



# CREDIT INFORMATION SHARING IN KENYA

## 1.0 BACKGROUND

Following the rollout of the banking sector credit information sharing in Kenya with effect from 31st July 2010, consumer awareness is critical to ensure that the potential benefits to be achieved through the mechanism are appreciated. In this brief, the kind of information that banks share among themselves through licensed credit reference bureaus (CRBs) as well as the bank customers' rights to access information from both the banks and CRBs are detailed.

## 2.0 INFORMATION SHARED BY BANKS

The Banking (Credit Reference Bureau) Regulations, 2008 provides that the information to be shared among the banks is any customer information concerning **their customers' non-performing loans (NPLs)** as well any other adverse information relating to a customer (negative information). In summary, the information to be shared among banks includes information on:-

- a) non-performing loans;
- b) dishonour of cheques other than for technical reasons;
- c) accounts compulsorily closed other than for administrative reasons;
- d) proven cases of frauds and forgeries;
- e) proven cases of cheque kitting;
- f) false declarations and statements;
- g) receiverships, bankruptcies and liquidations;
- h) credit defaults or late payments on all types of facilities;
- i) tendering of false securities; and
- j) misapplication of borrowed funds.

It is worth noting that sharing of negative credit information does not amount to blacklisting. However, such information is expected to be taken into account by banks while assessing applications for loans and other bank facilities. Further, it is worth noting that licensed CRBs are required under the CRB Regulations to hold information on non-performing loans submitted to them by banks for at least 7 years after the date of final settlement of the amount in default.

It should however be noted that customers may consent to their banks sharing positive information on their performing loans. Positive information sharing contributes to the building of information capital that may be used in negotiating for competitive interest rates for credit facilities.

### 3.0 CUSTOMER RIGHTS

- Banks are required under the CRB Regulations to notify each customer of the name and address of the credit reference bureaus (CRBs) to which they have submitted the customer's information. This notice is to be issued within thirty (30) days of the first listing of the customer's information with the CRBs.
- Banks are required to issue a notice to a customer when a decision has been taken not to grant a loan or other facilities based on a credit report(s) obtained from CRBs. This is known as adverse action notice which will detail that:-
  - The customer's credit report played a role in the decision;
  - The name, address and telephone number of the CRBs that provided the credit reports;
  - The customer's right to obtain a free copy of the credit report from the CRB(s); and
  - The customer's right to dispute information in the credit report(s), and if erroneous or outdated, have it corrected.

It should be noted that banks are deemed to have notified their customers when they send the notifications to the customer's last known address by registered mail or by certificate of posting.

- A customer is entitled to a free copy of the customer's credit report at least once a year and within thirty days of receiving an adverse notice. Customers are expected to request for their entitled credit reports from the CRBs in writing.
- Customers have a right to dispute information contained in their credit reports if they believe it to be inaccurate, erroneous or outdated. The CRBs are expected to commence investigations on the disputed information, which in the meantime will have a note attached to it that it is disputed and is under investigation. Investigations on disputed information must be completed within 30 days from the date the dispute is raised.
- A bureau protects the confidentiality of the customers information by only releasing it to the customer concerned, the Central Bank of Kenya, those authorised in writing by the customer concerned and as required by law.
- CRBs will only release customers' credit reports to banks that require it to evaluate the customers' application for credit or other customer initiated business transaction.
- Banks can share their customers' positive information subject to receipt of the concerned customers' consent. Sharing of positive information will enhance the credit worthiness of the customers who can use their positive credit profile to negotiate for better terms and conditions when sourcing for facilities from their banks.

The Banking (Credit Reference Bureau) Regulations, 2008 which provide the basis for the licensing, supervising and operations of CRBs in Kenya can be accessed under the link: <http://www.centralbank.go.ke/financialsystem/creditreference/CRBRegulations.aspx>

**CENTRAL BANK OF KENYA  
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