



CREDIT RISK/DATA SHARING

FLA (Finance & Leasing Association) is the major UK industry body for the asset finance, consumer finance and motor finance sectors. FLA members and others share information on credit agreements with other lenders via credit reference agencies, CRAs, in order to help lenders make responsible lending decisions and avoid fraud.

ISSUE DESCRIPTION

In this area, FLA's current key objectives are (1) to have legislation enacted to enable banks and other lenders to share data on the records that have been open for longer than 'fair processing' notices have mentioned data sharing; and (2) to persuade the government to agree to share student loan data.

CURRENT STATUS

On student loans, FLA is negotiating with the DfES. On a legislative change to enable banks to share more data via the CRAs, the DTI has agreed to issue a consultation paper within the next few weeks.

FLA ISSUES

FLA is keen to see an increase in data sharing because it believes this would help in the prevention of overindebtedness and fraud. New types of data sharing are agreed and announced quite regularly. For example, in December 2005 Barclaycard, the Co-operative Bank, Egg and Abbey announced plans to share additional cardholder data on credit cards to help identify customers getting into financial difficulty. In March 2006, HBOS, HSBC, Lloyds TSB and RBS agreed to start sharing application income and new current account data via credit reference agency Callcredit, an initiative which is designed to improve lenders' understanding of their customers' indebtedness and ability to repay.

However, some banks and credit card lenders would like to share data on all accounts but cannot because their historic 'fair processing' notices do not give them the right to do so. In the past, some lenders had not foreseen the widespread sharing of data or had not planned to share data via the CRAs so had not informed customers in their 'fair processing' notices of an intention to do so. It would be a breach of the Data Protection Act 1998 to share data relating to these customers without now obtaining their consent. Even some lenders that have been sharing data for long periods have significant numbers of accounts – particularly credit cards and current accounts, which can remain open for decades - on which they are unable to share data. It is estimated that data on approximately 40 million accounts is not shared for this reason.

With APACS and BBA, FLA has been working with the DTI and DCA to find a legislative solution to this, and the DTI has agreed to issue a consultation paper on the subject within the next few weeks.