

Scrutinizing the borrowers

By Michael Stein

Credit rating agencies specializing in domestic and regional markets in CEE are emerging from the business landscape. The Czech Credit Bureau aims to establish itself in its home country, on the back of heavier consumer lending

The development of credit bureaus in CEE generally corresponds to the development of the consumer finance sector as a whole, although not always. One example is Hungary, a strong and growing market, which only has negative credit data available.

But not every country is so bereft: in a World Bank/International Finance Corporation comparison of the credit reporting of 55 countries, Poland and the Czech Republic led the region. The Polish credit bureau has been operating two years longer and, due to the country's relative size, is the larger

the penetration of the two country's databases is about the same.

Checking the Czechs

The Czech Credit Bureau hopes to exploit a recent development – and opportunity – in its market: while the Czech banking registry has been in operation since May 2002, the non-bank register is a more recent development. One reason for this is legislation: Bank customers' approval isn't necessary for the collection of their data to the registry. The same isn't true for the non-bank registry, though. This is an advantage CCB enjoys.

"We started collecting the consent of customers for the non-bank registry in January 2005," Mr. Kucera explained. "In June 2005 we launched the Non-Banking Credit Bureau and I think the breakthrough event for us now is that we are launching the sharing of data between the two bureaus."

The open exchange of data didn't happen overnight. "The obstacle, basically, has been to sit down and agree on sharing the data," Mr. Kucera said. "The assumption is that a large provider loses a bit of competitive advantage. In reality, this isn't true, because the larger institutions are better able to utilize the information in a more complete database. We have statistics from all over Europe that even in countries where the credit bureaus are very matured, and where both large and small financial institutions

are sharing data, the market share of the top five or ten banks has not been reduced over time. It's staying at about the same level. So, institutions are not giving up any competitive advantage by sharing."

Accentuating the positive

The Czech Credit Bureau isn't the only credit database on the market, but Mr. Kucera insists that although there is some competition for the same client base and a slight overlap, the databases are largely complimentary. One reason is that the other databases contain only negative credit data. "What we think, and what has been the trend worldwide, is that for complex decisions there needs to be not only information that in the past someone has actually been in default, but to know the context," he said. "For example, whether in the meantime he has been paying back all his other credits or whether he's becoming overindebted as a result of taking too many loans. That's why all the positive data is kept in our databases, and why the trend everywhere is moving in this direction."

FNE



of the two. According to Petr Kucera, chairman of the board and executive director of the Czech Credit Bureau,