

# Credit Bureau Development in Thailand

Presented to  
The Conference  
On  
Credit Bureau Development in South Asia

Colombo, Sri Lanka  
May 10-11, 2004

By  
Mr. Samma Kitsin  
President  
Thai Credit Bureau Co., Ltd.



• | - ? ? 8 ¼ A | ? ? A ? ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# Agenda

- ❖ Thailand Fact Sheet
- ❖ Pre-crisis efforts to set up credit bureau
- ❖ Post-crisis efforts to set up credit bureau
- ❖ The Credit Information Business Act
- ❖ The Thai Credit Bureau (TCB)
- ❖ Current Attempt to Merge Thailand's Two Credit Bureaus
- ❖ Lessons and Comments



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

## Geography

Area: 512,000 sq.km.

Thailand's immediate neighbors:

- Burma (Myanmar) to the north & west
- Laos to the north & northeast
- Cambodia to the east
- Malaysia to the south



• | - ? ? 8 ¼ ? | ? ? ? ? ? ? ? ?

THAI CREDIT BUREAU CO., LTD

Administration: 76 provinces

Capital: Bangkok

Population: 64 million

GDP: USD 160 billion

GDP per capita: USD 2,500

Literacy rate of population 6 years and over: 90.8%

Number of computers per 100 household: 9.6

Time: 7 hours ahead of Greenwich Mean Time (+7 hrs GMT)



• | - ? ? 8 ¼ | ? ? Å ? ¥ ? ð ? ?  
THAI CREDIT BUREAU CO., LTD

# Thailand's Credit Facts

## # Outstanding Credit Cards (Source: Bank of Thailand)

Number of credit cards at end-Q3/2003 = 6.44 million cards

Issued by Banks = 2.87 million cards

Issued by Non-banks = 3.57 million cards

## Credit Cards Default Rate (Sources: Visa Int'l, Krung Thai Cards)

2002 = 4.8%

2003 = 4.5%

## Average Annual Spending per Credit Card (Sources: Visa Int'l)

2002 = THB 58,600 (~ USD 1,465)

2003 = THB 57,000 (~ USD 1,425)



• | ~ ? ? ๘ ¼ | ? ? Å ? ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# Thailand's Credit Facts

## From TCB Own Database

(TCB Database includes outstanding as well as cancelled cards)

- Number of cards per person = 1.78
- 46% of all debtors in TCB database has a credit card account
- Outstanding credit use per cardholder = THB 25,000 (~ USD 625)



• | - ? ? ๘ ¼ | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# Thailand's Credit Facts

## Car Hire-purchase (Source: National Finance)

- Estimated worth of Thailand's car hire-purchase market for 2003 was THB 175 billion (~ USD 4.4 billion)

## Home Loans (Source: Government Housing Bank)

- Estimated worth of Thailand's home loan market for 2003 was THB 250 billion (~ USD 6.25 billion)



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? ! ? ?

THAI CREDIT BUREAU CO., LTD

## Pre-crisis effort to set up credit bureau (Prior to 1997)

- Financial System Master Plan 1995 called for credit bureau to be set up.
- Association of Finance Companies (AFC) spearheaded the effort to set up Thailand's central credit bureau.
  - Ministry of Finance agreed to join.
  - Foreign technical partners made presentations and short-list was made.
- Financial Crisis hit Thailand in mid-1997.
  - Most finance companies, and some commercial banks, went under.
  - All efforts to establish credit bureau suspended.



• | ~ ? ? ๘ ¼ Å | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

## Post-crisis effort to set up credit bureau (After 1997)

- In 1998, after dust settled, Ministry of Finance and Central Bank revived the effort to set up credit bureau.
- Ministry of Finance went ahead and set up Thai Credit Bureau (TCB), with the Government Housing Bank and a local technical partner as shareholders.
- Commercial banks finally went ahead and set up another credit bureau and partnered with a Thai and a foreign technical partner.



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? ! ? ?

THAI CREDIT BUREAU CO., LTD

## Two Credit Bureaus Co-exist

- Both bureaus started operating about the same time, in early 2000.
- Both outsource local partners for data centers.
- TCB, 49% owned by the Government Housing Bank and 51% by Thai technical partner, went for local software developed by its technical partner.
- TCB started with retail consumer loans database, inheriting its partner's database and relying on data from state banks and non-bank financial institutions such as credit card issuers and hire-purchase firms.
- The other bureau, 50% owned by commercial banks and 50% by Thai and foreign technical partners, purchased foreign software, and started with corporate and up-market retail loans, using same data set that commercial banks submitted to central bank.



• | ~ ? ? ๘๘ ¼ ¢ | ? ? ¢ ¥ ? ¢ ? ?

