

Credit reporting and recent changes

What is Credit Reporting?

In almost all countries in which consumer credit is available, lenders or other credit providers supply details of their experience in granting credit to individuals to credit reporting agencies (credit reporters). Credit providers in turn are able to access the information supplied by others to enable them to form a view on the credit-worthiness of individuals seeking credit and to make responsible lending decisions.

Negative credit reporting vs. positive credit reporting

In New Zealand until 1 April 2012 credit reporting has been largely limited to the fact that a credit enquiry has been made and to details of any payment defaults. This type of reporting is called negative credit reporting.

From 1 April 2012 it became possible for credit reporting to be extended to cover a wider range of credit information. This change enables what is called comprehensive or positive credit reporting to be introduced and brings New Zealand into line with credit reporting practice in most developed economies. This will allow participating credit providers to see an individual's existing use of credit and whether they are making repayments on time.

This is a considerable change for credit providers, credit reporters and consumers alike and the full transition to comprehensive credit reporting is likely to take several years.

Negative credit information includes:

- Personal details
- Credit inquiry details
- Payment defaults
- Court judgments
- Insolvency data
- Records of any ID reported lost or stolen

Positive credit data can also be provided to credit reporters from 1 April 2012 (in addition to negative data) this includes:

- Type of credit account i.e. credit card, home loan etc.
- Amount of credit extended (limit) i.e. \$5,000
- Capacity of individual (such as account holder, joint account holder or guarantor)
- Status of account (with date account opened/closed)
- Details of credit provider i.e. the name organisation / business the account is with
- 24 months repayment history

Who can access this information?

Only defined organisations are able to access individual credit reports usually for the purpose of making a credit decision. The group of organisations able to contribute and to access positive credit reporting data is even more limited and specifically defined in the Credit Reporting Privacy Code. This group includes:

- registered credit providers*
- electricity retailers
- gas retailers
- telecommunication service providers
- registered insurers (for defined purposes)

*Registered under Part 2 of the Financial Service Providers Act 2008

Individuals have the legal right to request a copy of the data held about them, including positive credit data if it has been provided to Credit Reporters.

Privacy protection

- Personal information is defined by the Privacy Act 1993 as information about an identifiable individual; and includes information relating to a death that is maintained by the Registrar-General pursuant to the [Births, Deaths, Marriages, and Relationships Registration Act 1995](#), or any former Act
- The Credit Reporting Privacy Code 2004 was established under that Act. This Code regulates the operations of credit reporters. It does this in a number of ways by -
 - Defining a class of personal information as credit information and in so doing limiting the information that can be collected and addressing the time for which it may be held
 - Restricting access to such information to a limited range of users
 - Setting requirements relating to the collection and disclosure of information
 - Providing people with the right of access to information held about them and the right to seek correction to such information, both at no cost to them.

Is consent required?

Credit providers who wish to pass details of their dealings with an individual to a third party require the individual's consent. Such consent is usually obtained as part of the credit application process. However, in addition to holding such consent, during the transition period to implement positive credit reporting, credit providers are also required to notify customers of the changes in practice affecting the individual and the listing of credit information and included in that notification details of: the new classes of information that will be disclosed; and the practice (where applicable) of monthly reporting of repayment history information.

Important note

This material has been prepared to provide a general overview of credit reporting and to give details of some recent changes. Credit reporting is subject to the [Credit Reporting Privacy Code 2004](#) and it is to this document that reference should be made for more detailed information.