

# **Principles of Reciprocity**

## **Questions and Answers**

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## **Section 1 - About the Principles**

### **1.1 What are the Principles of Reciprocity?**

The Principles of Reciprocity are a set of guidelines governing the sharing of personal credit performance and related data via the closed user groups at the credit reference agencies.

### **1.2 What data sharing schemes do the Principles cover?**

The Principles regulate credit performance data on consumers that are shared via closed user groups at the credit reference agencies (CRA's). These are currently the Experian CAIS database, the Equifax Insight database and the Callcredit SHARE database. Other data sharing schemes are not covered by the Principles although reciprocity agreements to use the aforementioned databases are covered. e.g. The Business Reciprocity Agreement.

### **1.3 How are the Principles administered?**

It is the intention of the UK finance industry to ensure that all companies which utilise and/or subscribe shared data to CAIS, Insight, or SHARE undertake to abide by the Principles. The industry has established a user group, the Steering Committee on Reciprocity (SCOR) to develop and oversee these documented guidelines. This includes addressing issues around the use and sharing of credit performance and related data on individuals.

### **1.4 How can I be sure that other organisations are keeping to the rules?**

The CRA's have included adherence to the Principles in their client contracts and they have a responsibility to ensure that they only supply data in accordance with the rules. Members also should ensure that adherence to the Principles forms a part of their own internal audit procedures.

### **1.5 Don't these rules restrict free competition?**

No, the rules of SCOR allow for any organisation to share data and are designed to encourage data sharing. The Principles ensure that access to information on individuals is for defined, appropriate purposes which relate to responsible lending and far from restricting free competition ensure a level playing field.

### **1.6 What happens if members do not adhere to the Principles?**

The CRAs, as suppliers of the data, will work with the member to ensure that they do comply. If they refuse or there is a dispute the matter may result in an appeal to SCOR and/or access to the data ceasing. For further details on this point please refer to the Rules Managing SCOR document.

### **1.7 Principle 7 talks about the need for organisations to ensure compliance with the Principles of Reciprocity. In practice, how might this compliance be achieved?**

There are a number of ways to accomplish this. One option is to ensure that the remit of the organisation's internal audit department covers adherence to the Principles. The key to compliance is ensuring that sufficient focus is given to the education of all shared data users about their responsibilities to adhere to the Principles. As part of this, the sign-off process for activities using shared data should include confirmation that the planned use of the data complies with the Principles.

## Section 2 – About SCOR

### 2.1 What is the role of SCOR?

The Steering Committee on Reciprocity is a cross industry forum, responsible to the trade associations and the CRA's, for the administration and development of the data sharing rules known as the Principles of Reciprocity. It has no devolved powers of its own. It operates on behalf of the trade associations that it represents and may only recommend decisions to the appropriate membership.

### 2.2 Who sits on SCOR?

SCOR consists of representatives from APACS - the UK Payments Association, British Bankers Association, Consumer Credit Association, Consumer Credit Trade Association, Credit Services Association, Council of Mortgage Lenders, Finance & Leasing Association and Mail Order Traders' Association, together with representatives from CRAs Experian, Equifax and Callcredit.

### 2.3 Can anyone join SCOR?

Any trade association representing organisations that use shared consumer data from CRA's may apply to join. Representation will generally be from practitioners at member organisations rather than the trade association staff. Membership is also available to other credit reference agencies with a consumer database although there are rules about the volume of their database and activity.

### 2.4 How can I engage with SCOR on any particular issue that I may have?

In the first instance you may wish to approach your Trade Association for guidance and support, as the Trade Associations are kept informed of matters discussed at SCOR and receive regular feedback from the nominated SCOR representatives. If you do not belong to a Trade Association, then you are encouraged to direct your query to your CRA contact for your organisation, who can represent you at SCOR.

### 2.5 If I consult with SCOR on a new use of data that I wish to develop, how can I be sure that product confidentiality will be maintained as well as ensuring compliance with the Principles?

It is advisable to consult with your internal Principles of Reciprocity expert first. If they have any doubts they should consult SCOR, or your credit reference agency, before initiating a new use of data. A new use of data could be planned in complete confidence, with the details revealed only at the time of a formal product launch.

## Section 3 – Definitions

### 3.1 What constitutes an existing customer?

An existing customer either has applied for and been granted a credit account with a financial organisation, or has held and closed a credit account with the financial organisation within the last two years. The credit account itself does not have to be shared with the credit reference agencies.

