Credit Reporting Privacy Code Review

Response to the OPC consultation Paper

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An Equifax Company

Executive Summary

The 2012 Credit Reporting Privacy Code 2004 ("the Code") amendments were likely the most significant changes ever made to New Zealand's credit reporting framework, enabling the collection of additional credit information and introducing new consumer protections.

For both credit reporters and providers, the changes required multi-million dollar investments, creating a pipeline of implementation projects that are still ongoing. The Code changes have had to compete for resources and prioritisation amidst a slew of mandatory legislative and regulatory reforms[1] impacting the banking and financial services sector. Unlike these other reforms, participation in credit reporting – contribution or utilisation - is currently voluntary. Nevertheless, significant progress is now being made:

- More than ten banks, telcos and utilities are supplying comprehensive credit reporting (CCR) information[2];
- An estimated two thirds of New Zealand adults now have CCR information loaded on their credit files
- Consumers are now using the protection offered by a credit report freezing/suppression;
- Annual assurance reports are giving greater visibility and transparency into the operations of credit reporters.

Progress is strongest amongst larger credit providers and this is beginning to realise benefits for consumers and the economy.

In 2016 a leading credit provider worked with Veda analysing credit card and personal loans applications over a three month period, comparing eligibility assessed first with only the negative information held, and then with the additional positive information. The conclusion was a net additional 15,000 people could be responsibility lent to. People previously locked out from quality credit due to adverse information on their credit files could now, when their repayment history was taken into account, access mainstream credit.

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[1] Advice from the Financial Services Federation is that this has included the Financial Advisers Act 2008; the Financial Services Providers (Registration and Disputes Resolution) Act 2008; the Anti-Money Laundering and Countering the Financing of Terrorism Act 2009, the Non-Bank Deposit Takers Act 2013; the Financial Markets Conduct Act 2013; the Fair Trading Amendment Act 2013; the Consumer Guarantees Amendment Act 2013 and the Credit Contracts and Consumer Finance Amendment Act 2014

[2] Participation by second tier lenders is much lower, reflecting the volume of new compliance requirements introduced in the seven years and the substantial investment needed to implement the complexities of the new provisions.

For the economy, the impact in a single quarter for this one lender would be a net lift of $50 million in approvals - $22 million for personal loans and $27 million for credit cards.

The positive net impact will assist credit assessment for financially marginalised communities.

In December 2016 Veda analysed credit inquiries from people in postcodes classified by the New Zealand Index of Deprivation[3] as being very significantly disadvantaged. The application of CCR data resulted in a net six per cent lift in people assessed as having a good credit score and therefore more likely to access mainstream, better priced credit.

While credit providers grapple with complexities and uplift possible from CCR, some other provisions are still to be fully utilised:

- Less common occurrences, such as clear outs and serious credit infringements are not yet of strong interest to subscribers;
- Use of quotation inquiries, while available, are not well understood and considered difficult to operationalise;
- There is still only a small but growing contribution of drivers licence information.

The Code Review refers at several points to consumer awareness and financial literacy. Veda provides people obtaining their score with a detailed booklet explaining their credit report, the elements that make up their score, how to make corrections and how to improve a credit score. More broadly Veda is working with Banqer, a creator of financial literacy education tool available to 700 classrooms and 20,000 students, educating them on the value and importance of their credit information and how it can assist them. Finally in 2017 Veda is hosting an industry financial literacy forum to promote consistent messages back to consumers, reducing potential confusion about how credit reporting works.

The Code Review did not ask for feedback on the use of the AML/CFT provisions. However, under the Code credit reporters are only allowed to provide identity verification using credit information to credit providers and insurers. With the Government releasing a draft bill extending AML/CFT Act obligations to a much broader range of entities, Veda believes there

[3] Published by the Department of Health, the deprivation index is based on census data relating to income, home ownership, employment, qualifications, family structure, housing, access to transport and communications. A '1' represents the areas with the least deprived scores and '10' the most deprived 10% of areas in New Zealand. Veda analysis was on postcodes with overall scores of 9 and 10.

is no justification for restricting the entities that can use credit information for this purpose, where the individual concerned has consented to such use. We consider disclosure should be permitted to any Reporting Entity under the AML/CFT Act.

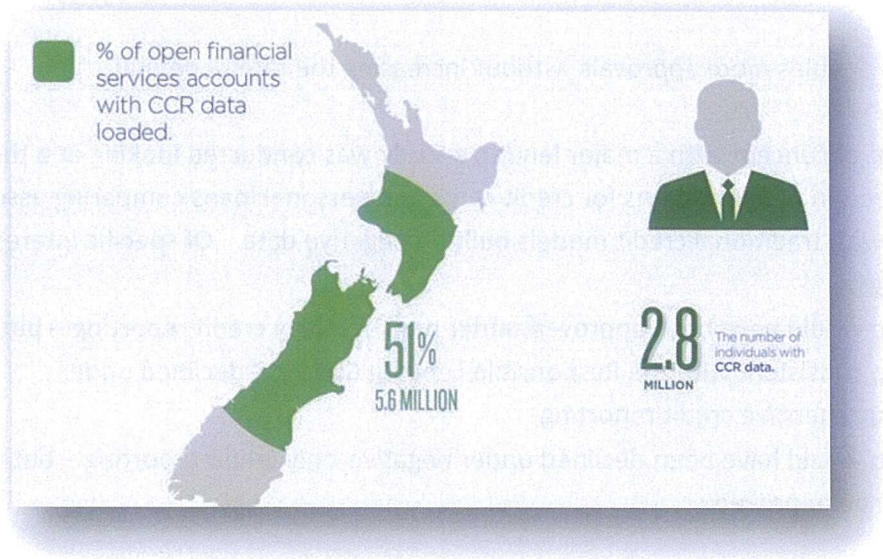
Veda has consistently called for the inclusion of elements relating to credit utilisation (eg outstanding balance, the amount paid, how often the credit is being used). Substantial international evidence is available on the importance these elements can add to credit risk. Recognising both the OPC's emphasis on evidence based policy and the progress still being made by industry to implement CCR, Veda supports further research and modelling to better understand the impact/benefits of introducing new data elements.

Finally, apart from assessing the impact of the Code since 2012, the Code review provides an opportunity to suggest improvements, including a proposal to reunite people with unclaimed monies owed to them. Allowing limited use of select credit reporting information to provide an updated address could benefit a reported 260,000 people and organisations who have an estimated $136 million in unclaimed monies. We look forward to working with the OPC on how this benefit can be achieved.

Veda supports the 2012 reforms and the evidence to date reinforces credit reporting information's role in responsible lending, credit rehabilitation and consumer protection. We welcome participation with the OPC on how best further refinements can be achieved.

1.1 What benefits for individuals have resulted from the introduction of more comprehensive credit reporting? Please provide specific examples

Contribution or use of credit reporting information is voluntary and the impetus for participation comes from the improvements in credit risk decisions made by possible by the broad information held by credit reporters, tempered by the reality that resources are prioritised to projects needed to meet new regulatory compliance.



In New Zealand, "critical mass" - the point at which there is sufficient CCR data loaded to become highly predictive - was reached in March 2014 when 40 per cent of open financial accounts were reported under CCR. Today this coverage has reached 51 per cent and there is contribution from a broad range of suppliers, including banks, motor vehicle financiers, telcos and by the end of 2016, a utility provider.

At its most basic level, the reporting of open accounts is assisting all credit providers to meet Responsible Lending Code obligations, enabling lenders to see undisclosed credit liabilities. Advice from subscribers to Veda is that around 25 per cent of credit applicants do not disclose all credit commitments. Importantly, there is now sufficient collection – and usage – of CCR to see emerging benefits consistent with earlier modelling[4].

