

Information Sharing

Principles of Reciprocity

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Introduction

Following a series of wide ranging discussions with lenders, trade associations and regulatory bodies regarding the use of consumer information in the determination of credit and marketing decisions, it was identified that a more formalised approach to the use of shared data was necessary.

As a result of this, the UK finance industry established a user group, the Steering Committee on Reciprocity (SCOR) to develop and oversee documented guidelines to address issues surrounding the use and sharing of credit performance and related data on individual consumers. The role of SCOR and the documented guidelines have subsequently been extended to cover the reciprocal sharing and use of consumer credit performance and related (but not trade credit) data on businesses.

This document is called 'The Principles of Reciprocity', known as 'The Principles'. It has been produced after consultation with, and agreement from, industry trade associations and regulatory bodies. The Principles cover the supply and access of consumer credit performance data, and the recording and sharing rules on credit search data, shared through credit reference agencies (CRAs) on the databases identified in Appendix 3.

The Principles have been established to regulate the sharing of this information, and to ensure that it is utilised in accordance with the 'Governing' Principle. This states that data are shared ONLY for the prevention of over-commitment, bad debt, fraud and money laundering, and to support debt recovery and debtor tracing, with the aim of promoting responsible lending.

Application of the Principles

It is the intention of the finance industry to ensure that all companies which utilise and / or subscribe shared data undertake to abide by the Principles. Contracts between CRAs and subscribers must reflect the requirement for compliance. In addition, it is expected that CRAs will only provide these data to other companies in accordance with the Principles.

Outside the scope of these Principles, subscribers have the right to determine the way in which their data are used. New product developments using shared data beyond the scope of the Principles should therefore be submitted to SCOR for review and ratification.

Participating organisations have responsibility for ensuring their internal compliance with the Principles, and should implement appropriate self-audit processes. Within each organisation, it is expected that the following departments, as a minimum, will have a working knowledge of the Principles:-

- Credit
- Marketing
- Product Management
- Operations
- Collections
- Legal & Compliance
- Audit

Further information

In addition to these guidelines, a number of additional documents have been created to provide lenders, trade associations, credit reference agencies and regulatory bodies with further information and guidance regarding the role of the SCOR and the interpretation of the Principles. These are:-

- The Rules Managing SCOR

This document explains the role, composition and operational responsibilities of SCOR. It also identifies procedures by which SCOR will address consistent breaches of the Principles, or data quality/ completeness standards, by any organisation

- Principles of Reciprocity – Questions and Answers

This document is composed of a series of typical scenarios and is designed to illustrate how the Principles should be interpreted and applied in a practical environment

- The Guidance on Reciprocity between Business and Consumer closed user groups

This sets out the practical implementation requirements for members of the business closed user group to access consumer data and vice versa.

- SCOR Interpretations

This document details specific interpretations or policy decisions made from time to time by SCOR. It only includes items which are not covered by other documents.

- Bureau Product Compliance Process

This document provides details of the process to be used by the credit reference agencies to gain agreement from SCOR for new uses of shared data.

1. The Principles

GOVERNING PRINCIPLE

- 1. Data are shared only for the prevention of over-commitment, bad debt, fraud and money laundering, and to support debt recovery and debtor tracing, with the aim of promoting responsible lending.**

GENERAL PRINCIPLES OF CREDIT PERFORMANCE DATA SHARING

- 2. Data provided for sharing purposes must meet legal, regulatory and voluntary code of practice requirements before provision and in use. Subscribers must use data only for purposes for which the required form of consent has been given.**
- 3. Data will be shared on the principle that subscribers receive the same credit performance level data that they contribute, and should contribute all such data available.**
- 4. Data may be used or made available by the credit reference agencies only in ways permitted by these Principles.**

USES OF SHARED DATA

- 5. Subscribers must never use shared data to target any customers of other specific subscribers.**
- 6. Shared data must not be used to identify and select new prospects.**

ADHERENCE TO THE PRINCIPLES

- 7. Subscribers have responsibility for regular monitoring to ensure compliance with the Principles, and the quality, completeness and accuracy of data supplied. Active steps must be taken to address any shortcomings.**

2. Types of Subscription

The credit industry is committed to the encouragement of data sharing on credit agreements in order to provide the widest possible data on which to make decisions about individuals and businesses. Given the availability of data within the different credit businesses there is a need for a variety of subscription types. Subscribers of data on a particular consumer or business product/portfolio will be allowed access to all the consumer or business shared data when processing applications, to the same level at which they subscribe data for that product/portfolio.

