

# **INFORMATION SHARING PRINCIPLES OF RECIPROCITY**

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## **INTRODUCTION**

### **Background**

The UK credit industry is mature and its self-regulation model is held up as a global exemplar. Over 350m records are now shared, relating to around 400 institutions.

Following a series of wide ranging discussions in the 1990s between 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 was necessary.

As a result of this, the UK finance industry established a self-regulating 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 resident in UK. The role of SCOR and the documented guidelines have subsequently been extended to also cover the reciprocal sharing and use of related data on businesses, but not trade credit.

This document is called 'The Principles of Reciprocity' (PoR). These Principles have been established through consultation with industry trade associations and regulatory bodies. The PoR cover the supply and access of consumer credit performance data about parties located in the UK, as well as the recording rules on credit search footprints, shared through credit reference agencies (CRAs), databases.

The PoR 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 of Reciprocity**

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 POR. Contracts between CRAs and subscribers must reflect this requirement for compliance. In addition, it is expected that CRAs will only provide these data to other companies in accordance with the PoR.

New product developments using shared, data beyond the scope of the PoR, should be submitted to SCOR for review and ratification.

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

- *Credit Risk*
- *Collections*
- *Marketing*
- *Fraud/money laundering*
- *Product management*
- *Legal governance & compliance*
- *Operations*
- *Audit*

## **Governance**

As a self-regulating industry body, an effective governance structure is essential. SCOR strives to continuously improve and evolve the management of the PoR. CRAs are required to include adherence to the PoR within their client contracts, which should also refer to the right to audit client data processes.

A further critical part of this process is the Data Sharer and CRA certification process which provides regular continuous review.

## **Policy Decisions**

Over time, a number of policy decisions have been made by SCOR to reflect changes in the market place. These decisions are managed and controlled in accordance with SCOR governance and are embedded in new versions of the document which are issued from time to time.

## **1 THE PRINCIPLES**

Below are listed the key statements ('principles') which make up the Principles of Reciprocity.

### **GOVERNING PRINCIPLE**

The overarching purpose is encapsulated within the '**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 CRAs only in ways permitted by these Principles
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 and certification of their own compliance with the Principles, and the quality, completeness and accuracy of data supplied. Such compliance may be for internal purposes or in response to a request from a CRA or SCOR.

Active steps must be taken to address any shortcomings.

## 2 THE PRINCIPLES – A SUMMARY

### DECISION TYPE & DATA AVAILABILITY MATRIX

The terms defined in Section 4 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.

	<b>Raw Standard Positive data</b>	<b>Raw Additional Positive Data for Credit &amp; Store Cards</b>  See note l	<b>Raw Qualifying Flags/Codes</b>  See note i	<b>•Raw negative data</b> <b>•Arrears data for pre-screening</b>  See note h	<b>A positive characteristic</b>  See note k	<b>Aggregated Positive Risk Score and non-risk scores</b>  See note f, h & j	<b>Aggregated Negative Risk Score</b>  See note h
<b>New Prospect Screening</b>	No	Adverse Risk Indicator only	Adverse Risk Indicator only	Adverse Risk Indicator only	No	No	Adverse Risk Indicator only
<b>Existing Customer Screening to offer a product on a shared portfolio</b>	No	Adverse Risk Indicator only	Adverse Risk Indicator only	Yes	No	Yes	Yes
<b>Application Risk Assessment</b> See notes a, b, c, g	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Existing Customer Credit Management on a shared portfolio</b> See notes c, d, e	Arrears Management only	Arrears Management only	Arrears Management only	Yes	Yes	Yes	Yes

#### Notes:

Please see some additional supporting notes on the following page.

### **Additional supporting notes**

- (a) 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).
- (b) 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.
- (c) Application Risk Assessment and Account Management are 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.
- (d) 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 requirements provided in Section 6.
- (e) 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.
- (f) 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 Section 7 to increase positive data sharing on the portfolio.
- (g) 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.
- (h) Bank delinquent data dispensation. Banks sharing default data only can receive default and delinquent data and use that data in accordance with these principles.
- (i) There are certain data items that are supplied as Flags/status codes (depending on the CRA) to qualify the information provided under the standard status codes provisions. See definition under types of data.
- (j) Non risk assessment is defined in section 4.3 and covers
  - Propensity to voluntarily terminate an existing facility (Attrition)
  - Propensity to respond to a communication
  - The likely level of revenue or profitability associated with an applicant or existing customer.

- (k) Use of a characteristic for existing customer management is dependent upon whether the activity is intended to prevent over-commitment, or whether it is designed to support the outbound offer of new facilities.

It is permissible to use a characteristic in isolation to drive customer management activity to prevent over-indebtedness, so for example, an indication of a worsening of an individual's circumstances, can be used to reduce or withdraw facilities, decline transactions, or prompt appropriate contact with the customer.

In the latter case, it is not permissible to use a characteristic in isolation to drive outbound offers, as this activity is to promote customer retention and product penetration, rather than the prevention of over-indebtedness.

Thus, a characteristic as defined in section 4.2, should be treated as an aggregated data item if it is being used to prevent overindebtedness (e.g., reduce limits, or decline transactions); but, a characteristic should be treated as a raw data item if it is being used to make outbound offers or any other activity not directly related to the prevention of over-commitment.

- (l) Additional positive data for credit & store cards is shared strictly in support of responsible lending and in order to help identify and assist customers who may be showing early signs of debt stress – such data must NOT be used to discriminate against customers who are likely to be unprofitable (i.e. provide low or no revenue streams), or to target those customers who are likely to be particularly profitable.

### **3 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 the full range of consumer/business shared data when processing applications, but strictly to the same level at which they subscribe data for that product/portfolio.

#### **3.1 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 consumer 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 Section 9.

#### **3.2 Default only Subscriber**

The subscriber agrees to provide data on all accounts which are in default. A definition of default is included in Section 4.2. Reference should also be made to the latest Guidance Note on Defaults published by the Information Commissioner's Office (ICO).

#### **3.3 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.

#### **3.4 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.

### **3.5 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 supply and 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 or decrease in Subscription Level

A data sharer wishes to increase the level of data shared on a specific portfolio, i.e. from Default to Positive, or decrease subscription from full to default.

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 CRAs, to supply data relating to their own customers within 3 months of the start of any usage, at the level specified.
- 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 Section 4.2)

### **3.6 Sharing with Additional CRAs**

An existing subscriber with one or more CRA may decide to extend their data sharing, to include other CRAs.

The subscriber will be treated as an established subscriber when sharing data with another CRA.

### **3.7 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

### **3.8 Consumer/Business Reciprocity**

These rules form an integral part of the PoR. They provide for commercial sharers to access the consumer data relating to the proprietors of the business and for consumer sharers to look at the performance of the business on which a consumer may be reliant for income. Each of these provisions is available to support application processing and account management only. Detailed guidance is available in Section 14.

### **3.9 Current Account Restriction**

As a matter of policy some organisations may elect not to share overdraft limits. 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.

More details on this arrangement may be found in Section 8.

## 4 DEFINITIONS

### 4.1 Types of Party

TYPE	DEFINITION
Consumer	A named individual transacting in a personal capacity
Business	An independent commercial organisation (of any size or legal structure) including sole traders and partnerships operating in their business capacity
Existing Customer	A consumer or business currently holding a credit account <sup>1</sup> 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 or both of the parties
Applicant	A consumer or business 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

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<sup>1</sup> An account on which credit is, or can be taken and, as such, will include current accounts.

## 4.2 Types of Data

TYPE	DEFINITION
Standard Positive	All credit performance data that are not delinquent or default data as defined below
Arrears Data for pre-screening: <ul style="list-style-type: none"> <li data-bbox="225 696 486 786">▪ Early Arrears Data on Credit &amp; Store Cards</li> <li data-bbox="225 808 486 898">▪ Early arrears data on any type of account</li> </ul>	<ul style="list-style-type: none"> <li data-bbox="512 696 1361 763">▪ Accounts which are or have been 1 or more months in arrears within the previous 12 months.</li> <li data-bbox="512 808 1361 875">▪ Accounts which are or have been 2 or more months in arrears within the previous 12 months.</li> </ul>
Additional Positive Data for Consumer Credit & Store Cards	The additional behavioural fields shared only by consumer credit or store card issuers relating to performance and usage of the facility.
Delinquent	Accounts which are (or have been) at least 3 months in arrears and which satisfy the CRA definition.
Default	The relationship with the individual is deemed by the lender in a standard business relationship to have broken down. More details may be found in the guidance note on defaults, issued by the ICO.
Negative	All delinquent and default credit performance data and searches.
Searches	<p data-bbox="512 1312 1361 1447">Searches of the shared consumer credit databases are conducted in accordance with these principles. The membership level of the organisation and purpose of the search will determine the amount and level of data to be supplied and the type of "footprint" recorded.</p> <p data-bbox="512 1480 1361 1648">Search footprints themselves are recorded by members and non-members and for a wide variety of purposes and are not themselves covered by these principles. However, certain types may be shared with other organisations and used in decision making as long as they are processed fairly, in accordance with the Data Protection Act and in line with all other regulation and codes of practice.</p> <p data-bbox="512 1682 1361 1738">Shared searches should not be used to identify or select new prospects.</p>
Aggregated Risk Score	<p data-bbox="512 1771 1361 1827">A risk score from which no specific item of information relating to a particular individual or financial unit can be deduced</p> <p data-bbox="512 1861 1361 1973">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</p> <p data-bbox="512 1973 1361 2029">The aggregation may be either a bespoke subscriber score or a CRA score</p>

TYPE	DEFINITION
Characteristic	Summarised data relating to an account or accounts on consumers, financial units or businesses. May be counts, indicators, totals or averages, or any expression of information other than raw data items.
Geographically Aggregated Data	Information combined at any postcode level as appropriate to avoid the possibility of individual or financial unit identification
Raw Data	Data specifically relating to an account on consumers, financial units or businesses, other than aggregated risk scores, characteristics or geographically aggregated data above
Adverse Risk Indicator	<p>A score, aggregated or characteristic 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</p> <p>In New Prospect Screening, can only be used to remove consumers from an existing prospect list</p>
Raw Qualifying flags/codes	<p>There are certain data items that are supplied as Flags/status codes (depending on the CRA) to qualify the information provided under the standard raw status codes provisions. The purpose of such information is to provide additional important information to inform decisions. Each CRA will specify the detail of the relevant data within their own systems relating to</p> <ul style="list-style-type: none"> <li>• Arrangements and the relevant dates</li> <li>• Debt management plans and the relevant dates</li> <li>• Gone aways</li> </ul> <p>Such data may be used in a raw form for certain activities</p>
CRA Databases	<p>The shared databases regulated by the PoR are:</p> <p>SHARE (Callcredit)</p> <p>Insight (Equifax)</p> <p>CAIS (Experian)</p>