Veda has worked closely with a number of the major banks, financial services institutions, telco and utility providers to deliver proof of concept studies to demonstrate the potential

[4] By way of background, as a credit reporter, Veda does not make the decision to extend credit; however we do provide credit lenders with an assessment of an applicant's credit risk, based on the information we are permitted to hold.

value of comprehensive credit reporting in consumer lending decisions. The outcomes are directly relevant to the OPC's consultation.

Example One: Benefit to the economy

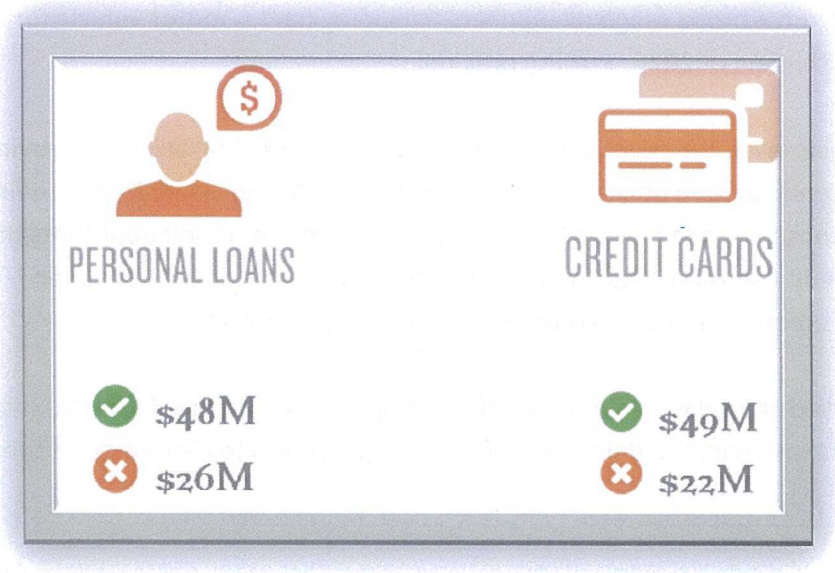
The introduction of comprehensive credit reporting information (scores and attributes) into lenders' internal risk models have shown a significant improvement in the ability for a credit provider to distinguish true credit risk.

This in turn enables more approvals without increasing the rate of default.

In one proof of concept with a major lender, a study was conducted looking at a three month collection of applications for credit cards and personal loans comparing assessment under CCR with traditional credit models built on negative data. Of specific interest was determining:

- Who would have been approved under negative-only credit reporting – but would now, consistent with the Responsible Lending Code, be declined under comprehensive credit reporting
- Who would have been declined under negative-only credit reporting – but would now be approved.

Using CCR, there is a significant net gain in lending possible. Expressed as the dollar-value worth of applications, the net result in just one quarter would be a $50 million positive lift in successful applications - net $22 million for personal loans and $27 million for credit cards:



These improved lending decisions for unsecured credit (loans & credit cards) included:

- Growth opportunity to extend borrowing up to $50M per quarter for consumers who are currently denied credit under the negative reporting environment
- Potential to increase loan approval rates by 7% (without taking on any additional bad debt risk)
- Expressed as the impact to the community, the net gain shows an opportunity to lend responsibly to 15,000 people who had previously experienced financial difficulty, but whose good repayment track record demonstrates their credit rehabilitation.

This increase in lending – without increasing the rate of default – will continue to grow as additional credit providers start supplying CCR. Significant industry resources have been committed for what will be a strong participation pipeline in 2017-2018; over the next two years, accounts reported with CCR are expected to double.

Example Two: Greater financial inclusion

In another modelling exercise, Veda worked with a major NZ lender on a score model comparing positive information for new credit applicants versus assessment with just negative information.

This lender used ten scorebands, from people with exceptionally good risk (0.0% likelihood of default) down to score band one, where the risk of default is 13.5 per cent. For people in score band one, the adverse information held on bureau – typically defaults – means they are assessed as having the highest risk of default. While a lender may choose not to take into account the assessment provided by a credit reporter, the reality of sound lending practices and fulfilment of the Responsible Lending Code say otherwise.

With the contribution of CCR, there is significant improvement in the ability to distinguish true credit risk. Consideration of CCR results in a *quarter* of the worst scoreband population being reassessed as having reasonably good credit risk ("3.3") and able to secure quality ("mainstream") credit.

Example 3: Helping financially marginalised communities

The New Zealand Index of Deprivation[5], the deprivation index is based on census data relating to income, home ownership, employment, qualifications, family structure, housing,

[5] Published by the Department of Health .

access to transport and communications. A decile of '1' represents the areas with the least deprived scores and '10' the most deprived 10% of areas. For the quarter of July-September 2016, Veda analysed the credit scores for postcodes in the 9th and 10th deciles where disadvantage is the most acute:

- Similar to the effect found in example two, the impact of CCR on people in the worst scoreband saw 29 per cent reassessed as having good or reasonable credit scores.
- The net change for the total population of people living in these postcodes, showed a gain of a **net six per cent** of people who had credit scores likely to secure mainstream credit.

1.4 Has pre-screening marketing lists proved to be a beneficial use of information held by credit reporters

Pre-screening is one tool that credit providers may choose to use as part of responsible marketing practices. Veda has special contractual terms for subscribers wanting to supply lists for pre-screening, including sign-offs by senior staff members. This helps ensure subscribers both understand and meet their obligations under Rule 10 (1) (C).

Whilst Veda is neither a lender nor covered by the Responsible Lending Code of practice, subscribers choosing to use pre-screening are acting consistent with the principles of the Responsible Lending Code that lenders *"exercise the care, diligence and skill of a responsible lender...in any advertisement for providing credit"*[6].

Research commissioned by Veda provides guidance on the consumer protection pre-screening can bring. During a 2008/9 Australian debate about pre-screening, Veda commissioned research from Access Economics, who worked with a major Australian lender to trace defaults back to the original source of application. Their research showed that credit applications through pre-screened marketing consistently had the lowest rate of defaults in subsequent years. Looking at defaults in the first 12 months after take-up they found:

- Credit applications from marketing not pre-screened had a >10 per cent higher rate of default than pre-screened lists;
- Applications through branch >25%;
- Applications through telemarketing >40%;
- Applications through internet >58%

The study provides evidence of the link between pre-screening of marketing lists and responsible lending practices.

[6] Section 3, Advertising, Response Lending Code March 2015

2.3 Has schedule 5 worked well in operation to improve identity matching while appropriately limiting the use and retention of drivers licence information

- Only a small number of credit inquiries provide a driver's licence number.
- Schedule 5 has extensive requirements for verification before use and indicates verification must take place before each use.
- There is a cost to verification, a cost exacerbated because NZTA do not have fuzzy matching, meaning even a small difference prevents verification.
- The extensive checks create a data element of very high integrity – repeatedly verified both for authenticity (valid D/L) and as belonging to the individual.

Veda devotes considerable resources to matching the correct information to the right person. Such a task is neither routine nor simple, having to recognise and capture information related to the one person but notionally masked by small variations (Robert Smith, Rob Smith, Bob Smith, Robby Smith, Bobby Smith). And while "Smith" may be relatively evenly spread across New Zealand, clustering of particular names makes correct matching even more difficult. The 2014 Department of Internal Affairs media release on top baby surnames is illustrative:

	Auckland	Wellington	Christchurch
1	Wang	Smith	Smith
2	Li	Williams	Taylor
3	Chen	Patel	Brown
4	Liu	Brown	Jones
5	Smith	Jones	Wilson

Clustering of common first names + last names further increases the challenge of data matching accuracy . The key to matching is *not to rely on one single piece of information* but to develop a complex algorithm using multiple data points. Crucial to lifting matching accuracy is the use of additional information. A driver's licence should significantly lift the confidence of a match, helping ensure credit reporting information is being disclosed to or about the right person.