2.1 Standard Full Subscriber

The subscriber agrees to provide positive, delinquent and default data on a regular (usually at a minimum monthly, depending on the nature of the product) basis on all accounts within a particular product/portfolio where the necessary legal consents/notifications have been obtained.

Additional Positive Data for Credit & Store Cards Only

Standard Full Subscribers who are credit and/or store card issuers may share additional behavioural data fields as agreed. The Rules associated with access to this additional data are detailed in Appendix 5.

2.2 Default only Subscriber

The subscriber agrees to provide data on all accounts which are in default. A definition of default is included in Section 3.2. Reference should also be made to the latest Guidance Note on Defaults published by the Information Commissioner.

2.3 Debt Purchase Subscriber

The subscriber agrees to provide positive, delinquent and default data, as appropriate, on a regular basis (usually at a minimum monthly, depending on the nature of the product) on all accounts within a particular product/portfolio where the necessary legal consents/notifications have been obtained. Access to full data will be granted on those purchased default level portfolios previously reported by an originator at full level on the principle that the purchaser continues to report the required updates to default level data.

For those accounts on which the debt purchase subscriber has only ever provided default data, but is accessing full data, the full data may only ever be used for risk assessment purposes to support arrears management. It may not be used for any other purpose.

2.4 Non-Subscribing Organisation

It is possible that non-subscribing organisations may request access to shared data for a specific purpose. Such access will not be allowed without the specific written agreement of SCOR.

2.5 New Subscription

New subscription can occur in one of the following situations:-

New Data Sharer: An organisation, which is new to data sharing, requests access to shared data.

New Portfolio: An existing data sharer wishes to access shared data in respect of a new portfolio.

Acquisition of an existing credit portfolio: A data sharer acquires an existing portfolio from another organisation, and wishes to change the level of data sharing

Increase in Subscription Level: A data sharer wishes to increase the level of data shared on a specific portfolio, i.e. from Default to Positive.

For all these situations, access to shared data will be given when :-

- The organisation concerned has entered into a contractual commitment, with one or more credit reference agencies, to supply data relating to their own customers within 3 months of the start of any usage.
- They must then supply those records, in an acceptable format, within 3 months of the start of such usage (or within 3 months of the first account being opened in a new portfolio)
- The data accessed will be strictly at the same level as the data which are shared (see 2.1 to 2.3 and 3.2).

2.6 Sharing with Additional Bureaux

An existing subscriber with one or more bureaux, may decide to extend their data sharing, to include other bureaux. The subscriber will be treated as an established subscriber when sharing data with another bureau.

2.7 Tests/trials

Retrospective test data analysis, undertaken by the agencies to assess the value of shared data, is the preferred testing method.

- Test output should not be used for any marketing
- Live manual trials are not permitted
- The use of raw data for scorecard validation is acceptable.

2.8 Consumer/Business Reciprocity

1. These rules form an integral part of the Principles of Reciprocity. Detailed guidance is available in the 'Guidance on Reciprocity between business and consumer closed user groups'. The arrangements have been agreed between the consumer and business closed user groups to access data for the purpose of Application Risk assessment only. Commercial credit providers offering services, that are comparable to consumer products, to sole traders, partnerships or independent¹ commercial companies of **3** partners/sole traders/**directors**² or fewer, may access consumer data on one or all of the directors to check applications from their commercial customers. Consumer credit providers offering services to consumers may access commercial data to check the company/business behaviour of a director/partner/sole trader. Credit providers offering services to both consumers and commercial organisations may access both consumer and commercial data on both consumer and commercial customers. CRAs offering consumer but not commercial may **partner** with other providers of data.

