



**GUIDELINES FOR THE LICENSING, OPERATIONS AND
REGULATION OF CREDIT BUREAUS IN NIGERIA**

BY

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SECTION 1

INTRODUCTION

1.1 BACKGROUND

In the exercise of the powers conferred on the Central Bank of Nigeria by section 57 of the CBN Act 2007, No.7, the following guidelines are made as a guide to the licensing, operations and regulation of all credit bureaus in Nigeria.

1.2 This guideline shall apply to all credit bureaus licensed by the Central Bank of Nigeria.

1.3 The objective of the guideline is to define the licensing, operational and regulatory requirements for a privately owned credit bureau under the CBN Act 2007, No. 7.

SECTION 2

DEFINITION OF TERMS

In these guideline, unless the context otherwise requires —

- 2.1** “Act” - means the Central Bank of Nigeria Act, 2007.
- 2.2** “Board of Directors” - means the Board of Directors of a credit bureau.
- 2.3** “CBN” – means the Central Bank of Nigeria.
- 2.4** “Consent” – means a signed written authorization by the holder/data subject, his/her legal representative or authorized agent indicating his/her approval to either inquire about his/her data and/or forward his/her data to credit bureaus.
- 2.5** “Credit Bureau” (CB)/Credit Reference Company - means an institution that collects information from creditors and available public sources on borrower’s credit history. The bureau compiles the credit information on individuals/entities regarding their credits, credit repayments, court judgements, bankruptcies etc. and then creates a comprehensive credit record that may be sold to lending institutions and other authorized users.
- 2.6** “Credit Bureau Association” – means an association registered by the Corporate Affairs Commission for the sole purpose of promoting the activities of credit bureau operations in Nigeria.

- 2.7** “Credit File” - means a docket containing the holder's/data subject's personal and credit data that are collected, processed and maintained with the credit bureau.
- 2.8** “Credit Information” - means the history of a holder/data subject with regard to credit and financial obligations that a credit bureau may collect from lending institutions.
- 2.9** “Credit Report” – means information issued by a credit bureau, containing all or part of the holder's/data subject's information and data available in the credit file or a summary thereof.
- 2.10** “Credit Scoring” – refers to a measure of default probability.
- 2.11** “Database” - means a set of information administered by a credit bureau.
- 2.12** “Data Providers” – means entities that provide any form of credit and entities that have personal or credit or any information and data related to holder's/data subject's payment habits, credit worthiness and furnish them to the credit bureaus as per these rules.
- 2.13** “Debt” - means direct, indirect and contingent obligations incurred by an individual or entity with third parties including interest thereon.
- 2.14** “Holder/Data subject” - means any person or entity whose credit information is administered by the credit bureau.

2.15 “Reputation collateral” - means a good payment record which may be used in applying for new credit.

2.16 “User” - means any lending institution or person or entity that is entitled to request credit information from a credit bureau.

SECTION 3

OWNERSHIP AND MANAGEMENT OF A CREDIT BUREAU

3.1 OWNERSHIP OF A CREDIT BUREAU

(i) Individuals/entities are at liberty to invest in a credit bureau subject to CBN approval.

(ii) Investment by a bank and its subsidiaries in a credit bureau shall not exceed 10% of the total paid-up capital of the credit bureau.

(iii) Banks shall not invest in more than one (1) credit bureau.

3.2 MANAGEMENT

3.2.1 DIRECTORS

(a) The maximum number of directors [including executive directors] on the Board of a Credit Bureau shall be eleven [11] (one of which must be an independent director), while the minimum shall be five [5]. The non-executive directors should comprise the majority of the members of the Board at any point in time.

(b) No individual shall be a director in more than one [1] credit bureau.

(c) The appointment/upgrade of a new director/ management staff shall be approved by CBN.

3.3 QUALIFICATION FOR DIRECTOR AND TOP MANAGEMENT APPOINTMENT IN A CREDIT BUREAU

The following minimum qualifications and experience are mandatory for officers who may occupy top management positions in the credit bureau:

(i) **Managing Director/Chief Executive** - a recognized university degree or its equivalent with at least ten (10) years relevant post-qualification experience.

