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KENYA



CENTRAL  
BANK OF  
KENYA

**November 10, 2022**

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## **BANKING CIRCULAR NO. 3 OF 2022**

### **TO CHIEF EXECUTIVE OFFICERS OF CREDIT REFERENCE BUREAUS**

#### **CREDIT REPORTS ISSUED BY CREDIT REFERENCE BUREAUS**

The Credit Information Sharing Mechanism (CIS) was launched in July 2010, with reporting of non-performing loans only (negative information). In 2013, new regulations were issued incorporating reporting of information on performing loans (positive information). This in effect operationalized full file credit information sharing. Over the past twelve years, the mechanism has become an integral part of the credit market in Kenya. As of September 30, 2022, over 160 million credit reports had been accessed by commercial banks, microfinance banks, deposit taking SACCOS, third-party data providers and individuals. On average over three million reports are requested monthly from the three licensed Credit Reference Bureaus (CRBs).

The issuance of the Banking (Credit Reference Bureau) Regulations, 2020 (the Regulations), in April 2020, embedded the risk-based pricing of credit. This was through the requirement for institutions to consider among other factors, a customer's credit score when appraising a credit application. The Regulations are therefore an important tool in ensuring that the banking sector *works for and with Kenyans*, as was outlined in the Banking Sector Charter (the Charter) launched in February 2019, by the Central Bank of Kenya (CBK). The Charter is premised on four pillars of *customer centricity, risk-based credit pricing, transparency, and ethical banking*.

While significant progress has been made with the CIS mechanism, there remain public concerns on the usage of credit reports by lenders. These concerns revolve largely around borrowers with adverse credit reports. The lingering perception is that banks use these reports to deny borrowers credit as opposed to their intended use of pricing credit risk.

As you are aware, the Regulations stipulate that a customer's credit score should not be used as the sole reason by an institution to deny a customer a loan. We have further noted that the credit reports incorporate this requirement as part of a disclaimer at the bottom of the report. This requirement needs to be clearly stipulated at the top of the report as a reminder to lenders and to enhance borrowers' awareness on usage of credit reports.

The purpose of this circular therefore is to direct the CRBs to immediately incorporate the statement below at the top of all credit reports.

*In accordance with the Banking (Credit Reference Bureau) Regulations 2020, a customer's credit score shall not be used solely to deny a customer a loan, credit facility or any other financial service. The credit score shall be used as one of the factors to inform the decision-making process when determining the customer's application for a loan, credit facility or any other financial service.*

Further, CRBs should continue improving the quality of the credit reports, and in particular, enhance the robustness of credit scoring models and align them to best practices. CRBs should also continue working with banks and other lenders to ensure that borrowers' data is updated promptly.

Please note that failure to comply with this directive or any other provision of the Regulations will attract remedial action.

Yours faithfully,



**MATU MUGO**  
**DEPUTY DIRECTOR, BANK SUPERVISION**