

[TO BE INTRODUCED IN THE NATIONAL ASSEMBLY]

A

BILL

to provide for the incorporation and functioning of credit bureaus and to provide for matters connected therewith and incidental thereto

WHEREAS it is expedient to provide for the incorporation and functioning of credit bureaus for collecting credit information relating to debtors of banks, financial institutions, non-banking financial institutions, non-financial companies and other lenders or authorities and maintain data of such information and also for the provision to disseminate such information, on request, for specified purposes with a view to facilitating efficient distribution of credit and for matters connected therewith and incidental thereto;

It is hereby enacted as follows: -

PART I

PRELIMINARY

1. Short title, extent and commencement.- (1) This Act may be called the **Credit Bureaus Act, 2014**.

(2) It extends to the whole of Pakistan.

(3) It shall come into force on such date as the Federal Government may, by notification in the Official Gazette, appoint and different dates may be appointed for different provisions of this Act.

2. Definitions.- (1) In this Act, unless there is anything repugnant in the subject or context,-

(a) “**adverse action**” means any action which causes a denial, rejection, cancellation of or reduction in or otherwise any unfavourable result in any transaction involving credit, finance, trade, commerce or employment with respect to a debtor;

(b) “**banking**” means the accepting, for the purposes of lending or investment, of deposit of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise;

(c) “**banking company**” means any company which transacts the business of banking in Pakistan ;

- (d) **“banking policy”** means any policy formulated by the State Bank of Pakistan in the interest of banking or in the interest of monetary stability or sound economic growth, having due regard to the interest of the depositors, the volume of deposits and other resources of the bank and the need for equitable allocation and the efficient use of these deposits and resources;
- (e) **“Companies Ordinance”** means the Companies Ordinance, 1984 (XLVII of 1984);
- (f) **“company”** means a company incorporated under the Companies Ordinance;
- (g) **“Court”** means District Courts having territorial jurisdiction in the area where the cause of action arises;
- (h) **“credit bureau”** means a public limited company established under the Companies Ordinance which has been granted a licence by the State Bank of Pakistan in accordance with this Act to undertake the business of collecting credit information from credit information furnishers relating to their customers and to maintain data relating thereto and to disseminate such information in the form of credit information reports for purposes of this Act or that may be specified by the State Bank of Pakistan from time to time;
- (i) **“credit information”** means any information with respect to a debtor relating to-
- (i) the amounts, nature of loans or advances, finance and other credit facilities granted by a credit institution and repayment thereof by the debtor and the nature of security taken by a credit institution for credit facilities granted;
 - (ii) the guarantee or any other non-fund based facility furnished by a credit institution for the benefit thereof;
 - (iii) the amounts and nature of commercial transactions, facilities and services entered into or availed on credit from non-financial companies and bodies and other lenders and authorities including but not limited to retailers, insurance companies, utility providers and landlords;
 - (iv) any and all factors included in the financial history bearing on the credit worthiness, credit standing and credit capacity thereof;
 - (v) public records such as bankruptcies, civil suits, civil judgments, record of arrests and convictions for crimes involving fraud, dishonesty, false statement or moral turpitude;

(vi) personal information subject to the conditions specified in this Act; and

(vii) any such information which the State Bank of Pakistan in its opinion may consider relevant for the purposes contained herein to be included in the data collected and maintained by credit bureaus and may specify in its directions issued from time to time under this Act;

(j) **“credit information furnisher”** means any person or entity which provides credit information to a credit bureau including credit institutions and non-financial companies and bodies and other lenders and authorities including but not limited to retailers, insurance companies, utility providers and landlords;

(k) **“credit information report”** means any written or electronic communication issued by a credit bureau containing credit information relating to any debtor for purposes of this Act;

(l) **“credit institutions”** include-

(i) a banking company;

(ii) Microfinance Banks;

(iii) a financial institution, which means-

(a) any company whether incorporated within or outside Pakistan, which transacts the business of banking or any associated or ancillary business in Pakistan through its branches within or outside Pakistan and includes a government savings bank but excludes the State Bank of Pakistan;

(b) a modaraba, leasing company, investment bank, financing company, unit trust or mutual fund of any kind and credit or investment institution, corporation or company; and

(c) any company authorized by law to carry on any similar business as may be prescribed;

(iv) non-banking financial company; and

(v) any company, corporation or institution or class of companies or institutions as the Federal Government may from time to time, by notification in the official Gazette, specify for the purpose.

