

Submission

to the

Privacy Commission

on the

Credit Reporting Privacy Code: Proposed Amendment No 14

29 August 2018

About NZBA

1. NZBA works on behalf of the New Zealand banking industry in conjunction with its member banks. NZBA develops and promotes policy outcomes that contribute to a strong and stable banking system that benefits New Zealanders and the New Zealand economy.
2. The following seventeen registered banks in New Zealand are members of NZBA:
 - ANZ Bank New Zealand Limited
 - ASB Bank Limited
 - Bank of China (NZ) Limited
 - Bank of New Zealand
 - MUFG Bank, Ltd
 - China Construction Bank
 - Citibank, N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
 - Industrial and Commercial Bank of China (New Zealand) Limited
 - JPMorgan Chase Bank, N.A.
 - Kiwibank Limited
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited

Background

3. NZBA welcomes the opportunity to provide feedback to the Privacy Commission on Proposed Amendment No 14 to the Credit Reporting Privacy Code 2004 (**Proposed Amendments**) and commends the work that has gone into developing the Proposed Amendments.
4. If you would like to discuss any aspect of the submission further, please contact:

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Introduction

5. Overall, NZBA is generally supporting of the Proposed Amendments. We do, however, consider that aspects of the Proposed Amendments would benefit from further clarification or modification, as outlined below.

Amendment to Rule 6 (Access to credit score)

6. NZBA supports the intent of the new subrule, to allow customers ready access to their credit worthiness score from a bureau. We believe this will improve transparency and ultimately increase awareness of credit scoring in general.
7. However, we anticipate some challenges in implementation and consumer understanding without further clarification around what information must be supplied. Bureaus do not typically create only one unique credit score per consumer. Rather, different credit providers may ask a bureau to provide a bespoke score that meets their own unique business requirements.
8. To this end, we consider the amendment should clearly specify what the bureau should supply to a consumer when they request their 'score' (eg whether they should include bespoke scores). If bespoke scores are made available, we consider that may be detrimental to the customer's understanding.

Amendment to Schedule 1 (reducing maximum reporting period for previous enquiries)

9. NZBA considers that this proposal is likely to reduce the predictive value of the scores that use this information, especially where there is no positive bureau data. Details of enquiries are important to 'credit file depth', a core principle in credit scoring. Additionally, an additional enquiry does not always result in a lower credit score.
10. This proposal assumes that all the users of a bureau will be contributing to and receiving comprehensive credit data. However, this is not correct; some cannot use comprehensive credit data and others choose not to use it.
11. Our view is that this proposal could lead to unfavourable lending outcomes for both credit providers and borrowers.

Amendment to Schedule 3 (Subscriber obligation to provide quotation enquiries if offering risk-based credit products)

12. NZBA also agrees with intent of this proposal, that 'shopping around' for price should not impact the credit worthiness of the customer. It is important, however, that banks can continue to identify customers that are shopping around for credit, as this type of activity may be predictive of early repayment problems. We consider the current industry settings balance these factors and that this amendment would be likely to introduce unnecessary complexity, as outlined below.
13. We do not consider that customers who are genuinely shopping for price are penalised under the current settings. This is true for products where shopping around for price is most prevalent (eg home loans) and for other types of products where shopping around is less common (eg personal lending).

14. In portfolios where shopping around is less prevalent (such as personal lending), customers that display high levels of bureau enquires may be more likely to have poor subsequent loan performance. That is likely because consumers who make large numbers of enquires may be shopping around for credit (which is predictive of poor future loan performance) rather than price. In this case, lenders use the number of enquires to assist in the decision whether to lend. We consider that the benefits associated with the identification of early repayment risk outweigh any impact on the very small number of customers who are genuinely shopping around for price for these product types.
15. In addition, the creation of a quotation enquiry category would lead to increased complexity in the application process. For example, a customer could self-select for a quotation and at a later stage ask for a complete application. This would mean the customer is required to provide information twice. A delay between quotation and take up could result in changes to the price or the decision to lend, for example, if new information post-quotation becomes available. The only benefit is to the credit reporter who would see an increase in enquiries; one for quotation and one for final acceptance.
16. Finally, by requiring that some enquires must be considered quotation only (and therefore not available on a customer's credit file), any quotation that is turned into actual lending would need a subsequent bureau enquiry, which would need to be instantly available to other credit providers. The proposed amendment prescribes that quotation enquiries must be offered, but it does not contemplate how this might work in practice.
17. Accordingly, we do not consider that there is a real need for a quotation enquiry category.

Condition 5: Handling of new or more recent addresses revealed by a useful tracing match

18. NZBA considers that the current drafting of clause 5 may result in some impracticalities for credit providers.
19. Condition 5 applies to lenders (a subscriber) in circumstances where the lender engages the services of a bureau to locate address information for the purpose of returning funds to a customer where no current address is available.
20. Under the current drafting credit providers will be required to forward correspondence to the credit reporter, who would then forward it to the customer. If un-enveloped letters are provided to the credit reporter, this would result in the provision of private customer information to the credit reporter. However, if the letter was provided to the bureau in a sealed envelope, the bureau will be unaware of why the credit provider is contacting the customer, whether it be to return unclaimed money or for another purpose.
21. This issue could be resolved by allowing the lender to receive address data on the basis that:
 - (a) the information is used for the sole purpose of informing the customer of the unclaimed money to be returned; and
 - (b) the information would not be recorded without the express consent of the customer.