OPINION EDITORIAL
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Credit and risk data sharing: Understanding the benefits for consumers and our economy

When data is shared responsibly, the entire credit and risk ecosystem is more sustainable, transparent, and better equipped to efficiently serve consumers and businesses, writes Magauta Mphahlele.

Accurate and updated consumer credit data sharing in South Africa benefits consumers by enabling faster, better credit assessments that increase access to finance, especially for underserved individuals and small businesses. An individual's data tells unique stories, reveals patterns, and helps build a more inclusive and resilient financial ecosystem.

For the credit market, the sharing of data supports sustainable economic growth by improving a credit provider's ability to manage credit risk. It also reduces over-indebtedness, and lowers default rates, which in turn promotes financial stability and the increase in credit accessibility.

South Africa's credit and risk data sharing landscape can be relatively complex, and somewhat daunting for many consumers. A lot of us know that Credit Bureaus collect and share information with credit and other service providers. What we do not know is how that information gets to the six primary Credit Bureaus in South Africa, that are approved to hold consumer profile information.

It is however important that South Africans gain a better understanding of how data flows from credit and data providers to the six credit bureaus that are authorised to hold consumer payment profile information.

How credit and risk data is shared

Through the Central Data Transmission Hub and in compliance with Regulation 19(13) issued by the National Credit Regulator (NCR), the South African Credit and Risk Reporting Association (SACRRA) facilitates the sharing of over 4.5 million daily, and 64.1 million monthly, consumer records (i.e. accounts) from more than 4 000 credit and data providers, including all major banks. These records are then shared with the authorised credit bureaus. Because of this sharing of data, credit providers and other financial services providers are better able to make informed risk and lending decisions and thus avoid reckless borrowing.

Most importantly, no personal or identifiable data is ever displayed, as we take data privacy and responsible reporting seriously.

Advantages for consumers

Through the accurate sharing of credit data, we are one step closer to achieving greater financial inclusion. By providing credit providers with a comprehensive understanding of an applicant's creditworthiness, we are enabling more consumers, particularly those who have been previously excluded, to access developmental credit.

Good quality data prevents consumers from entering debt spirals, as it gives lenders deeper insight into consumers' existing debt and financial behaviour. Individuals who approach their finances responsibly will benefit, as their profiles become more dynamic, and this enables them to further build their credit score and be offered more favourable financing terms.

The type of personal information that credit bureaus are allowed to keep and share

Section 70 of the National Credit Act provides that Credit Bureaus can hold and share the following information about you:

- Your credit history, including applications for credit.
- Credit agreements you have signed.
- Your monthly pattern of payment which is called your monthly payment profile.
- Any arrears or defaults recorded.
- Whether you are under debt counselling, administration of have been sequestrated.
- Any enforcement actions taken by your creditors if you fail to pay according to the agreed amounts and times.
- Your financial history, including your past and current income.
- Assets and debts, and other matters within the scope of your financial means, prospects and obligations, such as:
    - Your education, employment, career, professional or business history, including the circumstances of termination of any employment, career, professional or business relationship, and related matters; or
    - Your identity, including your name, date of birth, identity number, marital status and family relationships, past and current addresses and other contact details, and related matters.

Benefits for the credit sector

By sharing credit and risk data that is accurate and up to date improves risk assessment and management, thereby lowering default rates and the risk of losses for credit providers. Improved data sharing also enables credit providers to better evaluate risk on both national and regional levels. This creates a more sustainable credit market, and this fosters economic growth in our country.

We need to keep focussing on creating clear legal frameworks, enhancing transparency and accountability, and continue to build capacity for secure and ethical data use. This way we can achieve financial inclusion in our country and create a more sustainable credit industry.

Click HERE or Visit SACRRA's website (www.sacrra.org.za)

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About the South African Credit and Risk Reporting Association

Founded in 1989, the South African Credit and Risk Reporting Association (SACRRA), manages the Central Data Transmission Hub through which consumer payment profile data is submitted to the 6 NCR-authorised credit bureaus. SACRRA is a non-profit, voluntary industry association whose members includes credit providers, banks, credit bureaus, telecoms companies, Insurers, retailers and other providers of goods and services.

About Magauta Mphahlele

Magauta Mphahlele currently serves as the Executive Director of the South African Credit and Risk Reporting Association. Prior to joining SACRRA she served as the Chairperson and then later the Ombudsman for the Consumer Goods and Services Ombud Office. The CGSO is an Alternative Dispute Resolution Scheme for the Consumer Goods and Services Industry. The CGSO mediates disputes between suppliers of goods and services and their customers.

Her extensive experience in credit and general consumer protection spans more than 25 years. She has served as an adjudicator at the Gauteng Rental Tribunal, National Consumer Tribunal and Gauteng Consumer Court. The Consumer Protection Act and National Credit Act were conceptualised, consulted on and passed into law under her leadership as the Consumer Law Reform Project Manager at the Department of Trade, Industry and Competition.

Magauta holds an Honours Degree in Applied Linguistics and a Postgraduate Diploma in English Education from Wits University. In 2018 she completed the International Executive Development Program in Developmental Finance offered by Wits University.

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