The 2012 changes enabled NZ bureau to collect drivers' licences; however, the collection of the additional information remains slow with only a limited number of credit inquiries also supplying a driver's licence. More work needs to be done with industry on how to best operationalise the collection and provision of drivers licence to credit reporters.

2.6 Has the Code's obligations, limits and processes been sufficient to provide an appropriate level of transparency and to provide meaningful opportunities to challenge and obtain correction

Scores and scorecards

- Scorecards are integral to data analysis and are most commonly seen where large scale collections of data enable a statistical measure of the probability of a default event.
- Sectors utilising scoring include financial services, telcos, utilities, insurance, and medical sectors.
- Credit scoring has been used in Veda NZ/AU for close to twenty years and has proven reasonably stable against the background of credit booms and the global financial crisis.
- Score cards are tracked for accuracy, the results assisting with period rebuilding, reflecting changed economic circumstances or new data, such as CCR.
- The still-maturing collection of NZ CCR data means the period between scorecard rebuilds will shrink as credit reporters monitor and analyse the impact of the new data. NZ CCR scores are being robustly monitored to assess stability, accuracy and predictive power.

The Credit Reporting Code provides significant obligation on credit reporters regarding accuracy (rule 8) and corrections (rule 7) and consumers therefore have a strong ability to dispute information on their credit report. It is this information that credit scores are derived from, and if that information is correct, then the derived score will be accurate within the algorithms that are the intellectual property of each credit reporter.

A right to "challenge and obtain correction" would also necessitate determining what is a "correct" score for an individual – scores are only an indicative assessment of the likelihood of subsequent default. Moreover, consideration of a credit reporter's score is only one element in a credit provider's decisioning processes. Lenders use their own scoring that in addition to the credit reporter's score, utilises the much broader information they can hold. In addition, lender's decisions have other considerations consistent with obligations under the Responsible Lending Code.

In regard to the Code, Veda believes the introduction of Rule 6 (2A) is a sensible approach, one that gives the consumer insight into what may be influencing their score without unduly impinging on the significant intellectual property that is tied in credit reporter scoring. Attached is the brochure supplied by Veda to consumers who request access to their score; this provides extensive information on scores and scoring; we are open to further discussion on how its contents may be refined to provide consumers with greater understanding of credit scores.

3.1 Would allowing for the reporting of account balance information deliver substantial benefits to the credit reporting system while appropriately respecting individual privacy?

Credit reporting research suggests the critical information needed by credit reporters is:

- Negative information
- Inquiry information
- Account details
- Payment history
- Current account balances

As a broad principle, Veda believes that the evidence overwhelmingly supports more comprehensive information including payment history and current account balances. This is particularly important when the ability to repay is the cornerstone of responsible lending, but there is a reliance on consumer's full disclosure of outstanding liabilities. Credit utilisation is a term that refers to how frequently a credit product is accessed, and the balance still owed. Credit utilisation would have a significant impact on scoring models, with potential borrower's credit utilisation contributing up to 30 per cent of a score.

The inclusion of credit utilisation broadens insight from assessing a credit applicant's reliability in meeting obligations (repayment history) to enable insight into an applicant's ability to manage debt.

The US Federal Reserve had this to say regarding the utilisation of account balance in the credit reporting system

> *"When evaluating credit history, creditors also consider the type and amount of debt an individual has and the proportion of available credit in use (credit utilization). For revolving accounts, credit utilization is measured as the outstanding balance divided by the credit limit, which is the maximum amount the individual is authorized to borrow on the account. For mortgage and instalment accounts, credit utilization is generally measured as the unpaid proportion of the original loan amount. High rates of credit utilization may reflect a financial setback, such as a loss of income or an inability to manage debt, and thus are generally viewed as an additional risk in credit evaluations."*

Veda notes the recent national attention[7] about a housing bubble bursting and concerns over rising indebtedness. In May chief economists at both ANZ and Westpac[8] warned of an "amber alert" on household debt and in June Secretary to the Treasury, Gabriel Makhlouf stated:

> *"When New Zealand's housing debt is around $215.9 billion, a 26.6% increase in five years, nobody should be surprised the Treasury is concerned...By the beginning of 2016, the level of household debt to disposable income had risen to 163 percent. This is higher than in the lead-up to the global financial crisis and is likely to go higher still, with the Reserve Bank expecting credit growth to continue to outpace income growth"*

While the Reserve Bank New Zealand's takes a more phlegmatic view of New Zealand's household debt levels, as of October tighter Loan to Value Ratio (LVR) rules are now in place for mortgage lending. The critical point was made by HSBC chief economist

> "*Is the household debt held by households that will be able to service it*?"[9]

Veda recognises that credit reporters and lenders are still implementing the 2012 changes. Given where industry is at with then understanding and applying the learnings from the changes, and conscious of the OPC's cautious approach to enabling more data access, Veda suggests the way forward is to form an industry working group of interested subscribers, consulting with the OPC to devise research projects to better understand what the benefits/impacts would be derived if credit utilisation, including account balance, were to be introduced.

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[7] NZ Herald , June 2016 Nation of Debt: Ready, set, crash - could New Zealand be next to fall? http://www.nzherald.co.nz/personal-finance/news/article.cfm?c_id=12&objectid=11653661

[8] https://www.westpac.co.nz/assets/Business/Economic-Updates/2016/Bulletins-2016/New-Zealand-debt-and-house-prices-climbing-rapidly-relative-to-other-developed-economies-July-2016.pdf

[9] http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11651662

3.2 Should credit reporters be permitted to include tax debt information in credit reports

Veda supports the Government's announcement to legislate to enable the disclosure of serious tax liabilities to credit reporting agencies. This will not only create stronger incentives for compliance with tax obligations, but will also enable other businesses to better understand the credit worthiness and the level of financial liability that may impact the ability to service financial commitments.

Veda has always supported the reporting of important financial obligations to support robust, prudent responsible lending decisions. This reporting must also enforce the appropriate data privacy safeguards and limit access for defined purposes. Whilst the first phase of the government legislation focuses on significant tax liabilities for businesses, Veda believes there is value to reporting serious tax liabilities on consumers also, for the same reasons outlined above. Veda believes this reporting could be allowed for under the existing framework and could extend is reporting capability, data protocols, investigation processes etc. to support reporting this information in a secure, restricted and appropriate way.

The criteria for disclosure of tax debt provides additional measures beyond that of the Credit Reporting Code requirements for a listing, that is, exempting debts in dispute and providing relief for those qualifying for serious financial hardship relief. The IRD Issues Paper outlines a range of criteria that could qualify a debt for listing, including a threshold debt of more than $150,000.

This is a very significant liability; by way of comparison:

- The average original default listed on bureau is ~$5000;
- Amounts of $150,000 or greater would only be present in 0.01 per cent of defaults.

A debt of this amount would certainly be of interest to a lender conducting inquiries under the Responsible Lending Code.

3.4 Should the Code require credit reporters to respond more quickly to access requests than currently is the case?

Veda notes that, consistent with the NZ Government's own Official Information Act (OIA), credit reporters have 20 working days to provide a response to an access request. This timeframe has been a Code provision over several iterations and Veda has in place systems and processes to comply with Code requirements.

The NZ OPC informally has queried the difference between the speed of delivery to a credit provider doing a credit worthiness check as compared to a consumer requesting access to their information. Veda notes in the first instance, credit providers who have a commercial relationship with Veda will have a direct B2B connection, sufficiently large enough to respond to hundreds or thousands of queries every day. In contrast, individual consumers are making a one-off request that requires us to establish the bona fides of their claimed identity. Improving these systems to meet shorter time frames while ensuring robust identity matching processes would require significant resources and sufficient lead time in what would be a major capital project for Veda.