Restriction - Bank Current Account data

An individual bank may require that only default current account data be made available to business lenders under this agreement. In this case, the bank may only access default level data on the business database on any business checked on the restricted portfolios.

2.9 Current account restriction

As a matter of policy some organisations may elect not to share the following on current accounts

- Limit and/or
- Balance below the current agreed value [presently £1,250], on accounts at a status 0

In these circumstances, such organisations may not use the same information from other current account sharers in a raw form. They may use generic scores or summaries that incorporate this information.

¹ Not subsidiaries of larger groups

² The reference to 3 directors or fewer is because the ICO have agreed that, in the case of companies of 3 directors or fewer, it is sufficient to notify 1 director on behalf of others, if they suitably mandated. Furthermore, the ICO considers that it is unusual for personal data to be relevant when making decisions on larger companies.

More details on this arrangement may be found in Appendix 4.

3. Principles of Reciprocity - Definitions

3.1 Types of Individuals

Consumer: A named individual transacting in a personal capacity.

Business: An independent commercial organisation (of any legal structure) including sole traders operating in their business capacity.

Existing Customer: A consumer or business currently holding a credit account³ with a financial organisation, or having held and closed a credit account with the financial organisation within the last two years.

Financial Unit: Two or more consumers that have joint financial dependency for example, a married couple. Links will normally be created by joint applications or accounts, or by declarations by one of other of the parties.

New Applicant: A consumer or business, not an existing customer, applying for any form of credit account with a financial organisation.

New Prospect: A consumer who is not an Existing Customer or a New Applicant, and who has been identified as a potential new customer to be targeted.

3.2 Types of Data

Standard Positive Data: All credit performance data that are not delinquent or default data as defined below.

Arrears data for pre screening

- **Early Arrears Data on Credit & Store Cards** Accounts which are or have been 1 or more months in arrears within the previous 12 months.
- **Early arrears data on any type of account** – accounts which are or have been 2 or more months in arrears

Additional Positive Data for Credit & Store Cards : The additional behavioural fields shared only by credit or store card issuers relating to performance and usage of the facility.

Negative Data: All delinquent and default credit performance data and searches.

³ An account on which credit is, or can be taken and as such, will include current accounts.

Delinquent Data: Accounts which are (or have been) at least 3 months in arrears, and which satisfy the detailed criteria specified in Appendix 3.

Default Data: The relationship with the individual is deemed by the lender in a standard business relationship to have broken down.

Note:- Banks will continue with existing arrangements whereby they supply default data and receive default data and appropriate delinquent data as defined in Appendix 3

Search Data: Data associated with

- the recording of searches on shared credit databases held at credit reference agencies
- information supplied in the course of the search.

Searches may be conducted for a wide variety of authorised purposes and the membership level of the organisation together with the purpose of the search will determine the amount of data to be supplied and the type of “footprint” recorded. Also the purpose will determine whether and how the search “footprint” itself may be used by other organisations.

- **Search “footprint” Record:** All individual searches under these Principles will leave a search record (footprint) which will be visible to the data subject should they make a subject access request to the credit reference agencies.

Searches fall into two main types although there may be sub–types of each:

1. **Shared** with other organisations (such as credit application searches and quotation searches)
 - Only one credit application search footprint per applicant should be created at a bureau for any one application.
 - Shared searches may be used in decision systems by other organisations, for example as an adverse risk indicator, but may not be used to identify and select new prospects.

2. **Non-shared searches**

All individual searches for any other purpose may be recorded as an enquiry search type, if they cannot be recorded under another specific search type.

Aggregated risk score: A risk score provided from which no specific item of information relating to a particular individual or financial unit can be deduced. Aggregated risk scorecards must not be developed from shared data where a subscriber represents 20 per cent or more of the sample on which the scorecard is developed, unless the consent of that subscriber is obtained. The aggregation may be either a bespoke subscriber score or a bureau score.

