

Credit Reference Agencies Call for Information

28th of August 2018



1. Introduction

1.1 Role of the British Business Bank

In the 2015 Autumn Statement, the Government announced plans to designate the first round of Credit Reference Agencies (CRAs) under the SME Credit Information regulations, following advice from the British Business Bank (BBB). Designated banks are required by regulation to share information about their SME customers with other lenders through the designated CRAs. CRAs are also required to provide equal access to the data they hold where the lender in question has the permission of the SME and where that lender is willing to share the data it has on its own credit facilities.

HM Treasury (HMT) has again requested British Business Financial Services Limited, an arm of the BBB, to assess the suitability of further CRAs for designation and make a recommendation to HMT. The final decision on designation of CRAs will be made by HMT.

The first stage of this process is the BBB Call for Information (CFI) for CRAs to inform the advice provided to HMT on the designation of CRAs; the CFI includes:

- an overview of the policy on improving access to SME credit data
- a guide to the planned assessment process
- an indicative timetable for the designation process
- an overview of information sought against given criteria.

1.2 Overview of legislation and policy context

The control of credit information by existing providers is a barrier to entry into the market for lending to SMEs. Lack of access to this data limits the ability of challenger banks and alternative finance providers to accurately assess credit risk both in absolute terms and relative to those lenders that hold the relevant information. Opening up access to credit data on SME borrowers would increase:

- the reliability of credit scores obtained from the CRAs
- the information available to challenger banks and alternative finance providers to allow them to reach their own informed decisions about an SME's creditworthiness

The ability to assess credit risk more accurately would enable challenger banks and alternative finance providers to make better decisions on potential customers and help level the playing field. This would help to deliver the government's objective of stimulating competition in financial services. In this context, SMEs are defined as businesses with a turnover of less than £25m.

HM Treasury announced details in the 2014 Autumn Statement of the banks it intends to designate. These are: Royal Bank of Scotland, Barclays, Lloyds Banking Group, HSBC, Santander, Clydesdale and Yorkshire Banks, Bank of Ireland, Allied Irish Bank, and Danske Bank.

The Government announced at the 2015 Autumn Statement that it planned to designate Experian, Equifax and Creditsafe. The Small and Medium Sized Business (Credit Information) Regulations 2015 took effect on 1st January 2016 and the Government formally designated both the banks and the CRAs on the 1st April 2016.

The regulations require that:

- a) a designated bank must provide specified credit information that it holds about each SME customer of the designated bank to a designated credit reference agency on request, if the SME has agreed to the information being provided. Updates must be provided on a monthly basis.
- b) a designated credit reference agency must provide specified credit information that it holds about a SME to a finance provider if the finance provider requests it and the SME has consented (subject to the finance provider agreeing to standard terms, and meeting such terms).
- c) a non-designated finance provider must provide specified credit information on its SME customers to the designated credit reference agency within 12 months from the date it first accesses credit information from the CRA

These regulations also provide HM Treasury with a power to extend the remit of the Financial Ombudsman Service (FOS) so that a complaint may be referred to the FOS about any designated CRA. This will allow the remit of the FOS to be amended such that a person who would be able to seek a FOS decision when dealing with a CRA authorised by the Financial Conduct Authority is also able to seek a FOS decision when dealing with a designated CRA that is **not** authorised. It will also enable **all** those businesses that generally have recourse to the FOS to seek FOS decisions in respect of the activities of designated CRAs. This is an expansion to include these as well as individuals and small firms that have at present the right to go to the FOS about CRAs.

As part of the legislation, HM Treasury also applies provisions in data protection legislation and the Consumer Credit Act 1974 concerning the access and correction of information about individuals and small firms to designated CRAs that are not authorised by the Financial Conduct Authority under the Financial Services and Markets Act 2000 in the same way that those provisions apply to CRAs that are authorised. This is so that the same protections apply to information about individuals and small firms provided to a CRA under the regulations, whatever the status of the CRA.