(m) **“credit scoring”** means a system whereby points are awarded to debtors enabling users to assess the credit worthiness and capacity of debtors

to repay loans and advances and to discharge any and all other obligations with regard to credit facility availed or to be availed by the debtors;

- (n)“**debtor**” means any individual, partnership, company, corporation, institution, trust, estate, cooperative association, Government or governmental subdivision or agency or any other entity, including those who have been credit recipients and who are potential recipients of credit;
- (o)“**default**” means omission or failure to perform a legal or contractual obligation involving credit;
- (p)“**licence**” means the licence issued by the State Bank of Pakistan to a public limited company for the purpose of functioning as, and carrying out the business of, a credit bureau in accordance with the provisions of this Act;
- (q)“**person**” means an individual, association or body of individuals, company, firm, authority, institution or any other entity;
- (r)“**prescribed**” means prescribed by rules made under this Act;
- (s)“**regulator**” means the State Bank of Pakistan established under the State Bank of Pakistan Act, 1956 (XXXIII of 1956);
- (t)“**rules**” means rules made under this Act; and
- (u)“**user**” means any person or body, which receives a credit information report from a credit bureau for purposes of this Act.

(2) The words and expressions used and not defined in this Act shall have the meanings as assigned to them in the Companies Ordinance.

PART II

ESTABLISHMENT OF THE CREDIT BUREAU AND ITS CAPITAL

3. **Licence.**- Notwithstanding anything contained in any other law for the time being in force and save as hereinafter provided, no person shall commence or carry on the business of a credit bureau without obtaining a licence from the State Bank of Pakistan to function as, and carry on the business of, a credit bureau, such licence being obtained in the manner which may be prescribed.

4. **Eligibility for licencing.**- (1) A person proposing to commence business as a credit bureau shall be eligible for licencing under this Act if he fulfills and complies with the following conditions or requirements, namely:-

- (a) that such person is incorporated as a public limited company under the Companies Ordinance;

- (b) that none of the promoters, sponsors, directors, officers or employees of such company-
- (i) has been associated with any illegal banking business, deposit taking or financial dealings or has overdue loans or outstanding installments toward any banking or financial institution that have not been settled within six months or has been convicted of fraud, breach of trust or an offence involving moral turpitude or has defaulted on payment of taxes and has either been adjudicated as insolvent or has defaulted payment of debt or compounded it with his creditors; and
 - (ii) has been a sponsor, director, chief executive or major shareholder in any company, which has been associated with any illegal banking business, deposit taking or financial dealings or has overdue loans or outstanding installments toward any banking or financial institution that have not been settled within six months or has defaulted payment of debt or compounded it with its creditors or has defaulted on payment of taxes;
- (c) that the promoters of such company are, in the opinion of the State Bank of Pakistan, persons of means and integrity and have special knowledge of matters which the company may have to deal with as a credit bureau, are not involved in the capacity of a director or shareholder with any company, business or activity which is likely to be in conflict with the business of the credit bureau and the net worth of each promoter is not less than twice the amount to be subscribed by him personally; and
- (d) that none of the directors of such company shall hold such office with any other company, business or activity which is likely to be in conflict with the business of the credit bureau.

Explanation.-A company, business or activity shall be deemed to be in conflict with the business of the credit bureau, if it directly or indirectly competes with the business of credit information bureaus including but not limited to another credit bureau and financial institution.

(2) Without prejudice to the conditions specified in sub-section (1), the State Bank of Pakistan may impose such additional conditions as it may deem necessary on any company at the time of granting the licence or generally in the rules.

(3) The State Bank of Pakistan may refuse grant of a licence in the event that-

- (a) any of the conditions under this section are not met; or

- (b) the application for a licence has been made subsequent to the issuance of a notification and while such notification is in operation pursuant to which the State Bank of Pakistan has suspended the issuance of licences generally:

Provided that a grant of licence shall not be refused without giving the person applying for the licence an opportunity of being heard.

5. Paid up capital.- The paid up capital of a credit bureau shall not be less than the amount that may be prescribed by the State Bank of Pakistan.

6. Shareholding.- (1) No person shall acquire shares of a credit bureau either directly or indirectly, which will entitle such person or entity to hold more than such share interest in such credit bureau as may be prescribed, except with prior written approval of the State Bank of Pakistan.

(2) Anyone who knowingly contravenes the provisions of sub-section (1) shall be punishable with fine which shall not be less than one million rupees.

7. Credit bureau in existence prior to the commencement of this Act.-(1) Every company conducting the business of a credit bureau on commencement of this Act, other than the credit information bureau of the State Bank of Pakistan, shall before the expiry of six months from such commencement, apply in writing to the State Bank of Pakistan for obtaining a licence to continue to carry on the business of a credit bureau:

Provided that in the case such company is in existence on the commencement of this Act, nothing contained herein shall be deemed to prohibit the same from carrying on the business of a credit bureau, until it is granted a licence by the State Bank of Pakistan or until such time its application, after notice, is rejected by the State Bank of Pakistan.

(2) In the event that the application for the grant of licence submitted by a company conducting the business of a credit bureau on commencement of this Act is rejected by the State Bank of Pakistan, such company shall cease operations as a credit bureau within such time as is specified in the notice. The credit information collected, stored and maintained by such company may not be sold to any entity other than a credit bureau and if the same is not sold to a credit bureau, for whatever reason, it shall be relinquished to the State Bank of Pakistan.