**3.2 I note that an existing customer is defined as having or having held a credit account (including a current account) within the last 2 years. What is the definition for these purposes of a credit account?**

A credit account permits or specifically includes a credit or deferred payment facility usually but not always, under the Consumer Credit Act whether or not that facility has been exercised. It does not have to have been shared in the closed user group databases at credit reference agencies to qualify for customer management activities as described in the Principles themselves under sections 3.4 – credit management and section 4.

## **Section 4 – Data Sharing Membership**

**4.1 How does becoming a new subscriber of shared data work in practice?**

Access to shared data for a new subscriber only occurs when the organisation concerned has entered into a contractual commitment, with one or more of the CRA's, to supply data relating to their own customers within 3 months of the start of any usage. This must be followed up by the supply of the organisation's own shared data within 3 months of the start of any usage. The data that is accessed will be strictly at the same level as the data that are shared (see sections 2.1 to 2.3 and section 4 of the Principles).

As has always been the case, where a new subscriber fails to provide the necessary data in return, then access to the shared data may be restricted or suspended by the credit reference agency.

**4.2 Do I have to share data with all the CRAs?**

An existing subscriber with one or more of the CRAs may decide to extend their data sharing to include the other CRA's. The subscriber will be treated as an established subscriber when sharing data with another CRA. It is recommended that subscribers share their data with each of the CRA's.

**4.3 What happens if my organisation has been sharing positive data on its portfolios, but then acquires a portfolio where a positive data has not been shared historically?**

If your organisation wishes to change the level of data sharing on the acquired portfolio, then this qualifies as a new subscription in line with the provisions of section 2.4 of the Principles.

**4.4 What happens if my organisation is an established full data subscriber but adds new accounts to the portfolio(s) (possibly as a result of a joint venture) for which consent to share full data is not available?**

Assuming that you wish to continue to share data on the original accounts, you must act in accordance with Appendix 2 of the Principles. Importantly, you will not be able to access shared data on the "new" section of accounts until full data for all accounts opened in the last 24 months (or longer) are shared.

(Refer also to 8.1).

**4.5 What happens if my organisation has been sharing positive data but now consider that it is no longer appropriate to do so?**

Initially you should discuss this with your CRA as they may be able to reassure you on items or resolve any issues you have. If it is indeed the best option to cease data sharing then technically this is possible, however, the live account records will have to be removed from the CRA files once data sharing has ceased. Default records can only remain on the CRA files if a mechanism is in place to update the current balance.

However, if you stop sharing data then you will be unable to see other data that until now you may have been using in your business processes.

**4.6 My organisation is joining the shared database for our new mortgage product. We are aware that we are required to provide data within 3 months of access but, as a default only supplier, this is unlikely to be possible, as we will not have any defaults in that timeframe?**

If you have provided acceptable test files, and you have the capability to supply the data each month, then you are compliant with the principles. The fact that you are ready but have no data to supply for a number of months effectively means that you are supplying a "nil" return. This is sufficient as long as default data are provided as soon as they exist. A similar situation may also conceivably arise even with a full data supplier; e.g. for a product with an extended drawdown period.

**4.7 My organisation currently has no credit or store card products and accesses the additional positive data for credit and store cards. We have decided to start offering a credit card. What effect will this have on how we use the data?**

When you set up a data sharing agreement with your CRA, your contract will ask whether you propose sharing the additional positive data for credit & store cards. In accordance with the arrangements for positive data sharing you have three months from the date on which you first use the data to supply data to a CRA. If however you decide not to supply the additional positive data for credit & store cards, neither the new credit card nor any of your other products may use the additional positive data for credit & store cards from other members.

**4.8 My organisation operates affinity programmes and owns the receivables for a number of other card issuers. What data are we allowed to use?**

If you own the receivables for a number of portfolios, you may only access the data for those portfolios on which the data is shared. Only if every portfolio is shared may the data be used at a customer level.

**4.9 My organisation offers a credit card product outsourced to another organisation which owns the receivables. What data are we and the other organisation allowed to use?**

If your organisation either has no other credit or store cards on which you own the receivables and therefore you are unable to contribute any data, or you are already sharing the data on all or any credit or store cards that you have, you may access the new BDS data. The other organisation (that owns the receivables) may access data in accordance with 4.8.

