

STUDENTS' ECONOMIC FORUM

*To kindle interest in economic affairs...
To empower the student community...*



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October 2011

Theme 239

CIBIL: CREDIT INFORMATION BUREAU (INDIA)LTD.

A monthly publication from South Indian Bank

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SIB STUDENTS' ECONOMIC FORUM

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The South Indian Bank Ltd., H.O. : 'S.I.B. House', Thrissur, Kerala

THEME 239 : CIBIL: CREDIT INFORMATION BUREAU (INDIA) LTD.

A well informed customer will make the policy makers as well as organisations which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organisations and improve the quality of goods and services produced.

The "SIB Students' Economic Forum" is designed to kindle interest in economic affairs in the minds of our younger generation. We highlight one theme in every monthly meeting of the "Forum". This month we discuss on our country's first credit information bureau "CIBIL".

What do you know about CIBIL?

CIBIL was formally launched on May 5, 2004 as a repository of information on the credit history and repayment records of commercial and consumer borrowers in the country. The bureau owes its origin on the compelling need for a comprehensive credit information mechanism in view of the huge demand for credit and the resultant credit risks and delinquencies in the financial sector. CIBIL collects and processes credit information on the borrowers from all the financial institutions and shares the same with its members in the form of Credit Information Reports (CIR). The procedure is to provide specific information on borrowers /potential borrowers to banks and financial institutions to serve as an effective mechanism in risk assessment. The Indian banking sector is witnessing a spurt in their Non Performing Asset (NPA) portfolio as a result of huge demand for credit with competition brewing up every day. The Credit Information Companies (Regulation) Act, 2005 has empowered CIBIL to collect the data from various types of lenders and make the same available within the group.

What is the rationale behind formation of the Credit Bureau?

The LPG (Liberalisation, Privatisation and Globalisation) initiatives by the Government paved the way for the present day life style with huge spending spree coined with growing aspirations for quality products and services from the global market. The economy showed signs of upward movements with a vibrant financial sector ideally placed for facilitating easier availability of funds. There was visible growth in business, services, IT and other industrial sectors leading to high pay packages and rising income to the middle class. As the markets grew fast, the credit off take from banks and financial institutions to the consumer and commercial sectors grew even faster, with competition playing the role of a catalyst. On the above backdrop, the regulators felt the need for an effective mechanism to check the slippage in quality of loan portfolio. RBI issued a series of rules

and regulations to empower CIBIL to collect information about prospective borrowers and share the same among member banks. The establishment of CIBIL is a conscious move by Government of India with able guidance from RBI to improve the credit quality by containing the NPA (Non Performing Asset) in the Indian financial system.

How does CIBIL operate?

CIBIL provides a truly comprehensive snap shot of the financial track record of an individual or entity to the banks with easy access to its data base. The data base includes both commercial and consumer credit information. The Credit Information Report is a factual record on the credit history and payment records of an individual or entity to help the lenders make their credit decisions fast and objective. Commercial banks collect CIR from CIBIL for all fund/non- fund based advances to new borrowers, including take over accounts. It caters both commercial and consumer segments. The Consumer Credit Bureau covers credit availed by individuals while Commercial Credit Bureau covers credit to non- individuals such as Proprietorship, Partnership, Limited Liability Partnership, Private and Public Limited Companies. CIBIL is also maintaining data base of suit filed accounts of Rs.100 lakhs and above and wilful defaulters of Rs.25 lakhs and above.

Who are the promoters of the Bureau?

The share capital of CIBIL is owned by State Bank of India (SBI), Housing Development Finance Corporation Limited (HDFC), Dun & Bradstreet Information services India Private Limited (D&B) and Trans union International Inc (TransUnion). Originally both SBI and HDFC held 40% each and D&B and TransUnion the remaining 20% in equal proportion. Subsequent to RBI direction, the stakes with SBI and HDFC were distributed among several banks /financial institutions to keep the maximum stake by any shareholder at maximum 10%. Both D&B and TransUnion, well known world-wide in the credit information field, are technology partners in the bureau.

Who are the members of CIBIL?

The members are: Banks and Financial Institutions, State Financial Corporations (SFC), Non Banking Financial companies (NBFC), Housing Finance Companies, Credit Card companies.

What is a Credit Information Report?

CIR is a factual record of a borrower's credit payment history compiled from information received from different credit grantors. The purpose is to help the credit grantors make informed lending decisions – quickly and objectively. CIBIL reports do not make any comment or opinion on whether credit should be granted or not, but serves as an indicator for the lenders to manage their credit portfolio efficiently. CIBIL reports help responsible customers to demand faster and more competitive services on better terms and conditions from the credit grantors.

CIR does not contain

- Income /Revenue details
- Amount(s) deposited with the bank.

- Details of borrowers' assets.
- Value of asset(s) mortgaged
- Details of investment(s)

How does CIBIL function?