8. Power to cancel and suspend the licence. - (1) The State Bank of Pakistan may cancel or suspend a licence, if the credit bureau -

- (a) ceases to carry on the business of a credit bureau in Pakistan;
- (b) fails to comply with or contravenes any provision of this Act or any conditions subject to which the licence was granted to it or any other law for the time being in force; or
- (c) fails to comply with or contravenes any directions or guidelines issued by the State Bank of Pakistan under this Act:

Provided that no licence shall be cancelled or suspended without affording such credit bureau a reasonable opportunity to be heard and an opportunity to take necessary steps to comply with such provisions or fulfill such conditions which, in the opinion of the State Bank of Pakistan, the credit bureau has failed to comply with, unless the delay in cancelling or suspending the licence is likely to be prejudicial or detrimental to public interest or to the interest of the credit institutions or credit information furnishers and debtors.

PART III

REQUIREMENT TO PROVIDE CREDIT INFORMATION

9. Credit information furnishers to provide credit information.- Notwithstanding anything to the contrary in any law establishing a credit information furnisher or other law for the time being in force or in any agreement entered into between a credit information furnisher and its debtor, credit information furnishers may provide credit information to credit bureaus, provided that such credit information furnisher is a member of the credit bureau, to which credit information is being provided.

10. Membership of credit bureaus.- (1) All credit information furnishers upon membership of a credit bureau shall furnish credit information in accordance with the requirements and specifications prescribed, in addition to the specific requirements of such credit bureau of which the credit information furnisher is a member.

(2) Every credit institution in existence on the commencement of Act shall become member of at least one credit bureau within six months of the commencement of this Act and every credit institution, which comes into existence after the commencement of this Act, shall become member of at least one credit bureau within three months of its coming into existence.

(3) Notwithstanding anything contained in this Act, it is not mandatory upon credit information furnishers excluding credit institutions to become members of credit bureaus.

(4) Notwithstanding anything contained in this Act, a credit information furnisher may terminate its membership with a credit bureau in accordance with the terms and conditions specified for termination by the concerned credit bureau, provided that in case of termination of membership by a credit institution, the same shall obtain membership of another credit bureau either before termination or simultaneously so that the credit institution is at no time in violation of sub-section (2).

(5) The membership of a credit information furnisher shall be subject to such credit information furnisher meeting and adhering to the credit information quality standards and other procedural requirements that may be prescribed or specified by the credit bureau of which the credit information furnisher is a member. In case of failure to comply with its quality standards and procedural requirements aforesaid, credit bureaus may suspend membership of credit information furnisher

either on its own motion upon written notice to such credit information furnisher stating the cause of such cancellation after giving reasonable time for amendment of action or at the direction of the State Bank of Pakistan, provided that no direction for suspension of membership of any credit information furnisher shall be given by the State Bank of Pakistan without affording such credit information furnisher an opportunity to show cause against the proposed cancellation.

(6) Where a credit institution-

- (a) abstains from becoming a member of at least one credit bureau;
or
- (b) at any time is not a member of any credit bureau,

such credit institution shall be liable to a fine not exceeding one million rupees, and where the contravention is a continuing one, with a further fine which may extend to fifty thousand rupees for every day during which the violation of sub-section (2) continues, provided that no penalty may be adjudged or imposed by the State Bank of Pakistan against a credit institution under this section without affording such credit institution an opportunity to show cause against the proposed imposition of penalty.

PART IV

POWERS OF THE STATE BANK OF PAKISTAN

11. Powers of the State Bank of Pakistan.- (1) Where the State Bank of Pakistan is satisfied that it is necessary and expedient so to do-

- (a) in the public interest; or
- (b) in the interest of banking policy; or
- (c) in the interest of the credit system, credit bureaus, credit information furnishers, users, and debtors in general or to prevent the affairs of a credit bureau being conducted in a manner detrimental or prejudicial to the interests thereof; or
- (d) to secure the proper management of credit bureaus generally,

it may formulate the policy in relation to credit bureaus and issue directions or guidelines to credit bureaus generally or to a credit bureau in particular, from time to time, as it deems fit by way of notification or in any manner as appropriate, and the credit bureau or all the credit bureaus, as the case may be, shall be bound to comply with such policy, directions and guidelines.

(2) The State Bank of Pakistan may, on representation made to it or on its own motion, modify or cancel any direction issued under sub-section (1) and in so modifying or canceling any direction may impose such conditions as it thinks fit, subject to which the modification or cancellation shall have effect.

12. Power of the State Bank of Pakistan to call for information.- (1)

The State Bank of Pakistan shall have the power and authority to call for any information from a credit bureau regarding its business and affairs and to appoint investigation officers to inspect its books, data, accounts, records and other documents in the manner as may be prescribed.

