

## **Introduction**

Any economy, especially a developing economy, requires credible and stable Data Credit Reporting Systems to encourage businesses, lenders and providers of services to more willingly extend Credit and Services to Consumers. This is especially with reoccurring financial crisis, lack of collateral and the erosion of capital in the global world economy.

According to Investorwords.com and Businessdictionary.com, a **Credit Bureau** is an independent, neutral and privately owned **Financial Data Agency** that collects, stores, analyses summarises and dispenses reliable and accurate financial information that is considered relevant, about a person or corporation's Credit History and worthiness. Financial Data collected is not altered by the Credit Bureau in any way or form.

A Credit Bureau, which is also known in some jurisdictions as a Credit Reporting Agency, or a Consumer Reporting Agency, or a Credit Reference Company, does not proffer any expert opinion about whom any credit should be extended. Its report is only a **factual valuable tool** to a prospective business or creditor in assessing the risks and taking the decision whether or not to extend to a prospective applicant or borrower any credit or services on credit.

## **Credit Bureau Guidelines in Nigeria**

Section 57 of the Central Bank of Nigeria Act, 2007 authorises the Central Bank of Nigeria (CBN) to license and regulate all the Credit Bureaus in Nigeria. In pursuance of this statutory responsibility, the CBN issued its latest Guidelines regarding Credit Bureaus in 2013 for the licensing and regulation of Credit Bureaus and Credit Bureau related transactions in Nigeria.

Thus, no individual or corporation can operate or render Credit Bureau services in Nigeria except where licensed by the CBN.

There are presently three (3) privately owned Credit Bureau Agencies licensed to operate in Nigeria. They are XDS Credit Bureau, CR Services Credit Bureau and CRC Credit Bureau.

## **Core Function of the Credit Bureau**

The core function of a Credit Bureau is the collection and dissemination of Financial Information or data for permissible purposes only. This core function according to the CBN encourages reliance on **reputational collateral** as opposed to **physical collateral**. Some of the permissible purposes mentioned in the CBN Guidelines include applications for credit by Borrowers and their Guarantors; opening of new accounts and KYC related due diligence; tenancy contracts (for identification and payment ability purposes); Insurance transactions; debt collections, etc. The consent of the data subject is however required where the Credit Report is requested by a non-statutory institution or person. Also, the CBN Credit Bureau Guidelines encourages Credit Bureaus and Financial Institutions to be upfront, in advance, about the information dissemination roles of the Credit Bureaus and these Financial Institutions.

## **Using a Credit Bureau**

Obtaining a Credit Report, Data or Information from a Credit Bureau can be done either by filing the appropriate Request Form or by registered members of the Credit Bureau who undertake large volumes of Credit Checks on regular

basis.

**A Credit Report** is expected to be delivered to an Applicant who has applied for it, paid the Report fee and provided other required paperwork, within 48-72 hours. Corporate Credit Bureau members however are expected to obtain any requested Credit Report in a matter of minutes on any application been made. A Credit Report is expected to cover a minimum of five (5) years of a subject's credit history; while the Credit Bureau archived database is expected to be retained for a minimum period of ten (10) years. All credit information are required to be updated on an on-going basis.

### **CBN Credit Risk Management System**

Related to the Credit Bureau regime is the **CBN Credit Risk Management System** (?CBN CRCMS?) which commenced in 1998. The CBN CRMS is in contrast with the above privately owned Credit Bureaus, a public Credit Registry administered by the CBN to collate on a monthly basis all the credit facilities in excess of One Million Naira (N1,000,000) extended by Nigerian Banks to their Customers.

The CRCMS however only applies to formal Banking Credits; while Credit Bureaus Regulations are applicable to non-banking credit services.

### **Banks, Other Financial Institutions & Credit Bureaus**

~~A Banks and the Financial Institutions are mandatorily required to enter into Data Exchange Agreements~~ with at least two (2) CBN licensed Credit Bureaus. And these financial institutions must obtain Credit Reports from at least two (2) CBN licensed Credit Bureaus before granting any new Credit Facility, reviewing, renewing or restructuring any existing Credit Facility.

### **Conclusion**

Poor enlightenment and awareness about the core benefits of Credit Bureaus, and the invaluable benefits that Credit Reports and Scores provide on a credit subject, remains very prevalent. Dereliction in the corporate responsibility of Banks and other Financial Institutions to enlighten their customers of their statutory responsibilities to share customers' financial data with Credit Bureaus has not assisted enlightenment and growth of Credit Bureau practices in Nigeria Private Sector Corporate Nigeria, especially small and medium scale businesses, must therefore be in the forefront of promoting the best Credit Bureau practices if easy access to credit will become the norm in the nearest future.

### **Disclaimer**

This is a free educational material, which does not serve as a source of solicitation, advertisement or the offering of legal services or advice of any kind. No Client/Attorney relationship is therefore created. Readers are strongly advised to always seek from qualified Legal Practitioners, professional legal counselling to their specific factual situation.

### **Intellectual Property Protected!**

This material is protected by International Intellectual Property Laws and Regulations. This material can therefore ONLY be reproduced or re-distributed for non-profit educational purposes under the strict condition that our Authorship is explicitly acknowledged, and our Disclaimer Notice is prominently displayed.