### 4.3 Types of Assessment

TYPE	DEFINITION
Prospect Screening	<ul style="list-style-type: none"> <li>• This is the assessment for credit (adverse risk exclusion purposes only) of outbound product offers to new prospects in the interests of responsible lending or fraud avoidance</li> <li>• Examples include the screening of mailing lists before they are sent to remove the</li> </ul>

	names and addresses of individuals known to be, or deemed to be in danger of being, in financial difficulties or no longer believed to be resident at the address
Application Risk Assessment	<ul style="list-style-type: none"> <li>• 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</li> <li>• It includes responses to outbound originated activity</li> </ul>
Existing Customer Screening to offer a product on a shared portfolio	Offers of new credit products – includes associated risk screening
Existing Customer Credit Management on a shared portfolio	<p>This is either the inbound or outbound assessment for credit purposes of an existing customer's credit accounts and covers the following:</p> <ul style="list-style-type: none"> <li>• Credit limit adjustments - the adjustment in the credit limit on an existing account or customer</li> <li>• Transaction authorisations - the authorisation of individual transactions on an account</li> </ul>
Arrears Management	<ul style="list-style-type: none"> <li>• The inbound or outbound credit assessment of an account or customer when in arrears for the purpose of recovery or prevention of more serious arrears (includes decisions on litigation)</li> <li>• The purpose is clearly not marketing related, and so no additional credit facilities will be granted. Raw data can be used</li> </ul>
Attrition management	This is the assessment of the likelihood of an applicant or existing customer voluntarily terminating a facility to move to another product or supplier
Response management	This is the assessment of the propensity of an existing customer to respond to an outbound offer. The shared data may not be used for prospects but it may be used to assess the likelihood of existing customers to respond to offers of other products
Revenue or profitability management	This is the assessment of the likely profitability or revenue to be obtained from an applicant or an

	existing customer or business. Shared data may not be used for this purpose for outbound activity for new prospects but it may be used for inbound assessment of new applicants or for existing customers
Account Management	<p>The on going maintenance of an existing customer's credit accounts with a financial organisation. Activities in relation to account management could include:</p> <ul style="list-style-type: none"> <li>• Offers of new credit products – cross sell, up sell, based on existing account performance</li> <li>• Credit limit adjustments</li> <li>• Credit limit reductions, hold on increase in facilities</li> <li>• Transaction authorisations - the authorisation of individual transactions on an account</li> <li>• Identification and management of accounts or customers who are at risk, in early stress, in arrears and/or debt collection.</li> </ul>

#### 4.4 Types of Actions

There are two core types of action covered by the PoR:

- **Outbound**

Proactive effort originated by the financial organisation

- **Inbound**

A request by an applicant/customer for any credit product/additional facilities

## 4.5 Aggregated Data Reporting

From time to time CRAs and Trade Associations 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 matrix below:

	Report to contracted CUG members	Report to external bodies
Basic volume data	Yes	Yes
Analysis and performance	Yes	No <sup>2</sup>

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.

### 4.5.1 Contracted CUG Members

**Covers the following:** Those 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 TAs, 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 the Governing Principle (1) on their shared portfolios to a maximum level determined by Principle 3.

### 4.5.2 External Bodies

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

### 4.5.3 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 and geographical location, (no lower than post town).

### 4.5.4 Analysis and 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.

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<sup>2</sup> 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.

## **5 POLICY DECISIONS**

This section provides an additional repository for interpretations of the Principles and other supporting items that are not documented elsewhere. They will have been discussed and agreed either during the course of SCOR meetings or, occasionally, direct with the Chair.

Wherever possible, decisions will be included in the main body of the PoR and/or other SCOR documentation.

It will include interpretations discussed in confidence with CRAs under the Product Development Compliance Process (see Section 13) and also those agreed with member organisations. To preserve confidentiality such agreements will only be included 6 months after launch and will not include product details<sup>3</sup>. Amendments to existing agreements will be shared with immediate effect.

### **5.1 DATA QUALITY**

#### **5.1.1 Data Enhancement**

The purpose of this activity is to supplement existing member credit portfolio data records to achieve TPD<sup>4</sup> compliant level data in respect of name, date of birth and address by accessing other records relating to the consumer concerned. Only portfolios that are currently shared with a CRA or those for which there is a firm contract to share are eligible to exercise this facility. The service will only be available to lenders who are already supplying forename and date of birth on new records when they undertake the clean up exercise.

*Date agreed: October 2001, latest update June 2004*

#### **5.1.2 Private/Ghosted Accounts**

In case of difficulty in the provision of monthly update data portfolios/accounts may from time to time be suppressed from general view. This action is as a last resort and on a temporary basis to give the member the time and opportunity to rectify the data issues.

*Date agreed: 2001*

#### **5.1.3 Multiple Element Products**

A customer credit limit is set, but individual agreements are completed for each product element within the overall limit. Cross default clauses allow payment to be allocated by the lender depending on which elements are in arrears (if any).

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<sup>3</sup> Presentations can, if required, include the proposed wording to be inserted in the Interpretations document. Launch to be notified to the SCOR chair in order that the issue may be diarised.

<sup>4</sup> Third Party Data as agreed with the ICO required all searches and account records to include title, forename, middle name or initial, surname and PAF valid or postcoded address, with effect from 24 October 2001.

Product elements should be reported individually, as there are individual CCA agreements for each product element. Any revolving credit product should show the available value of the total customer credit limit.

*Date agreed: March 2001*

## **5.2 SEARCHES**

### **5.2.1 Quotation or Risk Based Pricing Searches**

On credit products that require access to CRA data in order to give consumers a price quotation, lenders should be able to record a quotation type search. Lenders should establish whether the consumer is seeking a firm commitment to lend (application) or a price indication (quotation) and record the appropriate search type. This is agreed for Mortgages.

Where a quotation is followed by a subsequent application from the consumer, then an application search should be undertaken, and an application 'footprint' left on the consumer's file.

*Date agreed: January & April 2002; final details March 2004*

## **5.3 IDENTIFICATION CHECKING**

### **5.3.1 Use of Shared Data for verification of identity**

Non-financial shared data may be used in ID verification systems to support an inbound financial transaction, in order to prevent ID fraud and money laundering – data can be supplied to UK based organisations on UK residents. It is available to both members and non-members for this purpose.

This product may also be used to identify the data subject when they apply for their credit file from a CRA.

*Dates agreed: April 2000, April 2002 and December 2004*

### **5.3.2 Use Shared Data for authentication of own identity by a consumer**

Financial shared data may be used in ID verification where a consumer is using the information to confirm their own identity. Under these circumstances neither the consumer nor the organisation seeking verification will receive any financial data. This can be used with both members and non-members of shared databases.

*Date agreed: June 2000, April 2001, final details March 2003*

## **5.4 Employment vetting**

### **5.4.1 Public Sector**

Certain government departments are authorised to access on a data subject only, full credit reference check services as part of the employment vetting process.

*Date agreed: March 1998 & June 2002*

### **5.4.2 The Police**

Full credit report data on an individual will be available, with the consent of that individual, for the purpose of employment vetting for candidate and/or incumbents of certain roles within a qualifying police force. A 'qualifying police force' covers Police Forces as defined under the England and Wales Police Act 1996; the equivalent for Northern Ireland under the Police (Northern Ireland) Act 1998; and for Scotland under the Police (Scotland) Act 1967.

The terms of the agreement with that police force will state that such roles may vary in seniority but will be engaged in activities, deemed by the qualifying police force as posing a level of risk such that this level of checking is appropriate. These checks must not form part of the standard vetting for each and every role.

SCOR reserve the right to review every 2 years.

*Date agreed: September 1999 (Met Police); May 2005 (other forces)*

### **5.4.3 Members of Closed User Groups**

Members may use all the shared data on a data subject, to the maximum level shared by their Group for the purpose of undertaking employment checks.

*Date agreed: March 2004*

### **5.4.4 CRAs**

May use all shared data on a data subject, for those individuals applying for or undertaking duties in sensitive positions

*Date agreed: December 2004*

## **5.5 MARKETING**

### **5.5.1 Topping**

'Topping' is the removal of high-scoring individuals from a prospect mailing list on the expectation that they would be non-responders. It is not permitted.

Permitted use of shared data is defined under the Governing Principle (1), which makes it clear that shared data should be used only for the purposes of control of risk, fraud and over-indebtedness.

*Date agreed: July 1998, March 2005, June 2006*

### **5.5.2 Residency and Age confirmation**

Prospect Marketing activity for the purpose of credit products may be cleansed using shared data for proof of residency and ensuring the individual to be mailed is 18. Data may be used based on level of subscription.

*Date agreed: November 2001*

### **5.5.3 Aggregated Postcode data**

Prospect marketing activity of credit products may be processed to remove high risk targets using geo-demographic characteristics based on shared data, at the level of subscription.

*Date agreed: April 2002, March 2005*

## **5.6 RECIPROCAL ARRANGEMENTS**

### **5.6.1 Merchant Acquirers**

Merchant Acquirers are typically the card-processing arms of a card issuer. They make decisions as to whether to open a merchant account for traders. This involves risk and access to the shared Consumer database is permitted for making decisions about merchants at the same level as is shared by the card issuer.

*Date agreed: November 1999*

### **5.6.2 Non UK Lenders**

Membership of the closed user group databases (CAIS/Insight/SHARE) is open to lenders based outside the UK, but inside a EU member state, providing that the product is offered to UK residents. Members must be in a position both legally and operationally to join on exactly the same basis and share exactly the same data as a UK domiciled lender offering a similar product. This includes adherence to the PoR and the provision of compliant data.

*Date agreed: March 2005 - TA ratification April 2005*

### **5.6.3 Benchmarking**

Benchmarking activities should be conducted at an aggregated level to preserve confidentiality for consumers and members alike. Available to both full and default

members if the latter provide information on the non default elements of their book.

To maintain Lender anonymity, no one member's data should form more than 25% of the benchmark set, with no weighting of one company's data over another.

*Date agreed: April 2000*

## **5.7 TEMPORARY ARRANGEMENTS AND DISPENSATIONS**

### **5.7.1 FSA PS 197 reporting for Impaired Credit**

Mortgage lenders are required to report on lending to individuals deemed to have an impaired credit history, as defined under the FSA Policy Statement PS 197. Summary characteristics are available from the CRA to full sharers only. A temporary arrangement has been agreed for default only or non-sharing mortgage lenders to access only the characteristics required to report to the FSA, for the purposes of that reporting, for up to 12 months ahead of supplying full data. CEO commitment is required to full data sharing ahead of supply of the required characteristics.

