



CREDIT REPORTING ACT

Credit reports are common features in financial transactions in many jurisdictions worldwide. A credit report indicates a borrower's previous borrowing record and is often compiled by a credit rating entity which gathers information from a wide range of sources, including local courts, financial institutions and hire purchase companies. The credit rating entity then provides this information in the form of a report to interested parties for a fee.

Interested parties use the credit report to assess the creditworthiness of an individual or a firm i.e. the ability and willingness of that individual or firm to repay debt.

The enactment of the Credit Reporting Act will introduce credit reporting and credit rating entities as part of the Jamaican financial landscape. In the Jamaican context, the credit rating entity is termed a credit bureau. The legislation aims to regulate credit bureaus together with their access to and disclosure of credit information.

The Act defines credit information as:

- (i) the amount and nature of loans or advances or other credit facility;
- (ii) the nature of the security taken in respect of credit facilities (including lease financing or hire purchase arrangements);
- (iii) the nature of any guarantee or other non-fund based facility;
- (iv) information as to financial means, creditworthiness or history of financial transactions (including antecedents and adverse court judgements); and
- (v) analysis of the information above including any conclusions as to creditworthiness, whether in the form of a system of numerical or alphabetical scores or otherwise.

Banks, financial institutions and building societies lead a fairly comprehensive list of prescribed credit information providers from which credit bureaus can source credit information. The list also includes persons carrying on the business of selling goods under hire purchase, credit bureaus themselves, the National Housing Trust and the Student Loan Bureau. Notably, utility service providers are not included in this category.

The persons to whom credit bureaus may disclose credit information include the Court, a police constable for the purpose of identification of a consumer and, of course, to a credit information provider. Where disclosure is to be made to a credit information provider, the consent of the consumer to whom the information pertains must first be obtained and furnished to the credit bureau. Limitations are, in turn, imposed on the credit information provider in respect of the use and disclosure of credit information which it has obtained from the credit bureau.

A consumer is entitled to request the credit bureau to provide clear and complete disclosure of the nature and substance of all information pertaining to that consumer, the sources of such information and the persons to whom the information has been disclosed. A consumer may also make a complaint to dispute the accuracy or completeness of any information disclosed by the credit bureau.

It is anticipated that once the legislation is in place, credit reporting will offer benefits to both creditors and borrowers alike. In order for both parties to enjoy these benefits, however, it will be important for credit bureaus to inform the population as to the basis on which credit scores will be determined and the steps necessary for consumers to obtain and maintain favourable credit scores.

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