3.5 Should credit reporters be permitted to use credit reporting systems to trace individuals to whom money owed, and if so, in what circumstances?

For a member of the public to find lost monies – bank accounts, rental bonds, bonus bonds, shares and lost superannuation - involves searching multiple disparate databases. Putting the onus on consumers to search registers for lost monies is poor public policy, and fails to utilise widely available data resources.

Media reports state there are $136 million in unclaimed funds belonging to about 260,000 people and organisations in New Zealand.

While the Inland Revenue Department provides a searchable alphabetical list, we understand that this only relates to reported unclaimed cash post 2005; prior to that, there are an additional 193,000 people with monies held on their behalf. We also note the IRD site is used by entities searching the site and then contacting people offering to "recover" monies in return for a significant fee.

A far better outcome for consumers is possible by enabling the bureau to provide updated addresses to third parties where money is being held in trust for a consumer. There are a range of examples of this type of use, including use by regulators, such as, when the Commerce Commission has ordered refunds under the Credit Contracts and Consumer Finance Act (CCCFA). In addition, clients of insurers and pension/superannuation funds would also benefit; Veda Australia advises in 2013 use of bureau information was able to update addresses for around 30 per cent of names submitted. We are confident a similar result would be achieved in New Zealand, returning tens of millions of dollars to consumers.

We note published advice from the Treasury listing twelve categories of lost monies, stating

> *"In general, money is classed as unclaimed after a certain length of time has passed since the person or organisation holding the money has been able to contact the owner. The length of time depends on the type of money[10]."*

These timeframes are mostly six years and up to ten years. Not all unclaimed monies are listed on the IRD site.

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[10] http://www.treasury.govt.nz/abouttreasury/services/unclaimedmoney

In considering use of credit reporting information to reunite people with their money, Veda believes the following should be taken into consideration.

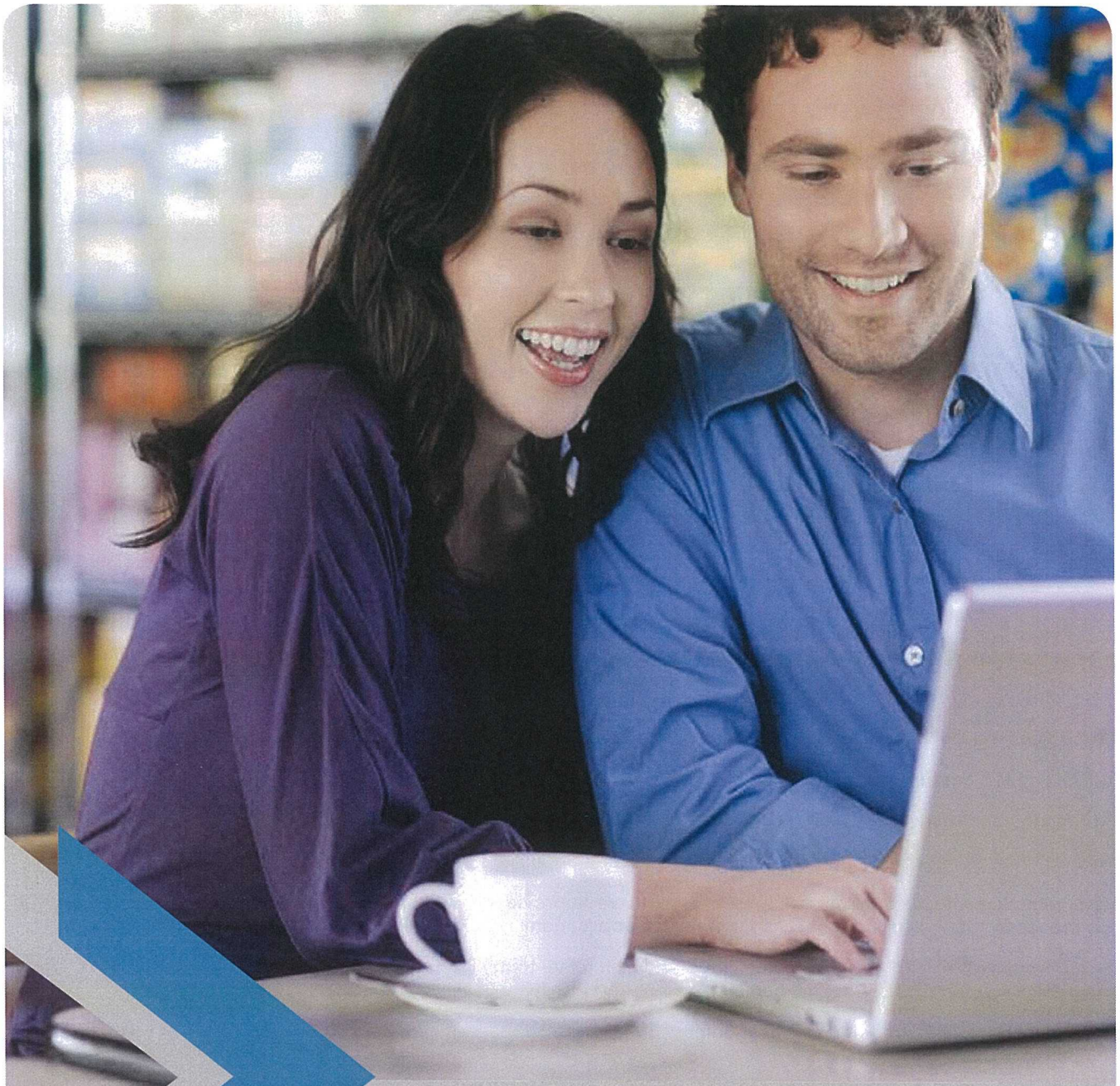
- The use of credit reporting information to find updated address should be consistently applied to all Acts that provide for unclaimed monies;
- Use of credit reporting information should be limited to those elements that are necessary to obtain a correct match ie identification and supplementary identification as listed in paragraph (a) and (b) of the definition of credit information[11];
- The fact that a search has resulted in a match and presumably disclosure of an updated address should be included on the consumer's credit report;
- Consideration needs to be given to the point at which use of credit reporting information would be permitted. Six years (the point at which an amount becomes unclaimed money) significantly weakens the lift possible from credit reporting information;
- Veda supports a two-tier approach to unclaimed monies:
    - A new point, where an entity becomes aware (eg through two returned pieces of mail) that an address is not current. The monies are now deemed as unclaimed-monies, but not reportable to the IRD or similar. Entities may contact a credit reporter to provide an updated address;
    - The second point, six years, at which time an entity forwards the monies and details to IRD or similar.
- In both instances, Veda is open to discussion as to whom an updated address is to be provided; however, we note if the objective is to reunite consumers with their money, than cost and complexity are a major barrier to entities making any effort and will, instead, hold onto the lost money for six years until reporting it elsewhere.

