

CREDIT INFORMATION SHARING

Credit Information Sharing is the exchange of information on client financial histories. It has proven to higher the acceptance rate of credit requests by allowing the financial institutions to substitute info on client payment history for physical collateral.

The use of credit reports also reduces the time and the cost of credit requests' management and it reduces the effective risk of default.

Finally, Credit Information Sharing prevents overindebtedness and helps the financial industry to act responsibly while protecting the consumer.

Credit Information Sharing benefits lenders as much as borrowers and therefore credit registries are a crucial tool for financial inclusion.

Mapping the legal know-how on credit information sharing

The creation of an information sharing mechanism is a complex institutional exercise that involves different actors. The Ministry of finance, the Central Bank, Consumer associations, Commercial banks, Microfinance Institutions etc. need to be brought together. Free rider behaviors and the conservatism of many public administrations join forces to make the introduction of information sharing mechanisms lengthy, costly, and in many cases, inconclusive.

IDLO initiated an interactive mapping of credit information sharing initiatives in Africa which can be found on: <http://www.idlo.int/mapping/creditinfo1.htm>

Microfinance stakeholders can use this tool to learn international best practices. The map can also be used as a directory of donors, technical assistance providers, and other credit bureau entrepreneurs around the continent.

Country-specific reports on credit bureaus' legal feasibility

In some countries credit information sharing has never seriously developed, due to a strong suspicion of the public about sharing personal information. The legal and regulatory framework of many countries doesn't allow the development of credit bureaus, or doesn't provide the consumer with enough protection.

IDLO performs national legal needs assessments, surveying the legal and institutional frameworks and formulating recommendation for the establishment of Credit Bureaus.

