

**My
Money!**



CREDIT REFERENCE SERVICES Q&A BOOKLET



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BANK OF UGANDA





Opportunity Bank



Cairo International Bank Ltd



CREDIT REFERENCE SERVICES FAQS

1. What are Credit Reference Services?

Credit Reference Services (CRS) are provided by a Credit Reference Bureau (CRB) to enable lenders know how borrowers repay their loans. Credit information submitted by Commercial banks, Credit Institutions and Microfinance Deposit Taking Institutions is shared amongst themselves to enable them make informed decisions.

2. What is a Credit Reference Bureau (CRB)?

A CRB is a company licensed by Bank of Uganda to collect and collate credit information on individuals and companies from various sources and disseminate that information in form of a credit report to authorized users.

There are two licensed CRBs in Uganda; Compuscan CRB Limited and Metropol Uganda Limited. The list of licensed CRBs can be accessed on the Bank of Uganda website under the link: https://www.bou.or.ug/bou/bou-downloads/publications/CRB_Contact_details/CRB-Contact-details.pdf

3. What is a Credit Report?

A credit report is a record of an individual or company's borrowing and repayment history prepared by a credit bureau. The report shows how an individual or company has handled credit in the past and based on this information lenders determine a loan applicant's credit worthiness. The report contains the following information;

- The CRB issuing the report, time and date of issue
- Individual personal details (name, address, contacts, ID number, FCS number)
- Company details (Company Name, registration number, TIN, FCS Number, address, contacts, agents)
- A summary of a client's borrowings and their status. This includes existing or past loans that are being repaid satisfactorily as well as those with any late or missed payments or in default.

4. What is the role of Credit Reference Services in Uganda?

Credit Reference Services support the growth of Uganda's financial sector by improving

participating institutions' ability to predict default through the provision of timely and accurate information on borrowers' debt profiles and repayment history.

Below are the objectives of CRBs:

- Ease the review of a customer's loan application since credit reports provide information on a customer's previous loan repayments.
- Collect information on client's borrowing and repayment behaviour
- Reduce information asymmetry between Borrowers and lenders by enabling information sharing between Participating Institutions. Often borrowers have more information than the lenders.
- Reduce over-indebtedness and risky multiple borrowing that often result in loan default.
- Increase access to credit as more people become eligible for financial services.

5. What are the benefits of having CRS in Uganda?

Both borrowers and participating institutions benefit from the availability of CRS in Uganda. Here are some of the benefits:

- It makes it easier for borrowers to negotiate for better credit terms on the strength of their good repayment history. Credit reports avail evidence on good performance which could translate to a lower cost of credit, flexible repayment periods, and lower reliance on tangible collateral such as land and buildings amongst other terms. Timely access to loan records will help borrowers get loans quicker.
- Borrowers are guided on getting loans that they are able to repay.
- Participating institutions are able to offer new and better products like credit cards due to the availability of information on client risk.
- Lenders are able to assess credit risk
- Lenders can keep their rates down since they no longer have to raise charges to compensate for the poor payment behavior of a few borrowers
- Credit guarantors are able to exclude non-performing clients from the process
- Reduced turn-around time for processing loans.

6. How does CRS specifically benefit me as a borrower?

When you maintain timely repayments and a healthy credit record, the CRB is able to develop a positive credit profile for you.

Your credit report becomes your collateral (reputation collateral) as lenders begin to lend to you based on how well you have repaid others in the past.

The CRS ensures that your healthy credit habits are rewarded. If this information is not shared, other lenders will not know that you are a good client.

7. What do I need to access my credit report?

A borrower needs a Financial Card to access his/her credit report from any of the CRBs. This card is issued by Compuscan CRB and registration is done at any of the Participating Institution branches country wide. This card was introduced as an interim measure to provide a unique identifier for the credit reference services before the introduction of the National Identification System.

However, in the near future the Credit Reference Bureaus will adopt the National ID (NIN) as the unique identifier for individuals whether citizens or aliens and the Tax Identification Number (TIN) or Registration Certificate Number for Non-Individuals.