Finally, the legislation gives HM Treasury the power to require designated CRAs to provide information received under the regulations to the Bank of England, subject to provisions to protect the confidentiality of the information.

2. Application Process for Designation

2.1 Indicative timetable

A CRA designated by HMT will remain so, subject to periodic assessment for re-designation or revocation. A material change in ownership, business model or circumstance may trigger an immediate re-assessment at HMT's discretion. Following the close of this round of designation by HMT, other CRAs may be able to apply for designation at subsequent rounds.

If a CRA is not successful in its application, the BBB will provide feedback on behalf of HMT upon request.

The application process comprises the stages set out below. The BBB and HMT reserve the right to amend any timetable and/or other aspects of the current process at their discretion.

Stage	Description	Indicative Timing
Pre-submission engagement	An opportunity to direct questions in advance of submitting an application to Creditreferenceagencies@british-business-bank.co.uk Questions can be posted anonymously if preferred, and answers in relation to the policy, objectives or information requirements will be made available to all Respondents online	Questions can be submitted from the date of publication until October 1 st 2018
Submission of initial information and applications	Applications to be submitted by CRAs against the requirements set out in section 3	Applications must be received by October 5 th 2018
BBB consideration of applications	The BBB team will consider applications and whether further information and/or clarification is required in the form of further documentation or a presentation and discussion with the relevant CRA	Initial assessment in October based on submitted applications
If qualified: request, collection and consideration of further documentation and face-to-face meetings as part of full due diligence process	If due diligence is required, more detailed information will be shared by BBB with the respondent at the relevant time.	All respondents will be notified of their status in late October Due diligence will take place over the course of the Autumn/Winter.
HMT to make designation decisions	HMT will contact respondents directly to inform them of their decision	Autumn / Winter
HMT publicly announces list of CRAs designated in this round		Following HMT contact with designated CRAs

2.2 Completion of Proposals

Respondents are asked to provide the information set out in section 3. These include, but are not limited to, criteria set out explicitly in the Small and Medium Sized Businesses (Credit Information) Regulations 2015, available at: <https://www.legislation.gov.uk>

Respondents are also asked to complete Annex 2 (certification and authority to submit)

CFI responses should not exceed 30 pages in length.

Applications should seek to address each of these sections. If any information is unavailable, or cannot be disclosed, Respondents should make this clear in their proposal.

Applications should be submitted by email and in portable document format ("PDF") to Creditreferenceagencies@british-business-bank.co.uk. Any accompanying spreadsheets should be compatible with Microsoft Excel.

2.3 Pre-submission engagement

Respondents are invited to direct questions in advance of submitting a Proposal to Creditreferenceagencies@british-business-bank.co.uk. Questions (posted anonymously) and answers in relation to the policy, objectives or information requirements will be made available to all respondents [online](#). Questions can be submitted until the 1st of October, 2018.

2.4 Evaluation of proposals

CFI proposals will be evaluated on the basis of:

- mandatory requirements (Section 3.2) which are pass/fail;
- criteria set out in sections 3.3 – 3.8, which will require a minimum score of 5 for each section; and
- two further sections (3.1 and 3.9) which are for information and identification only.

Score	Description
0-2	The response is missing relevant information or is completely unacceptable. It does not meet the minimum requirement or respondents have completely missed the point.
3-4	Fails to meet the minimum requirement/standard. Information provided indicates that major work would be required for the respondent to submit an acceptable proposal.
5-6	Response mainly satisfies the minimum requirement/standard with some useful evidence provided. Indicates some obstacles but correctable.
7-8	Response is acceptable and meets minimum requirement but remains undeveloped and could have been expanded upon. Response is sufficient but does not inspire. Good probability of success, weaknesses can be readily corrected.
9-10	Response is acceptable and meets minimum requirement and demonstrates respondent can meet the specified performance or capability. The response includes extensive relevant and evidenced information.