(2) It shall be the duty of every director, officer or employee of credit bureaus to produce all such books, data, accounts, records and other documents in his custody or power to provide upon request by an investigation officer appointed under sub-section (1) and furnish to such investigation officer any statement and information relating to the affairs of such credit bureau as the said investigation officer may require within such period of time as may be specified by the same.

(3) An investigation officer appointed under sub-section (1) may examine on oath any director, officer or employee of a credit bureau in relation to such credit bureau's business and may administer an oath accordingly.

(4) The expenses of or incidental to the inspection under sub-section (1) shall be borne by the credit bureau with respect to which the inspection is carried out.

13. Power of the State Bank of Pakistan to remove directors or other managerial persons from office.- (1) Where the State Bank of Pakistan is satisfied that any chairman, director, chief executive or any officer, by whatever name called, of a credit bureau, has been, or is likely to be, in breach of the provisions of this Act or rules made thereunder or any directions or guidelines issued hereunder, the State Bank of Pakistan may, for reasons to be recorded in writing, by order, remove from office, with effect from such date as may be specified in the order, any chairman or director or chief executive or other officer, by whatever name called, or may hold the same liable to a fine not exceeding an amount of rupees five million:

Provided that no order under this sub-section shall be made unless the concerned person has been given a reasonable opportunity of making a representation to the State Bank of Pakistan against the proposed removal and that concerned person has failed to provide an explanation to the satisfaction of the State Bank of Pakistan within the time frame specified. In the event of the issuance of an order of removal, the chairman, director, chief executive and officer so removed shall vacate their office on the date specified in the order and the vacancy so created shall be filled in accordance with the Companies Ordinance.

(2) Where the State Bank of Pakistan is satisfied that the board of directors of any credit bureau is, or is likely to be, detrimental to the interest of such credit bureau, its shareholders or to the public interest or the interest of the credit information system in general or for securing the proper management of such credit bureau, it is necessary so to do, it may for reasons to be recorded in writing, by order, supersede the board of directors of the credit bureau for such period as may be specified in the order or extended subsequently, however, the total period shall not exceed twelve months:

Provided that no order under this sub-section shall be made unless the concerned credit bureau has been given a reasonable opportunity of making a representation to the State Bank of Pakistan against the proposed supersession and

that bureau has not provided an explanation to the satisfaction of the State Bank of Pakistan within the time frame specified. In the event of the issuance of an order of supersession under this sub-section, the board of directors, including the chairman, chief executive and directors, by whatever name called, shall vacate their offices on the date specified in the order.

(3) Upon making of the order of supersession under sub-section (2),-

(i) the State Bank of Pakistan may appoint an administrator and shall issue such directions to the appointed administrator as it deems fit and appropriate and the administrator shall be bound to follow the issued directions; and

(ii) all powers, functions and duties, which may under the provisions of the Companies Ordinance or this Act or any other law for the time being in force or by resolution passed in a general meeting of such credit bureau, be exercised or discharged by or on behalf of the board of directors of such credit bureau shall until the reconstitution of the board of directors under sub-section (5) be exercised and discharged by the administrator appointed by the State Bank of Pakistan.

(4) The salary payable to the administrator and any staff assisting the administrator shall be fixed by the State Bank of Pakistan and shall be borne by the credit bureau with respect of which such administrator is appointed.

(5) On or before the expiration of two months prior to the expiry of the period of supersession specified in the order of the State Bank of Pakistan issued under sub-section (3), the administrator shall call a general meeting of the credit bureau to elect new directors and reconstitute its board of directors.

(6) No person removed from office pursuant to an order issued by the State Bank of Pakistan under sub-sections (1) and (3) shall be entitled to claim any compensation for the loss or termination of office.

14. Powers of the State Bank of Pakistan to appoint auditors for special audit.- (1) Where the State Bank of Pakistan is satisfied that it is necessary and expedient to do so in the public interest or in the interest of the credit system, credit bureaus, credit information furnishers, users or the debtors, it may, at any time, direct by written notice that a special audit of a credit bureau shall be conducted and the State Bank of Pakistan may by such notice or by a separate notice either appoint an auditor or auditors to conduct such special audit of-

- (i) the accounts of the credit bureau in relation to any transaction or class of transactions or for such period or periods as may be mentioned in the notice; and
- (ii) the systems and procedures of the credit bureau as indicated in sub-section (3) of section 21 where the credit bureau has not complied with the requirements for such audit under that section or where the State Bank of Pakistan deems that such an audit is required despite the audit having been

conducted by independent auditor appointed by the credit bureau in compliance of the requirements of the said section and the auditor shall comply with such notice and directions therein and make a report of such audit to the State Bank of Pakistan and forward a copy thereof to the concerned credit bureau.

