

# Credit Reporting Bill

An Act to provide for the sharing  
of credit information .....

Ministry of Finance & the Public  
Service, 2009

## Background

- Establishment of credit reporting system is a part of the ongoing effort to reform the financial sector
- Credit reporting system will involve the collection, dissemination and the use of consumer's credit information to access risk.

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## Background cont.

- Some of the problems which plagued the sector during the financial sector crisis of the 1990s
  - Problems of poor credit decisions,
  - high levels of non-performing loans
- Asymmetric Information which is at the core of the analysis of credit risk

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## Background cont. Benefits of Credit Reporting system

- Credit reporting system will prove helpful to lenders to mitigate some of the problems of poor credit decision
- Improve the credit risk management by financial institutions
- Decrease moral hazard (the probability that borrowers will default)
- Decrease adverse selection (bad loan decisions by Managers)

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## Benefits cont.

- Facilitate greater access to credit to wider segment of the population
- Allow creditors to improve pricing of loans
- Credit reporting system will provide better credit information, which is beneficial in their loan decision making process

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## The Bill

- The Credit Reporting Bill was first drafted in 2002
- It was tabled in the Houses of Parliament on July 22, 2008
- The accompanying Regulations were tabled on August 26, 2008
- Currently being examined by a Joint Select Committee of Parliament

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## Provisions of the Bill

- Preliminary section has definition of terms and states overall purpose of the Bill
  - *"Section 2 (2) The object of this Act is to ensure that credit reporting is done through reasonable procedures that meet the needs of commerce for credit information in a manner that is fair and equitable to the consumer, having regard to the confidentiality, accuracy, relevance and proper utilization of such information in accordance with the provisions of this Act"*

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### Provisions of the Bill cont.

- Part I focuses on Licensing of the Credit Bureau.
- Include provisions that restrict the disclosures of credit information
- Section 4 sets out the criteria for licensing a credit bureau
- Section 5 & 6 outline the responsibilities of the credit bureau and the instances where a license can be suspended or revoked

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### Provisions Cont

- Section 7 details reports that should be submitted to the Supervisory Authority, and the time period within which they should be submitted

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### Provisions cont.

- Part II – gives guidelines for gathering and disclosure of consumer's credit information.
- Legitimate sources (credit information providers) which can supply information are listed in Section 8(2)
- Sections 8(3) and 8(4) state the permissible uses and disclosure of reports
- Section 8(5)(b) prohibits information providers from disclosing credit information unless the consumer waives this right in order to enable the provisions of the Act

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### The Bill cont.

- Section 9 requires the credit bureau to maintain a register of current credit information providers
- Section 10 prohibits the supply of information under specific circumstances.
- While Section 11 lists the circumstances of disclosure of information

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### Bill cont.

- Section 12 indicates the form in which information should be maintained and the content of the information
- Provisions regarding to confidentiality of credit information are contained in Section 13.
- Section 14 imposes a duty to disclose the source of credit information if the consumer request.

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### Bill cont.

- Section 15 imposes a duty on the bureau where requested by the consumer to indicate the credit information it possesses, the source of the information and persons to whom the information is disclosed.
- Section 16 imposes an obligation on the Bureau to take steps when complaints are made with regard to the accuracy/ completeness of information.

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## The Bill cont

- Section 17 outlines the procedures that must be followed by supervisory authority in investigating complaints.

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## Bill cont.

- Part III addresses general issues such as Appeals Tribunal, Regulations and Offences.
- Section 18 gives an outline of how the Appeals Tribunal should operate
- Section 20 speaks to the Fourth Schedule where the offences are specified & also gives the general penalties for which no penalty is expressly provided for.

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## The Bill cont.

- Some of the penalties included in the 4<sup>th</sup> Schedule include
  - Disclosure of credit information obtained from a person other than credit information provider
  - Breach of confidentiality
  - Failure to maintain a register of credit information providers

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## Conclusion

- Credit reporting system is;
- an essential part of the financial sector reform to consolidate and strengthen the regulatory framework.
  - Beneficial, as it will better inform financial institutions in their loan decision process.
  - Add to the stability and development of the financial sector.

The Bill and Regulations are on the Ministry's website  
[Bills and Acts -- Ministry of Finance and Planning, MoFP Online](http://www.mof.gov.jm/billacts/)  
<http://www.mof.gov.jm/billacts/>

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