THAI CREDIT BUREAU CO., LTD

## While credit bureaus were up and running, Credit Information Business Act was drafted

- Credit Information Business Act was drafted by the central bank in early 2000.
- Parliament spent a few years changing much of the contents, turning it into a consumer protection law, tightly regulate how bureaus do business and imposing heavy criminal penalties on members and bureaus for seemingly possible small mistakes.



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# Credit Information Business Act, B.E. 2545 (A.D. 2002)

## Financial Institutions eligible for credit bureau membership:

- o Commercial banks
- o Finance Companies
- o Securities brokerages
- o Credit Foncier (Housing Society) Companies
- o Life Insurers
- o General Insurers
- o Credit card issuers
- o Financial institutions set up by special laws
- o Credit-granting entities as announced by the Credit Information Protection Committee



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# Credit Information Business Act, B.E. 2545 (A.D. 2002)

## Critical Items of the law:

- Items 18 & 19 Members must submit correct and up-to-date credit information to the bureau (regardless of permission by data owners), then must notify data owners within 30 days of submission plus monthly notifications for data updates.
- Failure to act could bring fines and/or 5-10 years jail penalty.
- Item 20 Credit bureau must disclose to members, by written consent of the data owners, credit information to be used for the purpose of credit-granting.
- Failure to act could bring fine and/or 5 years jail penalty.



• | ~ ? ? ๘ ¼ Å | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

## Credit Information Business Act, B.E. 2545 (A.D. 2002)

- Law finally passed all readings in late 2002, became effective in March 2003.
- Fearing law ambiguity and harsh penalties, members, board of directors and management of both bureaus resigned en masse.
- Both bureaus suspended operations for 3 months during Q2/2003, and asked Credit Information Protection Committee to clarify law and make it workable.
- World Bank and CDIA experts met with Thai officials and expressed concerns.



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? ! ? ?

THAI CREDIT BUREAU CO., LTD

# Credit Information Protection Committee

- CIPC is set up under the Credit Information Business Act.
- CIPC is chaired by Governor of the Central Bank.
- CIPC worked to loosen law's strict requirements, soften members fears for data mistakes and allow bureaus to disclose credit information before actually seeing the written consent by having members collect consent and confirm receipt of consent on online screen.
- Both bureaus re-opened for business in June 2003.



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD



## Mission

The Thai Credit Bureau (TCB) operates credit information business based on fairness and respect for the consumers' privacy rights and their rights to be considered for credits, while providing essential credit information for the benefits of the Thai financial system.

## Safeguarding Consumer Rights to Credits



• | ~ ? ? ๘ ¼ Å | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

## Database (As of Q1/2004)

Type of Loans	Number of A/C (million)
Term Loans	4.66
Credit Cards	5.60
Revolving Credit / Notes / Bills	1.57
Leasing & Hire Purchase	2.73
<b>TOTAL</b>	<b>14.56</b>



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? | ? ?

THAI CREDIT BUREAU CO., LTD

# Full-File Sharing (Positive / Negative Accounts)

## ➤ Negative Account

- For all loans, means an account with at least one period of 90-days-or-more (3-month-or-more) overdue payment in the most recent 12 periods (12 months)
- For credit cards, also means an account that has been forced-closed by the issuer.

## ➤ Positive Account

All Non-Negative Accounts.

\* TCB discloses source of information for negative accounts only.



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# TCB Member Types

	Data Submission	Data Disclosure
Type A	By law, member must submit all Positive & Negative Accounts	Member has access to Positive & Negative Accounts
Type B		Member has access to Negative Accounts Only



• | - ? ? ๘ ¼ ¢ | ? ? ¢ ¥ ? ¢ ? ?

THAI CREDIT BUREAU CO., LTD

# Member Fees

	Monthly Membership Fee	Per-Inquiry Fee	Volume Discount
Type A	THB 50,000 (USD 1,250)	<ul style="list-style-type: none"> <li>•THB 12 (US 30 cents) for Hit</li> <li>•THB 6 (US 15 cents) for No-Hit</li> </ul>	<ul style="list-style-type: none"> <li>•5,000-10,000 searches 10% discount</li> <li>•10,000-20,000 searches 15% discount</li> <li>•over 20,001 searches 25% discount</li> </ul>
Type B	THB 30,000 (USD 750)		<ul style="list-style-type: none"> <li>•over 20,001 searches 25% discount</li> </ul> <p>* TCB may reconsider discount formula</p>



• | ~ ? ? 8 ¼ ? | ? ? Å ? ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# Access to TCB Credit Reporting System

Online (Output: real-time on-screen or hard copy)

- Internet (via member's ISP)
- Extranet (Online Dial-up to Data Center)
- Leased Line (connecting member's and Data Center's routers)