## **Section 5 – Marketing**

### **5.1 How can consumer data be used in marketing?**

The Principles now make a demarcation between providing a service to existing customers, which may include the offer of new products, and the identification of, and making offers to, new prospects which have either no relationship at all or a non credit relationship with the lender. Managing the relation with existing customers is also covered in Section 6 – Customer Management.

Raw positive shared consumer data must never be used to create new prospect lists, or in the selection of existing customers for further products or increased facilities.

Raw delinquent, default and search footprint information may be used to exclude existing customers and new prospects consumers from target lists used to offer a product on a shared portfolio.

**5.2 I wish to use an aggregated negative risk score to support a new prospect screening activity. Can I exclude higher scoring prospects (who may be unresponsive or potentially inactive) as well as lower scoring prospects (who fail my credit risk screening criteria) from my selections?**

This practice (sometimes known as “topping and tailing”) is not an allowable use of the shared data. The aggregated negative risk score may be used only as an adverse risk indicator to exclude prospects on the basis of credit risk at the lower scoring end of the score distribution. For further information on the allowable uses of shared data please refer to Section 4 of the Principles.

**5.3 What does Principle 5 on the uses of shared data mean when I am performing prospect list screenings?**

The purpose of this Principle is to prevent shared data being used to target any customers of other specific subscribers. Shared data may not be used to screen new prospects from a list where a specific subscriber has been identified and in particular the shared data may not be used in ways that specifically target the customers of the originator of the information.

The following example covers what is **not** an allowable use of shared data:

An individual holds a credit card with Organisation A and completes a lifestyle questionnaire stating that they hold such a card. Organisation B purchases the lifestyle questionnaire data and performs new prospect screening versus the shared data. In the absence of any negative data on the individual cardholder, Organisation B can assume that the individual is a customer of Organisation A with a good credit record. This is **not** an allowable use of the shared data.

**5.4 How does Principle 5 work in practice? If a prospect list is submitted to a credit reference agency for screening, how will the agency know the criteria used to generate the records on the list?**

The organisation submitting the tape has a responsibility to ensure that the records have been selected in accordance with this Principle, which has been agreed between the data sharers and the credit reference agencies. The credit reference agency may ask for details of how the selections have been made, and may ask for documentation that supports the selection process.

**5.5 I believe that as a result of the Representation of the People Act, we may no longer use the full electoral register to “clean” existing marketing lists of consumers that are no longer at an address, is there any way that shared data can be used to help here?**

This has been raised at SCOR and, because of the restrictions on the use of the shared data for marketing purposes, it has been agreed that the shared data may be used by members strictly to remove data but not to enhance it.

**5.6 In what ways can negative data be used in target marketing?**

Negative data may be used as adverse risk indicators to screen target marketing to new prospects and remove them from lists. Section 4 of the Principles provides a summary of the allowable uses of the shared data.

**5.7 Can shared data be used to develop non-risk scorecards (e.g. propensity scores, response scores, attrition scores, revenue scores)?**

The shared data may not be used for these types of scorecards for new prospect screening. Where an organisation is managing an existing customer’s credit facilities, or processing a new application, the shared data may be used for the above types of scorecards.

5.8 **I understand that the additional positive data for credit & store cards may be used as an adverse risk indicator for new prospect screening. How would this work in practice?**

When you provide a prospect list to a CRA for cleaning you will set the criteria for the removal of records that fall within an agreed criteria deemed to be high risk or unsuitable. You may within your list of records for removal also include rules based on the additional positive data for credit & store cards. So for example, you may choose to exclude not only those prospects with County Court Judgements but also those that have taken more than x cash advances within a certain period.

5.9 **I understand that the early arrears data for credit & store cards may be used as an adverse risk indicator for new prospect screening. How would this work in practice?**

When you provide a prospect list to a CRA for cleaning you will set the criteria for the removal of records that fall within an agreed criteria deemed to be high risk or unsuitable. You may within your list of records for removal also include rules based on early arrears data for credit & store cards. So for example, you may choose to exclude not only those prospects with County Court Judgements but also those that are or have had an arrears status 1 or 2 in the last 12 months on credit & store cards only.

## **Section 6 – Application Risk Assessment**

6.1 **How can raw positive consumer data be used in application risk assessment?**

Raw positive data may only be used in the assessment of an application for risk, fraud prevention and/or ID verification and may not be used to offer improved or additional products. Specifically raw positive data may not be used to offer credit limits, credit limit increases or balance transfer facilities deliberately targeted at accounts applicants may have with existing subscribers.

