



INTERNATIONAL EXPERIENCE OF DEVELOPMENT OF CREDIT HISTORY BUREAUS

A. ROLLER¹, A. ZUBIC²

^{1,2} Department „Banks and banking activity“, ASEM, E-mail: ala.roller@yahoo.com

Abstract *Bureau credit histories are of particular importance in the work of each banking system. Information about debtors is used by banks and institutions of auditing company to carry out the process of creditor to the maximum level of benefit. Reducing bad loans can be obtained only if the release of the credit quality financial institutions. And for the Republic of Moldova is felt the impact of credit histories Bureau.*

Key words:

Bank financial institutions,
credit bureaus, credit
finance

Introduction

The first case in history on the exchange of information on customer's ability to repay the loan occurred in 1803, when several British tailors began to communicate to each other about the manner and terms of payment of the people they serve. This was possible due to the fact that some customers did not pay or delay payment deadline set far. British tailors have noticed that some customer's credit control in a dress, so not paying for this order addressed to other tailors the command as credit is made. To prevent such situations, the first association was created with a similar aim Credit Bureau, under the name "the London Association of mutual cooperation".

Experience of developed countries in creating credit history bureau

The first credit bureau started its activity since century XIX. The first such credit bureau appeared in Austria 1860. Then in 1890, credit bureaus have emerged in the US and Sweden, as was done in Finland in 1900, South African Republic in 1901, Canada in 1919 and Germany 1927. A trend higher was found in the period after the Second World War, when opened credit bureaus or in other countries like Argentina and Uruguay (1950), Great Britain (1960), Ireland (1963), the Netherlands and Japan (1965), Switzerland (1968), Denmark (1971), Spain (1994), and the list of countries could continue. World practice shows many forms of organization of credit history bureaus, the number and type of ownership of their country.

Thus, the USA, Brazil, Argentina Credit bureaus is most private companies for profit, the profit obtained from information services. However, in these countries

operate some local offices of credit, chambers of commerce created as nonprofit organizations.

Credit bureaus were founded not only in countries with a developed financial system, the USA, UK, Australia, New Zealand, France, Germany, Belgium etc., but also in countries with less developed financial markets. Example of such countries is authentic Sri Lanka, Mexico, Bangladesh and Philippine. Offices in these countries collect information about individual borrowers (commercial sector) and corporate clients. For example, office "Chinese walls" was created to aggregate information about companies and the corporate business sector.

The three offices to collect information on private sector loans in the US are Equifax, Experian and Trans Union, holding national database. The turnover of these companies to provide credit histories, as mentioned by the magazine "Banque" has exceeded 1.5 billion. US dollars.

Dun & Bradstreet offices in the USA is the most important office which holds information about the corporate sector. Also, there are credit bureaus smaller and specialized agencies which have no national information. Dun & Bradstreet have opened offices / branches in several countries, working with their local partners with their databases. It contains information about 53 million operators.

Experience is the largest credit agency in the UK; however there are other private offices.

In New Zealand there is no public credit bureaus; instead there are companies that offer reports on individual and corporate loans. One of the most

recognized companies in New Zealand is Baycorp NZ Limited.

In Australia, Credit Reference Ltd., provides information on companies in the small and medium business, Dun & Bradstreet (Australia) offers information about the credit situation of corporations.

In Japan credit bureaus are established as companies which belong to a consortium of creditors. When they founded offices in these countries, mostly from private initiative in some European countries such as France, Belgium and Germany on loans and debt information services are offered by Central Banks subdivisions.

In France, there is a National File ("Le fichier National") for centralizing information on payment incidents, not run by private operators, but the Bank of France. The division of the French Central Bank is Credit Bureau, which collects information about the name, address, type of activity, type of facility to economic agent's month on loans to corporate clients and more than 50000. The information provided banks/lending institutions creditor is provided free of charge.

In Belgium, which provides credit information offices were opened as a division of the Central Bank by Royal Decree in order to curb non-payment of individual loans, mortgages, leasing, and corporate loans. Credit Bureaus operations on individual borrowers contain only negative information. Under the Royal Decree for commercial lending is compulsory consultation Credit Office, but optional for mortgage lending. The consumer has the right to verify and request additional information or explanations. Under the Royal Decree is mandatory for all authorized consumers, companies offering mortgages to provide information Credit Bureau.