Geographically aggregated data: Information combined at any postcode level as appropriate to avoid the possibility of individual or financial unit identification.

Raw data: Credit performance data specifically relating to an account or accounts on consumers, financial units or businesses, other than aggregated risk scores or geographically aggregated data above. 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.

Adverse risk indicator: A score, aggregated or individual data item that has been identified as predictive that a consumer is likely to be at a higher risk of not being able to service the product. In New Prospect Screening, can only used to remove consumers from an existing prospect list.

Credit Reference Agency Databases: Details of the shared databases regulated by these Principles are provided in Appendix 3.

3.3 Types of Actions

Outbound: Proactive effort originated by the financial organisation.

Inbound: A request by an applicant for any credit products.

3.4 Types of Credit Assessment

The forms of such assessment are given below:

Prospect Screening: This is the assessment for credit purposes of outbound product offers to new prospects in the interests of responsible lending. Examples include the screening of mailing lists before they are sent to remove the names and addresses of individuals known to be, or deemed to be in danger of being, in financial difficulties.

Application Risk Assessment (including application authorisation): This is the assessment for credit purposes of inbound applications for credit products, or for a package of services to include credit and other financial products, however originated. It includes responses to outbound originated activity.

Credit Management: This is the assessment for credit purposes of an existing customer's credit accounts. It covers:

- Credit limit adjustments: This is the adjustment in the credit limit on an existing account or customer.
- Transaction authorisations: This is the authorisation of individual transactions on an account.
- Offers of new credit products, including associated risk screening
- Arrears management: This is the credit assessment of an account or customer when

when in arrears for the purpose of recovery or prevention of more serious arrears. This use includes decisions on litigation. The purpose is clearly not marketing related, and so no additional credit facilities will be granted. Raw data can be used.

3.5 Aggregated Data Reporting

From time to time Credit Reference Agencies will have a need to report upon overall view of shared data held. These principles authorise the production and distribution of these reports in accordance with the attached matrix:

	Report to contracted CUG members	Report to external bodies
Basic volume data	Yes	Yes
Analysis and performance	Yes	No ⁴

Information can be provided when there is a 'Yes', any intended production outside the matrix or in the cell defined as 'No' requires prior authorisation by SCOR via procedures detailed in its rules.

Contracted CUG members *Only the following:* Individuals sharing data under the POR; CRA meetings designed for Closed User Group members - accepting that some non CUG delegates will be in attendance; Trade Association level data to TA's, if for internal consumption amongst members the majority of which will be CUG Members; Prospective CUG members, data only used as part of sales/recruitment process. Information is provided to existing members only to assist in fulfilment of principle 1 on their shared portfolios to a maximum level determined by principle 3.

External bodies *examples include:* regulators, government departments, legal bodies, media bodies, lobby groups, market analysts, economists & potential future customers. Trade Associations if data being externally published.

Basic volume data *only the following:* Membership [type](#), volume (number of accounts) and value (£outstanding balance) of records by finance sector, product, full or partial, secured or unsecured & geographical location, (no lower than post town).

Analysis & performance *examples include:* Derived data scores, current performance status or trends, views expressed as a result of analysis of either individual or combined CUG records. All work to be marked private and for the use of User Group members only.

⁴ These rules do not prevent the provision of data where there is a legal or regulatory obligation to do so. Retrospective notification of any such provision of data will be given to SCOR.

4. The Principles – A Summary

The terms defined in Section 3 have been used to build the following summary table which identifies the circumstances in which types of shared data may be used by organisations sharing positive, default and delinquent data on all consumers or businesses in all appropriate portfolios. It also includes the credit and storecard behavioural data fields.

