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Learning to share

Should we have credit data sharing legislation? Many areas do, ranging from the US and Europe to emerging markets such as India. Australia is also changing its credit reporting laws.

Not so long ago the UK could be held up as a success story for self-regulation, underpinning a market accounting for more than 30 per cent of EU household borrowings. But external observers are surprised to find we have no data sharing legislation other than the Data Protection Act (DPA) and an Office of Fair Trading licence.

Data sharing is still governed by the credit industry through the principle of reciprocity. When explaining this model outside the UK, eyebrows are raised over the potential for self-interest and protectionism, especially as the governing body, SCOR, has no independent representation. What about new players or new sectors with a legitimate case for sharing data, but where there could be a competitive issue, or just a lack of willing within the data sharing community?

While we have anti-competitive checks

and balances, it can be a difficult sell to a foreign regulator who typically works on a statutory list of credit information providers open to additional sectors if an objective case is made to the relevant government department.

And the UK market itself has moved on. We have a growing number of new players with valuable data to contribute, for example, in the payday and social housing arenas.

Lead-generator and broker markets, in particular through internet price comparison sites, are the typical route into finance for many consumers. But these players should use shared data for a credit risk decision for a panel lender, not



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for placing that loan. And as Credit Reference Agencies (CRAs) can only use data as permitted by the principles, even a consumer cannot generally override this.

However, under DPA section seven I have a right to be given a copy of my credit report, which could be turned into a contemporaneous transaction between me, the CRA and a creditor. The fact that section seven was never intended for this appears irrelevant.

So a broker could get my credit report for the purpose of finding the best deal, if that's what I wanted, and my report might even show the names of the lenders, unlike a credit search. Following this logic, in theory anyone could see my details without the need to share information reciprocally. The integrity of the bureau data and value-added products will degrade, and the UK data sharing model would be fundamentally compromised.

So should we have credit data sharing legislation? Hopefully not, but try selling our model as 'best of breed' to external regulators. This in itself should perhaps put us on notice.