In Germany runs an association "BUNDES-SCHUFA" eight regional credit offices, autonomous legally and economically; and the General Insurance Association of Protection to Credit "SCHUFA" - whose founding are commercial banks, savings banks, cooperative banks, bank card issuing companies, etc. Banks and financial institutions that offer Central Bank are obliged to report about debtors whose debts exceed 300 000 Euro for 3 months from the reporting date. Reporting Office of the German Central Bank shall inform the institutions concerned about the total debt of borrowers and number of credits taken.

In Russia first appeared office (2005), where there is the National Bureau of Credit, founders of the Chamber of Commerce and Dun & Bradstreet Corporation. Just own credit bureaus have created the Banking Association of Regional Banks Association of Russia were consulted establishment by German experts from the Schufa.

In Sri Lanka, credit bureau was established under the Act on Credit Bureau in 1990. The 51% stake is held by

the Monetary Board, 30% and 19% belongs to commercial banks and other institutions.

In Bangladesh, the Credit Bureau was founded as a department of the Central Bank. Credit Bureau collects annual information (name, director, facilities granted, penalties, arrears, property titles, etc.) from commercial banks on all corporate borrowers who benefited from facilities and presented at the request of the Credit Bureau report on any bank loan concerned. The information is renewed monthly for consumers with greater opportunities Taka 100 Lakh and quarterly for customers with greater opportunities for Taka 10 lakh.

In the Philippines, the Information on Loans was founded by the Central Bank together with the Securities Commission and Securities and Philippine Institute in 1982. Financial Officer Office provides information about both individual customers and corporate clients about. The report is an analysis of corporate commercial, history management, group management, reporting, payments, banking relationships, financial conditions, legal structure and conditions of the exchange. Their database contains over 50000 files; the report provides information about individual identity, relations environment, financial position and negative records, the database contains 150000 individual reports.

The databases of credit history bureaus in developed countries is formed, usually over several decades, and in some of them - USA, Canada, Finland and South African Republic - credit bureaus have started activity since the late nineteenth - early twentieth century. The volume of information exchanged between lenders through the credit history bureaus is important - for example, in the USA, Belgium, Brazil, Britain, Japan and Germany the number of credit reports provided exceeds the population. In the system of credit history bureaus capital concentration level is relatively high - as in the USA, UK and Japan leading role it plays two to three large offices of credit histories and other countries (Australia, Germany, Argentina, Brazil Finland, Ireland) there is only one office of credit histories. This is explained by the fact that a large company is able to focus its database maximum volume and full of accurate information and to use information technologies in the work of art.

In the early 90s it began the process of extending credit history bureaus work on international financial market. The highest offices of credit histories were intended to become transnational corporations. As a first step in this direction was the acquisition of control or obtaining credit histories national offices in several countries of Latin America, Europe and Asia.

The largest private credit bureau in the world is TransUnion (Dun & Bradstreet), Experian and Equifax.

Dun & Bradstreet (D & B), is headquartered in the US, and is the most important player in the corporate sector. *Dun & Bradstreet* was founded in 1841 and currently operates through 217 offices located worldwide. D & B database accumulates information on business loans of about 53 million. Its operations are divided into two directions:

1) provides information about corporate payments past credit score. These reports are provided only to members and cost about 1 USD each;

2) provide information about business reports, including data about the business, financial position, information on payments, financial risk insurance. These reports are provided by both members and those interested in outdoor payment, and cost about 250 dollars per report. There is a link between the two divisions; all information in business reports is collected separately from reports of collective and public sources. To ensure the accuracy of the information D & B checks the data receipt and carry 670,000 daily renewal data.

Dun & Bradstreet together with *Trans Union* have established offices in Canada, Mexico, Spain, Hong Kong and South African Republic. Credit Bureau in Mexico, was founded in 1997 by D & B with banks in Mexico. Banks participating share of about 70% of the initial capital of the Bureau, and 30% are owned by D & B and *TransUnion* which also provides technical support. The total investment in the Credit Bureau in Mexico was over 2 million USD.

Experian is the largest credit bureau in the UK, accounting for more than two thirds of all applications for loans. It is a branch of *Great Universal Stores PLC*, a transnational company with shares in household products businesses, land investment, finance and information services. It operates mainly in Britain and the US. *Experian* clients are banks, finance houses, distributors of mobile phones, etc. It has a database of 170 million records in the UK and the US 205 million individual accounts. It also contains information on loans to commercial undertakings. Basic services offered by *Experian* are:

- Information services representing 50% of the venture;
- Marketing targeted;
- Sport decision;
- Extracting data.