	Raw Standard Positive data	Raw Additional Positive Data for Credit & Store Cards	<ul style="list-style-type: none"> • Raw negative data • searches¹ • raw Credit & Store Card data • arrears data for prescreening 	Aggregated Positive Risk Score	Aggregated Negative Risk Score
New Prospect Screening	No	Adverse Risk Indicator only	Adverse Risk Indicator only	No	Adverse Risk Indicator only
Existing Customer Screening to offer a product on a shared portfolio	No	Adverse Risk Indicator only	Yes	Yes	Yes
Application Risk Assessment	Yes	Yes	Yes	Yes	Yes
Existing Customer Credit Management on a shared portfolio	Arrears Management only	Yes	Yes	Yes	Yes

¹ Only covers relevant search records “footprints” such as credit application & quotation search types

Notes:

1. Aggregated risk scores can be used at the point of application to offer a range of other credit products to the consumer (providing the appropriate level of data is being supplied on all products considered).
2. In application risk assessment, raw data must not be used to offer improved or additional products/facilities. Thus, when assessing applications for new or increased credit limits, raw data must not be used to offer higher credit limits or credit card balance transfer facilities deliberately targeted at accounts which applicants may have with existing subscribers.
3. Application Risk Assessment is the only purpose for which consumer data can be used to assess businesses, and the only purpose for which business data can be used to assess consumers.
4. Where an organisation shares positive data on all consumer products except a current account, then aggregated positive risk scores can be used for permitted credit management purposes across all products, including the current account, for all customers holding a product other than the current account, subject to the detailed requirements provided in Appendix 1.

If the organisation subsequently acquires an existing non-Current Account consumer portfolio on which only default data is subscribed, the right to use aggregated positive risk scores for credit management purposes across all products, including the current account, will not be affected providing the organisation commits to begin positive data sharing on the additional portfolio within 12 months of acquisition.

5. Where consent to share positive data is only available for some accounts within a portfolio, access to aggregated positive risk scores will still be available for all accounts providing the organisation meets the requirements detailed in Appendix 2 to increase positive data sharing on the portfolio.
6. Where an application is supported by a personal guarantee, access to shared consumer data, for the purpose of assessing the guarantee, is permitted on the same basis as access to assess the applicant.

Appendix 1 - Customer level management and the inclusion of current accounts for consumers

The requirements to use aggregated positive risk scores on the current account are:-

- Default Data must be shared across the full current account portfolio.
- Positive Data must have been shared across all lending products for (as a minimum) accounts opened in the 12 months prior to the organisation starting to access the data, and for all new accounts opened thereafter.
- An organisation will provide an **Executive commitment** to share current account positive data, as well as a plan to illustrate their expected timeframes. It is expected that such data will be shared within 5 years of the organisation's first use of a positive data aggregated risk score.
- The organisation must confirm, on an annual basis, progress against their plans for sharing current account positive data.

Activity	Aggregated Risk Score (default data)	Aggregated Risk Score (positive data)
C/A facility increases (to O/D limit or debit card functionality/limit) - Outbound	YES	NO
C/A facility increases (to O/D limit or debit card functionality/limit)- Inbound	YES	YES
C/A application risk assessment (customer)	YES	YES
C/A application risk assessment (non-customer)	YES	NO
Renewing existing facilities	YES	YES
Transaction authorisation	YES	YES
Management of temporary excesses (not increasing O/D limit)	YES	YES
Arrears/delinquency management (including facility restructure)	YES	YES
Arrears/delinquency alert	YES	YES
Identification of over-commitment	YES	YES

Appendix 2 – Portfolios where consent to share positive data is only available for some accounts for consumers

The requirements to use aggregated positive risk scores on all accounts are:-

- The organisation must share Default Data in respect of ALL accounts in the portfolio.
- Positive Data must be shared for (as a minimum) all new accounts opened in the **24 months** prior to the organisation accessing the data and ALL **new accounts** opened thereafter, within the portfolio must be shared.
- A “Data Sharing Policy” must be established, which must include **Executive commitment** to seek to increase the level of positive data sharing on historically opened accounts.
- The organisation must demonstrate that they have the technical ability to “capture” customer consent for positive data sharing on historically opened accounts (e.g. via a Yes/No flag), so that such records can be shared when consent is obtained.

