

## **Consumer awareness on Electronic Credit Information Bureau (eCIB)**

### ***What is Credit Information Bureau?***

A Credit Information Bureau is an organization that collects and collates credit data on borrowers from its member financial institutions. The financial data is then aggregated in system and the resulting information (in the form of credit reports) is made available on request to contributing member financial institutions for the purposes of credit assessment, credit scoring and credit risk management. The major purpose of this database is to enable the financial institutions to know the credit history of their prospective and existing customers thus enabling them to make a more prudent decision.

### ***Credit Information Bureau of State Bank of Pakistan (SBP):***

The Credit Information Bureau (CIB) was established by State Bank of Pakistan (SBP) in December, 1992. The scope and activities of CIB are governed under the provisions of Banking Companies Ordinance (BCO), 1962. The Section 25(A) vests powers with SBP to call for credit information in such manner as it may deem necessary and make such information available to any banking company.

### ***Role of Credit Information Bureau:***

The CIB plays an important role in promoting financial discipline, better credit risk management and making prudent lending decisions. It is globally recognized that a well developed financial sector must have effective credit risk detection and management system to allocate credit efficiently. The CIB helps financial institutions in managing credit risk and assessing true credit worthiness of existing as well as prospective borrowers.

### ***Electronic Credit Information Bureau (eCIB):***

The very purpose of establishing a CIB at SBP was to promote sound credit culture, prudence and professionalism among financial institution. The services extended by the CIB have enabled banks and financial institutions to lend to new segments of market and helping in fraud and loss prevention and enabling the member financial institutions to improve their risk prediction and management process.

The scope and administration of CIB database was further enhanced in April, 2006 when a new look VPN based e-CIB system with enhanced features started its operations. The key features of new eCIB system included the followings:

- Separate Consumer/Corporate reports and data input formats
- Provisions for consumer credit and default history
- Improved efficiency in terms of speed, reliability & security of data
- Provisions for online amendments and Interim updates
- Record of credit inquiries made by the financial institutions
- Web based Help Desk for online queries and complaints
- Online technical support to the financial institutions

### ***Confidentiality of information:***

According to Banking Companies Ordinance, 1962 (BCO) the credit information is deemed as confidential and SBP while making such information available to its member financial institutions shall not disclose the names of institutions which are the original source of that information. At present only those banks and financial institutions, which are either regulated by Securities & Exchange Commission of Pakistan (SECP) or SBP are the members of eCIB database. The information in CIB database is currently being exchanged on reciprocity basis and every financial institution is required to submit its entire borrower records irrespective of any limit to the CIB database. The member financial institutions can only access limited information from CIB database for assessing credit worthiness of borrower. Disclosure to third party is strictly prohibited under the law. *Thus individuals and corporate entities are not entitled to obtain their credit information reports.*

## **Frequently Asked Questions (FAQs) Related to Electronic Credit Bureau (eCIB)**

### ***Q.1 What is an Electronic Credit Information Bureau/Credit Registry?***

Ans. An Electronic Credit Information Bureau (eCIB) is an organization that collects and collates credit data on borrowers from its member financial institutions. The financial data is then aggregated in system and the resulting information (in the form of credit reports) is made available online on request to contributing member financial institutions for the purpose of credit assessment, credit scoring and credit risk management. The major purpose of this database is to enable the Financial Institutions (FIs) to know the credit history of their prospective and existing customers thus enabling them to make informed and timely lending decisions.

### ***Q.2 What is Electronic Credit Information Bureau (eCIB) of State Bank of Pakistan?***

Ans. The Electronic Credit Information Bureau (eCIB) was established by State Bank of Pakistan (SBP) in December, 1992. The scope and activities of eCIB are governed under the provisions of Banking Companies Ordinance (BCO), 1962. The Section 25(A) vests powers with SBP to call for credit information in such manner as it may deem necessary and make such information available to any banking company, which is a member.

### ***Q.3 Is it mandatory for financial institutions to obtain Credit Information Report (CIR) of prospective and existing borrowers before extending any credit facility?***

Ans. Yes. It is mandatory for Financial Institutions (FIs) to obtain CIR of their prospective and existing borrowers before extending/renewing any financial facility. However, before allowing any facility, the banks / DFIs shall preferably obtain credit report from the Credit Information Bureau of which they are a member. The report will be given due weightage while making credit decision.

***Q.4 How credit information is accumulated in eCIB database?***

Ans. All member FIs are required to submit entire borrowers' records online to eCIB on monthly basis. This information is submitted within a period of 10 days from the date of close of every month

***Q.5 Who can be/are the members of eCIB?***

Ans. All Banks, Development Financial Institutions (DFIs), Non-Bank Financial Companies (NBFCs), and Micro Finance Banks operating in Pakistan are members of the eCIB database. The membership with eCIB, as per instructions of SBP, is mandatory for all Banks, Developmental Financial Institutions (DFIs) and Micro Finance Banks (MFBs). No financial institution can access the eCIB database without obtaining membership of eCIB of State Bank of Pakistan.