Experian provides three major products:

- a) Goods on credit accounts;
- b) Research on applications for loans;
- c) Anti-fraud system.

Experian's annual sales are \$ 1.5 billion and total number of employees is 11000 people. In addition to offices in the USA and England, are *Experian* offices in Argentina, Australia, Austria, Canada, France, Germany, Hong Kong, Italy, Ireland, Netherlands,

Portugal, South Africa, Spain and Sweden. Affiliate of this company is named *CBA Credit Bureau Information Service*. *CBA* has a wide range of information and lending services also on lending to individuals and businesses.

Equifax, based in the US, offers financial services, credit cards and telecommunications. It provides information about households and commercial loans, fraud detection and prevention of their marketing service cards, mortgage information collection and data mining, issuance and control of digital certificates and directories. *Equifax* is the most important provider of individual and collective credit information in the US, Canada, Spain, Portugal, Chile, Brazil, Argentina, Peru, El Salvador and Mexico. *Equifax* has 13,000 employees and operates in 18 countries. An annual sale is \$1.7 billion and holds a database of 400 million customers worldwide.

Experience creating credit history bureau in transition countries

Currently in the ex-Soviet countries with the most advanced legislation governing credit history bureaus, there are Russia and Kazakhstan.

Russian Federation Law "On credit histories", entered into force on 1 June 2005. Under its provisions, commercial banks are required to submit information in the volume stipulated by law, at least one of the credit bureaus in the contract to provide information services, concluded with him (art. 5 of the law). We currently have no statistical data on how to apply in practice the new law, however, the first credit bureaus operating under the new law, have already appeared in Russia!

Law of Kazakhstan "On credit bureaus and formation of credit histories in the Republic of Kazakhstan" was adopted on 6 June 2004 and entered into force on 13.07.2004. This Law goes even further than the Russian law - in accordance with art. 27 thereof, providers and beneficiaries of credit history information are obliged to sign agreements of performance information to all credit bureaus, which are registered and operate in accordance with the law.

In Ukraine the draft law "On the organization of the training and movement of credit history" is currently under consideration in the Committee on Finance and banking problems of the Verkhovna Rada of Ukraine.

In Belarus the draft law "On circulation of information about the business reputation of individuals and businesses", prepared in accordance with Belarusian Presidential Decree of 09.02.2004, was proposed to reject the monetary and credit policy committee of parliament.

Credit bureaus have emerged recently as a result of the deteriorating quality of loan portfolios, and for the most part are considered institutions that have the function to

accumulate and process information of debtors of banks in the banking system.

The normative acts of the Republic of Moldova under which activates IM "Credit Bureau" LLC they are:

- Law on credit history bureau no.122-XVI from 29.05.2008;
- Regulation on licensing of the credit history bureaus business offices approved by the National Commission of Financial Market Decision no. 7/4 of 20 February 2009;
- Regulation on information systems used to create a database of credit history bureaus approved by the National Commission of Financial Market Decision no. 8/15 of 26 February 2009;
- Regulation on the presentation of information on the credit history bureau and issuing credit report approved by the National Commission of Financial Market Decision no. 8/15 of 26 February 2009;
- Regulation on the NCFM reporting by credit bureaus approved by Resolution of the National Commission of Financial Market no. 8/15 of 26 February 2009.

In developed countries there is a system of mutual information exchange between financial institutions and their customers, which significantly reduce the rate on credits and loans repaid debt. This activity is carried out by credit history bureaus that collect, store, verify and analyze information about borrowers with its subsequent transmission purposes by banks. On the other hand, thanks to this system themselves borrowers obtain a personal credit history, which makes credit more accessible and transparent.

Bureau of credit histories is entitled:

- to provide services related to the submission of reports of credit, contract, and, in cases stipulated by this law without contract as stipulated by this law and other regulations;
- to provide, on a contractual basis, services related to developing, in the information contained in credit histories at that office, the calculation methods (scoring) and individual assessment (rating) and/or their implementation;
- to provide consulting services related to information of users of credit histories and credit history subjects;
- to provide, on a contractual basis, statistical services relating to information contained in credit histories;
- constitute, in the manner prescribed by law, associations (unions) to protect and represent the interests of its members, coordination of work, satisfying the interests of scientific and professional information, solving other tasks of common interest of credit history bureaus;
- to obtain, on a contract basis, information that is not confidential State Population Register and/or public information from the state register of legal entities

and/or the State Register of individual entrepreneurs to verify the information contained in histories credit.