*Date agreed: December 2004, TA ratification May 2005*

### **5.7.2 FSA Overindebtedness tool - The 'Debt Test'**

The FSA has responsibility for consumer education in respect of financial matters. As part of their work in this area they have commissioned a tool for consumers to complete using knowledge they have about their own circumstances.

The tool, branded the Debt Test, will allocate the consumer to one of a small number of categories according to their risk of becoming indebted in the next year or so. Each of these will have a number of risk messages associated with it and these will signpost the user to sources of information and advice, which are intended to help them better manage their financial situation e.g. Citizens Advice, Money Advice Trust, Department for Work and Pensions, etc.

A one-off dispensation is agreed to use shared data to help create the ranking of a small number of the questions within the tool. The tool will not use shared data in any other way."

The tool itself is not endorsed by SCOR and is not designed in any way to give a reflection of the decisioning of any one or a group of lenders.

*Date agreed: June 2005*

### **5.7.3 Extension to the Commercial Crossover Compliance date to March 2010**

The deadline for supply of commercial data under the crossover agreement detailed at section 14 is September 2009. Some members are experiencing difficulty in meeting the deadline and an extension has been agreed on the following conditions:

Relevant Executive sign off that

- i. The organisation will complete implementation by end March 2010 and has sufficient budget committed
- ii. They have an agreed project plan outlining the implementation schedule
- iii. They commit to engage with the relevant SCOR working group to share non-competitive issues and solutions

To be sought by 31 August 2009

*Date agreed: June 2009*

## **5.8 IN-HOUSE COMPLIANCE**

In order to facilitate the management of different levels of data use in multiple applications, control of data supply is normally managed by the CRA.

However, if agreed between the member and their supplying CRA and subject to rigorous contractual and auditable procedures, members of the shared database may access data at the maximum level to which they are entitled. They must then control, suppress or reprocess all or part of that data, within their own systems in order to undertake subsequent credit or cross sale activity.

*Date agreed: September 2004*

## 6 CUSTOMER LEVEL MANAGEMENT AND THE INCLUSION OF CURRENT ACCOUNTS\*

### Requires an Executive Commitment

The requirements to use aggregated positive risk scores on current account portfolios 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

\* This section was formerly known as Appendix 1

## 7 PORTFOLIOS WHERE CONSENT TO SHARE POSITIVE DATA IS ONLY AVAILABLE FOR SOME ACCOUNTS\*

### Requires an Executive Commitment

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** (see Section 10) 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, e.g. via a Yes/No flag

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\* This section was formerly known as Appendix 2

## 8 CURRENT ACCOUNT RESTRICTION

A revised version of the 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 Section 6 (previously known as Appendix 1).

As a matter of policy, for current accounts, some organisations may elect not to share overdraft limits, in which case such organisations should not benefit from these items from other current account sharers. Such data should either not be provided by the supplying CRA(s), or in exceptional circumstances (e.g. for non-standard interfaces), it may be agreed jointly between the organisation and their supplying CRA(s) – and documented within contracts – that this requirement should be implemented 'in-house' within the lender's systems.

The organisation and their CRA(s) must, in strict confidence, advise the Chair of SCOR that the required developments have been undertaken. The Chair 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 CRA scores, or indices, that incorporate this information, all or any of which MAY be supplied and used.

## **9 ADDITIONAL POSITIVE DATA FOR CONSUMER CREDIT AND STORE CARDS ONLY**

### **9.1 Provision of Data**

Providers of consumer Credit & Store Cards 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.

### **9.2 Access to Data**

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:**

- 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.
- 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 are in place, may the data be used at a customer level.

### **9.3 Setting up Access to the Data**

For new members of the shared database, CRA 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, CRAs will seek a declaration of entitlement to the data before making it available.

This will be in addition to any Executive Commitment.

## 10 EXECUTIVE COMMITMENT PROCESS

From time to time SCOR agrees dispensations to allow sharers time to bring their systems into line with new agreements. Such dispensations generally allow access to data for a specified period, against a commitment to supply data within a given period of time.

The following process covers access to shared data under the following areas:

### **Customer Level Management and the Inclusion of Current Accounts for Consumers (Section 6)**

- 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

### **Portfolios where Consent to share Positive Data is only available for some accounts (Section 7)**

- 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
- Access to additional Positive for credit and store cards
- Access to data will be permitted for 12 months ahead of supply against an executive commitment to supply data
- Access to commercial Data (and crossover agreement for those companies accessing commercial data ahead of supply)

Data must be supplied at the latest by September 2009.

### **Access to additional behavioural data on credit and store cards for card issuing groups working towards supply of data (Section 9)**

Access to data will be permitted for 12 months ahead of supply against an executive commitment to supply data.

**The EXECUTIVE COMMITMENT letter will capture which dispensation the organisation is seeking to exercise and should be sent to the relevant Credit Reference Agency. It must include the following information:**

Name of Organisation	AN Other Bank  Registered Office
Accountable Compliance Officer Name, Title and Contact Details	
Executive Sign-off Name, Title and Contact Details	
Signature	
Date	

Name of Credit Reference Agency	AN Other CRA    AN Other 2 <sup>nd</sup> CRA
Accountable Compliance Officer(s) Name(s), Title(s) and Contact Details	
Signature	
Date	

## **11 QUESTIONS & ANSWERS**

The following Q&As have been compiled to help clarify certain aspects of the Principles. They address queries that have arisen since the Principles were written and are updated from time to time (as new issues arise).

### **11.1 ABOUT THE PRINCIPLES**

#### **11.1.1 *What are the Principles of Reciprocity?***

The PoR are a set of guidelines governing the sharing of personal credit performance and related data via the closed user groups at the CRAs.

#### **11.1.2 *What data sharing schemes do the Principles cover?***

The PoR regulate credit performance data on consumers and businesses that are shared via closed user groups at the CRAs. These are currently the Experian Consumer and Commercial CAIS databases, the Equifax Consumer and Commercial Insight databases and the Callcredit Consumer SHARE database.

#### **11.1.3 *How are the Principles administered?***

It is the intention of the UK finance industry to ensure that all companies which utilise and/or subscribe shared data to CAIS, Insight, or SHARE undertake to abide by the Principles. The industry has established a user group, the Steering Committee on Reciprocity (SCOR) to develop and oversee these documented guidelines. This includes addressing issues around the use and sharing of credit performance and related data on individuals.

The CRAs have included adherence to the Principles in their client contracts and they have a responsibility to ensure that they only supply data in accordance with the rules. Members also should ensure that adherence to the Principles forms a part of their own internal audit procedures.

#### **11.1.4 *How can I be sure that other organisations are keeping to the rules?***

The CRAs have included adherence to the Principles in their client contracts and they have a responsibility to ensure that they only supply data in accordance with the rules. Members also should ensure that adherence to the Principles forms a part of their own internal audit procedures.

#### **11.1.5 *Don't these rules restrict free competition?***

No, the rules of SCOR allow for any organisation to share data and are designed to encourage data sharing. The Principles ensure that access to information on individuals is for defined, appropriate purposes which relate to responsible lending and far from restricting free competition ensure a level playing field.

### **11.1.6 What happens if members do not adhere to the Principles?**

The CRAs, as suppliers of the data, will work with the member to ensure that they do comply. If they refuse or there is a dispute the matter may result in an appeal to SCOR and/or access to the data ceasing. For further details on this point please refer to the Rules Managing SCOR document.

### **11.1.7 Principle 7 talks about the need for organisations to ensure compliance with the PoR. In practice, how might this compliance be achieved?**

There are a number of ways to accomplish this. One option is to ensure that the remit of the organisation's internal audit department covers adherence to the Principles. The key to compliance is ensuring that sufficient focus is given to the education of all shared data users about their responsibilities to adhere to the Principles. As part of this, the sign-off process for activities using shared data should include confirmation that the planned use of the data complies with the Principles.

## **11.2 ABOUT SCOR**

### **11.2.1 What is the role of SCOR?**

The Steering Committee on Reciprocity is a cross industry forum, responsible to the trade associations and the CRAs, for the administration and development of the data sharing rules known as the PoR. It has no devolved powers of its own. It operates on behalf of the trade associations that it represents and may only recommend decisions to the appropriate membership.

### **11.2.2 Who sits on SCOR?**

SCOR consists of representatives from APACS, British Bankers Association, Consumer Credit Association, Consumer Credit Trade Association, Credit Services Association, Council of Mortgage Lenders, Finance & Leasing Association and British Retail Consortium, together with representatives from CRAs Experian, Equifax and Callcredit.

### **11.2.3 Can anyone join SCOR?**

Any trade association representing organisations that use shared consumer data from CRAs may apply to join. Representation will generally be from practitioners at member organisations rather than the trade association staff. Membership is also available to other CRAs with a consumer database although there are rules about the volume of their database and activity.

In the first instance you may wish to approach your Trade Association for guidance and support, as the Trade Associations are kept informed of matters discussed at SCOR and receive regular feedback from the nominated SCOR representatives. If you do not belong to a Trade Association, then you are encouraged to direct your query to your CRA contact for your organisation, which can represent you at SCOR.

**11.2.4 *If I consult with SCOR on a new use of data that I wish to develop, how can I be sure that product confidentiality will be maintained as well as ensuring compliance with the Principles?***

It is advisable to consult with your internal PoR expert first. If they have any doubts they should consult SCOR, or your CRA, before initiating a new use of data. A new use of data could be planned in complete confidence, with the details revealed only at the time of a formal product launch.

## **11.3 DATA SHARING MEMBERSHIP**

**11.3.1 *How does becoming a new subscriber of shared data work in practice?***

Access to shared data for a new subscriber only occurs when the organisation concerned has entered into a contractual commitment, with one or more of the CRAs, to supply data relating to their own customers within 3 months of the start of any usage. This must be followed up by the supply of the organisation's own shared data within 3 months of the start of any usage. The data that is accessed will be strictly at the same level as the data that are shared (see sections 2 and 4.3).

As has always been the case, where a new subscriber fails to provide the necessary data in return, then access to the shared data may be restricted or suspended by the CRA.

**11.3.2 *Do I have to share data with all the CRAs?***

An existing subscriber with one or more of the CRAs may decide to extend their data sharing to include the other CRAs. The subscriber will be treated as an established subscriber when sharing data with another CRA. It is recommended that subscribers share their data with each of the CRAs.

**11.3.3 *What happens if my organisation has been sharing positive data on its portfolios, but then acquires a portfolio where a positive data has not been shared historically?***

If your organisation wishes to change the level of data sharing on the acquired portfolio, then this qualifies as a new subscription in line with the provisions of section 3.5.