(ii) **Executive Director** - a recognized university degree or its equivalent with at least eight (8) years relevant post-qualification experience.

(iii) **Departmental/Unit Head** - a recognized university degree or its equivalent with at least seven (7) years post-qualification experience.

(iv) **Non-Executive Director** – A non-executive director must possess a minimum of first degree or its equivalent and appreciable experience/ exposure in a reputable organization.

SECTION 4

LICENSING REQUIREMENTS OF CREDIT BUREAU

An individual or a group shall not operate a credit bureau in Nigeria unless licensed to do so by the Central Bank of Nigeria.

The process of licensing a credit bureau is in three (3) stages:

- (1) Receipt and appraisal of application.
- (2) Issuance of Approval-in-Principle (AIP).
- (3) Issuance of Final Operating License.

4.1 Application

A Promoter(s) seeking to operate a credit bureau in Nigeria shall apply in writing to the Governor of CBN. Such application for a credit bureau license shall be accompanied with the following:

- a. Non-refundable Application fee of ₦250,000 (Two hundred and fifty thousand Naira only) made payable to the Central Bank of Nigeria (CBN).
- b. Minimum capital requirement of ₦500,000,000.00 (Five Hundred Million Naira only) made payable to the Central Bank of Nigeria (CBN), fifty percent (50%) of which would be released upon the grant of Approval-in-Principle, while the balance would be released with the accrued interest on the grant of final license.
- c. Memorandum and Article of Association.

- d. Detailed feasibility report on the proposed credit bureau which will include:
- i. The objectives and aims of the proposed credit bureau.
 - ii. A detailed and comprehensive business plan of the credit bureau.
 - iii. A three (3) year financial projection for the operation of the credit bureau indicating its expected growth and profitability.
 - iv. Details of the assumptions upon which the financial projections have been made.
 - v. The organizational structure of the proposed credit bureau, setting out in details, functions, relationships and responsibilities of Board, Management and staff.
 - vi. The composition of the Board of Directors and the curriculum vitae (CV) of each member including information on positions held by them in other organisations.
 - vii. Proposed Management Information Systems, internal controls and procedures including manuals of operations.
 - viii. A table of the list of Promoters, Shareholders showing their residential address, their businesses/companies and addresses, amount invested as well as addresses of their bankers.
 - ix. Copy of the management or service level agreement, if any, which have been concluded with other parties or any Memorandum of Understanding in that regard.

- x. Sworn declaration of the promoters and directors attesting to their willingness to adhere to a code of proper conduct and integrity.
- xi. The conclusions based on the assumptions made in the feasibility report.

4.2 Approval in Principle (A.I.P.)

- a. The CBN having satisfied itself with 4.1 above, shall issue an AIP to the credit bureau which will stipulate the conditions for granting of final licence.
- b. An AIP granted to a proposed credit bureau shall be for a period of one hundred and eighty days (180 days) within which the proposed credit bureau must comply with all the conditions specified in the guideline.
- c. If within one hundred and eighty days (180 days) the credit bureau fails to comply with the conditions as specified in the AIP, the CBN shall withdraw the AIP.
- d. Where the application for a credit bureau license is declined, the reason(s) for decline shall be communicated in writing to the applicant.
- e. Submission of specimen copy of credit status report as well as proposed charges for such reports

4.3 Final Operating License

The CBN shall grant final License to a credit bureau subject to the following:

- a. The credit bureau has satisfied all conditions as specified in the (AIP).
- b. The CBN has conducted on-site verification to ascertain its readiness to commence operations.

4.4 The credit bureau so licensed shall comply with the provisions of the guidelines, regulations and circulars as may be issued by the CBN from time to time.

4.5 A license shall automatically expire if a credit bureau has not commenced business during the first six (6) months immediately after the date of issue of the license.

4.6 All licensed credit bureau shall be required to add "Credit Bureau" to their names e.g. XYZ Company limited (Credit Bureau). Such names shall be incorporated by the Corporate Affairs Commission (CAC) in compliance with the Companies and Allied Matters Act (CAMA), 1990.

