



Privacy Commissioner
Te Mana Matapono Matatapu

Amendment No 4 to the Credit Reporting Privacy Code 2004

Information Paper

15 December 2010

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Information Paper

The amendment

Amendment No 4, which comes into effect in two stages on 1 October 2011 and 1 April 2012, makes significant changes to credit reporting in New Zealand. Most notably, the amendment allows for the collection and reporting of more comprehensive information by credit reporters. The amendment also:

1. permits the retention and use of driver licence numbers by credit reporters;
2. requires internal systematic compliance reviews by credit reporters to include an independent element and external report;
3. permits the use of information from additional public registers;
4. regulates the retention of credit information; and
5. makes other changes to various parts of the Code.

More comprehensive credit reporting

The amendment expands the types of information permitted to be reported to include four new fields or classes of information relating to the current credit accounts held by an individual:

1. type of credit account;
2. the credit limit;
3. the credit provider; and
4. the status of the account as open or closed.

The potential benefits of more comprehensive credit reporting to individuals, credit providers, and the economy may be significant, and are said to include:

- Giving credit providers a more accurate and complete picture of an individual's creditworthiness and allowing them to make better assessments of risk and facilitating more responsible lending decisions.
- Allowing credit products to be tailored to individuals on the basis of their creditworthiness, reducing the costs of credit for some.
- Increasing competition in the credit industry, created by access to better information by smaller credit providers which have not had the capacity to build up their own information.
- Opening mainstream credit to a wider pool of individuals who may otherwise be excluded due to a lack of information about them.
- Providing a stronger base from which to detect identity theft and fraud, as the recording of accounts opened enables the monitoring of unusual credit behaviour.

However, more comprehensive credit reporting changes the traditional expectation of financial confidentiality and carries with it risks to the consumer. It is more privacy intrusive.

The collection and reporting of more personal information creates increased risks of inaccuracy and misuse. For this reason, the amendment ensures that there are appropriate safeguards in place to protect the information and to give individuals greater confidence that credit reporters are complying with their obligations under the Code.

Driver licence numbers

The amendment permits credit reporters to collect and retain driver licence numbers. The use of the driver licence number by credit reporters to match credit information about individuals may better ensure that the right information is reported about the right individuals and avoid mistakes.

Although the amendment enables the use of the driver licence number in credit reporting for the first time, a number of safeguards ensure that the driver licence number is not misused or made available to others, including the requirement that credit reporters hash the driver licence number and retain and use only the hash value. The amendment prohibits the creation of a duplicate national database of driver licence numbers.

External accountability

The Code already required credit reporters to conduct systematic reviews of the effectiveness of the policies, procedures and controls in place to both keep credit information secure and ensure that it is accurate and up-to-date. This amendment adds the requirement that credit reporters include an external element in these systematic reviews and report annually on the results.

The effectiveness of the policies, procedures and controls required by rules 5 and 8 of the Code will become all the more crucial with the move to comprehensive credit reporting. Requiring credit reporters to be more transparent about the results of their systematic reviews, making them more accountable, will strengthen the monitoring obligations and give both the Commissioner and the public greater confidence in the security and accuracy of the processes.

Other notable changes

1. Direct marketing

The amendment prohibits the disclosure of credit information by a credit reporter for any purposes related to direct marketing.

2. Credit default information

The commentary to Code has always made it clear that a default must relate to a credit account before it can be listed by a credit reporter. The amendment makes that position plainer.

3. Reporting and retention

The new Schedule 1 replaces the former recommended retention periods with mandatory maximum reporting and retention periods. Credit reporters may now report certain classes of credit information for a set period of time and retain them for a further year for the purposes of statistical research.

4. Credit scores

Credit reporters are permitted to include a credit score in a credit report. Where they do so, the amendment requires them to provide the individual with a general outline of the way in which this score was calculated. This requirement should make the score more meaningful to individuals.

5. Summary of rights

The summary of rights contained in Schedule 4 of the Code has been improved. The amendment requires credit reporters to use only the summary as set out in Schedule 4 which now bears the WriteMark Plain English Standard.

6. Public registers and deaths information

The amendment expands the list of public registers from which credit reporters may collect and report information to include the Summary Instalment Orders Register and the Limited Partnerships Register.

The amendment also permits credit reporters to use information obtained from the deaths index to suppress credit reports where a match establishes that an individual is deceased. Credit reporters may disclose the fact of suppression to a subscriber when they are conducting a credit check. This should assist in preventing identity theft.

Note: For more information, including some facts on the implications of the amendment on business and consumers, a Questions and Answers document on the amendment is available at www.privacy.org.nz. A consolidated code incorporating the changes that come into force on 1 October 2011 will also be made available in early 2011.