. Credit information sharing is critical for the growth of credit and improving access to finance. One of the main objectives for the establishment of a credit bureau in the ECCU is to address information asymmetries in the lending process, thereby providing lending institutions with timely access to information which assists with assessing the risks of potential borrowers. This would enable credit providers to price lending more effectively as a result of the reduction of uncertainty regarding potential borrowers.

3.3 Who will operate the credit bureau?

The draft credit reporting legislation makes provisions for the ECCB to grant licenses for persons who wish to operate, or carry on the business of, a credit bureau in the ECCU. The expectation is that once the legislation is passed, a credit bureau license will be issued to an operator that can provide all the ECCU territories with the most consistent, reliable and high quality credit reporting service. Financial institutions in the ECCU will be given the opportunity to participate in the ownership of the credit bureau as provided for in the draft credit reporting legislation.

3.4 How will the credit bureau be regulated?

The draft credit reporting legislation makes provisions for the ECCB to be the regulator of the ECCU Credit Bureau. As such, the ECCB will have specific responsibility to:

- a. Regulate and supervise the activities of credit bureaus, credit information providers, subscribers and their agents in the ECCU;
- b. Issue standards and targets regarding the provision of credit reporting services;
- c. Maintain proper standards of conduct and acceptable credit reporting practices;



- d. Protect the integrity of the credit reporting system against abuses; and take measures to protect the rights and interests of borrowers.

3.5 Where will the credit bureau be located?

The credit bureau will serve the eight (8) territories of the ECCU and is expected to have offices in each of these territories.

The offices are expected to provide services to the public including, providing borrowers with copies of their credit reports and dealing with queries that lenders or borrowers may have. The headquarters of the credit bureau will be located in one territory which will be decided on by the credit bureau operator. Once the location of the headquarters has been decided upon the public will be informed.

3.6 When will the credit bureau begin operations?

It is anticipated that the credit bureau will begin operations shortly after the draft credit reporting legislation is enacted in all ECCU territories. After the enactment of the legislation, the ECCB expects to commence the credit bureau operator selection process which will include the issuance of a Request for Service (RFS). An operator will be selected by a selection committee and the credit bureau will be established following the application for an issuance of a credit bureau license.



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