Appendix 3 - Credit reference agency databases

The following credit reference agency databases are covered by these Principles:

Experian: CAIS

Equifax: Insight

Callcredit: SHARE

Credit reference agency definitions of delinquent data

Experian:

- a CAIS 8
- status 4 or worse in the last 12 months
- two consecutive status 3's in the last 12 months
- the balance reported will be that at the initial point of delinquency, eg the second CAIS 3 record
- if the point of delinquency is greater than 12 months, the record is not displayed unless there has been further delinquency
- a delinquent record which is subsequently settled will only be displayed within 12 months of delinquency, not for a further 12 months from settlement

Equifax:

- status D or R
- status 4 or worse in the last 12 months
- two consecutive status 3's in the last 12 months

In the case of D's and R's, the balance quoted as default will be the balance when the status was first provided. If the balance is amended, this will be held as the current balance, the default amount remaining unaltered.

A default record D or R which is subsequently settled will continue to be displayed for 6 years from the date the default was originally loaded.

In the case of status 4, 5, 6 or two 3s, a default balance is not held and the balance shown is the current balance only.

These records will cease to be displayed to default only providers if the condition ceases to exist in the 12 month period or was settled more than 12 months ago.

Callcredit

- Account in default
- payment status code of 4 or worse within the last 12 months
- two consecutive payment status codes of 3 within the last 12 months

For defaults, the original default balance will be displayed. This balance is captured the first time the default record is sent. Otherwise the balance reported will be the current balance.

A delinquent record is displayed for 12 months from the date of the last delinquency or the settlement date, whichever is the sooner.

Appendix 4 – Current account restriction

Background

A revised version of the Principles of Reciprocity (POR) was ratified at SCOR in March 2003. The changes included certain commitments around the sharing of an agreed minimum level of positive data for the current account, where an organisation wishes to access data under the terms of Appendix 1.

This proposal has been prepared in order to document the conditions under which the agreed minimum level of positive data for the current account would be shared. However, it must be recognised that this proposal does NOT commit any organisation to share such data, as each individual organisation must retain full control over this important strategic decision.

As a matter of policy, for current accounts, some organisations may elect not to share:

1. Any **Overdraft Limits**;
and/or
 2. **Overdraft Balances** below [*the agreed value*], on accounts at Status 0
- In these circumstances, such (minimum level) sharers may NOT use RAW limit and/or overdraft balances from other current account sharers.
 - Such data should not be provided to such organisations by the supplying credit reference agencies (CRAs).
 - In exceptional circumstances (e.g. for non-standard interfaces), it may be agreed jointly between the organisation and their supplying CRA(s) that this requirement should be implemented 'in-house' within the lender's systems. In such cases, the organisation must implement a strict in-house compliance process, to prevent such data from being used.
 - This commitment, whichever approach is taken, must form part of the organisation's CRA contract(s).
 - The organisation and their CRA(s) must, in strict confidence, advise the Chairman of SCOR that the required developments have been undertaken. The Chairman of SCOR is entitled to seek assurances from the CRA(s) that all necessary steps have been taken.
 - This requirement applies only to either or both of the data fields and NOT to any derivative output such as scoring characteristics, generic bureaux scores, or indices, that incorporate this information, all or any of which MAY be supplied and used.
- There must be a very high level of transparency and clearly understood communications around the use of current account information by data sharers, as well as by the CRAs.

- The POR will be used as the basis for the regulation of the use of this data amongst data sharers. There must be effective governance by CRAs in respect of existing products/services, where such data are used, as well as future developments which may include the use and/or derivation of such data. It will be for the CRAs to guarantee adequate transparency for their specific uses.

SUMMARY OF IMPACTED SHARED DATA FIELDS

OVERDRAFT (DEBIT) BALANCE **Mandatory within agreed terms**

The Overdraft (Debit) Balance will be mandatory where:

- The account is reported as Status 1 (or worse); or
- Balance exceeds £1250 at Status 0
- Balance Definition - a “snapshot”, as at the day the CRA file was created

CREDIT BALANCE **N/A**

- Credit Balances should not be disclosed, nor should a Credit Balance Indicator be set.