[11] Clause 5 (interpretation) Credit Reporting Privacy Code;

Question	Response
Comprehensive credit reporting *1.1 What benefits for individuals have resulted from the introduction of more comprehensive credit reporting?*	Modelling analysis shows: • A net lift of $50m able to be lent quarterly by one lender using CCR • 25 per cent of people in another lender's worst scoreband would, under CCR, now have high enough scores to access mainstream credit • In New Zealand's most disadvantaged postcodes, a net six per cent increase in people with good credit risk scores • For CCR participants, Veda has not seen an increase in defaults linked to CCR • *More detailed information in Veda's main submission*
Credit reporter accountability *1.2 Do the accountability requirements for credit reporters provide a good basis for the public to have confidence that the credit reporters and their subscribers are acting compliantly?*	• The Code's accountability requirements frame all our consumer bureau systems and processes. In particular, the requirement that every bureau access be coded and logged means any issue raised is able to be investigated and explained. • The prescriptiveness of the Code and the resulting transparency provides an excellent basis for the public to have confidence in CR compliance • Some of our bank subscribers do report on Veda's assurance reporting in their audit of us. • However, more broadly we acknowledge there is low awareness of assurance reporting. Financial literacy and education can assist to not only increase awareness of credit reporting, but also of the strict requirements for public reporting. • Veda is contributing to better awareness of credit reporting's role in financial literacy by sponsoring Banqer
Credit freezing *1.3 Have the credit freezing provisions been useful?*	• Credit freezing (aka suppressions) attracts a steady number of requests, on average around 8.1 per month. • A majority of applicants initiate a credit freeze at the suggestion of Veda's contact-centre staff • Veda proposes that a 2017 industry financial literacy forum is a potential avenue to better to promote consumer awareness of credit freezing/suppression.
Pre-screening *1.4 Has pre-screening marketing lists proved to be a beneficial use of information held by credit reporters*	• Pre screening marketing lists is consistent with the Responsible Lending Code principles • Veda has special contractual terms for subscribers wanting to supply lists for pre-screening, including sign-offs by senior staff members. This helps ensure subscribers both understand and meet their obligations under the Credit Reporting Code. • *More detailed information in Veda's main submission*
Serious credit infringements *2.1 Has the provision for reporting serious credit infringements worked will in operation*	• Credit providers are able to log serious credit infringements, but to date this has not been utilised by our subscribers.
Credit non-compliance – clear outs *2.2 Have the credit non-compliance action and conformed credit non-compliance action provisions worked satisfactorily for individuals, subscribers and credit reporters?*	• Credit providers are able to log credit non- compliance, but to date this has not been utilised by our subscribers.
Drivers licence numbers *2.3 Has Schedule 5 worked well in operation to improve identity matching while appropriately limiting the use and retention of drivers licence information?*	• Drivers licence offer an important lift to improved confidence of match by credit reporters. • Supply of drivers licence has been low; more work needs to be done with industry on how to best operationalise the collection and provision of drivers licence to credit reporters. • *More detailed information in Veda's main submission*
Reporting and retention periods *2.4 Have the new reporting and retention periods worked satisfactorily in operation*	• Veda supports maximum reporting periods, reflecting that information is only useful if it's reasonably current. • Rule 9 (2) limits the ability to investigate and rectify complaints where there may be historic origins. • Consumers are better protected by the broad requirements of Principle 9 of the Privacy Act.

Quotation enquiries *2.5 Have the provision for quotation enquiries been utilised and, if not, why not?*	• The intention of excluding quotation queries vs. credit applications from credit scoring, is to avoid the impact of multiple requests for a 'quote' • Operationalising this provision appears to be challenging; in addition, many consumers are using online tools to obtain information
Credit scores *2.6 Have the Code's obligations, limits and processes been sufficient to provide an appropriate level of transparency and to provide meaningful opportunities to challenge accuracy and obtain correction?*	• An individual's right to "challenge and obtain correction" to a credit score would be a dispute about mass-scale algorithms developed by a credit reporter, not the accuracy of specific data elements held on that individual's credit report. • Credit reporters do not make decisions on credit applications and the scores we provide are one element in a credit provider's decisioning tools. • Credit reporters already provide extensive explanation of scores and the elements influencing score. • *More detailed information in Veda's main submission*
Additional comments on amendments 4 & 5 *2.7 Are there any significant problems with the operation of the amendments that you would like to raise*	**Debtor credit default** • There are issues with the definition of "debtor credit default". • The Code prescribes the requirements that must be met before a default can be listed - but it does not define "date of debtor default" which could be any time after the requirements are met. • This means we don't have a recognised date from which to start the timeframes contained in Schedule 1, and presumably we just start these from the date they are loaded. • A potential solution could be to have backstop date when a default must be loaded by, so that we can continue to use the date of loading as to when the clock starts for the purpose of the Schedule 1 timeframes. **AML-CFT** • The Government has a draft bill proposing extension of AML-CFT obligations to additional entities. • We support a general provision allowing for entities with AML-CFT obligations to use credit reporting information for an identity purpose
Account balance information *3.1 Would allowing the reporting of account balance information deliver substantial benefits to the credit reporting system while appropriately respecting individual privacy?*	• With CCR contribution and use still maturing, Veda supports further research and modelling on the potential benefit to consumers and lenders of allowing account balance information • *More detailed information in Veda's main submission*
Tax debt information *3.2 Should credit reporters be permitted to include tax debt information in credit reports?*	• A tax liability of >$150,000 is very significant and directly speaks to credit risk for a potential lender and should be included on credit reports • *More detailed information in Veda's main submission*
New Zealand business number *3.3 NZ Business number inclusion*	• Veda already utilises NZBN for company reporting purposes and is is actively working with the Companies Office to prepare for the application of NZBN to unincorporated entities • This change will enable better identification of companies and the data connected these companies (and on which credit decisions are made)
Access: outer time limit *3.4 Timeframe for Access requests*	• 20 working days is consistent with the Official Information Act (OAI). Shorter time frames would require significant resources and reasonable lead time. • *More detailed information in Veda's main submission*

Unclaimed Money
3.5 Use of bureau for unclaimed monies
	• There is an estimated $136 million in unclaimed funds belonging to about 260,000 people and organisations in New Zealand. Veda supports a two-tier approach to unclaimed monies:
	  ○ A new point, where an entity becomes aware (eg through two returned pieces of mail) that an address is not current. The monies are now deemed as unclaimed-monies, but not reportable to the IRD or similar. Entities may contact a credit reporter to provide an updated address;
	  ○ The second point, six years, at which time an entity forwards the monies and details to IRD or similar
	• *More detailed information in Veda's main submission*



Understanding Your MyVedaScore Rating

An overview of what your VedaScore Rating means to you

August 2014

Part of the Veda Group
mycredit file .co.nz

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What is a VedaScore Rating?

VedaScore Rating is a service where all of the information on your credit file is evaluated to produce a single score out of 1,000. When you apply for credit, this rating is calculated at the time of application by a mathematical equation which analyses multiple types of information from your credit file, and then compares this information to the patterns of a vast number of past credit files.

The VedaScore Rating estimates your level of future credit risk and your ability to repay the amount that you will owe. Subscribers and other companies who have the authority to access your credit file in accordance to the Credit Reporting Privacy Code 2004 (hereafter referred to as the 'Code') can use your VedaScore Rating to assess your intention and ability to make payments.

Some of our subscribers use a different name for the VedaScore Rating but the information is always provided by us. The subscribers view a more complex score using a blend of scoring models called VedaScore Plus. In contrast the VedaScore Rating is designed to be more easily understood by an individual.

The ability to quickly, fairly and consistently consider all of this information, including the relationships between different types of information, is what makes credit scoring so useful.

VedaScore Plus* assists many credit providers to make an informed decision about whether they will offer credit.

Note: We do not score credit files where insolvency information is present.

How VedaScore Ratings help you

The VedaScore Rating gives credit providers, and other authorised companies under the Code, a tool to more quickly estimate your credit risk.