Credit reference bureaus rely on unique identification to enable the matching of borrower information. **Other forms of identification may be collected to enrich data held by the CRBs and assist curbing identity fraud, dispute resolution and preventing illegal activities.**

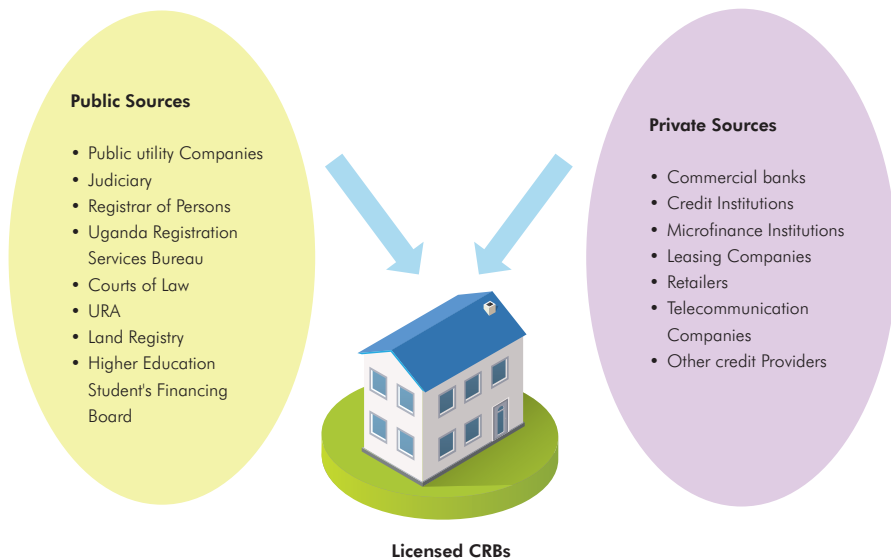
8. Why do borrowers need a National Identity Card when borrowing money?

In line with Section 66 (2) (d), (h) and (j) of the Registration of Persons Act, 2015 any institution providing the following services i.e. opening of bank accounts, consumer credit and financial services shall require a person to produce a national identification number or national identity card or an alien's identification number or alien's identification card.

The national identification card or alien identification card is a biometrically enhanced, machine readable card with digitally embedded information about the holder and the number is unique for every individual borrower.

9. What are the sources of credit information?

The major source of credit information is the traditional lenders like Commercial banks, Credit Institutions, and Microfinance Institutions. Others could include utility companies, Company's registry, land registry, trade licensing authorities, tax authorities, court registries for information on judgements on debt, insolvency or bankruptcy, registrar of persons and other relevant public bodies.

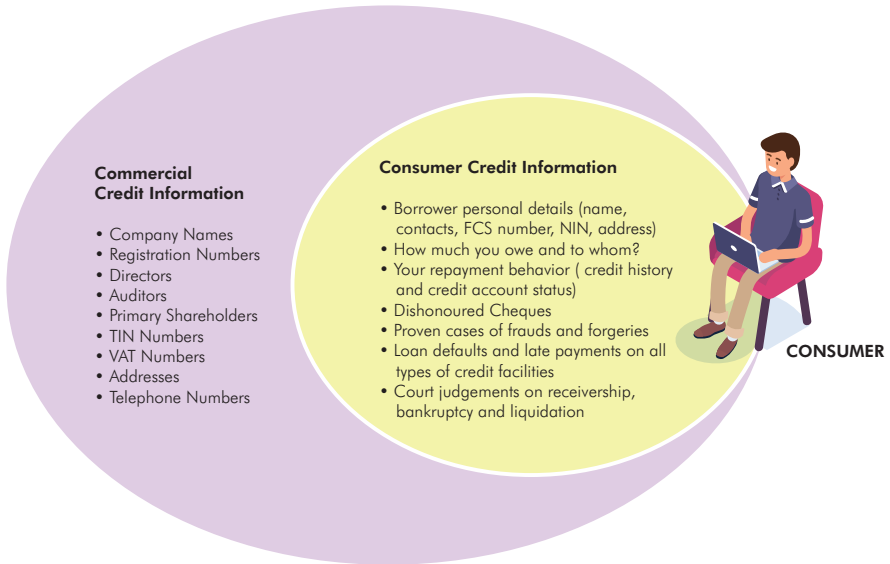


10. What will the CRB know about me?

The CRB houses consumer and commercial credit information such as:

- Borrower personal details (name, contacts, FCS number, NIN, address)
- How much you owe and to whom?
- Your repayment behavior (credit history and credit account status)
- Dishonoured Cheques
- Proven cases of frauds and forgeries
- Loan defaults and late payments on all types of credit facilities
- Court judgements on receivership, bankruptcy and liquidation

By collating all the above information CRBs are able to develop comprehensive credit profiles, detailing your past and present credit repayment behavior.