OVERDRAFT LIMIT *or* CREDIT LIMIT **Optional**

- The sharing of an Overdraft Limit is not mandatory.
- Where a bank chooses to share such a limit, it should only be disclosed where it has been agreed and advised to the customer.
- Shadow Limits (set for internal use) should not be disclosed.

ACCOUNT STATUS CODES **Mandatory**

- It is recommended that each bank provides the status code which they feel to be most appropriate (reflecting their unique circumstances).

The objective of these definitions is to provide a guideline for the creation of status codes for current accounts. The “Possible Triggers” recognise that the operation of current accounts is more flexible and varied than for other account types .

Status 0 or 0 & OK- Possible Triggers

- A suitable status as derived from internal risk codes
- in credit ; or
- no overdraft currently requested ; or
- overdraft is not in unauthorised excess of either 'overdraft limit' or shadow limit ; or
- Lender is comfortable with situation and will not take any corrective action ; or
- Arrangement is being maintained satisfactorily, arrangement flag is set ; or
- Account within agreed temporary excess

Status 1 or 1 & AA- Possible Triggers

- A suitable status as derived from internal risk codes
- 'overdraft balance' is less than 'overdraft or shadow limit' but is 1 or more but less than 2 months past repayment date ; or
- 'overdraft balance' is greater than 'overdraft or shadow limit' for 1 or more but less than 2 months ; or
- cheques/direct debits/standing orders bounced this month to keep the account in order ; or
- 'overdraft limit' increased temporarily whilst managing balance downward ; or
- 'overdraft limit' which is not to be exceeded under any circumstances set; customer required to reduce balance ; or
- 'overdraft balance' is less than 'overdraft limit' for 1 month but no credit received for 35 days and customer has not responded to a request that the account be funded ; or

Status 2 or 2& AA- Possible Triggers

- A suitable status as derived from internal risk codes
- 'overdraft balance' is less than 'overdraft limit' but is 2 or more but less than 3 months past repayment date ; or
- 'overdraft balance' is greater than 'overdraft limit' for 2 or more but less than 3 months ; or
- cheques/direct debits/standing orders bounced for second month to keep account in order ; or
- account being managed downward for second consecutive month ; or
- 'overdraft limit' which is not to be exceeded under any circumstances set; limit set for second consecutive month and action taken to keep customer within it ; or
- 'overdraft balance' exceeds 'overdraft limit' for more than one month and no credit received for 35 days ; or
- 'overdraft balance' is less than 'overdraft limit' but no credit received for between 35-60 days and customer has not responded to a request that the account be funded ; or

Status 3 or 3 & BB- Possible Triggers

- A suitable status as derived from internal risk codes ; or
- 'overdraft balance' is less than 'overdraft limit' but is 3 months or more past repayment date ; or
- cheques/direct debits/standing orders bounced for third consecutive month to keep the account in order ; or
- account being managed downward for third consecutive month ; or
- 'overdraft limit' which is not to be exceeded under any circumstances set; limit set for third consecutive month and action has been taken to keep customer within it for third consecutive month ; or
- 'overdraft balance' is less than 'overdraft limit' but no credit received for more than 60 days and customer has not responded to a request that the account be funded ; or
- Formal demand for repayment sent

Status 4-6 or 4-6 & BB - Possible Triggers

- If, when status 3 has been set, the customer is showing no realistic attempt to repay the overdraft then, a Status 8 should normally be set.
- Status 4-6 will normally only be needed if the customer has made a repayment proposal and is making a realistic effort to repay the overdraft, but the overdraft is more than 3 months beyond its repayment date.

Status U, U & UCor Status N, U & DT (Non Active) - Possible Triggers

- New account up to 3 months old **and** no activity during the last month.