4.7 No credit bureau should be registered or incorporated with a name which includes the words " Central", " Federal" "Federation", "National", "Nigeria", "Reserve", "State", Christian", "Islamic", "Moslem", "Quaranic" or "Biblical".

SECTION 5

OPERATIONAL PROCEDURES OF CREDIT BUREAU

5.1 Permissible Purpose

To access any credit information from a credit bureau, the user (lending institution, person or entity) should have a permissible purpose.

The permissible purpose is represented in the following:

- I. Application for credit by a borrower.
- II. Reviewing of existing credit facilities.
- III. Opening of new accounts (as part of KYC principle).
- IV. Funds transfer of ₦1, 000,000 (One Million Naira) and above.
- V. Prospective/current employee checks.
- VI. Tenancy contracts (for identification purposes).
- VII. Grant/review of insurance policies.
- VIII. Acceptance of guarantee(s).
- IX. Application for contracts/pre-paid services (telephone etc).
- X. Court judgement.
- XI. Credit scoring of the client by credit bureau.
- XII. A written consent from the client.
- XIII. Legislation.

5.2 Data collection:

A licensed credit bureau shall collect information on the background and credit history relating to the commitments of persons, enterprises and other organizations, in order to determine their overall debt exposure and repayment behaviour.

5.2.1 Credit bureau shall collect data from any of the following sources:

- i. Banks operating in Nigeria
- ii. CBN Credit Risk Management System (CRMS)
- iii. Mortgage finance companies
- iii. Finance/operating leasing companies
- iv. Insurance companies
- v. Institutions that offer credit to medium, small and micro enterprises
- vi. Asset management companies
- vii. Suppliers of goods and providers of services on a post-paid or instalment payment basis e.g. telecommunication, water, health, energy etc
- viii. Other credit bureaus licensed by the Central Bank of Nigeria
- ix. Other entities that have data and information that serves the purposes of the company

5.2.2 At the time of receiving information on a holder/data subject, a credit bureau shall ensure that all relevant information on the holder/data subject is obtained.

5.2.3 A credit bureau may consult other sources of information, provided that the confidentiality of the holder/data subject shall be maintained.

5.4 Information dissemination:

Information obtained from credit bureau is vital for the development of a credit culture where holder/data subjects seek to protect their reputation collateral by meeting their obligations in a timely manner and holder/data subjects can also use the good repayment record as incentive for new credit(s).

A credit bureau shall provide credit information services to authorised users as listed in 5.1 (Permissible Purpose) or any other user(s) as may be approved by CBN from time to time.

5.4.1 A credit bureau may only divulge information regarding a holder/ data subject with that holder/data subject's consent.

5.4.2 For purposes of collecting, recording and keeping information, a credit bureau shall ensure that the lending

institution has received written authorisation to access the information from the holder/data subject.

5.4.3 All financial institutions must have data exchange agreement with at least two (2) credit bureaus.

5.3.4 All banks must obtain credit report from at least two (2) credit bureaus before granting any facility to their customers.

5.4.5 A credit bureau must maintain a credit file on each holder/data subject which should contain the clients' personal and credit data including:

a. Personal History Data:

i. **Natural Persons:** They include the name, nationality, date and place of birth, identification documents, present and past addresses in the last three years, profession, details of present and past jobs in the past three years, spouse name in addition to any other data that meet the requirements of the credit bureau.

ii. **Legal Persons:** They include the name, legal status, shareholding structure of 10% and above of the paid up capital, company registration certificate and any other information that meet the requirements of the credit bureau.

b. **Credit Data:** It includes loan value and/or authorized credit limit, the outstanding balances, type of facility or product, maturity date, outstanding instalments due and types of collaterals offered in addition to any other information that meet the requirements of the credit bureau.

c. **Payment Habits:** These are historical data for a minimum of five preceding years, reflecting the extent to which clients are regular in meeting their commitments on due dates and they include:

i. **Positive information:** Information that reflects the clients' payment of obligations on due dates.

ii. **Negative information:** Information related to clients' delinquencies including: payment delays, irregularities, dishonoured cheques and bills, defaults, delinquency, court sentences, seizures, protested bills of exchange, insolvency and bankruptcy.

d. **Public Record Information:** Information available in public records including civil, commercial, real estate, court registries, the Police, utilities, etc.

e. **Inquiries made to the credit file:** It includes the user's name, business and date of inquiry. The credit file should not contain data related to political party, other general organizations affiliation, religious beliefs or health condition.