**11.3.4 What happens if my organisation is an established full data subscriber but adds new accounts to the portfolio(s) (possibly as a result of a joint venture) for which consent to share full data is not available?**

Assuming that you wish to continue to share data on the original accounts, you must act in accordance with Section 7. Importantly, you will not be able to access shared data on the “new” section of accounts until full data for all accounts opened in the last 24 months (or longer) are shared.

(Refer also to 11.8.1).

**11.3.5 What happens if my organisation has been sharing positive data but now considers that it is no longer appropriate to do so?**

Initially you should discuss this with your CRA, as they may be able to reassure you on items or resolve any issues you have. If it is indeed the best option to cease data sharing then technically this is possible, however, the live account records will have to be removed from the CRA files once data sharing has ceased. Default records can only remain on the CRA files if a mechanism is in place to update the current balance.

However, if you stop sharing data then you will be unable to see other data that until now you may have been using in your business processes.

**11.3.6 My organisation is joining the shared database for our new mortgage product. We are aware that we are required to provide data within 3 months of access but, as a default only supplier, this is unlikely to be possible, as we will not have any defaults in that timeframe?**

If you have provided acceptable test files, and you have the capability to supply the data each month, then you are compliant with the principles. The fact that you are ready but have no data to supply for a number of months effectively means that you are supplying a “nil” return. This is sufficient as long as default data are provided as soon as they exist. A similar situation may also conceivably arise even with a full data supplier; e.g. for a product with an extended drawdown period.

**11.3.7 My organisation currently has no credit or store card products. Can I access the additional positive data for credit and store cards?**

The additional positive data for credit & store cards are provided to help full data sharers identify and prevent financial stress and over-indebtedness. Section 9 outlines the conditions for accessing this information. In simple terms, the data are accessed on a reciprocal basis only, but also may be utilised by organisations that cannot share any such data because they do not have those products.

**11.3.8 *My organisation currently has no credit or store card products and accesses the additional positive data for credit and store cards. We have decided to start offering a credit card. What effect will this have on how we use the data?***

When you set up a data sharing agreement with your CRA, your contract will ask whether you propose sharing the additional positive data for credit & store cards. In accordance with the arrangements for positive data sharing you have three months from the date on which you first use the data to supply data to a CRA. If however you decide not to supply the additional positive data for credit & store cards, neither the new credit card nor any of your other products may use the additional positive data for credit & store cards from other members.

**11.3.9 *My organisation operates affinity programmes and owns the receivables for a number of other card issuers. Are we allowed to use the additional positive data for credit and store cards?***

If you own the receivables for a number of portfolios, you may only access the data for those portfolios on which the data is shared. Only if every portfolio is shared may the data be used at a customer level.

**11.3.10 *My organisation offers a credit card product outsourced to another organisation which owns the receivables. What data are we and the other organisation allowed to use?***

If your organisation either has no other credit or store cards on which you own the receivables and therefore you are unable to contribute any data, or you are already sharing the data on all or any credit or store cards that you have, you may access the new additional positive data for credit and store cards. The other organisation (that owns the receivables) may access data in accordance with Section 9.

## **11.4 DEFINITIONS**

**11.4.1 *I note that an existing customer is defined as currently having or having held a credit account (including a current account) within the last 2 years. What is the definition for these purposes of a credit account?***

A credit account permits or specifically includes a credit or deferred payment facility usually but not always, under the Consumer Credit Act, whether or not that facility has been exercised.

**11.4.2 *Can I use shared data to manage my existing customers?***

Data are shared under the Principles to promote responsible lending, both for application assessment and in the management of existing customers. The essential element of data sharing is a reciprocal approach to providing and accessing account information (through CAIS, Insight and/or Share). Sections 2 and 4.3 summarise how the shared data may be used.

Sometimes it is not feasible for an organisation to provide full data on a specific group of accounts. In the case of current accounts and non-consented accounts, specific conditions are outlined in Sections 6 and 7 which allow access to the shared data (subject to an Executive Commitment) even for the management accounts that are not being shared.

#### **11.4.3 *Can I access a type of data that I do not contribute to the closed user groups?***

The integrity and robustness of the shared databases depend on all members providing the same, complete data (subject to the subscription levels outlined in section 3).

However, there are key product differences and issues that have been agreed by SCOR. For example these cover the provision and use of the additional positive credit & store card data (Section 9) as well as the current account restriction (Section 8), whereby more or less data can be supplied in specific circumstances.

#### **11.4.4 *Although use of raw data is only permissible for specific purposes, can I take a feed from my CRA(s) to manage these in-house?***

Yes, it is permissible for the CRA(s) to pass raw data to a subscriber. However, the use of this data remains under the governance of the PoR. For example, the subscriber may wish to develop its own aggregated risk score.

As the data has passed outside of the CRA's control, it is essential that auditable processes are in place which demonstrate adherence to the Principles. Depending on the level of raw data supplied if the lender is taking responsibility for matching under the third party data agreement the CRA is required to notify the ICO.

## **11.5 MARKETING**

### **11.5.1 *How can consumer data be used in marketing?***

The Principles now make a demarcation between providing a service to existing customers, which may include the offer of new products, and the identification of, and making offers to, new prospects which have either no relationship at all or a non credit relationship with the lender. Managing the relationship with existing customers is also covered in Section 6.

Raw positive shared consumer data must never be used to create new prospect lists, or in the selection of existing customers for further products or increased facilities.

Raw delinquent, default, certain agreed positive or negative characteristics and search footprint information may be used to exclude existing customers and new prospects consumers from target lists used to offer a product on a shared portfolio.

**11.5.2 I wish to use an aggregated negative risk score to support a new prospect screening activity. Can I exclude higher scoring prospects (who may be unresponsive or potentially inactive) from my selections?**

This practice (sometimes known as “topping”) is not an allowable use of the shared data. The aggregated negative risk score may be used only as an adverse risk indicator to exclude prospects on the basis of credit risk at the lower scoring end of the score distribution. For further information on the allowable uses of shared data please refer to Section 2 of the Principles.

**11.5.3 What does Principle 5 on the uses of shared data mean when I am performing prospect list screenings?**

The purpose of this Principle is to prevent shared data being used to target any customers of other specific subscribers. Shared data may not be used to screen new prospects from a list where a specific subscriber has been identified and in particular the shared data may not be used in ways that specifically target the customers of the originator of the information.

The following example covers what is **not** an allowable use of shared data:

An individual holds a credit card with Organisation A and completes a lifestyle questionnaire stating that they hold such a card. Organisation B purchases the lifestyle questionnaire data and performs new prospect screening versus the shared data. In the absence of any negative data on the individual cardholder, Organisation B can assume that the individual is a customer of Organisation A with a good credit record. This is **not** an allowable use of the shared data.

**11.5.4 How does Principle 5 work in practice? If a prospect list is submitted to a CRA for screening, how will the agency know the criteria used to generate the records on the list?**

The organisation submitting the tape has a responsibility to ensure that the records have been selected in accordance with this Principle, which has been agreed between the data sharers and the CRAs. The CRA may ask for details of how the selections have been made, and may ask for documentation that supports the selection process.

**11.5.5 I believe that as a result of the Representation of the People Act, we may no longer use the full electoral register to “clean” existing marketing lists of consumers that are no longer at an address, is there any way that shared data can be used to help here?**

This has been raised at SCOR and, because of the restrictions on the use of the shared data for marketing purposes, it has been agreed that the shared data may be used by members strictly to remove data but not to enhance it.

**11.5.6 In what ways can negative data be used in target marketing?**

Negative data may be used as adverse risk indicators to screen target marketing to new prospects and remove them from lists. Section 2 provides a summary of the allowable uses of the shared data.

**11.5.7 Can shared data be used to for non-risk assessment (e.g. the level of revenue or profit an applicant or an existing customer may generate, propensity to respond to a communication, propensity to voluntarily terminate an existing facility)?**

The shared data may not be used for the prediction of these outcomes for new prospect screening. Where an organisation is managing an existing customer's credit facilities, or processing a new application, the shared data may be used for the above types of activities, subject to the following restrictions:

Additional Positive Data for Credit & Store Cards

This data is shared strictly in support of responsible lending and in order to help identify and assist customers who may be showing early signs of debt stress – such data must NOT be used to discriminate against customers who are likely to be unprofitable (i.e. provide low or no revenue streams), or to target those customers who are likely to be particularly profitable

Example: The 'Promotional Rate' flag is specifically designed to help lenders to differentiate between customers who may be paying the minimum payment due to the presence of a promotion on the account, as compared to those who may, for example, only be able to pay the minimum across multiple credit cards. This flag has NOT been developed to facilitate the identification of customers who tend to regularly transfer balances between credit cards, also sometimes referred to as 'BT Gamers'.

**11.5.8 I understand that the additional positive data for credit & store cards may be used as an adverse risk indicator for new prospect screening. How would this work in practice?**

When you provide a prospect list to a CRA for cleaning you will set the criteria for the removal of records that fall strictly within the definition of an 'adverse risk indicator' – see 4.2 – this may include criteria relating to additional positive data for credit & store cards.

**11.5.9 I understand that the early arrears data for credit & store cards may be used as an adverse risk indicator for new prospect screening. How would this work in practice?**

When you provide a prospect list to a CRA for cleaning you will set the criteria for the removal of records that fall strictly within the definition of an 'adverse risk indicator' – see 4.2 – this may include 'early arrears data for pre-screening' (also defined under 4.2).

## 11.6 APPLICATION RISK ASSESSMENT

### 11.6.1 *How can raw positive consumer data be used in application risk assessment?*

Raw positive data may only be used in the assessment of an application for risk, fraud prevention and/or ID verification and may not be used to offer improved or additional products.

Specifically:

#### Raw Standard Positive Data

This data must not be used to offer credit limits, credit limit increases or balance transfer facilities deliberately targeted at accounts applicants may have with existing subscribers.

#### Additional Positive Data for Credit & Store Cards

In addition to the restrictions under 'raw standard positive data', it is imperative to note that this data is shared strictly in support of responsible lending and in order to help identify and assist customers who may be showing early signs of debt stress – such data must NOT be used to discriminate against customers who are likely to be unprofitable (i.e. provide low or no revenue streams), or to target those customers who are likely to be particularly profitable

Example: The 'Promotional Rate' flag is specifically designed to help lenders to differentiate between customers who may be paying the minimum payment due to the presence of a promotion on the account, as compared to those who may, for example, only be able to pay the minimum across multiple credit cards. This flag has NOT been developed to facilitate the identification of customers who tend to regularly transfer balances between credit cards, also sometimes referred to as 'BT Gamers'

### 11.6.2 *The applicant for a mortgage has offered a guarantee from their parents. What checks may I make on these guarantors?*

You may make the same checks on them that you would make on the applicant, providing you notify them of your intention to do so and obtain consent from the data subjects. The type of footprint should be an enquiry unless the CRA has a specific footprint type for this purpose.

