

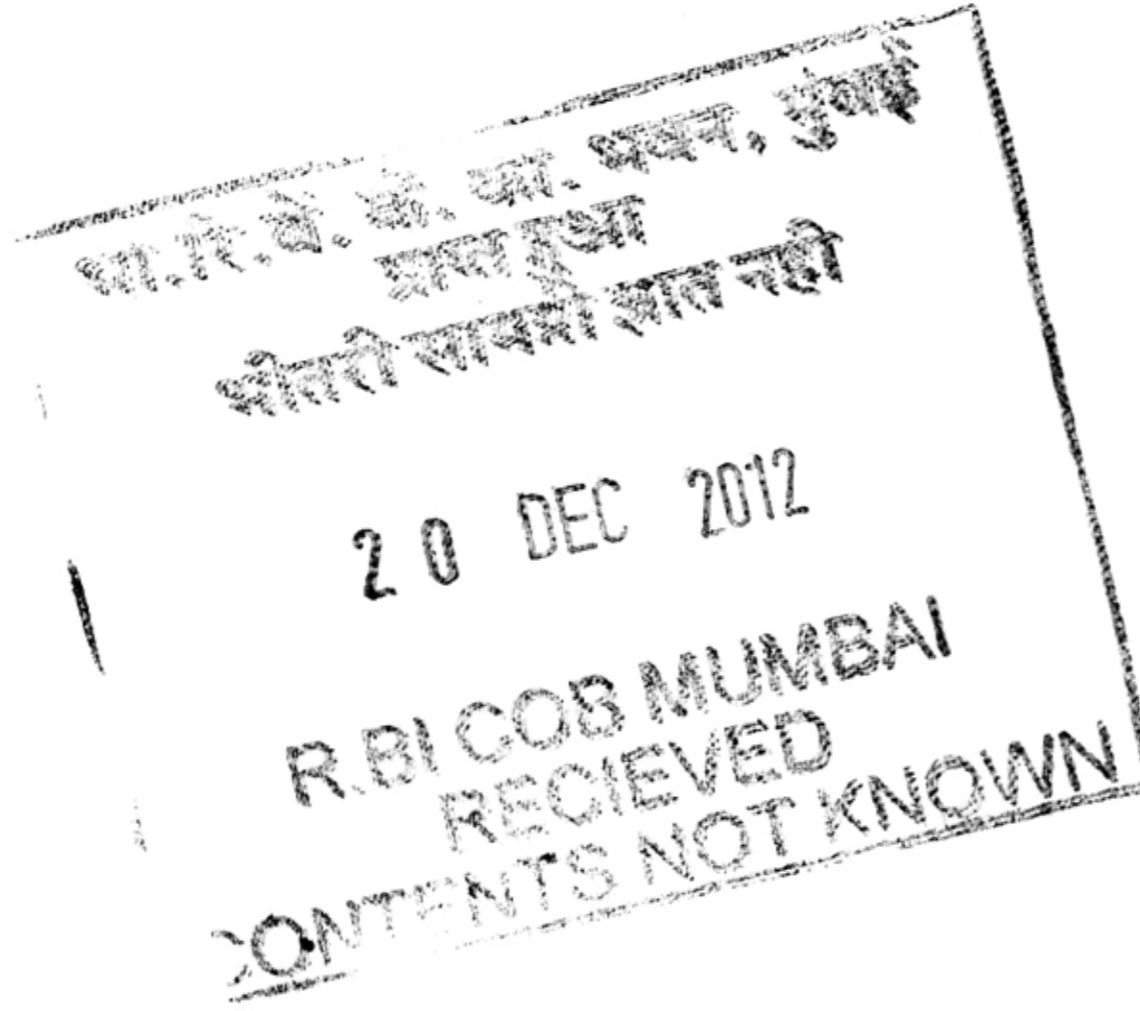


MoneyLife Foundation

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13th December 2012

Dr D V Subbarao
Governor
Reserve Bank of India



Dear Dr Subba Rao

I am writing on behalf of 17,000+ members of MoneyLife Foundation, India's largest group of savers. I want to request your urgent attention to the mess in the credit bureaus that are licensed and regulated by the RBI and the way it affects savers. Here are some startling facts we have gathered in the run up to a one-day credit score camp and counselling on 15th December.