6.2 **The applicant for a mortgage has offered a guarantee from their parents. What checks may I make on these guarantors?**

You may make the same checks on them that you would make on the applicant, providing you notify them of your intention to do so and obtain consent from the data subjects. The type of footprint should be an enquiry unless the CRA has a specific footprint type for this purpose.

## **Section 7 – Customer Management**

7.1 **I am aware that I cannot use the shared data for the creation of prospect lists but what about managing my existing customers? I would like to be able to ensure that I give them the best possible service and offer them the products that will best suit their needs.**

The revised version of the Principles takes into account that many organisations wish to manage their customer relationships proactively and seek to not only manage such tools as total shadow limits but also potential purchases as well. Taking into account the restrictions on data according to sharing levels, shared data may be used to proactively manage existing customers future needs by anticipating their requirements, managing attrition and making offers.

7.2 **My organisation has a number of companies within it and, when we manage our existing customers, we do so across the Group. Therefore we operate pan-group data sharing, i.e. information on all accounts is used to manage our customers. (This is covered by the appropriate notifications.) Thinking about 7.1, does this also cover existing inter-group customers?**

Yes, providing the Principles of Reciprocity are followed.

**7.3 I share data on my range of products to different levels and wish to offer some of these other products to existing customers. What level of data can I see in order to drive suitable offers being made?**

If a consumer has applied for a credit product and has been accepted, they then have the status of a credit customer. You may then screen those individual customers to determine whether to cross sell additional product(s). Again you must ensure that you only use up to the same level of data shared on the product to be cross-sold in the screening process. An example is below.

Lender 'A' has a portfolio of Loan customers. Some are shared at full, some default and some not at all, depending on the consents held. They would like to offer all of their Loan customers a credit card. The credit card portfolio is a full data sharer.

*As the Loan is a credit product, they may use data to the full level to which they are entitled to screen the offering to existing credit customers. As the credit card is fully shared, a score based on full data may be used.*

Lender 'A' wants to offer other products to applicants for Loans, such as credit cards, mortgages and savings accounts. Loans are fully shared now, as are credit cards, but mortgages are shared at default level and, of course, savings are not shared.

*When Mr. S applies for a Loan, full raw data is available for the decision and he is offered the product, which he accepts. At that point, Bank Lender 'A' may then offer other products using scores based on the following*

- Credit cards – full data
- Mortgages – default-only data
- Savings account – public data

**Or**

- CRM score based on default only (because Mortgages are at that level)

*Plus*

*Savings account – public data.*

**7.4 I share data on a range of products and would like to consider whether customers who apply to me for one product are also suitable for being offered other products at the same time.**

The aim appears to be to build a totally integrated internal system to manage the decisions detailed above in Question 7.3. Instead of making multiple calls to the credit bureau (i.e. obtaining a different credit search for each product), it is possible to develop a PoR compliant system that calls the bureau only once.

If offers of multiple products are to be made at the same time, then the same bureau details may be used (subject to the data being limited to the allowable level for each product). Consequently there may not be credit search footprints for all products.

**7.5 Can I use an aggregated risk score to calculate an “exposure limit” so that I know the total value of credit that I would like to offer to the customer in future?**

Yes, this is an allowable use of aggregated risk score data as long as the portfolio is fully shared. If raw data are passed across from bureau to subscriber to make up a subscriber score, then there must be an auditable process to prove that raw data are not being supplied to any end users except for arrears management as detailed in Section 3.4.

When considering credit management solutions of this kind, organisations should take into account the provisions of the fifth Principle of Reciprocity, which requires that data are never used to target any customers of other specific subscribers. Further guidance on this topic can be found by referring to Section 4 of the Principles which includes a summary table of appropriate uses of data.

**7.6 Can I use aggregated positive risk scores for credit management activities if I am planning to start positive data sharing?**

In this situation, aggregated positive risk scores may be used for all credit management activities across all portfolios providing the organisation **commits** to begin sharing positive data on all portfolios within **3** months.

Positive scores may be used in customer management to exclude existing customers from a list (as long as the product to be marketed is a full data provider).

**7.7 My organisation has a number of products shared with the CRAs. Some are at full and some default only and on most of them there are some old accounts that are not shared. Today, when we have accepted an application from a consumer, we would like to offer him/her other products. Can we take a bureau feed at the outset that contains all that we might want to use and build the filters in-house?**

Yes, you can. However, you must ensure that the credit reference agency is satisfied as to the controls (filters) that you propose. The contract with the CRA must also include a right of audit to ensure that data levels are being used in accordance with the Principles.