## 11.7 CUSTOMER MANAGEMENT

### **11.7.1 *I am aware that I cannot use the shared data for the creation of prospect lists but what about managing my existing customers? I would like to be able to ensure that I give them the best possible service and offer them the products that will best suit their needs.***

The revised version of the Principles takes into account that many organisations wish to manage their customer relationships proactively and seek to not only manage such tools as total shadow limits but also potential purchases as well. Taking into account the restrictions on data according to sharing levels, aggregated positive risk scores may be used to proactively manage existing customers future needs by anticipating their requirements, managing attrition and making offers.

#### Additional Positive Data for Credit & Store Cards

This data is shared strictly in support of responsible lending and in order to help identify and assist customers who may be showing early signs of debt stress – such data must NOT be used to discriminate against customers who are likely to be unprofitable (i.e. provide low or no revenue streams), or to target those customers who are likely to be particularly profitable

Example: The ‘Promotional Rate’ flag is specifically designed to help lenders to differentiate between customers who may be paying the minimum payment due to the presence of a promotion on the account, as compared to those who may, for example, only be able to pay the minimum across multiple credit cards. This flag has NOT been developed to facilitate the identification of customers who tend to regularly transfer balances between credit cards, also sometimes referred to as ‘BT Gamers’

In the development of an aggregated positive risk score, this additional data must not be used as the only element(s) within a model

### **11.7.2 *My organisation has a number of companies within it and, when we manage our existing customers, we do so across the Group. Therefore we operate pan-group data sharing, i.e. information on all accounts is used to manage our customers. (This is covered by the appropriate notifications.) Thinking about 11.7.1, does this also cover existing inter-group customers?***

Yes, providing the Principles are followed.

### **11.7.3 *I share data on my range of products to different levels and wish to offer some of these other products to existing customers. What level of data can I see in order to drive suitable offers being made?***

If a consumer has applied for a credit product and has been accepted, they then have the status of a credit customer. You may then screen those individual customers to determine whether to cross sell additional product(s). Again you must ensure that you only use up to the same level of data shared on the product to be cross-sold in the screening process. An example is below.

Lender 'A' has a portfolio of Loan customers. Some are shared at full, some default and some not at all, depending on the consents held. They would like to offer all of their Loan customers a credit card. The credit card portfolio is a full data sharer.

*As the Loan is a credit product, they may use data to the full level to which they are entitled to screen the offering to existing credit customers. As the credit card is fully shared, a score based on full data may be used.*

Lender 'A' wants to offer other products to applicants for Loans, such as credit cards, mortgages and savings accounts. Loans are fully shared now, as are credit cards, but mortgages are shared at default level and, of course, savings are not shared.

*When Mr. S applies for a Loan, full raw data is available for the decision and he is offered the product, which he accepts. At that point, Bank Lender 'A' may then offer other products using scores based on the following:*

- *Credit cards – full data*
- *Mortgages – default-only data*
- *Savings account – public data*

**or**

- *CRM score based on default only (because Mortgages are at that level)*

*Plus*

*Savings account – public data.*

**11.7.4 *I share data on a range of products and would like to consider whether customers who apply to me for one product are also suitable for being offered other products at the same time.***

The aim appears to be to build a totally integrated internal system to manage the decisions detailed above in Question 11.7.3. Instead of making multiple calls to the CRA (i.e. obtaining a different credit search for each product), it is possible to develop a PoR compliant system that calls the CRA only once. If offers of multiple products are to be made at the same time, then the same CRA details may be used (subject to the data being limited to the allowable level for each product). Consequently there may not be credit search footprints for all products.

**11.7.5 *Can I use an aggregated risk score to calculate an “exposure limit” so that I know the total value of credit that I would like to offer to the customer in future?***

Yes, this is an allowable use of aggregated risk score data as long as the portfolio is fully shared. If raw data are passed across from CRA 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 4.3.

When considering credit management solutions of this kind, organisations should take into account the provisions of Principle 5, which requires that data be never used to target any customers of other specific subscribers. Further guidance on this topic can be found by referring to Section 2.

### Additional Positive Data for Credit & Store Cards

This data is shared strictly in support of responsible lending and in order to help identify and assist customers who may be showing early signs of debt stress – such data must NOT be used to discriminate against customers who are likely to be unprofitable (i.e. provide low or no revenue streams), or to target those customers who are likely to be particularly profitable

Example: The 'Promotional Rate' flag is specifically designed to help lenders to differentiate between customers who may be paying the minimum payment due to the presence of a promotion on the account, as compared to those who may, for example, only be able to pay the minimum across multiple credit cards. This flag has NOT been developed to facilitate the identification of customers who tend to regularly transfer balances between credit cards, also sometimes referred to as 'BT Gamers'

#### ***11.7.6 Can I use aggregated positive risk scores for credit management activities if I am planning to start positive data sharing?***

In this situation, aggregated positive risk scores may be used for all credit management activities across all portfolios providing the organisation **commits** to begin sharing positive data on all portfolios within **3** months.

Positive scores may be used in customer management to exclude existing customers from a list (as long as the product to be marketed is a full data provider).

#### ***11.7.7 My organisation has a number of products shared with the CRAs. Some are at full and some default only and on most of them there are some old accounts that are not shared. Today, when we have accepted an application from a consumer, we would like to offer him/her other products. Can we take a CRA feed at the outset that contains all that we might want to use and build the filters in-house?***

Yes, you can. However, you must ensure that the CRA is satisfied as to the controls (filters) that you propose. The contract with the CRA must also include a right of audit to ensure that data levels are being used in accordance with the Principles.

#### ***11.7.8 I understand that the additional positive data and early arrears data for credit & store cards may be used as an adverse risk indicator for existing customer management. How would this work in practice?***

When you are considering either offering new products or managing existing products for your customers, you may normally only use aggregated positive data. However the new additional positive and early arrears data for credit & store cards may also be used in their raw form, strictly as an adverse risk indicator to remove individuals from a marketing campaign. Please see 4.2 for the related definitions.

## **11.8 CONSENT AND NOTIFICATION**

### ***11.8.1 What is the difference between Consent and Notification?***

Consent is required from a consumer (or data subject) before a search of a credit report is undertaken. Lenders “Notify” their customers that they will share data about them both if they apply for credit and if they open a credit account.

### ***11.8.2 What happens where I have only notified that I will share positive data on some of the accounts within a portfolio?***

In this situation, access to aggregated positive risk scores will still be available for all accounts within the portfolio for account management purposes, providing the requirements stipulated in Principle 2, Section 2 and Section 7 are adhered to. It should be noted that default data must be supplied on all accounts in the portfolio, and in terms of establishing the required “Data Sharing Policy” an organisation should liaise with its appropriate CRA contact in the first instance.

### ***11.8.3 What options do I have to increase the level of positive data sharing on a split portfolio as discussed above?***

There are a number of approaches that could be taken. Consent could be sought from existing customers when they apply for new products, request a “top-up” or limit increase on an existing facility, or ask for a facility to be restructured. Opportunity to obtain consent could also be taken during a credit card reissue process, or via direct mail or telephone communication with the customer.

### ***11.8.4 I have already updated my fair processing notices to the approved 2006/2007 versions. Are they sufficient for my organisation to supply the new additional positive data for credit & store cards?***

As long as the version in use states that ‘details of your accounts and how you manage it/them will be supplied to CRAs’ supply of the additional data is covered. For further information on the latest version of the Fair Processing Notices, please contact your CRA or Trade Association.

## 11.9 SEARCHES OR FOOTPRINTS

### ***11.9.1 I understand that I should only leave one search per application but the product my organisation offers may result in an application undergoing a number of changes which require several searches. How should we handle this?***

Your CRA can advise you on the best process for doing this on the system that you use. This would normally be reprocess and result in either the data being reused or the footprint being recorded as an enquiry on further iterations of the application.

### ***11.9.2 Credit search records may be used in decision making processes but how should we treat consumers shopping around for credit to minimise the risk of them being impacted by too many searches?***

Lenders should make it quite clear to a consumer that if they make a full application which will give them a decision and a commitment on the part of the lender, that a full application search record will be created. It is important that this is made clear where the lender sets the credit limit or the rate based on the risk associated with that lending and therefore will be doing a full search in order to establish that credit risk. It is possible to do this as a quote, where a quotation search footprint may be left.

### ***11.9.3 I believe the shared data may be used for other purposes such as identification and employee vetting? Will this affect the consumers' ability to obtain credit?***

Either an enquiry type search or a specific search type associated with the activity should be left for these activities. They do not impact on a consumer's ability to obtain credit.

### ***11.9.4 I am not a member of any of the shared databases because my product is a savings product and does not provide credit but I do have to comply with the Regulations on Money Laundering and identify my customers. I understand that a dispensation has been given for some of the data to be used for identification purposes.***

Yes, that is true. The identification searches are shared on a reciprocal basis and the shared data (excluding the financial elements) used to support identification through the use of ID products via the CRAs.

## **11.10 BUSINESS RECIPROCITY**

### ***11.10.1 The directors / partners of a small business (e.g. 3 directors /partners or fewer) have applied for a business loan. Can I check their personal data too?***

If you qualify to access data under the terms of the Consumer/Business Reciprocity Agreement (see Section 14) and you have notified at least one of them then you are able to carry out a search.

### ***11.10.2 I have an application for a business loan for a start up and the proprietor does not have sufficient standing to support the facility. He has offered a personal guarantee from his father; can I do a credit search on him as well?***

It will depend on whether you have access to consumer data under the Consumer/Business crossover rules for this portfolio to assess the applicant. If you have you may access the same level of data for the guarantor, and leave the appropriate search footprint – enquiry unless otherwise instructed by the CRA. You will need to have notified the guarantor of your intention to carry out the search.

## 12 THE RULES FOR THE OPERATION OF SCOR

### 12.1 DEFINITIONS

“**The Rules for the operation of SCOR**” shall mean this section as amended from time to time.

“**CRA**” shall mean the Licensed Credit Reference Agencies running shared credit account Closed User Groups, meeting the joining criteria for SCOR and accepted as members of SCOR.

“**Data Sharer**” shall mean a subscriber to a CRA credit account closed user group.

“**Group of Companies**” shall mean a group comprising a parent or one or more wholly owned subsidiaries or a majority interest equal to or more than 50 per cent of share capital.