(2)The State Bank of Pakistan may issue directions by way of notification in particular or in general with respect to the audit of credit bureaus conducted in accordance with this Act and submission of reports thereof.

(3)The remuneration of the auditor or auditors appointed under sub-section (1) shall be fixed by the State Bank of Pakistan with due consideration to the nature and volume of work involved in the audit and the expenses of, or incidental to, the audit shall be borne by the credit bureau with respect to which the audit is conducted.

PART V

FUNCTIONS OF A CREDIT BUREAU

15. Functions which a credit bureau may transact.- (1) A credit bureau in its course of business and in accordance with the provisions under this Act and subject to such conditions as may be specified by the State Bank of Pakistan from time to time, shall be permitted to-

- (a) collect, collate, store and maintain credit information relating to debtors;
- (b) provide credit information reports to users and other credit bureaus;
- (c) undertake credit scoring and to sell such credit scoring to users;
- (d) consolidate and utilize credit information for purposes of supplying statistics, analyses and conducting research provided that the results thereof shall not be published or produced or used in any manner which may either identify or disclose or are reasonably expected to identify or disclose the identity of the concerned debtor or the credit information furnisher;
- (e) make policies in respect of the administration of its affairs in consonance with the provisions of this Act and the guidelines issued thereunder by the State Bank of Pakistan from time to time;
- (f) generally to do all such other acts and deeds as are necessary to facilitate the proper carrying on of its business and affairs under this Act; and
- (g) undertake any other form of business which the State Bank of Pakistan may notify as a form of business in which it is lawful for a credit bureau to engage.

(2) No credit bureau shall engage in any form of business other than those provided under sub-section (1).

(3) No credit bureau shall maintain its database to a place outside Pakistan without prior permission in writing of the State Bank of Pakistan.

PART VI

PROTECTION OF CONSUMER

16. Permissible purposes and uses of credit information reports.- (1) A credit bureau may furnish credit information collected, collated, stored and maintained by the same in relation to a debtor, in accordance with the provisions of this Act in the form of a credit information report, under the following circumstances, namely:-

- (a) in response to the order of a competent court having jurisdiction to issue such order;
- (b) on written or electronic request or instructions of the debtor, to whom it relates, received from such debtor or through the duly constituted attorney thereof;
- (c) on written or electronically received request of a credit institution, for the purpose of evaluating or assessing the credit or pre-payment risks associated with existing or future credit obligations of a debtor in connection with the grant of a credit or finance facility;
- (d) on written or electronically received request of such person or entity, which has a demonstrated need for the information in connection with a business transaction initiated by the debtor, whose credit report is requested;
- (e) on written or electronically received request of such person or entity, which has a demonstrated need for the information in connection with a business transaction not initiated by the debtor, whose credit report is requested, provided that such debtor authorizes the credit bureau to provide a credit report, relating to the same, to such person or entity;
- (f) on written or electronically received request from Securities and Exchange Commission of Pakistan to assist them in discharging their regulatory obligations; and
- (g) for any other purpose, which the State Bank of Pakistan may deem fit and appropriate and may notify as a lawful purpose for credit bureaus to issue credit information reports.

(2) A credit bureau shall not do an act or engage in practice which is outside the scope of purposes as specified under sub-section (1) and may not furnish a credit information report if it has reasonable grounds to believe that the same will not be used for a purpose specified under sub-section (1).

(3) Every credit bureau shall maintain reasonable procedures as prescribed to avoid violations of this Act and to limit the furnishing of credit information reports to the purposes specified under sub-section (1).

(4) In the event of winding up, dissolution, liquidation or bankruptcy of a credit bureau or in case of expiry or rejection of the grant or renewal of licence, such credit bureau shall immediately cease all such functions and operations as are permissible for credit bureaus to perform, transact and undertake under this Act. The credit information collected, stored and maintained by such credit bureau shall either be returned to the relevant credit information furnisher or may be sold to another credit bureau and in the event that the credit bureau neither returns such credit information as aforesaid nor sells the same, for whatever reason, the same shall be relinquished to the State Bank of Pakistan.

17. Contents of credit information report .- (1) A credit information report issued by a credit bureau in accordance with the provisions of this Act shall only contain credit information as defined under this Act and shall not contain any information or data relating to a debtor that is not relevant for the purposes of evaluating or assessing the credit worthiness, credit standing or the credit capacity of such debtor.

(2) Personal information contained in a credit information report relating to an individual debtor shall be limited to such items as may be prescribed.

18. Manner of collection of credit information.- (1) Credit information shall not be collected by a credit bureau, under any circumstances by-

- (a) any means, which violate any law existing in Pakistan on commencement of this Act or that is passed subsequently; or
- (b) any means which, in the circumstances of the case intrude to an unreasonable extent upon the personal affairs of the individual concerned.

(2) The process of collection of credit information shall follow such guidelines as the State Bank of Pakistan may prescribe.