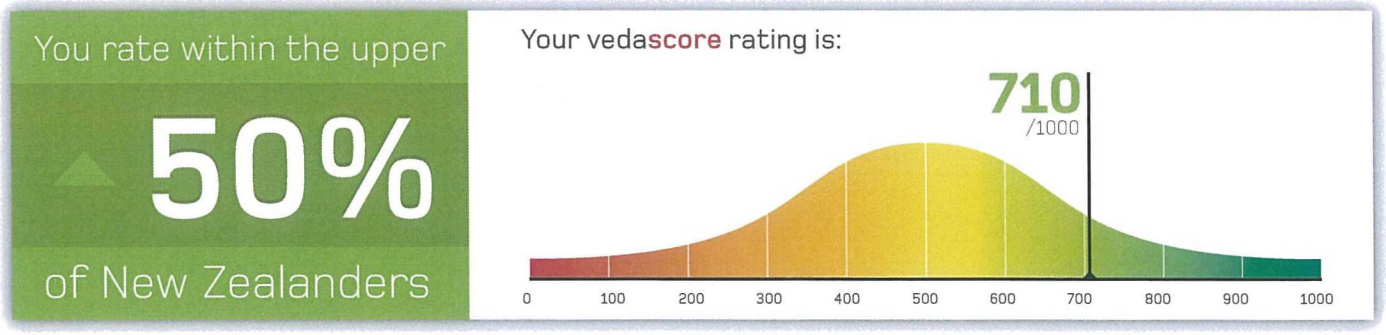
Credit scoring focuses on the facts related to credit risk, rather than on subjective matters such as personal opinions or preferences. Factors like your gender, nationality, marital status, occupation, salary, employment history or medical and academic records are not taken into account by VedaScore Rating. So when a credit provider considers your application for credit, your VedaScore Rating offsets more subjective evaluation by providing a fair and objective evaluation of your credit history.

- **Consumers may get loans faster.** Your VedaScore Rating is included with the credit file which could help credit providers to speed up the loan approval process.
- **Previous credit problems are less important.** If you had a poor credit history, your VedaScore Rating will not be a permanent black mark. The impact of past credit problems on your VedaScore Rating lessens as time passes and as recent regular payment patterns show up on your credit report. VedaScore Rating weighs any past credit issues against the positive information that shows when you're managing your credit well. It is generated at the time of application.

*Hereafter we will refer to any score provided by Veda simply as 'VedaScore Rating'

On its own, does my VedaScore Rating determine whether I get credit?

No. Most credit providers (i.e. banks, finance companies, telecommunication companies etc.) have a number of standards that they are required to meet, in order to make credit decisions, including the use of the information on your VedaScore Rating. Credit providers may look at additional information such as the amount of debt you can reasonably manage, given your income, your employment history, and your credit history. Based on their review of this information, as well as their specific underwriting policies, credit providers may extend credit to you, even though your VedaScore Rating is low, or decline your application for credit even though your VedaScore Rating is high.



What VedaScore Ratings ignore

VedaScore Ratings consider a wide range of information on your credit file. However, they do not consider:

- **Your race, colour, religion, ethnicity, age, gender and marital status.**
- **Your salary,** occupation, title, employer or employment history. However, credit providers may ask you for this information as part of their own internal requirements.
- **Where you live.**
- **Certain types of inquiries, such as requests for your credit file.** Your VedaScore Rating does not take into account any inquiries you initiate or any inquiries from employers.
- **Any information not found in your credit file.**

How quickly can my VedaScore Rating change?

Your VedaScore Rating is based on the information in your credit file at a specific point in time. Therefore, your VedaScore Rating can change whenever your credit files changes. It is calculated in real-time mode.

While defaults for example can lower your VedaScore Rating quickly, improving your VedaScore Rating takes time. That's why it's a good idea to check your credit file every six months, especially before applying for credit e.g. a large loan. This will allow you time to take action if needed. If you are actively working to improve your VedaScore Rating, we suggest that you check it quarterly to review any changes made.

How can I improve my Rating?

- **Pay all your accounts on time including court fines.** Due dates are always printed on tax invoices.
- **Ensure that no one else uses your identity to obtain credit** e.g. identity theft. You can track your credit reporting information through Veda's My Veda Alert product (this is a 12 month subscription) which includes your My Veda Credit Reputation.
- **Only apply for credit when you really need it.**
- **Consolidate your debts.**
- **Only borrow from respected lenders.**
- **Try to pay any unpaid amounts as soon as possible.** If you are unable to do this, the next best thing is to contact your lender directly to come to an agreement or settlement which will change the unpaid status to "settled".
- **Ensure you advise your credit providers early if you change your address.** If you do not advise them early they will continue to send your accounts to the address that they have on file and your will not receive them. This situation can result in a payment default occurring.

Your Credit File is the basis of your VedaScore Rating

Credit reporting agencies, such as Veda, maintain information on millions of individuals.

Credit providers, such as banks, finance companies, telecommunications companies etc. make credit enquiries about their prospective applicants and customers.

Your credit file details your individual financial history (your financial behaviour), as it has been reported to us by credit providers who have extended credit to you, and other organisations who are authorised to access your credit file under the Code.

Your credit file itemises the types of credit you have applied for, such as a mortgage or personal loan, and when the application was made.

It gives credit providers and organisations a clearer view of your credit position and your past credit history. Credit providers also use their internal data sources, such as their own financial data and scoring methodologies, to arrive at a credit decision.

The ability to quickly, fairly and consistently consider all of this information, including the relationships between different types of information, is what makes credit scoring so useful.

What's in your Credit File?

Some of the types of information that you will find in your credit file are recorded in the template below.
Note: The information in the template below will change each time you make an application for credit.

1. Personal Information

Name:	Amelia Ingrid Smith
Date of Birth:	01/01/1965
Also Known As Names:	Amelia Smith, Amelie Smith, Amelie Ingrid Smith
Current Address:	12 Queen Street, Auckland Central, Auckland
Previous Address:	12 Queen Street, Panmure, Auckland

Your name, address details and DOB is the information that is used to positively identify you. This information is not used in calculating your VedaScore rating. Credit providers update your information when you have requested updates to your accounts.

2. 24 Month Repayment History

Creditor:	Bank ABC
Creditor Type:	Bank
Product Type:	Mortgage
Account Number:	xxxxxxxxxxx57493
Account Limit:	$150,000
Pay Frequency:	Monthly
Account Status:	Active
Opened Date:	17/01/2010
Closed Date:	-
Last Update:	05/08/2014
Responsibility:	Individual
Identity:	AMELIA I SMITH

Repayment History shows what credit accounts you have and whether you're making your payments on time over the past 24 month period. Credit accounts include utility and mobile phone accounts as well as credit cards, loans and mortgages etc.

Note: Your credit file may not reflect all your credit accounts as not all creditors supply information to us.

This information is not used in calculating your VedaScore Rating as yet.

2014									2013												2012		
Q3			Q2			Q1			Q4			Q3			Q2			Q1			Q4		
Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct
		1	1	1	1	1	1	3	2	1	0	U	N	2	3	1	H	U	0	1	1	0	

Key: Account Status & Repayment History

Inactive (no utilisation)	Account has been deactivated
Active	Account is open
Suspended	Account is suspended. This may be for a variety of reasons.
Scheme of Arrangement	An agreement between the Credit Provider and the Account holder (and other creditors).
Debt Sold	Where a Credit Provider has sold the debt to another company who will attempt to recover the money owed.
Hardship	Hardship is any situation where a customer has asked for and the Credit Provider has agreed to, temporary relief from the terms of a credit contract due to being unable to meet that financial commitment.
External Debt Collector	An external company is working to recover money owed to the Credit Provider.
Closed	Account is closed.

