

**Response to consultation paper issued
by the Data Sharing Review:**

**'Use and sharing of personal information
in the public and private sectors'**

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1 EXECUTIVE SUMMARY

This document comprises Callcredit's response to the Consultation Paper issued by the Data Sharing Review.

Callcredit welcomes and supports the work of this Review and of the Ministry of Justice in examining the issue of data sharing in the public and private sectors.

Amongst other applications, the ability to share personal data has improved levels of competition and decisioning in financial services, as well as the capacity to detect and prevent financial crime. Use in these areas has yielded benefits across commercial organisations with attendant positive gains for individual consumers and for society as a whole.

The experience of data sharing that has built up within the financial services industry over recent years could be considered to present an opportunity for other sectors to build on the lessons that have already been learnt as they contemplate the potential benefits of wider data sharing.

Callcredit is broadly comfortable with the Data Protection Act and does not see that currently there is a case for undertaking extensive change, with all its associated demands.

Callcredit would welcome the opportunity to contribute to future stages of the Review.

2 PURPOSE OF DOCUMENT

The purpose of this document is to provide Callcredit's response to the Consultation Paper published on 12 December 2007 by the Ministry of Justice on "Use and Sharing of Personal Information in the Public and Private sectors"

Callcredit note that the consultation paper does not present any proposals for consideration, but rather appears more of an exercise to gather information on the views of stakeholders in the data sharing arena, whether public or private sector.

Accordingly Callcredit has sought to present views within this response document in accordance with the broad question areas set out within the Consultation Paper rather than in rigid accordance with the set questions.

3 CONTACT DETAILS

4 CALLCREDIT

A subsidiary of Skipton Building Society, one of the largest building societies in the UK, with assets of over £10 billion, Callcredit answers the UK finance industry's demand for a genuine consumer credit-referencing alternative. By using new, secure and easy to deploy technologies Callcredit has released information providers and their clients from being subjected to cumbersome, expensive legacy issues. Services offered include:

- Credit Risk Solutions
- Fraud and ID Solutions
- Marketing Solutions
- Consumer Solutions

During the last few years a series of UK companies, including Lloyds TSB, HSBC, HBOS, RBS, Barclays, AMEX and Bradford & Bingley have implemented Callcredit products and services. Callcredit's offerings are now mature, incorporating comprehensive, accurate and predictive datasets, and the continued high rate of growth of our client base underlines this.

Callcredit is actively involved in the industry at large with representation in appropriate working groups. Regular engagement within the financial services industry ensures that Callcredit understands and influences change within the UK marketplace. Such groups include the relevant Trade and Professional Associations (BBA, APACS, FLA, CML etc.), appropriate Government Departments and other recognised Industry groups such as RTL, SCOR and CIFAS.

Callcredit has particular interests in a number of specific areas:

- **Data Sharing** - Data sharing is key to Callcredit's business. Greater data sharing from public groups has been proposed as an important step in the detection and prevention of crime. Callcredit recognises that potential benefits from data sharing need always be weighed against the rights of the individual and the risks to them of any possible inaccuracy or data security issues.
- **Identity Verification and Anti-Money Laundering** – Callcredit has found significant success in assisting firms to meet their obligations in respect of the prevention of anti-money laundering, and similarly to protect their own interests and those of their customers through verification measures in cases where money laundering is not a concern.
- **Over Indebtedness and Personal Insolvency** - The UK credit industry is seeing a small but increasing minority of individuals who are experiencing difficulties with their credit commitments. Callcredit seeks to support lenders in their efforts to identify and hence treat indebted customers fairly. During 2006 Callcredit launched its unique consumer indebtedness initiative in association with the UK's leading high street banks. The initiative uses consolidated income and debt data to provide a strong understanding of consumer indebtedness and ability to pay.

5 CONSULTATION RESPONSE

5.1 Background

Callcredit is a Credit Reference Agency as defined under section 145 (8) of the Consumer Credit Act 1974. It is licensed to carry out credit reference services by the Office of Fair Trading under section 24A (4) (h) of the 1974 Act as amended by the Consumer Credit Act 2006.

Callcredit holds data collected from a variety of sources. These include:

- Official government sources, such as the Insolvency Service
- Data that is provided by subscribers to SHARE, Callcredit's closed user group sharing credit account performance data

Members of SHARE include banks, building societies, credit card companies and finance houses. Data sharing within this closed user group through Callcredit is always subject to consumer consent. The consumer's consent is obtained at the time they originally apply for a credit facility that the subscribing company will want to share in the data pool.