19. Deletion of information from credit information report.- (1) No credit bureau may include the following information in the credit information report exceeding the period specified below, namely:-

- (a) any bankruptcy case, the date of adjudication of which antedates the credit information report by the number of years as may be prescribed;

- (b) civil suits, civil judgments and records of arrest, the date of entry of which antedates the credit information report by the number of years as may be prescribed ;
- (c) conviction for a crime involving fraud, dishonesty or false statement, the date which antedates the credit information report by the number of years as may be prescribed; and
- (d) information of default with respect to any obligation involving credit, where the date on which the default has been amended antedates the credit information report by the number of years as may be prescribed.

(2) The provisions of sub-section (1) are not applicable in the case of any credit information report to be used in connection with a credit transaction involving, or which may reasonably be expected to involve, a principal amount as prescribed.

20. Disclosure of source of credit information.- (1) Every credit bureau, upon request and payment of fee of the amount specified by the credit bureau not exceeding the amount prescribed , shall clearly and accurately, disclose to a debtor, the source of credit information contained in the credit information report of such debtor.

(2) In compliance of sub-section (1), a credit bureau shall provide to a debtor, a copy of the summary of rights as set out in Schedule to this Act.

21. Accuracy and security of credit information files and credit reports.- (1) A credit bureau or a user, as the case may be, in possession or control of credit information shall-

- (a) take such reasonable steps prior to collecting, collating and accepting credit information from any credit information furnisher as prescribed to ensure that such credit information is accurate;
- (b) take reasonable steps to ensure that the credit information stored, maintained and disseminated by them is accurate, up-to-date, complete and not misleading by way of making appropriate corrections, deletions and additions regularly during the course of business; and
- (c) ensure that the credit information maintained by them is protected by such security safeguards as are reasonable in the circumstances against loss, unauthorized access, use, modification or disclosure thereof.

(2) The credit bureau shall comply with standards prescribed by the State Bank of Pakistan with respect to systems and procedures, including any information systems employed by the credit bureau to ensure credit information accuracy and security.

(3) Every credit bureau shall arrange to have such systems and procedures independently audited every year to ensure adherence to standards prescribed under sub-section (2).

22. False or misleading credit information.-(1) A credit bureau or a credit information furnisher shall not knowingly disseminate credit information that contains false or misleading information.

(2) A credit bureau that knowingly or recklessly contravenes sub-section (1) shall be guilty of an offence punishable, on conviction, by a fine not exceeding five million rupees.

23. Unauthorized access to or disclosure of credit information.- (1) No one shall obtain access to, or distribute or disclose, credit information in the possession or control of a credit bureau or a credit information furnisher or a user unless such access or distribution or disclosure is authorized by this Act or any other law for the time being in force.

(2) Any credit bureau who knowingly or recklessly contravenes the provisions of this section shall be guilty of an offence punishable, on conviction, by a fine not exceeding five million rupees or by imprisonment not exceeding three months or both.

24. Obtaining access to credit information files by false pretences.- No one shall obtain access to credit information in the possession or control of a credit bureau or a credit information furnisher or a user under or by false pretences, and anyone who violates the provisions of this section shall be liable to a fine, on conviction, not exceeding one million rupees.

25. Obligations as to fidelity and secrecy.- (1) Subject to the provisions of this Act, every credit bureau, its directors, officers, employees, agents and representatives shall observe, except as otherwise required by law or by court order, the practices and usages customary among credit institutions and in particular, it shall not divulge any information relating to debtors except in circumstances in which it is, in accordance with law or practices and usages customary among credit institutions, necessary or appropriate for the credit bureau to divulge such information.

(2) Every chairman, director, member of the board of directors, auditor, adviser, officer or other employee of a credit bureau shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form as may be prescribed.

26. Exchange of credit information.- Notwithstanding anything contained in this Act, credit bureaus in Pakistan may exchange credit information on confidential basis amongst themselves, and with companies engaged in the business of credit bureau outside Pakistan, by whatever name called, provided that such company is approved by the State Bank of Pakistan for the purpose of exchange of credit information.

27. Protection of action taken in good faith.- No suit or other legal proceedings, prosecution, claims, actions or demands shall lie against a credit bureau and credit information furnisher or against their directors, officers, employees, agents or representatives or any other person authorized by the same to discharge any functions under this Act, for any loss or damage caused or that is likely to be caused

by anything which is in good faith done or intended to be done, in pursuance of this Act or any other law or provision having the force of law.

28. Requirements on users.- In the event that any user takes an adverse action with respect to a debtor that is based in whole or in part on any information contained in a credit information report relating to such debtor, such user shall provide to such debtor a copy of the credit information report relied upon, the name, address and telephone number of the credit bureau, which issued the credit information report in question, a copy of the summary of rights set out in Schedule to this Act and a statement that the credit bureau did not make the decision to take the adverse action.