N	No Payment Due/Required
0	Payments up-to-date as at the cycle date. Overdraft with limit agreed
1	Payments 1-29 days in arrears
2	Payments 30-59 days in arrears
3	Payments 60-89 days in arrears
4	Payments 90-119 days in arrears
5	Payments 120-149 days in arrears
6	Payments 150-179 days in arrears
X	Payments 180+ days in arrears
H	Customer in Hardship
R	Account has been re-aged by credit provider
U	No update received by end of period
-	Awaiting update for this period
	Status not available

3. Consumer Credit Inquiries

07/05/2013 Type of Account: Amount:	Auckland Bank Overdraft account $500	These are the credit accounts you have applied for. The credit provider generally reports the type of account (credit card, mortgage etc.), the date you applied for the account, and the credit limit or loan amount applied for.
08/08/2012 Type of Account: Amount:	South Island Finance Company Property Mortgage $100,000	

4. Inquiries

07/05/2013 08/05/2012 09/05/2011	Employer ABC Landlord ABC Employer 123	This section contains a list of who has accessed your credit file within the last five years.

5. Payment Defaults

06/10/2013 Reference: Date: Original Amount: Current Amount: Dispute: Correction:	South Island Finance Company Credit Card account with the reference 15928TA 05/09/2013 $5,000 $4,120 Currently in dispute This is where a 150 word statement can be entered	Credit reporting agencies collect information on overdue debt, which is more than 30 days overdue, and when steps have been taken to recover the amount owing.

How VedaScore Ratings Work

When you have given your consent to a credit provider to access your credit file, they will be provided with your credit file as well as your VedaScore Rating. In all cases, organisations have to comply with the Credit Reporting Privacy Code 2004. The information in your VedaScore Rating is dynamic and calculated at the time of access.

This is why your VedaScores change from one application to the next. This means that if you have applied for credit at a number of credit providers, in order to establish who will give you a better interest rate, then this will affect changes to your VedaScore Rating. Please be aware that some credit providers present your rating differently, however it is completely accurate and up to date.

Your VedaScore Rating is always calculated at the time of making an application. A mathematical equation extracts multiple types of information from your credit file, comparing this information to the trends shown by an extensive database of past credit files.

In order for a VedaScore Rating to be calculated, you must live (or previously lived) in New Zealand and have a credit history, and your information must be on Veda's database.

VedaScore Ratings provide a reliable guide to future risk, based solely on credit file data. The range is from 0 to 1,000. The higher the VedaScore Rating, the lower the risk. The lower the VedaScore Rating, the higher the risk. A low (or zero) Rating does not necessarily mean that the application will be declined. Similarly, a high VedaScore Rating does not guarantee that the application will be approved. Many organisations use VedaScore Rating to help them to make informed decisions, along with their internal policies, processes and procedures, to assess an acceptable level of risk for a given product. Some credit providers have their own scoring models. It has been proven statistically that past credit behaviour can be predictive. This kind of scoring is well understood internationally.

There is no single "cut-off rating". The outcome of the VedaScore Rating is an indicator only and is the tool that organisations use to make decisions.

Why is the VedaScore Rating from 0 to 1,000?

The Veda Score Rating of 0 to 1,000 is based on, and is consistent with, International standards. This range provides the flexibility to capture variations in scores, without losing its predictive power.

What makes a good VedaScore Rating?

Since there's no specific "cut-off rating" used by all credit providers and other authorised organisations, it is difficult to define what a good VedaScore Rating actually is, because it only applies to a particular once off situation e.g. a credit application. Every credit provider uses our VedaScore Rating in combination with their own internal ratings and policies to make a decision.

Checking your VedaScore Rating

Credit providers and other authorised companies check your credit file and VedaScore Rating to be able to view your past credit history. It's easy to check your VedaScore Rating by purchasing a My Veda Plus or a My Veda Alert.

However, you are also entitled to get a copy of your credit report for free (to be supplied within 20 business days) or if you require this more quickly for a modest amount (to be supplied within 5 business days). These products do not include a VedaScore Rating.

You can find out more about all of our services on our **'Compare our Products'** page on our website.

If you plan to make a major purchase, like a car or a house within a period of six months, then it is a good idea to check your VedaScore Rating well in advance. This will give you time to verify the information on your credit file, to address any incorrect information, and take any necessary actions to improve your VedaScore Rating. In general, each time you apply for new credit, re-finance or a new loan is the best time to check your VedaScore Rating.

How can mistakes appear on my Credit File?

If your credit file contains incorrect information, it may be because the file is incomplete, or it refers to information about a different person. This may happen because:

- A clerical error may have occurred while reading or entering the name or address information from an application.
- You previously applied for credit under a different name.

Amending your credit information

We must take reasonable steps to ensure the credit information we hold about you is accurate, and we must act promptly when we become aware of any errors, to correct them. This will usually involve checking the information you provide with the source, such as a subscriber (or creditor), who submitted a default (for example).

If you think there are inaccuracies in your credit file, there are steps you can take to request that any inaccuracy is corrected or investigated. These steps are outlined in the "My Credit File Explained" brochure, which you will receive when you order any product. You can also visit www.mycreditfile.co.nz for a copy of this brochure within the FAQ Section.

We must, as soon as is reasonably practicable, decide whether to make the correction you have requested or to confirm the accuracy of the information. If we need longer than 20 working days to make a decision, we must notify you of the extension and the reason for it. If the requested correction is not made, we must tell you the reason and you may ask to have a statement of the correction sought but not made. This statement will be included in your credit file.

If a correction is made or a correction statement added, we will send an amended report to any Veda subscriber recorded as having accessed your credit file within the last 30 days, and also to you.

Information about a bankruptcy that has been discharged, or a default that has subsequently been paid in full, can continue to be reported on your credit file, provided it is updated to reflect the later developments, as it remains an accurate statement of those historical events.

Credit Suppression

Where you believe that you have been, or are likely to be, a victim of fraud (including identity fraud) and you can verify who you are, you can contact a credit reporter (such as Veda) and ask for an initial suppression for a ten day period. In return you may be given a unique password or PIN.

This suppression, if you can verify your identity, and if granted, aims to block access to your credit file for the purpose of originating new credit - taking out a loan using your identity.

Please note; your credit file will still be updated with default information such as defaults on debts, judgments or insolvencies.

At the end of the ten days you may apply to extend the suppression but you will need to produce evidence of the likelihood of fraud e.g. a police report. You may also ask Veda to lift the suppression to enable you to apply for credit.

Monitoring for Identity Theft

Veda has a product called My Veda Alert which may be useful to help detect and prevent identity theft. Identity theft is when a person takes your identity details – such as your name, credit card number, or any other identifying information, without your permission and then uses your identity to obtain credit (i.e. to open accounts, take out loans, buy cars etc.).

My Veda Alert will notify you within 24 hours via email, with details of who is accessing your credit file and the purpose of this access.

Other steps to protect your identity:

1. **File a report** with your local police station.
2. **Obtain a copy of your credit file to confirm if someone has used your identity.**
3. **Contact the credit providers directly and inform them of the fraudulent activity, otherwise they will hold you liable and responsible for any bad debt incurred. Close any accounts that have been interfered with or opened fraudulently.**
4. **Call and report the matter to each Credit Reporting Agency** within New Zealand to notify them so that they can update their records.

Remember, identity theft can happen to anyone.

We recommend you regularly check your credit file. You can manage your credit reporting information throughout the year Veda's My Veda Alert product (this is a 12 month subscription) which includes your My Veda Credit Reputation.

Protecting your Privacy

To reduce the likelihood of identity theft happening to you, protect your personal information by following these simple rules:

- **Know what is on your credit file.**
- **Monitor your credit file so that you receive notification every time a credit enquiry is made to Veda using your personal details.**
- **Sign all of your new credit cards, eftpos cards etc. as soon as you receive them.**
- **Store all of your payment resources in a safe place, including credit cards, eftpos cards, cheques and account information.**
- **Shred any paperwork that contains your personal details or account details before disposing of them.**
- **To address any incorrect information on your credit file, you need to work directly with the credit reporting agency as well as your credit provider, and/or other authorised organisation.**
- **Keep your PIN (Personal Identification Number) confidential and do not write the PIN down.**

How does the VedaScore Rating work for first time credit applicants?