11. How long does the CRB keep my information?

According to Regulation 21 of the Credit Reference Bureau Regulations, 2005, A CRB shall maintain a historical database covering five years for the purpose of providing detailed credit information, and shall keep that database for a period of not less than ten years.

12. What is consumer credit information?

Consumer credit information consists of objective facts associated with consumer loans and credit arrangements, such as contract details and repayment history. This information helps credit providers judge the ability of consumers to repay loans and pay for purchases.

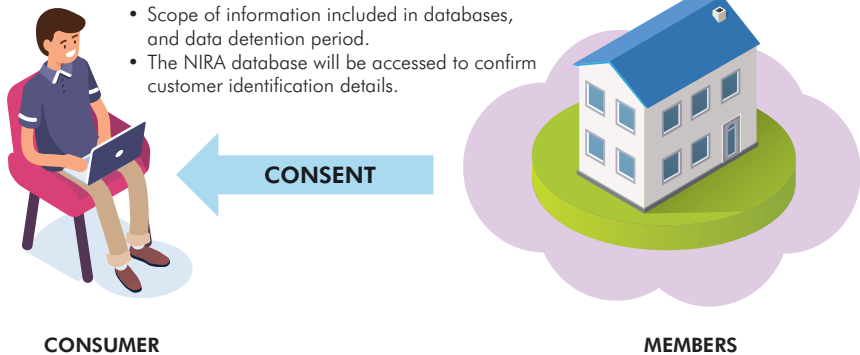


13. What is Consumer consent?

Your credit information never goes into a consumer credit reference bureau database without your consent.

The credit reference Bureau requires all participating institutions to clearly indicate the matters listed below in application forms and this serves as verification to the bureau that they first obtained consent from the consumer.

- Consumer Credit Information will go into credit bureau database.
- Consumer Credit information in the data base.
- The information is also used by other affiliated credit bureaus.
- Scope of information included in databases, and data detention period.
- The NIRA database will be accessed to confirm customer identification details.



14. What information of mine can be shared even without consent?

According to Section 78 (2) (a) and (b) of the Financial Act, 2004, negative information relating to non-performing loans and on customers involved in financial malpractices including bouncing cheques due to lack of funds and fraud. Such information shall be promptly reported to the CRBs.

15. Why is it important for me to pay my loans on time?

Loan providers will be more willing to offer you more credit if you have a good credit history and make repayments on time.

- **Lower interest rates-** if a lender thinks you are low risk, they may offer you better interest rates, which makes borrowing cheaper for you.
- **Higher credit limits-** With a good repayment history you may have a better chance of borrowing larger amounts to help you achieve your goals faster.
- **Access to more products-** A good repayment history provides better chances of approval and opens doors for you to access various credit products.

On the other hand, if you have poor repayment history lenders may demand higher interest rates or may even decline your application.

As it is now, paying your loans on time is generally the single most important contributor to a good credit report.

16. Why have I been turned down for credit?

The loan provider with which you have made the loan application makes this decision at their own discretion and can tell you why you have been turned down.

17. Does signing as a Guarantor to a loan affect my credit-worthiness?

Yes, by co-signing you are accepting full responsibility for the debt if the other person does not pay as agreed.

18. Can belonging to a group affect credit-worthiness?

Yes. You will appear in the CRB with links to all the group members. If the group performs well, your credit profile will display this positive information. If it does not perform well, this too will be reflected.

19. What is a Credit Score?

A Credit Score is a number that reflects the likelihood of a borrower paying back a loan. The CRBs look at your credit history to calculate your credit score, which shows the level of risk in lending to you.

A higher credit score means you are deemed lower risk, and are more likely to be approved for credit.

