



State Bank of Pakistan

بینک دولت پاکستان

Understanding Credit Information Bureau Consumer Awareness Program



ELECTRONIC CREDIT INFORMATION BUREAU (eCIB)

BANKING CONDUCT & CONSUMER PROTECTION DEPARTMENT

***STATE BANK OF PAKISTAN
KARACHI***

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 customers thus enabling them to make a more prudent decision.

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

Introduction:



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

Participating Member financial institutions:

Following are the major types of member financial institutions:

- Commercial Banks
- Development Financial Institutions
- Specialized Banks
- Islamic Banks
- Micro Finance Institutions
- Investment Banks
- Leasing Companies
- Modarabas
- Others

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.

Accuracy of the information:



The accuracy of credit information is of extreme importance for SBP and all the stakeholders. The onus of correct reporting lies with the reporting financial institutions and CIB ensures that data provided to it is processed and loaded accurately in the CIB system. The new eCIB system has been designed to ensure data security as well as reliability.

Types of credit reports:



Two types of reports can be generated from eCIB system:

1. *Consumer Credit Information Report*
2. *Corporate Credit Information Reports*

1. **Consumer Credit Information Report:**

All individuals and sole proprietors are placed under the category of “Consumer Borrower” and are reported against their unique identification codes (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 credit and default history for the last 24 months.

2. Corporate Credit Information Reports:

Partnership concerns and corporate entities (both listed and unlisted) are categorized under “Corporate Borrower”. The system provides unique borrower code to each entity/concern. Member financial institutions are required to report all financial obligations under unique borrower code assigned to each entity/concern. The corporate credit information report contains details of outstanding liabilities (fund and non- fund based), position of overdues, details of litigation, write-offs, recoveries and rescheduling and restructuring.

Uses of Credit reports:



The credit reports are effective tool for managing risks inherent in lending and making prudent and informed lending decisions. All member financial institutions can generate online reports of their existing and prospective borrowers. The credit report of a borrower is generally used to assess the aggregate credit exposure, his past track of loan repayment and his credit worthiness. The financial institutions are not allowed to use credit reports for marketing of their financial products and are bound not to divulge information to a third party.

How CIB Reporting Affects the Borrower:

An adverse or negative report may be defined as a report of an individual (consumer) borrower, having certain amount reflecting under past due 30+, 60+, 90+ days or any write-off reported either in present reporting month or as credit history of past twenty four months. SBP regulations/instructions do not restrict financial institutions from extending financial accommodation to such borrowers. However, the financial institutions gives due weight to Credit Information Reports while assessing the credit worthiness of borrowers. In case of corporate borrowers against whom overdue amount is reported for the first time, the SBP serves notices to such borrowers for settlement of their liabilities within 30 days, failing which overdue amount against them is reflected in CIB database against their record.

eCIB Helpdesk



The SBP has established eCIB Helpdesk to facilitate the stakeholders of eCIB system for providing efficient support. Individuals as well as member financial institutions can lodge their complaints/queries online regarding credit reporting and about system related complaints. The site can be accessed through using URL [State Bank of Pakistan \(sbp.org.pk\)](http://State Bank of Pakistan (sbp.org.pk)). The website also helps the interested individuals to enhance their understanding of CIB operations.

Some Common Frequently Asked Questions:

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

Yes. It is mandatory for banks to obtain CWR of their prospective and existing borrowers before extending/renewing any financial facility.

Can a borrower prevent the CIB from having his/her information from financial institution?

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

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

No. Presently, under the law, only member financial institutions have online access of eCIB servers for generating CIR of borrowers. The CIR is a confidential document and cannot be provided to borrowers.

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

No, SBP regulation/ 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 CIB or has a default 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.

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

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.

When I approach CIB 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?

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

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

The banks and financial institutions are required to update the borrowers' record through interim update within the period of 10 days from the date of such settlement. However, the overdue amount will be cleared from record in the next month's reporting by the concerned financial institutions. However, default history will remain in CIR for the period of Two (02) Years.

How the negative Credit Information Report (CIR) can be improved?

The negative CIR report may be due to some outstanding liabilities of financial institutions that were either not paid or paid after the due date. The borrower should discuss the matter with the lending financial institutions and work out a repayment/settlement plan with them. Once the loan account becomes regular, CIR will reflect the revised position.

For how long the defaults history continues to appear in the CIR?

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

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

Yes. When it comes to the notice of the CIB that a financial institution has misreported information, penal action is taken against such institution.

Is there any other Credit Bureau other than CIB operating in Pakistan?

Yes. State Bank of State Bank of Pakistan (SBP) has issued license to following private credit bureaus under Credit Bureau Act (CBA-2015): -

1. Aequitas Information Services Limited(AISL)
2. Data Check Limited (DCL)

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