3. Information requirements

3.1 Information about the company (Information only)

3.1 (a)	Name of legal entity
3.1 (b)	Type of organisation (e.g. partnership, limited company).
3.1 (c)	Legal organisational chart, including place of incorporation and (where relevant) domicile of Respondent and any subsidiary or parent entities.
3.1 (d)	Details of ownership (e.g. names and contact details of significant owners).
3.1 (e)	Website
3.1 (f)	Principle points of contact(s) - telephone number and email

3.2 Mandatory requirements (pass/fail)

Number	Evidence required	Assessment
Data handling		
3.2 (a)	Provide evidence of being certified as meeting ISO/IEC 27001	Pass/fail
Type of organisation		
3.2 (b)	Demonstrate that the organisation provides persons with information relevant to the financial standing of persons or businesses and the collection of information for that purpose.	Pass/fail
3.2 (c)	Demonstrate that organisation facilitates the collection and sharing of information between credit providers for the purposes of making lending decisions or the granting of credit facilities.	Pass/fail
3.2 (d)	Demonstrate that organisation acts as an independent third party that collects and collates information on companies' financial standing.	Pass/fail
3.2 (e)	Demonstrate that company produces mathematically derived expressions of company's creditworthiness for use by credit providers to assess a business' likelihood to pay and provide credit in the form of trade credit or other forms of finance.	Pass/fail
3.2 (f)	Demonstrates that company supplies this information to parties for the purpose of credit assessment, anti-money laundering and fraud prevention where the party concerned has been notified of the request for information.	Pass/fail
3.2 (g)	Demonstrate that company engages in the bulk acquisition of public data for the purpose of credit assessment and fraud prevention.	Pass/fail
3.2 (h)	Demonstrate that the company permits all small and medium sized businesses about which it holds information to access that information and to challenge inaccuracies.	Pass/fail

If CRAs have been accredited as part of the pilot HMRC VAT data release scheme (see section 8 of the Small Business, Enterprise and Employment Act) they can indicate that this is the case as part of their application to satisfy requirement 3.2 (a).

3.3 Data handling

Scored between 0 – 10 for the whole category, with a minimum score of 5 required. Evidence required is below. Responses will be assessed together to give a total score out of 10.

	Evidence required
3.3 (a)	Demonstrate satisfactory ability to receive and/or send data by Secure Electronic Transfer, including details of the intended format and system by which this requirement is met.
3.3 (b)	Demonstrate satisfactory compliance with the data protection legislation (as defined in the Data Protection Act 2018). In particular, this should include the data controller registration number provided at the point of registration with the ICO.
3.3 (c)	Demonstrate how staff are vetted at recruitment and on an on-going basis, with evidence that staff handling, processing or having access to the data will be disclosed or barred or how this will be introduced.
3.3 (d)	Demonstrate satisfactory systems are in place which are capable of processing data in bulk.
3.3 (e)	Confirm and provide supporting evidence of compliance with and the robust procedures in place for giving effect to the legislative requirements of the following: <ul style="list-style-type: none"> the data protection legislation (as defined in Data Protection Act 2018) (including with respect to section 13 of the Data Protection Act 2018) the Consumer Credit Act 1974 (including sections 157-160 thereof) the Financial Services and Markets Act 2000. In your answer, please describe in detail the procedures you have in place to meet these requirements and how you ensure procedures are adhered to.
3.3 (f)	List any and all instances where these procedures have not been adhered to in the last 3 years. Please provide details and remedial action you have taken to procedures and monitoring of procedures.
3.3 (g)	Have there been any complaints, either directly to you or to the relevant regulator on your conduct with regard to these requirements? Please provide details of the complaint and the outcome.
3.3 (h)	What reviews have been carried out by the Information Commissioner's Office (ICO) on your adherence with the Data Protection Act 1998 and/or the Data Protection Act 2018?
3.3 (i)	Please provide details of any security breaches that you have reported to the ICO in the last 5 years, and the results of any resulting ICO investigations.
3.3 (j)	For data covered by the data protection legislation, describe the systems and controls that ensure data is only to be shared in accordance with and for the purposes specified in fair processing notices provided to applicants for finance by designated banks or other finance providers.
3.3 (k)	For data not covered by the data protection legislation (as defined in Data Protection Act 2018) (including with respect to limited companies), describe the systems and controls that ensure data is only shared in accordance with the framework agreed with the designated banks or other finance providers.