Office credit history is not entitled to carry out activities other than those provided for in law.

Obligations of credit history bureau:

- 1) In order to ensure security of keeping credit history, credit history bureau is required to have a license for the business of providing training services, processing and storage of credit histories and credit reports presentation and performance related.
- 2) Bureau of credit history is required to submit credit report any user of credit history under contract to provide services concluded with this information, approach and agreement that meets the requirements set out in Article 7.
- 3) Bureau of credit history must include the credit history of the matter of credit history information, which corresponds to the requirements of this law:
 - a) received in electronic form, provided that they are presented in the format prescribed by the office of credit history and credit history source - within one business day;
 - b) received in writing - within 5 working days.

Office credit history BMI has already signed Infocredit information processing with the main four banks, BC "Moldova Agroindbank" S.A., BC "Banca de Economii" S.A., BC "Mobiasbanca" S.A. and BC "Victoriabank" S.A., which Infocredit IMC partners and data providers Bureau of credit history. Providers of data from non-banking sector insurance companies, telecommunications companies, state and private records. The IMC perspective Infocredit will cooperate with other banks, financial companies, leasing companies, company's communal services.

According to research conducted in the second half of 2008 volume of credit history bureau interpellations addressed were about 25 thousand inquiries per month from all users simultaneously, following a substantial increase by the end of 2009. The number of reports were issued recitatives was several hundred per month in the second half of 2008, increasing to a few thousand by the end.

BMI Infocredit company was founded in 2004. The company's investments for the foundation Bureau of credit history exceeding 2 million USD. The main partner in the process of first credit bureau in Moldova is Credit info Group International Bureau officer operating in international credit market since 1997. Since 2002 Credit info Group directly operates internationally in 11 countries as a partner to create offices and indirectly in 13 countries as a supplier of software for the operation of credit history bureau. Credit info Group participates in the formation of credit history bureaus in CIS countries as Georgia, Lithuania, Kazakhstan, Republic of Moldova and Ukraine.

IM "Credit Bureau" LLC in Republic of Moldova is the first company created for training, processing, storage and presentation of information that characterizes the respect of the obligations undertaken by borrowers with credit agreements. Financial market activity this company has significantly enhanced the protection of creditors and debtors account the overall reduction of credit risk, raised the efficiency of financial institutions and other lending companies.

IM "Credit Bureau" LLC It was registered at the State Registration Chamber on 26 March 2008 and was incorporated as a limited liability company, having originally founded by 11 commercial banks out of 16 commercial banks in Moldova.

On 19 December 2009 General Assembly decision amended the status of the Company and increased its share capital by additional contributions and by adhering to associate us - SC "SIVCO Romania" SA, BC "Victoriabank" SA, BC "Mobiasbanca - GSG" SA.

On 27 September 2010 were registered at the State Registration Chamber, modifications to the composition associates "Credit Bureau" LLC namely - B.C. "Moldova-Agroindbank" S.A. It was accepted as an associate.

On 11 September 2011 were registered at the State Registration Chamber, modifications to the composition of associates "Credit Bureau" LLC namely - B.C.

"Eximbank - Gruppo Veneto Banca" S.A. which was accepted as an associate.

Similarly, on April 4, 2011, amendments were made to the constitutional documents of I.M. "Credit Bureau" LLC, under which Î.C.S. "Raiffeisen Leasing" LLC and Î.C.S. "Total Leasing" S.A. They were accepted as new associates Bureau and the share capital was increased up to 13.8 mld. lei.

References:

1. Грачева, Мария. Банковская система в развитых странах: некоторые проблемы цифровых технологий. Москва: Ось-89, 2006, с.96.
2. Каджаева, Медея. Банковские операции: учебник. 2-е изд. Москва: Издат. центр «Академия», 2006. с.100.
3. Вешкин, Юрий. Банковские систему зарубежных стран: курс лекций. Москва: Экономистов, 2004. с.199.
4. Жарковская, Елена. Банковское дело: курс лекций. Москва: Изд.-ВоОмега-Л, 2002.с.139.
5. Лаврушин, Олег. Банковское дело: современная система кредитования: учеб. пособие. Москва: КНОРУС, 2005. с.156.

ⁱ Bank lending. [online]. [cited 19 May 2015]. available: <<http://www.scoring.ru>>