- Data provided by third party industry sources, such as Registry Trust Limited and CIFAS, the UK's Fraud Prevention Service
- All the above data sources are subject to appropriate regulation and restrictions on use of data.

The data held by Callcredit is then matched and linked together in such ways as to provide added value products and services to our clients whilst ensuring the use of the data is entirely in line with all legal, contractual and other regulatory requirements, such as the Principles of Reciprocity.

For example, a typical credit file request submitted by a lender upon receipt of an application for credit would generally return the following information:

- The subject's full name and known aliases
- Address (current and previous)
- Electoral Roll – whether registered and if so for how long
- Details of any Insolvencies - Bankruptcy Orders, IVAs, Sequestrations and Trust Deeds – against the individual
- County Court Judgments – the number, dates and judgement values
- Number of financial accounts held (where the data subject has given consent to data sharing)
- For financial accounts the data could include the credit limit, balance outstanding, monthly payment, start date and settlement date.

Data are also shared with the consumer themselves. The consumer has a right to obtain a copy of their 'credit file' as a specialist "limited subject access report" from any of the three UK Credit Reference Agencies for a nominal fee of £2. This has proved an easily accessible and successful scheme offering both transparency and protection for the consumer. The level of the fee has remained unchanged for

many years and ought to be recognised as wholly unrelated to the commercial cost to the Agencies to provide the information.

Consumers also have an opportunity to avail themselves of more sophisticated, optional services relating to their personal data. Callcredit operates a consumer channel, Callcredit consumer, which provides repeated access to the consumer's 'credit file' within a set time period. Additional services include the provision of alerts when a significant change is made to a subscribing consumer's personal data field with Callcredit.

Such services offer consumers the option of greater control over their personal data, allowing them to speedily identify any changes which could be indicative of identity fraud, or any occasional error in how a lender reports the conduct of any particular account.

Callcredit offers education to consumers to understand the data held on their 'credit file' and supports them should they wish to dispute any item of data held.

Callcredit, all subscribers to SHARE and other data providers all have a vested interest in maintaining the accuracy of all consumer data held, and work together to maintain its integrity, validity and quality.

5.2 Scope of Personal Information Sharing

5.2.1

Callcredit believe that extensive benefits to individuals, to business and to society as a whole are available from data sharing. Specific examples include:

- Improved, more intelligent credit decisioning at a variety of points in the lender-consumer relationship -
 - At application stage
 - In customer management
 - Treating the customer fairly, especially in collections and recoveries
- The prevention of over indebtedness
- The prevention of fraud and money laundering

From Callcredit's perspective, a variety of benefits in the financial services market have stemmed from the ability of lenders to access personal data to support better lending decisions:

- It provides lenders with evidence to help them correctly judge whether a consumer will repay their debt and set this against their appetite for risk. This also means consumers do not have to effectively pay for the high risk presented by a small section of late payers or non-payers
- The efficiency of lending processes and in particular the ability to offer speedy decisions in response to applications / requests to extend facilities empowers consumers to readily make the financial decisions required to

progress their daily lives without the lengthy and bureaucratic application procedures of past years

- Lenders can use the personal data of consumers with whom they have no existing or previous relationship within their decision making process. Hence a consumer may apply to a lender for the first time and yet have confidence that their conduct of other facilities will be taken into account
- The ability to access the most complete available picture of a consumer's debts offers the best opportunity for lenders to correctly assess affordability, and so protect both parties from the possibility of over commitment

Callcredit does not have immediate experience of the equivalent benefits to be gained through data sharing in the public sector. However it is noted that a letter from the Prime Minister to Hilary Armstrong dated 20 May 2006 and mentioning the Cabinet Committee on Data Sharing states that "...it is clear that data sharing and linking is key to delivery of effective Government and key aspects of our reform agenda."

5.2.2

Callcredit recognises that the ability to share personal data, whilst offering extensive benefit to all, also carries inherent risks in terms of misuse, data loss and maintenance of quality.

To mitigate these risks, Callcredit:

- Operates a focussed programme of data security, including full capability enabling subscribers to send data to and receive data from Callcredit using entirely secure and encrypted means
- Maintains a comprehensive data quality management programme, including promotion of high technical standards, checks and appropriate training
- Sustains transparency to the consumer through a dedicated business area which fulfils data subjects' credit file requests and helps them interpret the information they receive

5.2.3

Widening the opportunity to share data, particularly to prevent financial crime such as under the auspices of the Serious Crime Act, is perceived likely to offer benefit across society. Historically, the possibility has existed that, for example, theoretically an individual may have been working for one council and claiming benefits from another. A joined up approach between different public bodies offers an excellent opportunity to reduce this kind of fraud.

