

11 February 2011

Mr Allan Chiang
Privacy Commissioner for Personal Data
c/o Policy 21 Limited
Room 1101-02
11/F, Times Tower
928-930 Cheung Sha Wan Road
Kowloon
Hong Kong

Dear Mr Chiang,

The Sharing of Mortgage Data for Credit Assessment

The Hong Kong General Chamber of Commerce supports the financial services industry's proposal to expand the existing consumer credit data sharing arrangement to include:

- positive mortgage data, or the count of mortgage facilities ("Mortgage Count") extended to individual consumers where repayment is current, and
- positive and negative credit data relating to non-residential mortgage loans.

We agree with the industry's view that the sharing of positive mortgage data will facilitate credit assessment of consumer credit and bring benefits to both the market and consumers. As witnessed in the introduction of positive credit sharing for unsecured lending, consumers have benefited from financial product innovations and more favourable terms and pricing, as credit providers have been able to conduct effective credit assessment based on comprehensive data. We trust that the industry's proposed extension of credit data sharing relating to mortgage borrowing will bring similar benefits in a more transparent and competitive environment.

The Consultation Document (CD) issued by your office has rightly pointed out that the sharing of more comprehensive mortgage data would promote prudent lending and more sophisticated risk assessment on the part of credit providers, and responsible borrowing by consumers, which would in turn promote long term stability in the property and financial markets.

While we agree with the view that consumer credit information are data that are very personal and private to the individuals concerned, it is important to strike a proper balance between protecting personal privacy and promoting public interest. The crux in achieving such a balance would lie in clearly defining the specific scope of data for sharing and access by credit providers, as well as putting in place safeguards to protect consumers. We trust that the proposals, among others put forward by the industry, as outlined in Paras 4.20 – 4.34 of the CD are well thought out measures that would help strike a fair and reasonable balance between public interest and privacy protection.

As regards the six privacy issues outlined in the CD, our views are as follows:

Issue 1: *Whether it is necessary and not excessive for the Credit Reference Agency (CRA) to hold the additional mortgage data contributed by the credit providers, namely, positive mortgage data in respect of residential properties, and both positive and negative mortgage data in respect of non-residential properties (CRA already holds negative mortgage data in respect of residential properties);*

Chamber View: It is necessary for the CRA to hold the “Contributed Data” as defined in Para 4.2(b)(i) of the CD for the purpose of compiling Mortgage Count data for access by credit providers under specific circumstances (as outlined in 4.29 of the CD).

Issue 2: *Whether it is appropriate to restrict the amount of positive mortgage data contributed by the credit providers to the CRA in line with the latter’s operational needs, and to restrict the access of such data by credit providers (upon the credit applicants’ written consent) to the Mortgage Count (that is, number of outstanding mortgages) only;*

Chamber View: Restricting the access of data by credit providers to Mortgage Count only is an appropriate measure. Coupled with the requirement that a credit provider will have to obtain prior written consent from a customer to access his or her Mortgage Count, we believe these measures will serve to safeguard data privacy while facilitating more effective credit assessment by lenders.

Issue 3: *Whether it is appropriate for the additional mortgage data in respect of pre-existing mortgages at the time of the implementation of the proposal to be contributed to the CRA, with or without prior explicit notification to the consumers;*

Chamber View: In order to enable the CRA to compile useful Mortgage Count data, it is essential that credit providers will contribute data on all pre-existing mortgage loans which are not yet fully paid. As pointed out in the Para 4.24 of the CD, similar steps had been taken by credit providers when sharing of positive credit data regarding unsecured customer credit was last expanded in 2003.

Issue 4: *Whether it is appropriate to permit, subject to the consumers’ written consent, access to the additional mortgage data by the credit providers to evaluate not only mortgage loan applications but also to assess other new consumer credit applications as well as review and renewal of the consumers’ existing credit facilities;*

Chamber View: It is essential that credit providers are able to access comprehensive credit information when they consider applications for new credit facilities or renewal of existing facilities, irrespective of the kind of credit facilities under consideration. The requirement to obtain prior written consent from customers will serve as a safeguard.

Issue 5: *Whether 24 months is an appropriate transitional period before access to the additional mortgage data is allowed for the purpose of general portfolio reviews of consumers' credit worthiness;*

Chamber View: We agree with the industry's proposal of introducing a transitional period of 24 months.

Issue 6: *What and how additional privacy safeguards should be imposed upon the CRA and the credit providers commensurate with an enlarged credit database and greater sharing and use of the mortgage data.*

Chamber View: We are of the view that the existing safeguards imposed on the CRA by the Privacy Commissioner and the Hong Kong Monetary Authority respectively are robust. Any proposed new safeguard should be subject to thorough consultation before implementation.

Should there be any enquiry regarding the Chamber's position and view relating to the CD and related subject matters, please feel free to contact the Business Policy Unit of the Chamber Secretariat at 2823-1294. Thank you very much,

Yours sincerely,

Alex Fong
CEO