

Njuguna Ndung'u: The General Principles for Credit Reporting – how they pertain to Kenya

Closing remarks by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the First Annual Meeting of the Association of Kenya Credit Providers, Kenya School of Monetary Studies, Nairobi, 19 November 2013.

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Mr. Habil Olaka, Chief Executive Officer, Kenya Bankers Association;
Ms. Marianne Ndegwa Jordan, Chief Executive Officer, Kenya Tourist Development Corporation;
Mr. Timothy Tiampati, Acting Chief Executive Officer, IDB Capital
Ms. Mercy Njeru, Chief Executive Officer, Kenya Rural Sacco Societies Union;
Chief Executive Officers of licensed Credit Reference Bureaus;
Representatives of FSD Kenya and USAID FIRM;
Representatives of SASRA;
Representatives of various credit provider institutions;
Ladies and Gentlemen:

I am pleased to note that you have just concluded the first Annual General Meeting of the Association of Kenya Credit Providers (AKCP). I wish to congratulate the entire membership and particularly the Secretariat and the newly appointed Governing Council for this milestone in the evolution of the credit information sharing program. Indeed it is gratifying to note that since the launch of the Association at the CIS Regional Conference slightly over a month ago, some progress has already been made. The new Association is already settling in well at KSMS, which attests to the commitment of the Central Bank in playing its part in this very important initiative of sharing credit information by more credit providers.

As you embark on implementing the objectives for which you have been set up, I wish to challenge you to strive to observe, from the very outset, the **General Principles for Credit Reporting** developed by an internationally representative taskforce of the World Bank and the Bank for International Settlements. The report issued jointly by the two bodies describes the nature of credit reporting elements of a credit reporting system that is safe, efficient and reliable. The report which consists of 5 General Principles, 5 Roles of Key Players and 5 Recommendations for Effective Oversight are a good reference for credit reporting systems' policy and oversight. I encourage you to familiarise yourselves with those principles and strive to achieve full compliance. But in addition, there are country specific or peculiar characteristics that could be added to reflect our country characteristics and environment.

Ladies and Gentlemen, allow me to lay some emphasis on the first of the 5 General Principles that I believe speaks well to the mandate of AKCP. It states that:

Credit reporting systems should have relevant, accurate, timely and sufficient data – including positive – collected on a systematic basis from all reliable, appropriate and available sources, and should retain this information for a sufficient amount of time.

Achievement of this principle will call for the collective contribution of all parties here today. The Governing Council and the Secretariat will need to work together to support various credit providers who sign up to share data. Good quality data will guarantee that the risk management tools and models developed from the data trends are robust and reliable. This way, the credit granting process will become more refined and more efficient. Lenders will soon move away from mere use of 'gut feeling' or other rudimentary forms of information gathering that are unreliable and costly to assemble.

By paying attention to maintaining high quality data in the credit reference bureaus, the players will also minimise contentions by borrowing customers as every effort must be made to address customer complaints on data accuracy. All lenders need to appreciate that the

first port of call in resolving customer complaints must always be within the lending institution itself. Where disputes cannot be settled internally, institutions must bring them to the attention of an industry mediation process. In this connection, I am pleased to note that the AKCP Secretariat has put in a lot of work towards developing a CIS Dispute Resolution Handbook. The AKCP Secretariat will soon be ready to conduct a public launch of its Alternative Dispute Resolution Mechanism and create awareness on the out-of-court settlement process. This will mark an important step towards adding credibility to the CIS process. Central Bank is ready to provide required support needed to make this launch a success.

Ladies and Gentlemen: I now wish to turn to the important role of AKCP in contributing to policy and legal reform. The 4th of the **General Principles for Credit Reporting** states that:

The overall legal and regulatory framework for credit reporting should be clear, predictable, non-discriminatory, proportionate and supportive of data subject and consumer rights. The legal and regulatory framework should include effective judicial or extrajudicial dispute resolution mechanisms.

While we recognise that the role of formulating a robust legal and regulatory framework remains with the Regulators, the Central Government and Parliament, we would like to forge a partnership with industry players in achieving this important function. We therefore encourage you to form relevant committees that will consult with, and make proposals to, the Regulators in matters of CIS. Due to the multiplicity of Regulators involved, I urge the Secretariat of AKCP to liaise with the Domestic Regulators Forum using CBK to introduce CIS as an agenda item in the Forum's meetings.

With these few remarks, I wish to once again congratulate the officials of AKCP that have been elected today and assure you of the support of the Central Bank.

Thank You!