Mr Gopalkrishnan, former DGM in the Customer Services Department and now a counsellor with Disha Financial Counselling (which was set up by ICICI at the instance of RBI) was present all day on 15th December. We requested him to put down his observations independently and I have attached his note too at the end of my letter.

As a test, seven of us from MoneyLife applied for our credit scores from Experian. Every single case raised issues – i.e. in 100% of the cases there was a problem.

1. Short History: In my case, I could not get a credit score since I was told that Experian has data only for 36 months during which I had no borrowing. Hence it is misleading to tell consumers that they can obtain their credit information from any of the four credit bureaus.

2. Non-standard Data: Experian tells us that in many cases, they may have data that CIBIL does not have. Clearly, these two bureaus (and the two others) have totally different kinds of customer information – the customer is completely unaware of this and the merits or demerits of the system.

3. CIBIL's anti-consumer system: I then decided to use CIBIL's online credit score + credit information report which charges Rs 470 and permits online payment. It asked me for my PAN Card / Driving license information plus name, address, date of birth etc, which was duly filled in. It then asked me for payment, following which I duly paid Rs470 from my ICICI debit card (which requires further identification).

After the money was debited, the system pointed out that my authentication was not correct and that I should either mail or post my KYC documents to CIBIL. I discover that the PAN and debit card are not identifiers but a quiz on my loans, which for someone over 50 is not simple since it covers multiple loans and credit cards over a 30 year period.

6. 'No History' Classification: I was in for a bigger shock on learning that my credit report is marked NH – or No History, despite a perfect credit report and multiple cards and borrowings and pre-mature repayments, no disputes, amicable closures of credit cards. What is worse, the entire credit information, right from my first HSBC card in 1996 and my first loan from HDFC in the early 1990s is available with CIBIL. Effectively, the CIBIL system has pushed me back to the same level as a 20-year old first time borrower. I am sure you will agree this is absurd and my credit history cannot be wiped out because of arbitrary rules.

5. Customers Charged despite Flawed Systems: RBI needs to ensure that credit bureaus do not use the dissemination of credit scores and information as a means of profit making. All online system debit money only after the identification process are completed. CIBIL needs to be told to change its process. Other bureaus have not even put in place an online dissemination system as yet. I and a colleague have applied to Equifax for further testing of systems. We tried applying to HighMark and discovered that they do not even provide Credit Information Reports as required by the RBI.

Some Specific Cases & Lessons

4. Debashis Basu, Editor & Publisher Moneylife applied for Experian's credit score and was told that no data for him was available. He has an active credit card from ICICI Bank with average monthly billing of over Rs 25,000. Why then should there be no credit record? On investigation and feedback from Experian, we learnt that ICICI Bank had spelt his name differently and added a 'h' to his spelling. This shows that KYC is not robust and it affects the CIRs and is bound to impact credit scores.

5. Yogesh Sapkale, Deputy Editor, Moneylife has a credit card and a home loan. He applied to both CIBIL and Experian for his record. CIBIL reports show both credit card and loans, but also show some searches for loan, which he has never made. Experian captures his credit card data but not his home loan - because HDFC, one of the largest mortgage lenders does not share data with Experian. This makes it meaningless and again shows that CIBIL has a big advantage which it is now using to extract profits by selling credit scores for Rs 470. It is unfair to the customer.

6. Kishore Mestry, Head of Art & Design at Moneylife applied for a credit score from Experian. He also received a letter to say that there is no credit record available although he has a current auto loan from Mahindra Finance. Again, Mahindra Finance, we learn, shares data only with CIBIL.

7. Pankaj Raheja, Administration Head of Moneylife obtained a credit score from Experian. He has two active credit cards. However, only the Axis Bank credit card is reflected in the report but not the RBS one. Worse, an old credit card, which has been discontinued, still figures in the report. Here we found out that RBS does not share data with anyone because it has allegedly been in the process of selling off its retail business since 2008. Again, this makes the credit records incomplete.