If CRAs have been accredited as part of the pilot HMRC VAT data release scheme (see section 8 of the Small Business, Enterprise and Employment Act) they can indicate that this is the case as part of their application to satisfy requirements for Section 3.3.

3.4 Stakeholder management

Scored between 0 – 10 for the whole category, with a minimum score of 5 required. Evidence required is below. This will be assessed together to give a total score out of 10.

	Evidence required
3.4 (a)	Demonstrate satisfactory ability to manage key relationships with those involved in the implementation of the legislation, including with Her Majesty's Government.

3.5 Legal, fraud and compliance

Scored between 0 – 10 for the whole category, with a minimum score of 5 required. Evidence required is below. This will be assessed together to give a total score out of 10. In all cases, evidence should refer to UK operations.

	Evidence required
3.5 (a)	Details of any material litigation, disputes, regulatory actions or investigations (for and against the organisation) both pending and within the last 5 years. Demonstrate satisfactory evidence that these will not impact the ability of the organisation to participate in delivery of the legislation.
3.5 (b)	Demonstrate satisfactory fraud prevention/anti-corruption policies and demonstrate satisfactory governance and controls in respect of these policies.
3.5 (c)	Details of any fraud the organisation has been subject to, from an internal or external source, in the past 5 years. Demonstrate satisfactory evidence that these will not impact the ability of the organisation to participate in delivery of the legislation.
3.5 (d)	Has any Non-Executive Director or member of the senior management team ever been convicted of a criminal offence relevant to the conduct of an organisation? If so, please provide details and satisfactory evidence that this will not impact the ability of the organisation to participate in delivery of the legislation.
3.5 (e)	Has any member of the Board or senior management team ever been declared bankrupt or disqualified as a director? If so, please provide details and provide satisfactory evidence that this will not impede the ability of the organisation to participate in delivery of the legislation.
3.5 (f)	Provide details of the key statutes and regulations that the organisation must comply with and describe any regulatory or compliance issues the organisation has encountered in the past 5 years. Demonstrate satisfactory evidence that these issues will not impact on the ability of the organisation to participate in delivery of the legislation.

3.6 Management Team and Track Record

Scored between 0 – 10 for the whole category, with a minimum score of 5 required. Evidence required is below. This will be assessed together to give a total score out of 10

	Evidence required
3.6 (a)	Please provide a management organisation structure chart - with detail on the SMT including individual roles and responsibilities and brief CVs. Demonstrate satisfactory ability of the team/s that will be responsible for delivery and oversight of the receipt and sharing of the relevant data in the organisations.
3.6 (b)	Demonstrate satisfactory recent and relevant experience of management and use of data to inform decisions made by lenders and/or those seeking to provide credit to SMEs. Please provide details of active financial clients including most recent revenues and services currently provided.
3.6 (c)	Does the respondent identify any resources skills, and/or competencies that will be required to deliver the role of a designated credit reference agency which the respondent currently does not have? If so identify plans to address these, including timescales.
3.6 (d)	Demonstrate how your organization meets satisfactory standards of corporate Governance.

3.7 Risk

Scored between 0 – 10 for the whole category, with a minimum score of 5 required. Evidence required is below. This will be assessed together to give a total score out of 10

	Information requirement
3.7 (a)	Describe the key risks facing the respondent which may impact upon its participation in the legislation and demonstrate how these risks will be managed.

3.8 Conflicts of interest

Scored between 0 – 10 for the whole category, with a minimum score of 5 required. Evidence required is below. This will be assessed together to give a total score out of 10

	Information requirement
3.8 (a)	Does the respondent or any corporate group member within the whole corporate structure offer SME credit? If so, demonstrate that suitable provisions will be put in place to ensure that designation would not confer the respondent or any corporate group member with a competitive advantage.