Callcredit welcomes the General Register Office's anticipated forthcoming provision of Death Register Information to relevant organisations to assist in the prevention and detection of fraud. This step should not only avoid the financial loss associated with such crime, but also the associated severe distress that is often experienced by the bereaved relatives of the impersonated dead.

We welcome such recent initiatives in data sharing and look forward to future projects which could include schemes such as the sharing of non consented data – data from accounts that were opened by consumers before consent clauses to enable sharing of data were introduced.

5.3 Legal Framework

5.3.1

Callcredit understands that the Data Protection Act 1998 implements the EU Data Protection Directive (95/46/EC). The UK's scope for subsequently making changes to its domestic law is considered limited especially as the Data Protection Directive is a full harmonisation measure.

Article 33 of the Directive provides that at 3-yearly intervals the European Commission shall present a report to the Council of Ministers and the European Parliament on the implementation of the Directive and attaching to its report suitable proposals for amendments. The first report was due by October 2001. Reports should also have been issued in October 2004 and October 2007. DG Justice in the European Commission has published to date only one such report – being that published on 15th May 2003 [COM (2003) 265 Final]. This report did not make any recommendations for changes to the Data Protection Directive.

Overall, Callcredit considers that the present system underpinned by the Data Protection Act 1998 and the Data Protection Directive (95/46/EC) works very well. It is felt there is little need for significant or wide ranging change to the current provision. In particular, Callcredit believe it would be a backward step to move to a more rigid approach, as well as contrary to the general progression in regulatory affairs towards an emphasis on risk based approaches. Callcredit welcomes the existing style of "open door" policy currently operated by the ICO.

5.3.2

The sharing of credit account payment performance information is subject to its own defined rules, ensuring that these data are protected within and beyond the requirements of the second principle. These "Principles of Reciprocity" governing all aspects of how the data are used are maintained by a Steering Committee drawn from the credit industry which works with other interested bodies to make certain the scheme operates in the best interests of lenders and consumers alike.

In particular, the Principles set out restrictions on use of the data that have been shared, specifying that they may only be used for particular purposes including matters such as prevention of fraud and over indebtedness but severely limiting use in marketing and excluding prospecting for new business. They also restrict the level of detail returned to participating lenders, guarding the consumer's right to privacy when information is not material to assessing payment capability.

5.4 Consent and Transparency

5.4.1

As discussed in Section 1, lenders are required to obtain a consumers' consent to have their payment performance data shared at the time that they apply to enter

into a credit agreement about a facility which is intended to be shared within a closed user group.

Best industry practice is understood to follow the use of Fair Processing Notices ("FPNs") based on model FPNs approved by the ICO, adapted to suit particular circumstances. The FPN would then provide the mechanism both for getting consent from consumers for their data to be passed by the subscriber to us, and for the subscriber accessing the individual's credit file when making a credit granting decision.

Callcredit believes that the current system works well, offering a full explanation to the consumer of how their data will be used whilst not placing an onerous burden on the lender.

Considerable time and thought was invested by many parties to agree an industry standard for FPNs with the ICO. Requirements of the ICO included the need for all data uses to be spelt out in the FPN, and for it to be closely positioned to the signature box on any agreement so that customer's attention was drawn to it.

5.4.2

Consumers' rights to see what data are shared about them are very visibly accommodated by the credit industry through existing means. As previously discussed in Section 1, the consumer has a right to access a copy of their 'credit file' as a specialist "limited subject access report" from any of the three UK Credit Reference Agencies for a stipulated nominal fee, while more sophisticated services are also available at the consumer's option.

Data subjects not already aware of the existence of credit referencing are commonly informed by being provided with the leaflet "Your Credit Decision Explained" by a lender who is declining to offer them a credit facility. This leaflet explains reasons why they may have been declined and gives details of the credit reference agencies.

In some cases a data subject will wish to dispute an item under section 159 of the Consumer Credit Act 1974, particularly if they believe that it may have caused them to have had a credit application rejected. If incorrect information has been supplied to us by a subscribing lender, it must amend its records and advise us of any changes.

Section 159 of the Act also allows data subjects to add Notices of Correction ("NOCs") to their credit file. This may be done for example where a data subject wants to explain the circumstances around any missed payments before they apply for new facilities. An increasing number of NOCs have been filed at Callcredit in recent years, reflecting consumers' mounting awareness of their rights in this area.

