

# **Third Party Data**

#### **About Third Party Data**

Any data that cannot be confidently attributed to the applicant, either because it is incomplete, or because it is for another party, is known as third party data. Credit data belonging to other people at an address, who share the same surname, has always been returned when performing a search even where there is no established financial link between the individuals.

# Why the changes are being introduced?

There were two reasons why third party data formed an important part of the credit database:

- Inaccurate data caused by the minimal data input requirements to perform a credit search, or to file data, on an individual being a minimum of merely an initial, surname and address. As a result, difficulties were sometimes experienced in differentiating between applicant data and that relating to other family members.
- It has long been recognised that the likely future performance of an individual could be impacted by performance of others living within the household. Not only spouses but also children, parents and siblings.

However, new attitudes towards data privacy and consumer awareness have given rise to significant levels of complaint over the use of inaccurate data and of data relating to third parties perceived by consumers to be unconnected. Existing practices were seen to be unfair resulting in numerous complaints to the Office of the Information Commissioner. As a result, the Data Protection Act 1998 included provisions designed to address the issue. The credit industry set up a working party to discuss, with the Information Commission, ways of implementing these changes, such that data quality would be improved and important information on acknowledged financial associates could be retained. The results of this were published in a Business Requirements Specification (BRS) in March 2001.

#### What are the changes?

The changes fall into three broad categories as follows:

- Data quality improvements
- Consent clauses and declarations
- The use of third party data.

These effect business processes as follows:

#### Data quality improvements

Since October 2001 the following fields have been mandatory for all new credit applications and accounts provided to Consumer CAIS files:

- Title
- Forename
- Second name or initial this is recommended if it is captured, and should be provided
- Surname
  - Date of birth
  - Postcode formatted address

It is also recommended in the data quality specification that any alias information (i.e. any names used by the applicant such as diminutives or maiden name) is also supplied. The same information should be supplied on any second or subsequent applicants.

#### **Consent clauses and declarations**

In order to comply with DPA transparency and fair processing requirements there is likely to be a need to build some new consent wordings into lenders'



documentation. A number of new declarations are outlined in the Business Requirements Specification (BRS) but later discussions between a major bank and the ICO resulted in a "standard model" being made available for industry use covering such matters as:

- Joint applications where only one party is present
- Sole applications declaring a financial association
- Applicants wishing to be assessed separately
- · New joint account declarations

Lenders should have reviewed their documentation to ensure that the appropriate consent clauses and declarations for their business model are incorporated in their application forms, scripts, agreements etc. It is absolutely essential that each element of processing that might occur either by the member themselves or by others on the shared data is covered. In particular, reference must be specifically made to accessing the electoral register to distinguish it from actual credit data.

Please note most of these changes should have been made by October 2001 but some of these changes should only be made in line with system changes. Wording for these clauses is detailed at: www.experian.co.uk/corporate/ compliance/thirdpartydata

In addition, the various industry trade bodies can assist you in addressing the need to change consent clauses.

#### The use of Third Party Data

• Tighter definition of financial unit. The BRS stipulates that credit data can only be returned if it belongs to the applicant or their financial associates. Associations can no longer be assumed between people of the same surname at an address. This means that there will be no automatic links with siblings or parents. It also means that unless association data is actively collected, it may not be available for spouses or partners either.

More accurate definition of

first party. The expansion in data supplied when performing a credit search on a consumer (as outlined in the Data Quality section above), allows Experian to more accurately and confidently identify the data subject. This ensures that only data relating to the applicant or their associate will be returned and used in the assessment of their credit application. Where there is a degree of doubt that a data item belongs to the applicant or their associate, the data may be returned as a Potential Alias. An Alert Review feature can be adopted for Potential Alias data, whereby lenders have the option to manually review the data items and attribute or reject them. Where records are identified as part of this process as belonging to the applicant or associate the lender can record an Alias or arrange for the data to be corrected at Experian which must be justified if challenged by the consumer. By recording the Alias, apparent third party data can be attributed to the applicant or their associate and used in this and any future credit assessments.

 Opt outs. The BRS has created an opportunity for individuals to be assessed independently: the opt out. The industry agreed with the Information Commission that it would not be mandatory for lenders to offer this capability but that at least 1 of each product across the entire industry would offer the option. By exercising the opt out the consumer is opting out of allowing the lender to use financially



associated third party data. This would result in, not only any derogatory data being excluded but also positive information as well such as income. A consumer can only opt-out if he or she declares that they believe that there is no data for financially associated third parties, which would have an adverse effect on the credit decision. The lender is entitled to check that the consumer is eligible to opt-out by processing the associate data via the Alert for Associates feature.

- Household Override. Where little or no bureau data is available for the applicant, data relating to unassociated family members may be used in a positive way to override a decline decision where the application is potentially acceptable. This facility is referred to as Household Override and can only be used as a score or rules.
- Transient Associations. Historically all joint applications and joint credit agreements registered a financial association between the individuals which stays on their credit file indefinitely until and unless a disassociation is registered. The BRS has introduced the concept of Transient Associations. These are short-term associations, which are created for a specific agreement, where there is no financial dependency between the parties, e.g. students renting a television. It is not available for mortgages.

#### What you need to do next

Lenders who have not already reviewed their business processes and formulated plans for third party compliance must do so as a matter of extreme urgency. In particular the following areas must be reviewed: Data quality – all credit searches and new CAIS submissions since October 2001 must contain all the mandatory fields

Consent clauses and declarations – should have been reviewed and amended as appropriate by October 2001

Third Party Data Compliance in the following areas:

Potential Alias Alert Review

Lenders need to consider whether the Alert Review for Potential Aliases is to be adopted.

Opt outs

Lenders need to consider how to approach opt-outs. Some may decide not to offer the opt-out facility at all, or limit the option to specific products or delivery channels.

Household Override

Lenders need to consider whether to adopt this facility and how it will be incorporated into their business processes.

## Transient Associations

Lenders who undertake credit searches in joint names or supply joint accounts to CAIS need to consider whether this concept is relevant to their product / business.

## Non credit grantors

The BRS states that non-credit applications must be limited to applicant data only. This means that organisations undertaking searches for non credit purposes will lose family data when the system being used is made third party data compliant.



## Systems review

Experian have completed all our internal systems development work and we now have fully third party data compliant versions of all our products and services available for implementation.

As part of the Credit Industry's agreement with the Office of the Information Commissioner, it was agreed that all lenders would have formal compliance plans in place by October 2001. It is essential that lenders have formulated their plans and that any system development or scorecard analysis slots have been booked.

If you have not already done so, contact your Account Manager to discuss your compliance plans and initiate your upgrade to a third party data compliant system.

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