3.9 Timing of implementation (for information only)

	Information requirement
3.9 (a)	For information only, we ask that applications includes an indication of the timeframe that qualifying entities will be in a position to receive, iterate, and share data with those finance providers that request it from them.

4. Terms and Conditions

By responding to this CFI, all respondents are deemed to acknowledge and accept the terms contained herein including in particular this Section 4. Except as provided in this Section 4 which is legally binding, this RFP is not a legally binding document.

HMT, British Business Bank plc and its subsidiaries reserve the right at any time not to continue with the current process and/or cancel or withdraw from the process at any stage and/or not make any recommendation or designation and any costs or expenses incurred by respondents will not be reimbursed. HMT, British Business Bank plc and its subsidiaries exclude their liability for any costs, expenses or losses incurred by respondents to the full extent permitted by law.

HMT, British Business Bank plc and its subsidiaries reserve the right to amend any timetable and/or other aspects of the current process at their discretion.

HMT, British Business Bank plc and its subsidiaries may request clarification of information and additional information regarding a response and/or may also request face to face meetings. Refusal to provide such clarification, information or meetings may cause a submitted response to be rejected. Where no reply to a request for information or for clarification is received within ten business days, HMT, British Business Bank plc and its subsidiaries may assume that the submission has been withdrawn.

Respondents should note that information received by HMT, British Business Bank plc and its subsidiaries as part of the current process, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (“**FOIA**”), the Data Protection Act 2018 (“**DPA**”) and the General Data Protection Regulation ((EU 2016/679) (“**GDPR**”) and the Environmental Information Regulations 2004. In view of this, should respondents consider that any information should be treated as confidential and/or commercially sensitive, it would be helpful if respondents could set out why they consider this to be the case in each instance. Automatic confidentiality disclaimers generated by IT systems will not, in themselves, be regarded as binding.

If HMT or British Business Bank plc and its subsidiaries receive a request for disclosure of information, provide full account will be taken of any explanation, but no assurance can be given that confidentiality will be maintained in all circumstances. Decisions on disclosure remain the responsibility of HMT or British Business Bank plc and its subsidiaries and ultimately the Information Commissioner and courts. Personal data will be processed in accordance with the privacy policy on our website [<https://www.british-business-bank.co.uk/privacy-notice/>]: in the majority of circumstances this will mean that personal data will not be disclosed.

British Business Bank plc is a public limited company registered in England and Wales registration number 08616013, registered office at Steel City House, West Street, Sheffield, S1 2GQ. As the holding company of the group operating under the trading name of British Business Bank, it is a development bank wholly owned by HM Government which is not authorised or regulated by the Prudential Regulation Authority (“**PRA**”) or the Financial Conduct Authority (“**FCA**”) to carry out regulated activities. British Business Bank plc and its subsidiaries will be unable to consider responses where receipt or processing would require any form of regulatory authorisation or permission. British Business Bank plc operates under its own trading name through a number of subsidiaries, one of which is authorised and regulated by the FCA.

British Business Bank Financial Services Ltd is a wholly owned subsidiary of British Business Bank plc, registered in England and Wales registration number 09174621, registered office at Steel City House, West Street, Sheffield, S1 2GQ.

A complete legal structure chart for British Business Bank plc and its subsidiaries can be found at www.british-business-bank.co.uk.

Annex 1: Certification and Authority to Submit

I confirm that I am duly authorised to submit this information on behalf of the respondent organisation(s).
I confirm that, to the best of my knowledge, this information provides an accurate representation of the current performance and future intentions of the respondent organisation(s).

I understand that designation of CRAs is discretionary and that submission of this information does not convey any particular status or entitlement upon the respondent organisation(s).

Name (Please print)
Title / Role (please print)
Signature
Date

Received on behalf of the BBB by:

Name (Please print)
Signature
Date