The major objective of the bureau is to minimise instances of default by providing information on non-individual borrowers such as Proprietorship, Partnership, Limited Liability Partnership, Public and Private limited companies. The credit grantors require information on the character, capacity and payment history of a prospective borrower at the pre sanction level. Generally banks gain such information only if they do have access to the records on such a borrower with different financial institutions. In order to make the pre sanction appraisal more effective, banks need a credit related data base on the borrower collected from different sources. CIBIL provides credit reports to its members by collating the consumer and commercial credit- related data collected from various financial institutions. CIBIL gets information from its members and supplement it with public domain information to create a comprehensive data base on an entity based on its financial track record. Thus the bureau acts as a repository of credit information on individuals /non-individuals in both the consumer and commercial segments.

What are the contents of a CIBIL report?

Generally the report reveals credit information such as repayment history, facilities availed, present status etc, along with personal information like name , address, telephone number, passport number, ID card number, PAN and so on. In the case of commercial sector the report provides additional information related to constitution, occupation, registration and such other details. The report contains only the data provided by member banks and as such there may not be any mention about rejection of any loan /credit card application to a borrower. The member banks submit monthly data to CIBIL about all their borrowers/ credit card holders regarding credit facilities, payment history, over dues, present status and so on. As such CIBIL report provides factual credit information alone and not any opinion, caution or comment on granting any credit facility to an individual /entity.

How does the report affect a customer?

A customer can build a good credit history by proper financial planning and maintain a good track record in repayment of dues on loans /credit cards. The report helps responsible customers to demand credit facilities on better terms and competitive rates. The customers do not have any access to the report through CIBIL's website. Individuals can request access to their credit reports directly from CIBIL. The name of a customer cannot be removed from CIBIL's data base since monthly reports are submitted by each member bank.

How does CIBIL report the status of loan accounts in its report?

CIBIL does not classify any account as NPA / defaulting account but only includes such information provided by member banks after classifying accounts as such at their end.

CIR reflects the past due / asset classification/ watch category status reported by members strictly as per the classification norms prescribed by RBI.

How do banks utilise CIBIL reports in their credit decisions?

All member banks take CIR for all fund/non- fund based advances at the initial level, irrespective of the credit limit, if deemed necessary. Generally it is mandatory to obtain CIR for all fund/non-fund based advances above a prescribed limit to new borrowers /take over accounts.

Which types of loans are generally excluded from the stipulation of obtaining CIR?

Generally the following types of loans /advances are exempted from the stipulation of compulsorily obtaining CIR. Fully Secured Loans against banks’ own deposits, Overdrafts against banks’ own deposits, UBD/DBD/FBP against LCs of approved banks, Key loans, Purchase / discount of demand drafts, Gold Advances, Forward Contract Limits, Loans to State /Central Government, Loans where State /Central Government guarantees are available.

In the case of consortium and multiple banking arrangements, if leader /other consortium member has taken a CIR, not older than 3 months, there is no need for obtaining a fresh report.

Which type of information is conveyed through CIR?

In the case of individuals, CIR includes identification numbers, passport ID, voters’ID, date of birth and so on in addition to the basic information such as name and address.

In the case of non-individuals, CIR provides the following information along with D-U-N-S® number, registration number and legal constitution

Credit facilities enjoyed by the entity, Repayment record, Overdue position, Number of enquiries on the entity, Present Status.

The members, who provide all their data to CIBIL, can access the CIBIL data base on the principle of reciprocity and utilise the same only for valid credit decisions. Disclosure to any other person / entity is prohibited. Under the Code of Banks’ Commitment to Customers, banks have to provide a copy of the CIBIL report to the borrower on request on remittance of the prescribed fee.

Describe “ISO 27001: 2005” certification for CIBIL?

ISO 27001 is the most widely recognised information security standard in the world. The adoption of ISO 27001 was a strategic decision for CIBIL and it is one of the 1000 companies in the world, which has achieved the same. ISO 27001 defines protection of information through confidentiality, integrity and availability. It is a benchmark of information security practice worldwide and as such ensures highest level of security of customer information.



COMMERCIAL CIR: (NON-INDIVIDUALS)

● BORROWER INFORMATION:

1. Name and Address
2. D-U-N-S* number
3. Other identification Numbers
4. Legal constitution
5. Major shareholders , Directors with address and D-U-N-S number.
6. Number of enquiries made on the borrower

● ACCOUNT INFORMATION:

1. Account Number
2. Type of Facility
3. Loan Amount
4. Balance outstanding
5. Asset classification
6. Wilful defaulter/suit filed status
7. Guarantor details

CONSUMER CIR: (INDIVIDUALS)

● BORROWER INFORMATION

1. Name
2. Date of birth
3. Identification Numbers
4. Address

● ACCOUNT INFORMATION

1. Account type
2. Ownership indicator
3. Sanctioned amount
4. Date of sanction
5. Date of last payment
6. Balance outstanding
7. Date of closure
8. Overdue
9. Suit filed status
10. Asset classification/past due status

Your comments and feedback on this publication may be sent to Staff Training College, The South Indian Bank Ltd., Thrissur 680 001 or by E.mail: ho2099@sib.co.in

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