5.5 Responsibilities of credit bureau

A credit bureau shall—

- (a) Implement strict quality control procedures in order to ensure the quality of its database and the continuity of its services.
- (b) Utilize the information collected solely for the purposes set out in this guideline.
- (c) Adopt reasonable precaution to ensure that data provided is authentic, legitimate, reliable, accurate and that it reflects the existing situation of the holder /data subject at any given time.
- (d) Where the data collected is found to be inaccurate or invalid, the credit bureau shall promptly take the corrective measures necessary to remedy the deficiencies.
- (e) Provide to the CBN, unrestricted access to all the information managed by the credit bureau, either through access to its systems or in a manner stipulated by the Central Bank of Nigeria, for the purpose of supervision.
- (f) Observe, through its shareholders, directors and officers, a perpetual duty of confidentiality with regard to the information in its database.
- (g) A credit bureau shall not transfer, directly or indirectly, any database containing information to any person other than the Central Bank of Nigeria or its nominated recipient, for any reason.

A breach of items a-g above shall constitute a contravention of the guideline.

5.6 Data Retention Period

(1) A credit bureau shall maintain a historical database covering a five (5) year period for the purpose of providing detailed credit information, and shall keep the database for a period of not less than ten (10) years after which it shall be archived.

(2) A credit bureau shall implement procedures and systems that ensure that the information registered in its database is updated on an on-going basis.

(3) A credit bureau shall update its database as and when information is provided by the lending institution. The information shall be updated on a regular and as often as may be required in standardized formats/procedures.

5.7 Maintenance of Data Integrity & Security

(1) A credit bureau shall take the necessary security and control measures in order to avoid unauthorised/improper use or mismanagement of information in its database.

(2) A credit bureau shall not request, collect or grant information, other than information related to its official business.

(3) All data collected by a Credit Bureau on a holder/data subject must be aggregated and the resulting information made available on request to contributing/lending institutions or authorised users.

5.8 FEES AND CHARGES

(1) A credit bureau shall charge fees for its services. Such fees shall be approved by CBN.

(2) The holder/data subject may have access to his/her credit information free of charge in the event of a credit denial or negative report.

5.9 UNIQUE IDENTIFIER

(1) A Unique Identifier is a number or combination of numbers and alphabets that are generated to uniquely replace the name of the holder/data subject as a means of protecting his/her true identity.

(2) A unique identification system for individuals and corporate bodies should be generated for each holder/data subject to ease data collection, processing and dissemination. Such unique identifier must be generic to all credit bureaus and users.

SECTION 6

DISPUTE RESOLUTION

- 6.1** A holder/data subject has the right of unhindered access to inspect his or her credit information at any credit bureau.
- 6.2** Where the holder/data subject believes that the information contained in the database is inaccurate he or she may request a review.
- 6.3** Any inaccuracy identified or observed shall be promptly remedied by the data provider.
- 6.4** The credit bureau shall review and investigate any disputed information, provide a response to the holder/data subject of its findings and correct any potential misrepresentation within ten (10) working days of receiving the complaint.
- 6.5** All credit Bureaus shall establish a complaint resolution unit to handle all complaints/disputes in respect of its operations.
- 6.6** For the duration of the investigation, the credit information in the credit bureau must indicate that the information is under dispute.
- 6.7** Where there are legal liability(s) or costs arising from the inaccurate data, the data provider shall be liable.
- 6.8** All parties to a credit bureau related dispute shall have recourse to the CBN.
- 6.9** The credit bureau shall render monthly returns on all disputes and complaints to the Central Bank of Nigeria.