20. What do I need to do to improve my Credit Score?

- **Avoid delinquent and defaulted accounts;** ensure to pay your installment on time.
- **Only borrow what you can afford.** Negative information stays on your credit report for up to five years and lowers your credit score.
- **Limit credit applications.** Applying for credit frequently in a short period can make lenders think you a high risk.
- **Close unused credit accounts e.g. unused credit cards.** Having large amounts of available credit may make lenders think you can't handle more.
- **Keep a close eye on your credit report.** Look out for any signs of fraudulent activity or erroneous information on your report and raise a dispute. Borrowers are entitled to a free credit report annually from any of the CRBs.

21. Does having many loans affect my credit score?

If the many loans are all timely and fully repaid then they will improve your credit score. Otherwise, they will reflect a poor credit score.

22. How do I know that my credit information is safe?

The Financial Institutions (Credit Reference Bureaus) Regulations, 2005 require that CRBs meet the prescribed database management and security standards for both transmission and storage of information in their custody. These measures include the following:

- The licensed CRBs are regulated by Bank of Uganda to ensure their compliance to the prescribed security standards.
- CRBs provide borrower's credit information to institutions regulated by Bank of

Uganda under the Financial Institutions Act, 2004 and the Microfinance Deposit Taking Institutions Act, 2003 and those that will be approved by BOU as Accredited Credit Providers.

- Only authorized users from the Participating Institutions can access your information.
- Your information never goes into a CRB database without your consent.
- All information is encrypted.
 - Consumer Credit Information will go into credit bureau database.
 - Consumer Credit information in the data base.
 - The information is also used by other affiliated credit bureaus.
 - Scope of information included in databases, and data detention period.
 - The NIRA database will be accessed to confirm customer identification details.



CONSUMER



MEMBERS

23. Can I have access to the information on my credit performance held by the bureaus?

Yes. Under the Financial Institutions (Credit Reference Bureaus) Regulations, 2005, customers have the right to know what information a Participating Institution has submitted to the CRBs on their accounts.

Customers are entitled to a free credit report once a year.

Customers can request for additional credit reports at any time, but will have to meet the relevant costs prescribed by the CRBs.

24. What should I do if a loan provider advises me that there is an error in my credit report?

The CRB report is based on information provided by the participating institutions. Any errors identified can be corrected through formally raising a dispute with the

Participating Institution you have visited. You will be required to complete a dispute form as a record for the complaint raised, then this will be escalated to the concerned parties within the Participating Institution or it will be transferred to the concerned Participating Institutions for action.

25. Can I have rights to challenge erroneous information on my credit report?

Yes, a consumer can lodge a formal complaint through the Participating Institutions or the CRBs.

- Consumers are required to complete a dispute form accompanied with a copy of an authorized ID and submit it to a Participating Institution or CRB.
- According to the Guidelines to Participating Institutions on Credit Data Standardization and the Implementation of the Credit Reference Services, complaints are to be addressed immediately and, in any case, not later than 20 business days.
- During the investigation period, your report will have a flag indicating that the information is under dispute.
- The CRB will investigate the challenged information by contacting the concerned Participating Institution (s) that submitted the information in question.
- The Participating Institution(s) will send an amendment instruction to the CRBs.
- The CRBs will update/ not update your record depending on the amendment instructions from the Participating Institution(s).
- When the correction is made, the consumer and the Participating Institutions involved will be notified and an amended credit report issued.

26. How do I contact the Credit Reference Bureau?



Compuscan CRB Limited
3rd Floor, North Wing, Soliz House,
Plot 23, Lumumba Avenue
P. O. Box 7204, Kampala Uganda
Tel: +256 (0)20 051 8500
Helpdesk: +256 (0)20 051 8700
Disputes: +256 (0)20 051 8600
Website: www.compuscan.co.ug
Email: info@compuscan.co.ug



Metropol Uganda Limited
Plot 9, 4th Floor, Yusuf Lule Road
P. O. Box 5999 Kampala-Uganda
Tel: +256 200 516 800
Website: www.metropol.co.ug
Email: info@metropol.co.ug

BANK OF UGANDA



Bank of Uganda, Plot 37/45, Kampala Road,
P.O. Box 7120, Kampala, Uganda.
Call +256 414 258 441-6 or visit www.bou.or.ug.



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