“**Principles**” shall mean the Principles of Reciprocity regulating the sharing of credit performance data, within a closed user group at a CRA, as formulated through SCOR by the Trade Associations and the CRAs, from time to time.

“**Representative**” shall mean the nominated representative of a Trade Association or CRA on SCOR.

“**Trade Association**” shall mean an incorporated trade body representing a group of Data Sharers within the same or similar field of trade as represented on SCOR.

### 12.2 FUNCTION

- SCOR shall formulate, draft and oversee the implementation of the Principles; inform Data Sharers of the purpose and scope of the Principles and provide advice and guidance; wherever required, amend the Principles; and recommend compliance with the Principles.
- SCOR will be the forum where all the representatives of the Trade Associations and the CRAs shall meet to manage Data sharing and Data Quality issues.

### 12.3 TERMS OF REFERENCE FOR SCOR

- To formulate, draft and distribute the Principles to Trade Associations, Data Sharers and each CRA.
- To review the provisions of the Principles and the operational implementation of the Principles.
- To discuss and use its best endeavours to obtain agreement to amendments to the Principles from the Trade Associations and each CRA.
- To determine funding requirements as they are deemed necessary and manage such funds as agreed by the members of SCOR.
- To promote widespread knowledge and understanding of the Principles.
- To provide advice, education, information and guidance on the interpretation of the Principles to Trade Associations, Data Sharers, CRAs and such other enquirers as may be agreed by the Representatives.
- To encourage Data Sharers to carry out internal audit procedures to ensure and confirm compliance with the Principles.
- To consider other data sharing and quality related issues as occur from time to time as directed by the Trade Associations or requested by the CRAs.
- To liaise with the appropriate regulatory authorities, as directed by Trade Associations and in consultation with the CRAs.
- To review new product developments that incorporate new uses of shared data, as requested by data sharers or CRAs.

## 12.4 STRUCTURE

SCOR will comprise the following Representatives or named substitutes:

- three Representatives from the British Bankers Association
- three Representatives from the Finance and Leasing Association
- two Representatives from the Council of Mortgage Lenders
- two Representatives from the British Retail Consortium
- one Representative from the Consumer Credit Trade Association
- two Representatives from the Association for Payment Clearing Services
- one Representative from the Credit Services Association
- one Representative from the Consumer Credit Association
- one Representative from each CRA, currently Equifax, Experian and Callcredit

The structure of SCOR may be amended in the future to include Representatives from other Trade Associations, or CRAs.

SCOR may invite other organisations to join the Group as appropriate. SCOR may also invite organisations to attend as observers from time to time.

Representation on SCOR will be reviewed if either:

- the total number of representatives reaches 25
- more than 5 CRAs are eligible for representation.

A CRA becomes eligible for SCOR representation once it has established a working closed user group for shared consumer credit performance data in accordance with the terms agreed within the SCOR policy<sup>5</sup>. Prior to that, it may be invited to attend SCOR as an observer

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- A closed user group requiring members of that group to be supplying and accessing shared records.
- A minimum 10% of shared records. Current volumes of shared records are c.250m, therefore the current requirement is for a CRA to have 25m shared records.
- At least 50 subscribers to shared data.
- Independent audit of security.
- Compliance with the Principles of Reciprocity
- Compliant with the Data Protection Act 1998 and other relevant legislation.
- A contribution on joining to SCOR funding.

## **12.5 REPRESENTATIVES**

- The Representatives shall derive their authority solely from the Trade Association or CRA nominating them. The Representatives are required to consult with and make regular reports to those bodies and provide timely feedback to SCOR as required.
- Unless agreed otherwise by SCOR, and confirmed in writing by the Chair of SCOR, no Representative from the same group of companies as an existing Representative shall be allowed to serve on SCOR.
- Unless agreed otherwise by SCOR, and confirmed in writing by the Chair of SCOR, a maximum of one Trade Association Officer should be nominated per Trade Association as the Representative for SCOR.
- Nominations for Representatives and substitutes to serve on SCOR shall be approved by their respective Trade Association or CRA and notified, wherever possible, to the Secretary upon not less than 14 days prior written notice. Not less than 14 days prior written notice of any permanent change of nomination must be given to the Secretary. A substitute nominee of a Trade Association or CRA may attend any meeting in the place of a Representative so long as no more than one Trade Association Officer is representing that Trade Association at any one time.

## **12.6 CHAIRPERSON [and the Deputy Chairperson.]**

- The Trade Association Representatives shall elect persons to act as Chairperson and Deputy Chairperson. The positions of Chair and Deputy Chair are honorary posts.
- The Chairperson shall be entitled to take part in and vote on the business of the meeting only if he/she is also an authorised Trade Association representative.
- The Chairperson shall chair each meeting to ensure that the business and purpose of SCOR is conducted properly and fairly and in accordance with these Rules.
- The Chairperson shall convene annually a meeting of SCOR to review (without limitation) the Chairperson's year, the operation of the Principles, adjudication of complaints, the Rules, Quorum requirements and voting structures, membership and composition of the Committee.

- The Chairperson of SCOR shall be appointed to serve a term in office, which does not exceed one year. A Chairperson retiring at the end of his/her term shall be eligible for re-election to the Chair, or for nomination by his Trade Association to represent them at SCOR.
- Election to the Chair should be agreed by SCOR not less than one full meeting before the end of the term of the outgoing Chairperson.
- If the Chairperson and Deputy Chairperson are both unable or unwilling to attend any meeting, the Representatives may appoint any one<sup>6</sup> of their number to act as a temporary Chairperson for the duration of that meeting.
- The duties of the Chairperson are as follows:
  - to Chair SCOR Meetings
  - to call meetings in line with the Rules, including the calling of meetings of specialist teams, as referred to in 12.8
  - to sign off SCOR Meeting Minutes
  - to administer Budget and Expenditure
  - to be the contact for CRA Representatives under the terms of the 'CRA Product Development Compliance Process'.
  - to be the first point of contact for queries from Trade Associations, CRAs and other Data Sharing Closed User Group members regarding interpretations and clarifications of the SCOR Rules and the Principles of Reciprocity.
  - to be a key point of contact for complaints processing and resolution, as referred to in Section 10, the Complaints Process.
- The duties of the Chairperson are limited to acting on behalf of SCOR members. For clarity, the Chairperson's role is constrained by the following, unless specifically so authorised:
  - the Chairperson has no individual decision-making mandate
  - the Chairperson has no devolved powers
  - the Chairperson cannot bind SCOR to any actions or decisions

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<sup>6</sup> Excluding CRA representatives

- The Chairperson must refer all enquiries and requests for information, from the media and similar organisations, to the Trade Associations and/or CRAs, who will provide a response on their own behalf where appropriate. All formal responses from SCOR must be ratified by SCOR prior to issue.

## 12.7 THE SECRETARY

A secretary may be engaged by SCOR on an individual contract. The Secretary shall be responsible for:

- preparing and distributing the agenda and all necessary supporting papers;
- taking minutes at meetings
- administering and regularly reporting on SCOR's funding

If the Secretary is unable or unwilling to continue in that capacity the Representatives shall recruit a replacement on a similar contractual arrangement.

The Secretary will provide administrative and secretarial support to the Chairperson and members of SCOR.

Other duties of the Secretariat are included in the Service Level Agreement below:

Item	TASK	Measure
<b>Agenda</b>	<ul style="list-style-type: none"> <li>• Produce agenda.</li> <li>• Send to all attendees.</li> </ul>	Minimum 5 working days before the meeting.
<b>Minutes of meetings</b>	<ul style="list-style-type: none"> <li>• Take full and clear minutes of the meeting.</li> <li>• Annotate with action points and responsibilities.</li> <li>• Retain copy for records</li> <li>• Obtain sign off to minutes by chair.</li> <li>• Distribute to members of SCOR and named alternates and Trade Associations' secretariat.</li> </ul>	Minutes to be distributed to the chair maximum 5 working days after the meeting and all members maximum 10 working days after the meeting.
<b>Arrange Meetings</b>	<ul style="list-style-type: none"> <li>• Book regular SCOR meetings 12 months in advance with members contacting named alternates if appropriate and confirm date at the</li> </ul>	Regular meetings with minimum 66% attendance.

	<p>previous meeting</p> <ul style="list-style-type: none"> <li>• Liaise with host regarding numbers and names of attendees, and timings.</li> </ul>	
<b>Treasurer</b>	<ul style="list-style-type: none"> <li>• Monitor bank account.</li> <li>• Settle bills as appropriate.</li> <li>• Prepare an annual report on expenditure for agreement by SCOR.</li> <li>• Ensure mandate for account is kept up-to-date</li> </ul>	<p>Yearly report to SCOR. Accounts balance to statements. Budgets signed off by SCOR.</p>
<p><b>Maintain master copies of:</b></p> <p><b>1. Minutes</b></p> <p><b>2. PoR and relevant documentation</b></p>	<ul style="list-style-type: none"> <li>• Responsible for amendments and updates to the PoR and all supporting documents</li> <li>• Maintain a record of changes.</li> <li>• Communicate with Trade Bodies when new versions are agreed.</li> <li>• Maintain a record of policies agreed with individual CRAs, in line with the CRA Product Development Compliance Process.</li> </ul>	
<b>Education</b>	<ul style="list-style-type: none"> <li>• Maintain material</li> <li>• Act as a focal point to co-ordinate any requirements</li> </ul>	<p>Feedback to SCOR as required.</p>
<b>Complaints</b>	<ul style="list-style-type: none"> <li>• Log complaints and liaise with chair to determine action.</li> <li>• Maintain file on each complaint.</li> </ul>	
<b>Security</b>	<ul style="list-style-type: none"> <li>• All records to be kept confidential at all times.</li> </ul>	<p>Maintenance of confidentiality of information to all parties including within secretariat provider.</p>
<b>Administration</b>	<ul style="list-style-type: none"> <li>• Provide support for chair as required.</li> <li>• Maintain record of committee membership.</li> <li>• Provide points of contact for general communication providing responses or escalation as appropriate.</li> <li>• Provide handover to next Trade Association as instructed.</li> </ul>	<p>No complaints from annual survey of members and Trade Associations.</p>

## 12.8 BUSINESS OF SCOR

- SCOR shall meet as often as its business shall require and not less than twice per annum.
- Emergency meetings of SCOR may be requested by any Representative upon written notice to the Secretary stating the grounds and giving justification for such a meeting. The Secretary shall convene an emergency meeting as soon as possible and in any event within 14 days of receipt of notice. The meeting can be either physical or virtual e.g. via teleconference.
- The Quorum for any meeting of SCOR shall be Representatives from at least five from the full member total of Trade Associations and all CRAs, with Representation from at least 3 Trade Associations.
- Proposals from CRAs and others, which are of a confidential nature, such as those relating to new product proposals, may be heard by a reduced Quorum at the request of the applicant in order to protect confidentiality.
- Each Trade Association Representative shall have one vote.
- Any changes to the Principles and associated documents, Funding, Membership and any other material matters which SCOR nominate must be agreed and ratified by all Trade Associations and CRAs before they may be adopted. Disagreements will be resolved through negotiation until a unanimous agreement is reached. The day-to-day business of SCOR shall be conducted and votes decided by simple majority of the Representatives present at the meeting.
- SCOR may convene a working party comprising representatives as appropriate. The representatives will be people with a direct interest in or relevant technical skill for the working party and be either an existing member of SCOR or nominated by a member of SCOR. A chairperson for the working party will be selected from within this group and will agree any new members as appropriate. Working Parties will report to SCOR and make recommendations for ratification by SCOR.
- A Representative, Trade Association or CRA wishing to raise at any meeting a matter or proposal relating to the Principles shall, wherever possible, circulate and discuss details of the matter or proposal with other Representatives, and whenever possible, provide the Secretary with details of the proposal and supporting documents at least seven days before a meeting. SCOR may agree from time to time protocols for the raising of issues.