5.4.3

Callcredit has reviewed the 'Framework code of practice for sharing personal information' published by the ICO in October 2007. It is felt that this document offers strong, structured guidance to those organisations considering or embarking upon data sharing, while being sufficiently broad in approach to satisfactorily address the varied needs of different sectors and entities. Callcredit believes this strikes the correct balance and as such is very supportive of guidance of this kind.

5.5 Technology

5.5.1

Technological advances have increasingly facilitated the ready sharing of personal data. However, the increasing benefits of advances in technology often remain latent. We can examine these in the context of financial services:

Timeliness - Many years ago, payment performance data sent to credit reference agencies would be downloaded to a tape to send once a month - a time consuming process in all its aspects. Now, the vast majority of data is transferred very safely, using secure encrypted links, in a speedy and largely automated process. As a result, the data accessible is the most recent available, supporting lenders to make the best lending decisions and consumer confidence in the accuracy of information.

Cost effectiveness - As it has gradually become less expensive to process large amounts of data and the amount of resource required in data handling has reduced, the cost of data sharing has fallen, reducing the cost of lending to the benefit of both lenders and consumers.

Security - The ongoing development of improved technologies including secure encryption provides consumers with ever increasing levels of protection of their personal data. The "point of failure" in recent data breaches has not been any lack in the capability of technology to protect the data, it has been human error or acting outside defined policy.

Resilience - Systems have become far more resilient to any unforeseen incidents, resulting in improvement in firms' "disaster recovery" capabilities. This minimises any loss to firms from having to suspend operations, and also supports consumer confidence by protecting their financial records from loss.

Accuracy - Advances have increased the sophistication of data matching techniques and the ability to intelligently attribute data items to individuals. This will have made it easier to unambiguously identify the data subject, resulting in the increased protection of consumers and the reliability of lender decision making.

5.5.2

Callcredit believes that it is in the nature of technology that it is a fast changing area, with new developments and threats constantly arising. Were a particular standard to be specified, this might quickly become obsolete or mechanisms be found to reduce its efficacy. Given such circumstances, demanding compliance with the Principle itself may have better end results than enforcing an arbitrary standard.

5.6 Moving Forward

5.6.1

Looking to the future, there are many cases where data held elsewhere have the potential to be shared with the credit industry to the benefit of the industry, the consumer and society as a whole. Here we set out some examples:

- **Non Consented Data** - The credit industry is working closely with BERR to potentially obtain authority to share data on accounts opened before the consent to share personal data was obtained as a matter of course in credit agreements. As this information cannot currently be shared, lenders cannot always see a full view of individuals' commitments to assist them in lending responsibly. Conversely, if the data subject does not operate any other credit accounts, there is then no visible evidence as to how they are managing their finances, and this can make it more difficult to obtain new facilities.
- **National Insurance Numbers** - In the USA, Credit Reference Agencies are provided with data relating to Social Security Numbers which are shown on individuals' credit files as a unique identifier. If the scheme under the Identity Cards Act 2006 is not brought into place, then it could be worth considering the sharing of National Insurance Numbers. If the Department for Work and Pensions were to indicate in such circumstances its willingness to look at this issue, then Callcredit could then work with them to find a workable and legally compliant solution.
- **UK Passport Service** - Callcredit notes there is a database maintained by the UK Passport Service for the administration and issue of passports. This data could prove of interest in the area of personal verification, and most particularly to confirm passport details supplied as part of anti-money laundering checks.
- **Insolvency Service Data** - Callcredit obtains from the Insolvency Service details of each Bankruptcy Order made and Individual Voluntary Arrangement ("IVA") approved. The details of these are recorded on the individual's credit file, preventing those subject to insolvency from breaching their obligations by obtaining further credit. However, the Insolvency Service is under no obligation to advise us when a person has been discharged from insolvency. Equally, many IVAs entered into in recent years are failing to complete their agreed term, so that the debtor is not rehabilitated. This information is currently not shared, which could be seen as prejudicial to those individuals who have worked hard to meet their obligations under an IVA.

5.6.2

Benefits have arisen and will yet arise from data sharing, from improving access to credit to new and inspiring possibilities to reduce financial crime. However there will remain individuals who will continue to find it difficult to access competitive facilities simply because of lack of a shared 'credit history', while others will suffer the inconvenience and distress of identity fraud. We must together continue to work towards an environment where data sharing offers the greatest possible net benefit to society, protecting and enabling the rights of us all.