VedaScore Rating uses an internal mathematical equation; taking into account other information such as how often you have changed your personal address and the type of product you are applying for.

Statistical analysis suggests that having no credit track record could increase your risk and your ability to obtain credit. You will need to discuss this further with the credit provider and explain your situation.

Have you taken into account my inquiries, where the credit provider has processed duplicate credit checks for the same application?

Yes, VedaScore Rating takes multiple inquiries into account, but this is only a part of many aspects used to generate the scores. Veda applies a de-duplication process prior to scoring, to remove obvious duplication.

I'm a Company Director; what about the inquiries which relate to my companies - would these affect my personal score? And if so, why?

It will have an impact, and you will need to discuss this further with your credit provider and explain to them that you hold a number of directorships. You need to be aware that for a personal inquiry to be done on your behalf as an individual, you must have given your consent to the credit provider.

How does the VedaScore Rating count inquiries?

If you are seeking credit from a number of credit providers, in order to get the best deal possible, then each application will be used in the VedaScore Rating.

The VedaScore Rating takes into consideration all inquiries made. This is important because not all inquiries are related to credit risk. There are three important facts about inquiries and these are listed below:

- **Inquiries usually have a small impact.** For most people, one additional inquiry will only take a few points off their VedaScore Rating.
- **Many kinds of inquiries are ignored completely.** Your VedaScore Rating does not count an inquiry when you order your credit file. Inquiries that are marked as coming from employers are not counted either.

What a VedaScore Rating considers

Listed on the next few pages are the main categories of information that VedaScore Rating analyses. Within these categories is a complete list of the information that goes into a VedaScore Rating. Please note that:

- **A VedaScore Rating takes into consideration all permitted categories of information, not just one or two.** No single piece of information or factor alone will determine your VedaScore Rating.
- **The importance of any factor depends on the overall information in your credit file.** For some people, a particular factor may be more important than for someone else with a different credit history. In addition, as the information in your credit file changes; the importance of any factor in determining your VedaScore Rating will fluctuate.
- Therefore, it's impossible to measure in isolation the exact impact of a single factor.
- **We do not score credit files where insolvency information is present.**

1. Defaults, collection defaults and/or judgement information

Defaults, collection defaults and/or judgments on a credit file are very powerful indicators of increased credit risk. This risk is increased further by higher levels of defaults or judgments, more recent defaults and higher proportions of unpaid defaults.

Your VedaScore Rating takes into account:

- **The volume of defaults, collection defaults and/or judgements on your credit file.**
- **How recently your defaults etc. have been added to your credit file.**
- **The proportion of unpaid defaults on your credit file.**
- **How long your credit file has been established**

Our Tips

- **Keep balances low on credit cards and store cards.** Your credit limit is not a target. High outstanding debt can lower your VedaScore Rating.
- **Pay off debt, rather than moving it between accounts or banks.** Paying off your debt is the most effective way to improve your VedaScore Rating.
- **Don't open a number of new credit cards and store cards,** as this could impact your rating and may result in you over extending your debt. Be aware of hire purchase agreements – if you do not pay on the due date given, this could incur costly late penalty charges.

2. Age of Credit File (i.e. length of credit history)

Overall, an older credit file will increase your VedaScore Rating. However, even people who have not been using credit for long may get high VedaScore Ratings, depending on the content of the overall credit file.

Your VedaScore Rating considers:

- **How long your credit file has been established.** Your VedaScore Rating considers the age of your oldest account, the age of your newest account and an average age of all your accounts.

3. Individual Credit Shopping Pattern

These days, people tend to shop around for credit and in general have access to credit through other channels, such as a 24 months interest-free hire purchase plan. Applications for credit over the internet are also used more frequently than ever before. Actual credit applications as opposed to enquiries about the cost of credit in the context of a quotation are included. Quotations are not included.

Research shows that applying (successfully or unsuccessfully) and/or opening several credit accounts in a short period of time does represent a higher risk, as does the type of credit product that you are applying for. The VedaScore Rating will consider your mix of credit products, such as, credit cards, store cards, instalment loans, finance company accounts and mortgages.

Your VedaScore Rating considers:

- **The type of credit application you have made.** Your VedaScore Rating looks at how many new applications you have made by type of credit product (for example, how many credit card applications you've made).
- **How many new applications for credit you have made, as indicated by inquiries.** Inquiries remain on your credit file for five years, and the VedaScore Rating takes into account the whole five years.
- **The lengths of time since credit file inquiries were made by credit providers.**

Our Tips

- **Be careful when opening new accounts that you do not need.** Opening new accounts can lower your VedaScore Rating in the short term. Beware of discounts or low interest rates being offered to persuade you to open a new account that you do not need.

(continued on the following page)

- **Re-establish your credit history if you have had problems.** Opening new accounts responsibly, and not defaulting on any payments due, will raise your VedaScore Rating in the long term.
- **Remember that it's okay to request and check your own credit file.** This won't affect your VedaScore Rating, as long as you order your credit file directly from Veda.
- **Try not to apply and/or open many new credit accounts too quickly.** This may lower your VedaScore Rating if you do not have other credit information. Even if you have used credit for a long time, applying and/or opening a new account can still lower your VedaScore Rating.
- **Apply for, and open, new credit accounts only as you need them.** Do not open credit accounts just to have a better credit mix – it may not raise your VedaScore Rating.
- **Note that paying off a default, for example, doesn't make it go away.** A paid default will still show up on your credit file, and its history will be taken into account by your VedaScore Rating. It will now show the status as being paid; however, it will still appear on your credit file for five years.

4. Insolvency information

The existence of any current, or prior, insolvency information on the credit file is a very powerful indicator of increased risk. Insolvency includes Bankruptcies, No-Asset Procedures (NAP) and Summary Instalment Orders (SIO), whether discharged or current.

We do not score credit files where insolvency information is present.

Your VedaScore Rating takes into account:

- **Your VedaScore Rating looks at whether you have any insolvencies listed and if so how many.**

Our Tips

Budgeting

- Live well within your financial means e.g. your salary.
- Apply the following thinking: Do I need it or do I want it?
- Prepare a budget each month and stick to it and buy only essentials.
- Plan carefully before you purchase big ticket items e.g. cars, plasma TV.
- Consider your life style and remember it's OK to say no from time to time if you are tempted to spend.
- Make a list of all your accounts due each month, quarter or annually and budget for them in your monthly expenditure.
- Don't be seduced with special promotional offers where payment is only due in 60 months' time. Paying an instalment each month will reduce the debt capital and debit interest accrued at the end of the period.
- Pay off your debts first before applying for additional credit. Doing this will increase your chances of getting credit in the future.
- Focus on paying off loans with the highest debit interest rate first.
- Debts increase when you don't pay them off regularly because debit interest is accrued each month and capitalised.

5. Demographic Stability

Information such as your residential stability (time at an address) and age can have an impact on credit risk. Research shows that an applicant with a more stable residential history does represent a lower risk; this also applies to more mature applicants.

Your VedaScore Rating takes into account:

- How often your residential address has been changed. Your VedaScore Rating considers the age of your oldest address, the age of your newest address and an average age of all your addresses.
- This situation can indicate instability and can affect your VedaScore Rating.

Our Tips

- **Before you change your address be aware that the frequency can have an impact on your credit risk**

For further clarification on our terms and definitions, please see the FAQs on our website www.mycreditfile.co.nz

Or contact our Public Access team by emailing: publicaccess.nz@veda.co.nz

Or telephone 0800 692 733 (MYCREDITINFO) *(NOTE: If you are calling from a mobile or from overseas please call 09 367 6200)*

Please note, you must have a copy of your credit file in front of you before we can answer any queries.