Status 8, D or D & DF - Account in Default - Possible Triggers

- Return of the cheque guarantee card demanded ; or
- Account closed at banks request ; or
- 'Overdraft balance' has exceeded 'overdraft limit' for at least three months with no evidence that the account is to be brought into order ; or
- No substantive repayment has been made 3 months after the scheduled repayment date and no extension has been granted ; or
- No credit recorded for 3 months

Internal Risk Codes

- Some banks believe that the use of an Internal Risk Code (IRC) to define CRA Status Codes 0-6 will be more robust and meaningful than trying to force a particular portfolio into the existing "possible triggers".
- It is highly likely that the reporting of an arrears situation via an IRC will be earlier than where alternative definitions are employed, particularly as banks are working on internal measures of the probability of default, under Basel II requirements.

□ A bank deciding to follow the IRC option will need to present their proposed definitions to the Compliance Director at each CRA, so that they can verify that the reporting method provides robust and consistent indicators.

□ Banks sharing IRC's must ensure that all data passes three critical 'tests':

Customer Service must be able to explain the reported status in a transparent manner

Accuracy (DPA) must be a true reflection of the position relating to the facility

Value must provide robust data on which other lenders may make credit decisions

Joint Accounts

- When setting up data sharing processes for current accounts, particular care should be paid to the specific requirements for the reporting of joint accounts, or indeed those involving multiple parties.
- It is recommended that such issues are covered in detail between the organisation and their CRA(s), as each will undoubtedly face unique policy and technical issues, meaning that a recommendation on a standard approach is not practical.

Appendix 5

Additional Positive Data for Credit & Store Cards Only

Provision of Data

Credit & Store Card providers have agreed a list of behavioural data fields designed to help identify customers who may show signs of over-indebtedness and/or financial stress. Provision of the additional credit and/or store card behavioural fields is optional for credit or store card issuers.

Access to Data

Standard Positive Data members.

Credit and/or store card providers who supply the additional positive data may access the equivalent data from other credit & store card providers.

Those providers that choose not to share the additional data are not entitled to receive it. Those providers that cannot share for technical/platform constraints but who make an Executive Commitment to do so may access the data to make decisions on the relevant portfolio (on which the commitment has been made) for up to 12 months from the date of access.

However, reciprocity is also required at a Group level such that those organisations that either share or commit to share on all their portfolios or who do not have credit or store card portfolios may also access this data for making decisions on other types of product. This may be exercised at a portfolio or customer level.

Any organisation unable to meet the reciprocity requirements at a Group level is then restricted to portfolio reciprocity only.

Examples:

1) Bank A has two credit card portfolios, personal loans, current accounts and mortgages. They will share the new data on both credit card portfolios. They may access the new data on all of their portfolios and use it at a portfolio or customer level.

2) Bank B has two credit card portfolios, personal loans, current accounts and mortgages. They will share the new data on one credit card portfolio and give an Executive Commitment on the other. They may access the new data on all of their portfolios and use it at a portfolio or customer level.

3) Bank C offers a credit card product which is outsourced to Bank Z which owns the receivables as well as personal loans, current accounts and mortgages. The responsibility for reciprocity lies with Bank Z and Bank C may access the new data on all of their portfolios and use it at a portfolio or customer level.

4) Bank D has two credit card portfolios, personal loans, current accounts and mortgages. They have decided not to share new data on one of the credit card portfolios. They may access the new data only on the credit card portfolio that shares the new data.

5) Bank E has two credit card portfolios, personal loans, current accounts and mortgages. They have decided not to share the new data on either of their portfolios and may not access the new data for any portfolio.

6) Bank Z manages 25 credit card portfolios, many of which may appear to consumers to be owned by other organisations. However, Bank Z owns the receivables and may only access the data for those portfolios on which the data is shared. Only if every portfolio is shared or executive level commitments be in place, may the data be used at a customer level.

Setting up Access to the Data

For new members of the shared database, credit reference agency contracts will require organisations to declare their position on supply of and eligibility to receive data. They will also be required to undertake to notify immediately of any change in their situation such as the purchase or sale of a portfolio or issue of a new product.

For existing members of the shared database, credit reference agencies will seek a declaration of entitlement to the data before making it available.

This will in addition to any Executive Commitment.