- Observers having legitimate interests in data sharing may attend a meeting of SCOR upon prior approval of the Chairperson. The Chairperson via the Secretary will ensure that all Representatives are given not less than 14 days prior written notice of any application by a prospective observer and given reasonable opportunity to object before permission to attend is given by the Chairperson. Observers will not normally be eligible to attend sub group meetings unless expressly authorised by SCOR to so attend.
- A fast track approval process exists for the immediate release of aggregated data not covered by the Principles, as detailed in 12.12.

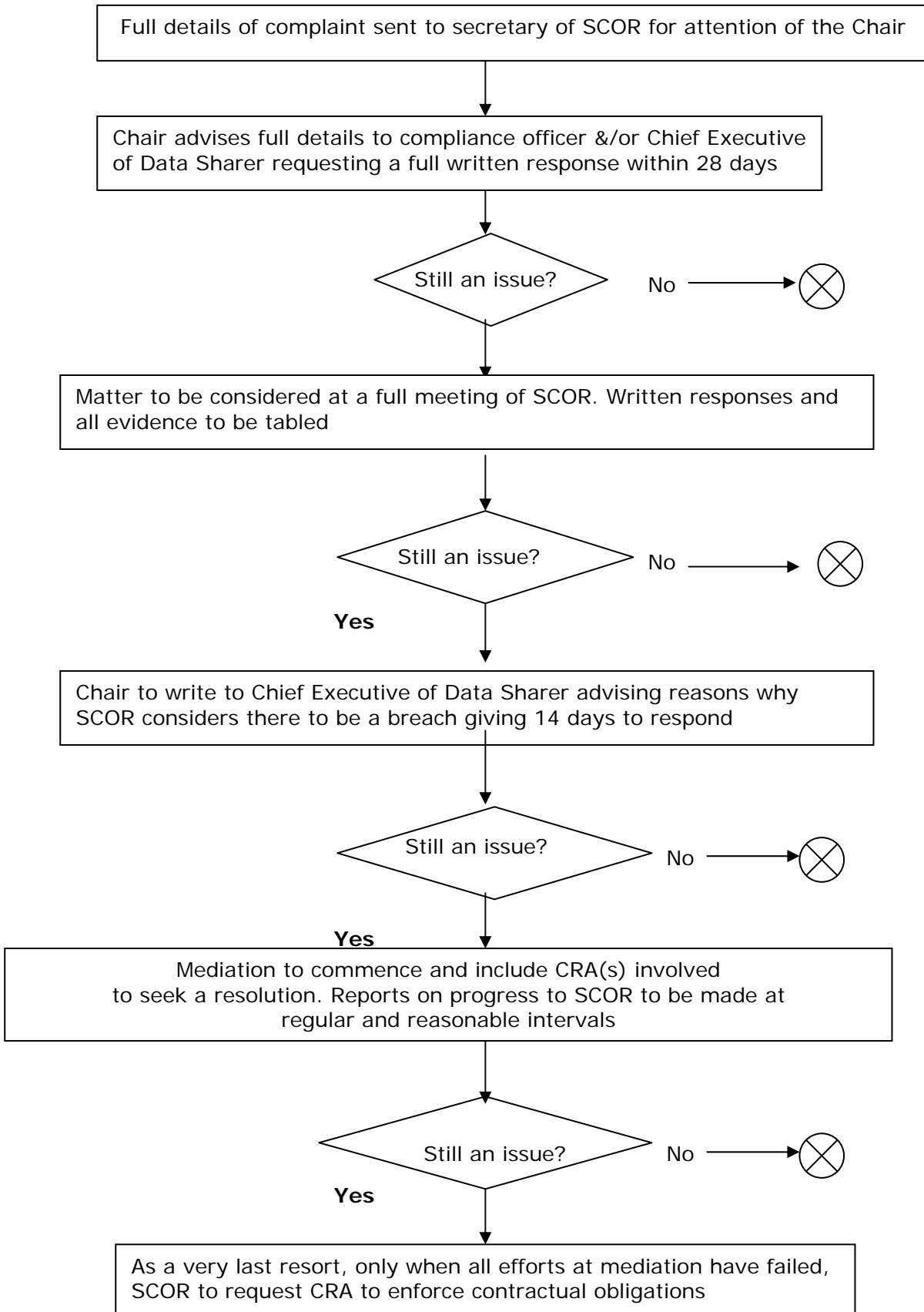
## **12.9 FUNDING**

- SCOR will be funded as agreed by the members from time to time.
- A funding formula will be agreed by SCOR annually.
- In the event of the dissolution of SCOR, any funds remaining will be proportionately returned to the most recent contributors. Any shortfall will be borne proportionately by the most recent contributors.

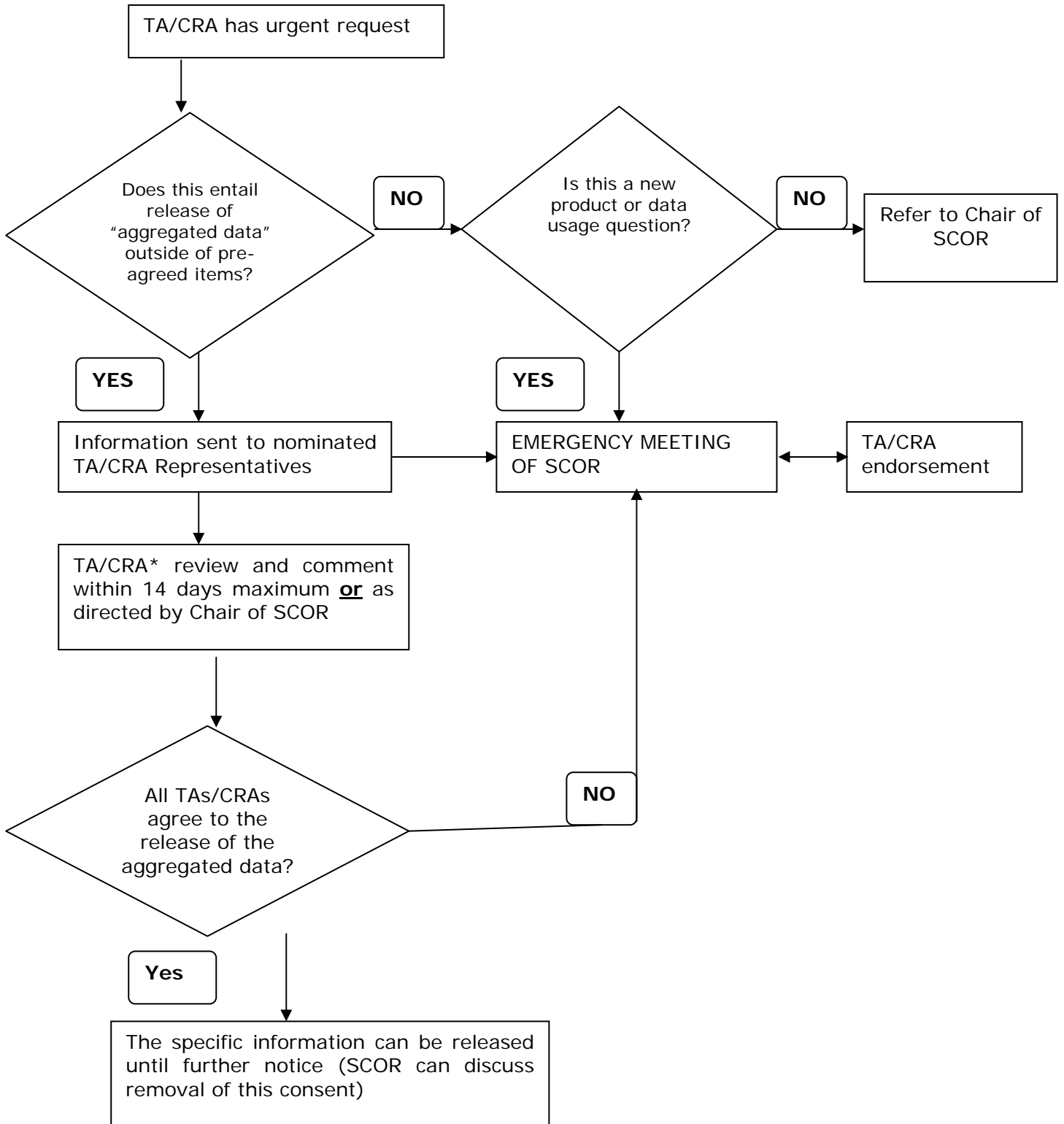
## **12.10 COMPLIANCE PROCESS**

- Within 28 days of adopting the Principles each Data Sharer will be asked to nominate an appropriate senior point of contact within their respective organisations, to act as a compliance officer for the purposes of implementing and complying with the Principles and will notify their chosen CRA of the name and address of this person.
- SCOR through the CRAs will seek confirmation from time to time, from the chief executive (or other senior officer) of each Data Sharer or User of compliance with the Principles.
- SCOR will seek confirmation from time to time, from the chief executive (or other senior officer) of each CRA of compliance with the Principles.

## 12.11 COMPLAINTS PROCESS



**12.12 PROCESS FOR THE IMMEDIATE RELEASE OF AGGREGATED DATA NOT COVERED BY THE PRINCIPLES**



*\* All CRAs can see the proposed aggregated data report except when commercial confidentiality is involved in relation to a CRA product or report. The release to other CRAs should be agreed on a case-by-case basis.*

## 13 CRA PRODUCT DEVELOPMENT COMPLIANCE PROCESS

### 13.1 Background

The procedures below have been prepared in order to provide clarity around the process under which new CRA products and services, which utilise shared data, are brought to the marketplace.