Offline (Output: overnight text file) for large-volume processing

- for overnight processing
- Batch file via File Transfer Protocol (FTP)

CPU-CPU (Output: real-time text file) for large-volume processing

- Internet (via member's ISP)
- Leased Line (connecting member's and Data Center's routers)



• | ~ ? ? ๘ ¼ Å | ? ? Å ? ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# Access to TCB Credit Reporting System

(TCB introduced CPU-CPU access in March 2004, and have seen the rise in CPU-CPU usage)

	FEB 2004	MAR 2004	APR 2004
Online	49%	44%	38%
Offline	51%	49%	47%
CPU-CPU	0%	7%	15%



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? ! ? ?

THAI CREDIT BUREAU CO., LTD

## Access to TCB Credit Reporting System

- Between June 2003 to April 2004, TCB sold more than 3 million credit reports, representing about 85% of all credit reports sold in Thailand.
- Average number of reports sold per month for the past 3 months was 400,000.
- Consumers have the right to purchase own credit report, priced at THB 200 (~ USD 5). TCB sends consumer-requested own reports via registered mails or consumers may pick-up in person.
- TCB sold approximately 200 own credit reports to consumers monthly.
- Consumers have the right to dispute information on reports, upon which TCB will consult sources of information for corrections if proven error.



• | ~ ? ? ๘๘ ¼ ¢ | ? ? ¢ ¥ ? ¢ ? ?

THAI CREDIT BUREAU CO., LTD

# TCB Members

TCB currently has 47 members, covering:

- Thai Commercial Banks
- Foreign Commercial Banks
- Government Banks
- Finance Companies
- Non-bank Credit Card Issuers
- Leasing/Hire-purchase Firms
- Life Insurer



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? ì ? ?

THAI CREDIT BUREAU CO., LTD

# Current Attempt to Merge Thailand's Two Credit Bureaus

- Consumer credit crises in other Asian countries prompted Thai government to look at ways to guard against same problems.
- Ministry of Finance sees merger of the two bureaus as beneficial to Thai financial system.
- TCB is willing to cooperate as long as it is a merger of two equals, with the government being the major shareholder.
- Ministry of Finance is working on details: Systems & Financials.
- Merger is expected to complete in Q2- Q3/2004.



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# Lessons & Comments

- It could take a long time to get a credit bureau to start, unless major players – banks or non-banks – agree to participate.
- It took a financial crisis for Thailand's financial institutions to finally agree for a successful establishment of a credit bureau.
- South Asian countries don't need to wait for the crises. Just learn from Thailand and other countries.
- Government agencies need to coordinate well. Small developing country may need only one national central credit bureau. Government involvement could be vital for credit bureau success.
- Law must be accommodating, while protecting consumers.



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# Lessons & Comments

- Start-up time and development time could take long for upscale system. In competitive market, technical partners need to understand the market and respond timely. Costs should be contained in initial stage. Local no-frill system may be good enough if data is not too sophisticated.
- Look to expand on Value-Added Services after market understands basic product (credit reporting), possibly a few years after initial set-up or when market is ready. Experienced technical partners could play a key role in establishing VAS products.



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# Lessons & Comments

- Credit bureau should consider incentives for major contributors/users of credit data.
- Credit reports should be set out to contain only necessary identifying information and credit information, and not include sensitive personal data not pertaining to credit.
- Purpose of using credit reports should be made clear, whether for credit-granting only or for other permissible purposes as well.
- Credit bureau should be proactive on educating consumers about the role of the bureau itself and facts about the credit reports, or get government and/or major financial institutions to assist, so that consumers see credit bureau as the good guy from the beginning.



• | ~ ? ? ๘ ¼ ¢ | ? ? ¢ ¥ ? ¢ ? ?

THAI CREDIT BUREAU CO., LTD

# Challenges for Credit Bureaus

- Changing the “You First” attitude when it comes to data sharing
- Getting financial institutions to improve data quality
- Credit risk management and credit bureau education for financial institutions
- Credit and credit bureau education for consumers



• | ~ ? ? ๘ ¼ Å | ? ? Å ¥ ? î ? ?

THAI CREDIT BUREAU CO., LTD

# In Summary, Credit Bureau Benefits the Economy

- Government and private sectors have agreed that credit bureau is good for the economy, financial institutions and consumers.
- Credit bureau should insist on a full-file (positive & negative) credit reporting system in the beginning, to fully benefit the financial system. Lessons from South Korea and previously Hong Kong show that Negative-only information is probably not useful enough.



• | ~ ? ? ๘ ¼ | ? ? Å ¥ ? ! ? ?

THAI CREDIT BUREAU CO., LTD