8. Johnson Creado, Copy Editor, Moneylife obtained a credit score from Experian. It contained details of two credit cards – SBI credit card and a Citibank credit card, which were surrendered in 2010. However, details of his HDFC credit card, which is currently in use, is not reflected in the report. His PAN number is also not reflected in the report. We learnt that SBI has not updated its data to show the card as closed. This affects the consumer. No details as to the other issues.

9. Harjot Kaur who has an educational loan from Canara Bank found it was not reflected in the credit report. We discover that Canara Bank and many others do not share every stream of data – mainly due to oversight – **some banks keep gold loans, education loans as a separate portfolio and don't bother to share it with credit bureaus.**

10. We discover through calls to banks that most of them only look at CIBIL data and others don't even bother to look at credit report at all before making lending decisions. Clearly RBI needs to clarify the correct situation so that customers are not misled or needlessly fleeced. Under any circumstances, CIBIL cannot be allowed to charge Rs470 if there is no credit score. In my case, it has appropriated over Rs 257.78 (we don't know how they worked this out) as a convenience fee and have offered to return Rs 68. Is this been cleared and mandated by the RBI? On what basis can this charge be levied? Over the years, we find that CIBIL is the least-customer friendly of all credit bureaus and we only get answers from them when we seek intervention by RBI's customer services department.

11. We are surprised to learn that customers can avoid this whole credit bureau route (please refer to Mr Gopalkrishnan's note below) by asking the lender to provide their credit report for just Rs 50. This fact was neither known to us nor the credit bureaus. We would request RBI to confirm this, inform all banks accordingly and also publicise the matter through a press release so that we the customers do not waste time and money in cumbersome processes to get junk data installed by credit bureaus.

All this would be true of the other two credit bureaus High Mark and Equifax as well.

Over the past two and a half years in many of the 150 seminars conducted by Moneylife Foundation we have been educating people about the importance of good credit records and the consequences of bad credit scores. However, it is imperative that the mechanism to track credit by the four credit bureaus has to be fair and uniform. At any rate, the hapless saver cannot be made to bear the brunt of it. Nor can she be asked to get a score from each credit bureau because lenders are not willing to share data with each of them.

Our humble submission is that rules pertaining to credit bureaus, in so much as they affect customers and individuals, may be framed in consultation with the customers and at the least, the RBI's own customer services department, which probably receives customer feedback. This does not seem to have happened in this case.

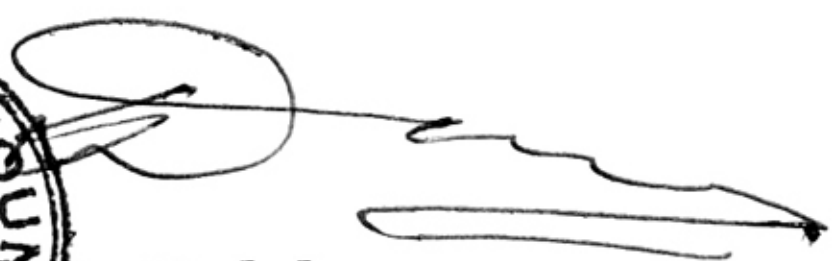
In our view, The RBI needs to take urgent steps in the following direction:

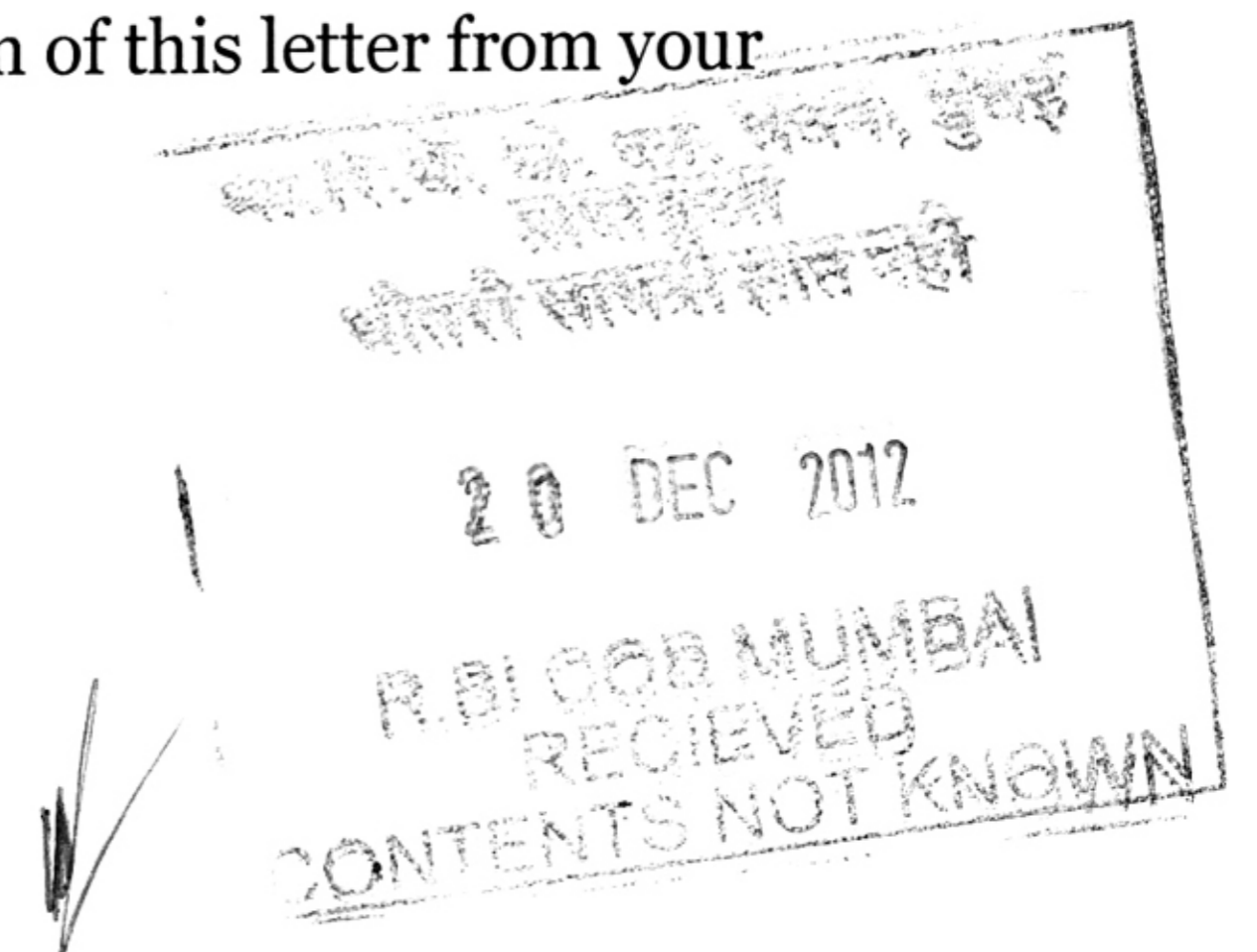
1. Mandate that all lenders share data with every credit bureau so that there is a level playing field. If not, RBI must inform customers that only CIBIL has comprehensive data.
2. Mandate that lenders share data all past data for all borrowers.
3. Mandate that every kind of borrowing be shared by all lenders to make it comprehensive
4. Create a system where data goes into a secure pool or FTP server from which it can be equally accessed by all credit bureau – this is in the interest of fairness to customers.
5. Ensure that an individual should be able to apply to just one credit bureau and be assured that the credit record obtained will be the same with the other three. Better still, the RBI note that allows a borrower to obtain a credit report from the lender by paying Rs 50 must be publicised.
6. Ensure that data is cleaned so that allow borrowing is accurately reflected. Ask banks to correct their data whenever appropriate.
7. Put in place a mechanism to verify that the bureaus are collecting, collating information in a fair manner and have an appropriate mechanism for grievance handling

Based on our findings and experiences of a larger number of people, we hope that the RBI will handhold all savers who face problems and use this as a case study to correct the process of collating and disseminating credit information.

I look forward to some positive action. A line in confirmation of this letter from your office would be hugely appreciated.




Sujata Dalal
Trustee
Moneylife Foundation
The Voice of Indian Savers



Copy to: Dr K C Chakrabarty, Deputy Governor, Reserve Bank of India
Mr Anand Sinha, Deputy Governor, Reserve Bank of India.