29. Legal recognition of electronic forms.- Any document, record, information, communication, transaction, publication or notice, made under or for the purposes of this Act, whether required or otherwise, shall be deemed valid if made in electronic form.

PART VII

DISPUTE RESOLUTION

30. Resolution of disputes.-(1) In the event that the accuracy, completeness or correctness of a credit information report or any part thereof is disputed by the concerned debtor, such debtor may notify in writing to the concerned credit bureau of the alleged error, in which case such credit bureau shall resolve the dispute in accordance with the prescribed procedure.

(2) The credit information reports issued, while investigation is pending, shall clearly identify the disputed credit information and that the same is being investigated for accuracy and the concerned credit bureau shall also, as far as is reasonably practicable, inform those persons or entities who have received a credit information report containing the credit information allegedly inaccurate and under investigation.

(3) If after re-investigation, any item contained in the credit information report is found to be inaccurate or incomplete or otherwise incorrect, the credit bureau shall immediately and without undue delay delete such item or modify such item, as appropriate, in the credit information report:

Provided that no correction, deletion, addition or modification shall be made in the credit information contained in the credit information report if any dispute relating to such credit information or alteration thereof is pending before any arbitrator or court or tribunal.

(4) If after re-investigation, the credit bureau finds that the disputed items are accurate, complete and correct, the debtor may file a brief written statement setting forth the nature of the dispute, which the credit bureau shall include in the

subsequent credit information reports concerning such debtor or a clear and accurate summary of such statement unless there is reasonable ground to believe that such dispute is frivolous or irrelevant alongwith a statement detailing the re-investigation report's findings.

(5) Notwithstanding the generality of the foregoing, in the event that after re-investigation, the credit bureau finds that the disputed items are pending before any arbitrator or court or tribunal, no statement of the concerned debtor may be included in the credit information report, instead the credit bureau shall state briefly an account of the pending legal proceedings to be included in the subsequent credit information reports.

PART VIII

OFFENCES, FINES AND PENALTIES

31. Penalties.- Any person who contravenes or defaults in complying with any provision or requirement of this Act or of any rule made or any order, direction, guideline or policy issued thereunder or obstructs the lawful exercise of any power conferred by or under this Act, shall, if no specific provision is made under this Act, the rules made or orders, directions, guidelines or policy issued thereunder for punishment of such contravention, default or obstruction, in addition to any other liability as provided for herein, be punishable with fine which may extend to five million rupees and where a contravention, default or obstruction is a continuing one, with a further fine which may extend to fifty thousand rupees for every day during which the contravention or default or obstruction continues.

32. Adjudication of fine or penalty.- Where only a fine is provided for any offence, contravention or default in complying with any of the provisions or requirements of this Act or of any rule made or any order, direction, guideline or policy issued thereunder, it shall be adjudged by the State Bank of Pakistan provided that the person concerned is afforded an opportunity to be heard; and

33. Application of fines or penalties.- (1) The Court or the State Bank of Pakistan imposing any fine or penalty under this Act may direct that the whole or any part thereof shall be applied in or towards-

- (a) payment of costs of the proceedings;
- (b) rewarding the person on whose information the fine is recovered; and
- (c) payment to an aggrieved party of compensation for any loss caused by the offence.

(2) Any amount recovered as fine or penalty, which is not applied as aforesaid, shall be credited to the Public Account of the Federal Government.

34. Adjudication of punishment by imprisonment.- Where imprisonment or imprisonment in addition to fine is provided for any contravention of, or default in complying with, any provisions of this Act or any rules made or any order, directions or guidelines or policy issued, thereunder, it shall be adjudged by the Court.

PART IX

APPEALS AND LEGAL PROCEEDINGS

35. Complaint to State Bank of Pakistan.- Any person aggrieved by any action or omission of a credit bureau, credit institution, debtor, user or any other person under this Act may make a complaint to the Governor, State Bank of Pakistan who shall have the powers to resolve the dispute in such manner as it deems fit. The Governor, State Bank of Pakistan may also delegate the powers to any officer of the State Bank of Pakistan.

36. Appeal to the court.- Within sixty days of the date of the decision of the Governor, State Bank of Pakistan, an appeal may lie to the High Court.

PART X

GENERAL

37. Removal of difficulties.- If any difficulty arises in giving effect to any of the provisions of this Act, the Federal Government may, within a period of one year from the commencement of this Act, make such order as may appear to it to be necessary for the purpose of removing the difficulty.

38. Power of Federal Government to make rules.- The Federal Government may, after consultation with the State Bank of Pakistan, make rules to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of the Act and all such rules shall be published in the Official Gazette.

Schedule
[See sections 20(2) and 28]

Summary of rights

1 Limitation on credit information

The scope of credit information that may be included in a credit information report by a credit bureau is limited by this Act. Personal information that may appear on a credit information report is also specific and limited under this Act and its rules. Certain type of information may not appear on your credit information report for longer than a specified period of time.