The process has been designed to recognise the importance of both:

- Ensuring that all new CRA products/services comply with the PoR
- Innovation, together with the commercial sensitivity attached to such developments

### 13.2 Process

- Through documented internal consultation, the CRA compliance team should reach a decision as to whether the proposal represents a NEW use of shared data. The SCOR representative may not necessarily be from within the compliance team, but he/she must be involved in such a consultation. (All new CRA products/services, which use shared data, must have internal compliance sign-off).
- If it is concluded that the proposed use of shared data is already covered by the PoR, or an existing Policy Recommendation, then no formal reference needs to be made to SCOR. However, the CRA may wish to discuss the proposal informally with the SCOR Chair and/or other representatives.
- In the case that the proposal is seen to represent a NEW use of shared data, or if there is some doubt that it fully complies with the PoR, then a brief summary of the proposal should be prepared and forwarded to the Secretary of SCOR.
- The Secretary should then include the proposal for discussion at the next available meeting of SCOR, in the absence of other CRAs.
- However, where a decision is required more urgently, the CRA may chose to forward (via the Secretary) a written proposal to all SCOR representatives (*except those from other CRAs*).
- If the course of action discussed at 5 above is followed, the proposal should then be reviewed by each Trade Association representative, who should respond within two weeks (see notes) as follows:

**APPROVE: The proposed use of shared data is already covered under the PoR**

## **REVIEW: Needs to be debated at SCOR and/or within Trade Associations**

*Notes: The process for "APPROVE" assumes that Trade Associations are comfortable that their SCOR representatives are mandated to make this decision.*

*It is recognised that, with holidays etc, responses within two weeks will not always be possible. However, this should be the target turnaround time.*

Upon receipt of the responses, the Secretary of SCOR should consider the position, as follows:

- If all responses are "**APPROVE**", then the decision should be relayed to the originating CRA. Trade Association representatives should be informed.
- However, if there are one or more responses of "**REVIEW**", then:
- The position should be advised to the originating CRA and the issue placed on the agenda of the next available SCOR meeting.
  - Trade Association representatives should be updated and must ensure that, at this point, views are taken from their Trade Association Executive and wider membership, so that the issue can be discussed and (normally) concluded at the SCOR meeting.
  - Where possible, views should ideally be sought via an exchange of Emails. Alternatively, it may be necessary to delay such a review until the next scheduled Trade Association meeting.

Following debate at the SCOR meeting (*in the absence of those from other CRAs*), a decision should be reached as follows:

- The proposed new use of shared data is **RECOMMENDED** by SCOR
- The proposed new use of shared data is **DECLINED** by SCOR as it stands, but will be **RECOMMENDED** if certain changes are made to the specification of the product/service and acceptance of these changes is confirmed in writing to the Secretary of SCOR.
- The proposed new use of shared data is **DECLINED** by SCOR

**No Policy Recommendation will override the contractual relationship between the individual subscriber and their CRA(s)**

### **13.3 POLICY RECOMMENDATION**

From time to time, the review of a proposed new use of shared data will lead to a "Policy Recommendation" from SCOR. In such circumstances, it is imperative that all CRAs are made aware of the Policy Recommendation, in order to maintain a competitive "level playing field". Such advice should not divulge any commercially sensitive information, but must focus specifically on how shared data will be used.

Policy recommendations will be advised to all CRAs, via the SCOR Secretary, after a period of **6 months**, which protects innovation and avoids any CRA being discouraged from approaching SCOR.

#### **Note**

**ALL policy recommendations must be subject to formal Trade Association ratification.**

## **14 RECIPROCITY BETWEEN BUSINESS AND CONSUMER CLOSED USER GROUPS**

### **14.1 Background to the crossover agreement**

The agreement covers reciprocity between the CAIS/Insight/Share databases of consumer data and one or more databases of commercial data in respect of small traders and SMEs that are now held discretely from the consumer database. Originally, both CAIS and Insight contained commercial transactions for sole traders, SMEs and small partnerships until the ICO instructed the CRAs to separate the personal and “business” data for consumers. They contended that this is required to satisfy the fair processing requirement.

Shortly after this occurred the controls and rules covering the sharing of data on commercial organisations matter was discussed at SCOR during the latter part of 1999, at the request of the FLA who had been working on the issue for some months. In November 1999 the rules were agreed in principle but never finalised or incorporated within the PoR or the Policy Rules Governing SCOR.

As a result, lenders are unable to gain a full “picture” of the credit behaviour of individuals that derive their income from businesses in which they hold a significant interest. For the purposes of this document we will refer to the two datasets as *Consumer* and *Commercial*.

On the instructions of the ICO, the CRAs have already declared that the respective consumer databases should not knowingly contain business data although inevitably there will be some that is included as a result of confusion or misrepresentation on the part of the consumer.

The EU Directive includes provisions for guarantees to be included in shared databases as well, should this progress, provision will have to be made to hold such information and for the time being it is assumed they will be held on *Consumer* or *Commercial* as appropriate.

As the Consumer and Commercial data used to be contained within a single database, there is already a strong justification for these crossover rules to be implemented, on the basis that full consumer-commercial reciprocity was the status quo before the ICO’s instruction for separation. Thus the crossover proposal currently on the table should not be seen as a change to the PoR, rather it should be viewed as a clarification and return to reciprocity as previously understood, which has been interrupted by the ruling from the ICO, and is now being restored.

This proposal actually carried two strands:

- That the distinction between consumer and commercial shared data should be formally acknowledged and the boundaries recognised.
- That the inter-dependencies between the two should also be formally recognised and the membership of the closed user groups of both types of transaction should be formally agreed together with the level of acceptable interaction.

## 14.2 The Proposal in detail

### What type of user?

- Commercial credit providers offering services, that are comparable to consumer products, to sole traders, partnerships or independent<sup>7</sup> commercial companies of **3 directors**<sup>8</sup> or fewer, may access consumer data on one or all of the directors/partners/sole traders to check applications and to manage accounts 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.

### What types of credit?

Only databases of credit that has a comparable product offered to both consumers and commercial customers. Currently this is Equifax's *Commercial Insight* and Experian's *Commercial CAIS*.

No trade credit<sup>9</sup> may join the closed user groups.

Categories of credit that might occur in both the consumer and the commercial environment such as:

- Hire Purchase
- Credit cards
- Mortgages
- Loans
- Communications (mobile phones etc)
- Utilities
- Leasing
- Factoring and Discounting
- Other revolving credit

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<sup>7</sup> Not subsidiaries of larger groups

<sup>8</sup> 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.

<sup>9</sup> Trade credit is B2B credit for normal trading purposes **not** part of a credit agreement from a commercial lender. E.g. Goods supplied on monthly invoice payment terms

**What data will be supplied by lenders and what level of access may they have?**

- Data is supplied and accessed on a portfolio by portfolio basis
- Commercial lenders providing a single product to commercial and consumer customers must share data with both databases in order to access
- Commercial lenders providing a single product to commercial customers only may access consumer data as long as data is supplied to the commercial database
- Consumer lenders providing a single product to consumers only, may access commercial data as long as data is supplied to consumer database
- Data may be accessed at the same level as is supplied, i.e. default or full

**Example:** A lender has 3 products:

*1. A credit card available to consumers and sole traders*

Data is shared with the consumer database only. They may only access consumer data on the consumer transactions. They may not access commercial data at all and neither may they access consumer data on sole trader transactions. If they were to share commercial data they could access commercial data for sole trader applications and consumer data for them too. They could also access commercial data on consumers that are also sole traders. Data must be shared with both databases in order to access both datasets.

*2. A credit card available to consumers only*

Data is shared with the consumer database but at default level only. They may access both consumer and commercial data, for applications from sole traders, but at default only.

*3. A credit card available to limited companies only*

Data is fully shared with the commercial database. For applications from companies with 3 or less directors they may access full consumer data on one or all of the directors as long as they notify at least one director mandated on behalf of all.

### **What data will be supplied by CRAs – is any data excluded?**

- Data is supplied and accessed on a portfolio by portfolio basis.
- Individual banks may exclude positive consumer current account information but will continue to share default data. Banks exercising this option may only access default data on commercial accounts for proprietors applying for consumer current accounts.

### **For what purpose may the data be accessed?**

- Data accessed under this agreement whether from the consumer or the commercial database will be accessed for the purpose of ***application risk assessment and existing customer management only***.
- Consumer data accessed in this way on commercial transactions is covered by PoR and may not be used for marketing or cross selling of consumer products.

### **What notification should be given to the commercial applicants?**

The standard notification clauses must be used and, in the case of SMEs, with 3 or fewer directors, at least 1 suitably mandated director should be notified of the intention to carry out a search.

### **What quality and reciprocity controls are in place?**

- SCOR covers both reciprocity on the consumer databases, and reciprocity with the corresponding commercial databases. The CRAs will be responsible for the day to day management of reciprocity.
- The CRAs will operate reciprocity on commercial databases on broadly similar basis to consumer.
- The CRAs will ensure quality standards are comparable to the consumer database requirements.

### **What transitional arrangements will there be?**

It is recognised that a small number of organisations are currently accessing consumer data under a temporary agreement and that it will be some time before they will be in a position to share the commercial data required under this agreement:

- For existing users only a transitional period of a maximum of 5 years from the date of initial ratification of this agreement, being 16 September 2004, unless the organisation concerned applies for and meets the criteria for an extension until March 2010 (see 5.7.3). Such extension should be sought by 31 August 2009 and will permit access to commercial data for the purposes of application risk assessment and also customer management notwithstanding the fact that commercial data is not yet supplied to the CRA database. However, suitable "fair processing" notification to allow data to be shared should be implemented immediately such that when the organisation is in a position to supply data, they may supply data on historic accounts as well as new
- For new members the period between access and supply will be 3 months, in accordance with the PoR.

### **What record of searches will be left on the databases?**

#### ***Consumer applications***

- A consumer credit application footprint will be registered on the consumer database for consumer transactions
- A consumer enquiry footprint will be registered on the commercial database for consumer applications.

#### ***Business applications***

- A business application enquiry footprint will be registered on the consumer database for commercial transactions
- A business credit application footprint will be registered on the commercial database for commercial applications.

### **How will the data be delivered by the CRA?**

The Delivery medium will be agreed between CRA and client.

### **How will the additional data be priced?**

The price structure of the additional data will be agreed between the supplying CRA and the client.