SECTION 7

OPENING AND CLOSURE OF CREDIT BUREAU OFFICES

- 7.1** A credit bureau must obtain the approval of the CBN before opening, relocating or closing its offices.

- 7.2** Such opening or closure of offices by a credit bureau must be approved by the Board of Directors in accordance with its business plan.

SECTION 8

SUBMISSION OF RETURNS AND AUDITED ACCOUNTS TO THE CBN

- 8.1** Every credit bureau shall submit to the CBN on monthly basis details of its activities as specified by CBN ten (10) working days into the following month.
- 8.2** All credit bureaus shall submit their audited accounts not later than three (3) months after their year end for approval by CBN for publication.
- 8.3** CBN shall conduct yearly or as the need arises, the examination of the activities of the licensed credit bureaus.
- 8.4** The CBN as part of its supervisory functions of the activities of credit bureaus in Nigeria shall have unrestricted access to the database and records of all licensed credit bureaus.

SECTION 9

COMPLIANCE WITH GUIDELINES

Credit Bureaus are expected to comply strictly with the provision of this guideline. However in case of confirmed contravention, CBN shall apply appropriate sanctions on the credit bureau.

- 9.1** Where a Credit bureau, through its shareholders, directors or officers illegally discloses any information in its database, before or after its dissolution, the responsible party is liable to pay a penalty of five hundred thousand naira only (₦500,000.00) and, in the case of a continuing offence, an additional fine, not exceeding ten thousand naira only (₦10,000.00) for each day on which the offence continues.
- 9.2** All the officers who are directly involved in the commission of the offence shall also be blacklisted by the CBN.
- 9.3.** (i) A credit bureau may file a claim against the information providers whenever it is held liable for any incorrect information.
- (ii) Users of risk information provided by a credit bureau shall be held liable in the event of wrongful or fraudulent use of the information, or if the users cause damage to the holder/data subject.
- 9.4** (i) A credit bureau shall have a customer claims and inquiry service section to attend to customers who may be affected by the information contained in the database and who may be contesting the information from the Credit Bureau.

9.5 (i) In the attainment of its corporate purpose and the performance of its activities, a credit bureau shall comply with any directives issued by the CBN.

(ii) The CBN may request, at any time, information it may require in order to evaluate complaints, accusations or inconsistencies detected in a credit bureau.

9.6 The chief executive officer of a credit bureau is responsible for ensuring compliance and internal dissemination, of these guideline.

SECTION 10

DISSOLUTION, LIQUIDATION AND REVOCATION OF LICENSE

10.1 Where a credit bureau is to be dissolved and liquidated, it shall notify CBN in writing accompanied by the following documents:

(a) A copy of the minutes of the special meeting of shareholders in which the agreement to dissolve was recorded.

(b) Financial statements as at the date the agreement to dissolve was made, as well as a report from the external auditor appointed by the Central Bank of Nigeria.

(c) A sworn statement from the chief executive officer specifying outstanding obligation (if any).

(d) Evidence of appointment of a liquidator.

The Central Bank of Nigeria shall on receipt of notice of dissolution or liquidation conduct an investigation of the credit bureau.

10.2 A credit bureau shall comply with the decision of the Central Bank with regards to the management and control of its database on dissolution.

10.3 (i) A Credit Bureau shall deliver its/any database containing information to the Central Bank in the form, terms and conditions stipulated by the Central Bank.

10.4 A credit bureau license is valid until revoked by the CBN.

SECTION 11

THE ROLE OF CBN CREDIT RISK MANAGEMENT SYSTEM (CRMS)

- 11.1** The CBN Credit Risk Management System (CRMS) shall continue to serve its regulatory functions.
- 11.2** Banks and other financial institutions shall continue to render the mandatory returns and comply with all relevant circulars and guidelines.
- 11.3** The CRMS shall operate as a public credit registry and would therefore share its information with the licensed credit bureaus.
- 11.4** The CBN shall not be liable or joined in any dispute(s) arising from wrong information given in respect of a credit report on a holder/data subject.

BANKING SUPERVISION DEPARTMENT

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