2 Limitation on access to credit information reports

Credit information reports may only be issued to specific persons under strictly defined circumstances and for specific purposes. Credit bureaus are liable to follow certain steps pertaining to the manner in which credit information reports are issued in order to ensure that the person to whom and the purposes for which credit information is being provided is authorized by and lies within the scope of this Act and its rules.

3 Collection of credit information

On most occasions when a credit bureau is seeking your credit information from you, credit bureaus are required to inform you that credit information is being collected; the purpose of such collection; intended recipients; name and address of the credit information that is collecting the information and the agency that will hold such information; whether or not the supply of the information is voluntary or mandatory and if mandatory, the particular law under which it is required; the consequences, if any, if all or any part of the requested information is not provided; the rights of access to and correction of credit information held and used by the credit bureau as provided herein.

4 Disclosure of source of credit information

Credit bureaus are required to disclose the source of the credit information appearing on your credit information report upon request and payment of fee by you.

5 Right to credit information report

- (1) You or your authorized attorney may obtain a copy of your credit information from a credit bureau.
- (2) Any user who takes an adverse action against you based in whole or in part on any information contained in a credit information report is required to provide you a copy of the credit information report relied upon, the name, address and telephone number of the credit bureau,

which issued the credit information report in question and a statement that the credit bureau did not make the decision to take the adverse action.

- (3) In the event that a correction is made to the credit information appearing on your credit information report in response to your notification of error, the concerned credit bureau must provide you with a free copy of the updated credit information report.

6 Right to dispute incorrect credit information

- (1) Credit bureaus must take reasonable steps to ensure that the credit they collect, collate, accept, store, maintain and disseminate is accurate, up-to-date, complete and not misleading in any manner by making appropriate corrections, deletions and additions regularly during the course of business.
- (2) In any event that the accuracy, completeness or correctness of a credit information report relating to you or any part thereof is disputed by you, you may notify the concerned credit bureau of the alleged error. The credit bureau must acknowledge receipt of such notification of error and provide you with this summary of rights within the time period prescribed.
- (3) The credit bureau is required to re-investigate the disputed information, free-of-charge, within the period of time as prescribed. Credit information reports issued while the investigation is pending shall clearly identify the disputed credit information and that the same is being investigated for accuracy and the concerned credit bureau shall also, as far as is reasonably practicable, inform those persons or entities who have received a credit information report containing the credit information allegedly inaccurate and under investigation.
- (4) If after re-investigation, any item contained in the credit information report is found to be inaccurate or incomplete or otherwise incorrect, the credit bureau must immediately and without undue delay delete such item or modify such item, as appropriate, in the credit information report and must supply the concerned debtor with a free copy of the updated credit information report. The credit bureau must also, if reasonably practicable, inform each person or entity to whom the credit information report containing inaccurate credit information is supplied, about the dispute and the result of investigation.
- (5) If after re-investigation the credit bureau finds that the disputed items are accurate, complete and correct, you may file a brief written statement setting forth the nature of the dispute, which the credit bureau must include in the subsequent credit information reports concerning you or a clear and accurate summary of such statement unless there is reasonable ground to believe that such dispute is frivolous or irrelevant alongwith a statement detailing the re-investigation report findings.

7 Right to file complaint with State Bank of Pakistan

If you are aggrieved by any action or omission of a credit bureau, including the result of re-investigation conducted in response to your notification of alleged error or by that of a credit institution, credit information furnisher or user under this Act or its rules, you have the right to lodge a complaint with State Bank of Pakistan.

8 Contact details

Credit bureau to insert address, phone and facsimile number, website and e-mail address, if available.

STATEMENT OF OBJECTS AND REASONS

Credit Bureaus throughout the world have their eminence and impact on financial decisions. Lending and Investment assessments by financial institutions particularly by banks are crucial elements for healthy credit culture in the country. Credit bureau provides information for objective examination of credit standing of the borrowers. In Pakistan, a couple of private credit bureaus started their functions without any legal framework or regulatory requirements. This raised concerns for SBP especially due to sensitivity of banking information being maintained by these bureaus. Therefore, the draft law is proposed to regulate the business of private credit bureaus. Proposed law provides comprehensive legal and regulatory framework for incorporation and functioning of credit bureaus in Pakistan.

2. The law will provide a platform for accuracy in risk prediction. This would create rapid business benefits including increased array of credit products, improved collection rates, reduced net bad debts and low operating costs. The strong credit risk management culture would result in healthy growth of credit, reduce risks of default and enable lending to new segments of borrowers. These measures would stabilize financial system and contribute to sustainable economic growth in the country.

3. The bill seeks to achieve the aforesaid objects.

MUHAMMAD ISHAQ DAR
Minister for Finance, Revenue,
Economic Affairs, Statistics and
Privatization
Minister-in-Charge