**7.8 I understand that the additional positive data and early arrears data for credit & store cards may be used as an adverse risk indicator for existing customer management. How would this work in practice?**

When you are considering either offering new products or managing existing products for your customers, you may normally only use aggregated positive data. However the new additional positive and early arrears data for credit & store cards may also be used in their raw form as an adverse risk indicator to remove individuals from a marketing campaign.

## **Section 8 – Consent Issues**

**8.1 What happens where I only have consent to share positive data on some of the accounts within a portfolio?**

In this situation, access to aggregated positive risk scores will still be available for all accounts within the portfolio for account management purposes, providing the requirements stipulated in Principle 2, Section 4 and Appendix 2 of the Principles are adhered to. It should be noted that default data must be supplied on all accounts in the portfolio, and in terms of establishing the required “Data Sharing Policy” an organisation should liaise with its appropriate Credit Reference Agency contact in the first instance.

**8.2 What options do I have to increase the level of positive data sharing on a split portfolio as discussed above?**

There are a number of approaches that could be taken. Consent could be sought from existing customers when they apply for new products, request a “top-up” or limit increase on an existing facility, or ask for a facility to be restructured. Opportunity to obtain consent could also be taken during a credit card reissue process, or via direct mail or telephone communication with the customer.

**8.3 Is it a requirement to have the technical ability to capture customer consent for positive data sharing on both the application form and the application processing system? My organisation’s view is that if the customer does not want to share their positive data then we will not proceed with their application.**

Your organisation may indeed choose to make consent for positive data sharing a condition of the agreement. It should be noted that Appendix 2 of the Principles relates specifically to existing

customers, where an organisation has given the necessary Executive Commitment to capture consent for historically opened accounts.

**8.4 I have already updated my fair processing notices to the approved 2006/2007 versions. Are they sufficient for my organisation to supply the new additional positive data for credit & store cards?**

As long as the version in use states that 'details of your accounts and how you manage it/them will be supplied to CRAs' supply of the additional data is covered. For further information on the latest version of the Fair Processing Notices, please contact your Credit Reference Agency or Trade Association.

## **Section 9 – Searches or Footprints**

**9.1 I understand that I should only leave one search per application but the product my organisation offers may result in an application undergoing a number of changes which require several searches. How should we handle this?**

Your credit reference agency can advise you on the best process for doing this on the system that you use. This would normally be reprocess and result in either the data being reused or the footprint being recorded as an enquiry on further iterations of the application.

**9.2 Credit search records may be used in decision making processes but how should we treat consumers shopping around for credit to minimise the risk of them being impacted by too many searches?**

Lenders should make it quite clear to a consumer that if they make a full application which will give them a decision and a commitment on the part of the lender, that a full application search record will be created. It is important that this is made clear where the lender sets the credit limit or the rate based on the risk associated with that lending and therefore will be doing a full search in order to establish that credit risk. It is possible to do this as a quote, where a quotation search footprint may be left.

**9.3 I believe the shared data may be used for other purposes such as identification and employee vetting? Will this affect the consumers' ability to obtain credit?**

Either an enquiry type search or a specific search type associated with the activity should be left for these activities. They do not impact on a consumer's ability to obtain credit.

**9.4 I am not a member of any of the shared databases because my product is a savings product and does not provide credit but I do have to comply with the Regulations on Money Laundering and identify my customers. I understand that a dispensation has been given for some of the data to be used for identification purposes.**

Yes, that is true. The identification searches are shared on a reciprocal basis and the shared data (excluding the financial elements) used to support identification through the use of ID products via the credit reference agencies.

## **Section 10 – Business Reciprocity**

**10.1 The directors / partners of a small business (e.g. 3 directors /partners or fewer) have applied for a business loan. Can I check their personal data too?**

If you qualify to access data under the terms of the Consumer/Business Reciprocity Agreement and you have notified at least one of them then you are able to carry out a search.

**10.2 I have an application for a business loan for a start up and the proprietor does not have sufficient standing to support the facility. He has offered a personal guarantee from his father; can I do a credit search on him as well?**

It will depend on whether you have access to consumer data under the Consumer/Business crossover rules for this portfolio to assess the applicant. If you have you may access the same level of data for the guarantor, and leave the appropriate search footprint – enquiry unless otherwise instructed by the CRA. You will need to have notified the guarantor of your intention to carry out the search.