***Q.6 How many types of reports can be generated from eCIB database and what sort of information these reports contain?***

Ans. Two types of reports can be generated from eCIB system:

- a. Consumer Credit Information Report
- b. Corporate Credit Information Report

a. Consumer Credit Information Report: All individuals and sole proprietors are placed under the category of "Consumer Borrower" and are reported against their Computerized National Identity Card Numbers (CNIC) and Old National Identity Card Numbers, where CNIC numbers are not available with financial institutions. The system also has the provision for consumer late payment/overdue/write off history for the last 24 months which is shown on the CIR.

b. Corporate Credit Information Report: Partnership concerns and corporate entities (both listed and unlisted) are categorized under "Corporate Borrower", and are reported by system provided unique Borrower's Code to each entity / concern. The corporate CIR contains consolidated position of outstanding liabilities (funded and non- funded), overdue, amount under litigation, write-offs (during last 10 years) and rescheduling /restructuring (during last 5 years). Format of both the reports can be accessed at the link given below:-

<http://www.sbp.org.pk/eCIB/credit.htm>

***Q.7 The financial institution that extracted CIR is not providing me with a copy. Can I get a copy of my CIR directly from CIB?***

Ans. No. Presently, under the relevant provision of law, only member financial institutions have online access to eCIB servers for generating CIR of borrowers for their internal use. The CIR is a confidential document and cannot be provided to borrowers. While State Bank of Pakistan has issued license(s) to private credit bureau(s) under Credit Bureau Act-2015(CBA-2015). Borrowers can get their Credit Report from private credit bureau(s) once they are operational as provided in the Credit Bureau Act2015.

***Q.8 Can a borrower prevent eCIB from having his/her information from financial institution?***

Ans. No. The eCIB is legally empowered to collect credit information from its member financial institutions. The financial institutions are required to report entire credit records irrespective of any limit to eCIB. The information in eCIB database is shared on reciprocal basis.

***Q.9 My credit application is turned down by a financial institution. Does it mean that I am not entitled to avail any credit facility from other financial institutions as well?***

Ans. No. Negative credit Information Report (CIR) does not debar any individual from seeking any financing facility from any financial institution in Pakistan. The financial institutions make lending decision on the basis of information available to them and in the light of their own lending policies, borrower's total exposure, repayment track and capacity.

***Q.10 Is there any regulation restricting financial institutions from lending to a borrower having negative CIR?***

Ans. No SBP's regulations/instructions do not place any restriction on banks and financial institutions on lending to any person/organization which has overdue appearing against its account in eCIB or has a late payment/overdue/write-off history. The financial institutions have to make their own lending decision on the basis of their lending policies, past track record of borrower and his repayment capacity.

***Q11. Does the CIR provide a credit rating of the borrower? Does it reflect only negative information?***

Ans. The credit information reports neither express any opinion about the borrower creditworthiness nor assign any rating to the borrowers. It provides factual position of the borrowers' credit exposure both negative as well as positive as of certain date. Further, the placement of name in eCIB does not prevent anyone from entering into lawful relationship with the banks. The eCIB report merely reflects the outstanding and overdue position of the borrower without declaring the borrower as a defaulter.

***Q.12 When I approach eCIB for making any correction/change in my credit worthiness (CIR) report, why is the matter referred to financial institutions? Can CIB amend my CIR at my request?***

Ans. The eCIB does not amend any CIR at its own, on the request of borrower. The onus of reporting accurate data to the eCIB rests with the reporting financial institution; hence eCIB cannot verify the borrower's claim at its end. Any correction in eCIB data can only be made through the reporting financial institution.

***Q13. If I settle my overdue liabilities today, how long will it take to clear my CIR***

Ans. The banks and financial institutions are required to make an online interim update of the borrowers' record immediately but not later than 10 days from the date of settlement of overdue. The interim update statement reflects in "remarks" portion and overdue amount will

subsequently be cleared in the reporting month to which it pertains. However, history of such overdue will continue to be reflected for 24 months from the date of settlement.

***Q.14 How negative Credit Information Report (CIR) can be improved?***

Ans. The CIR becomes negative due to erratic repayment behavior. The negative CIR report may either be due to some late payment/overdue outstanding liabilities or some written-off liabilities appearing against your record. The borrowers may contact with lending financial institutions and work out a repayment/settlement plan for settlement of overdue liabilities. However, history of such overdue will continue to be reflected for 24 months from the date of settlement. Once loan account becomes regular, CIR will reflect the revised position. However, borrowers should take utmost care in timely repayment of outstanding liabilities in order to keep their track clean.

***Q15. For how long history continues to appear in the CIR?***

Ans. In case of consumer borrower (individual), the CIB maintains the history of financial records of past twenty-four months. This means that if a borrower settles late overdue/default write-off liability with financial institutions, such outstanding position will continue to appear in CIR for the next 24 months from the date of settlement. However, his current status will be reported as regular.

***Q16. Does the CIB take any punitive action against financial institutions reporting wrong information on any borrower?***

Ans. Yes. The financial institutions are subject to penal actions under the provision of law on account of misreporting/erroneous reporting in eCIB database.