



Treatment of Credit Data in Credit Information Systems in the context of the COVID-19 pandemic

International Committee on Credit Reporting (ICCR)

April 6, 2020

1. Problem Statement

The treatment of credit data during a crisis has potential impact on the integrity of the credit reporting system and ultimately the financial markets. Inadequate and untimely data reduces the reliance placed by credit providers on the credit reporting system and can lead to credit rationing, increase in the cost of credit and exclusion of borrowers. A crisis such as the COVID 19 impacts on good performing borrowers' ability to meet their scheduled payments relegating them to the same level with existing non-performing borrowers. This brings to the fore the discussion on how missed or delayed payments associated with vis major should be treated in the credit reporting system, particularly on whether payment delays caused as a result of the vis major should be reported and if so, what weighting it should have on a borrower's credit history and credit risk score.

2. Treatment of credit data during a crisis

There is consensus that credit providers (CPs) should continue sharing positive payment data with the credit reporting service providers (CRSPs) during the crisis as with normal times. There are, however, two main opposing views on the treatment of payment delays due to a crisis, these are: suppression and reporting of this data with the necessary safeguards.

The proponents of suppression or non-submission of payment delays due to a crisis argue that such delays are not a result of the borrower's own choice hence that information should not be reflected on their records. They suggest a time period within which the non-submission should exist. Such a suppression of data however could be more detrimental to consumers as a gap in reporting could more negatively impact a consumer's credit score than reporting with safeguards.

The other view is that data on payment delays, created under forbearance or deferred payment arrangements due to a crisis, should be submitted with the necessary safeguards to ensure minimal or no effect on a good borrower's credit report and score. The proponents of this view argue that at all times credit reporting systems should reflect the accurate and true position of the individual, albeit, necessary measures should be put in place to protect genuine borrowers in a crisis. Some countries have developed such measures in the past in response to crises (for example the US, UK and Italy) and a number are considering implementing such measures in the current crisis.

The second view is consistent with the General Principle 1¹ which stipulates that “...credit reporting systems should have relevant, accurate, timely and sufficient data...” The sharing of full file credit (positive and negative) data enhances the completeness and accuracy of credit reports and preserve the integrity of the credit reporting system. Reporting of negative data is also important for the calibration of credit risk assessment models as CRSPs and CPs are able to capture data across all payment cycles. Full file credit information is also important in assisting CRSPs in their role of fostering responsible access to finance and helping policy makers’ regulators in their research and macro prudential fiscal functions. It is however important to ensure that in implementing this practice, policy makers and regulatory authorities, should put in place sufficient safeguards to minimize the impact of the crisis on good borrowers’ credit history and credit risk score.

3. Recommendations

Against this background, policy makers, regulatory authorities of Credit Reporting Systems (CRS), and credit reporting stakeholders (in the absence of a CRS regulatory body) should consider implementing the following measures:

Safeguarding the integrity of the credit reporting systems

1. Promote continued full (file) sharing of credit information including reporting of missed payment data arising due to the crisis, with the necessary safeguards that ensure that there is minimal or no effect on the data subjects’ credit history and score. Where necessary, CRS stakeholders should consider implementing flexibility on data submission timelines given the disruptions on CPs and other data providers due to the crisis.
2. Ensure consistent interpretation and application of the data reporting requirements by all credit providers and participants in the credit reporting system. There is need for close cooperation and coordination among credit reporting stakeholders (see recommendation 4 below).
3. Ensure that CRSPs and CPs implement adequate business continuity procedures to offer full services (including complaints and dispute handling) during the crisis particularly due to the potential of service disruptions due to home-based working, social distancing requirements and other associated requirements.

Safeguarding borrowers

4. Implement measures to monitor that the negative payment information reported during the crisis has minimal or no effect on credit histories and risk scores of data subjects. The measures may include following:
 - implementation of different technical reporting solutions e.g. special credit reporting codes, identifiers or conventions (such as freeze payment status) for reporting facilities that are under an agreed forbearance or deferred payment status window.
 - Periodic random reviews of data supplied to CRSPs.

¹ ICCR (2011). General Principles on Credit Reporting

5. Work with CRSPs and CPs to ensure data subjects are provided digital access, to free credit reports & scores during the crisis, where possible.
6. Enhance complaints and dispute handling capacity of regulatory authorities, CPs and CRSPs during the crisis, in view of the likely increase in complaints and disputes. Stakeholders should consider leveraging on technological innovation to automate their complaints and dispute handling processes to ensure that any impact of the crisis on call centers handling complaints and disputes is minimized.

Improving transparency and disclosure regimes

7. In markets where the processes are still manual, promote digitization of the process of accessing consumer reports to ensure that the right for data subjects to access credit reports is not affected during the crisis.
8. Enhance regulatory authorities' consumer and financial literacy programs through publication of recommended plan of actions and availing additional useful resources to the borrowers. Some of the plan of actions include:
 - advising borrowers experiencing payment difficulties due to the crisis to approach credit providers to negotiate payment deferrals, restructuring of facilities.
 - publicizing how CPs and CRSPs will report and process payment delays, deferral and restructuring arrangements in a way that minimizes the impact on credit scores.
 - publicizing government intervention including policies and facilities.
 - more frequent review of credit reports.