

# Key Issue Brief

## Reciprocity

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Reciprocity is a key principle which ensures data in the credit reporting system is “accurate, up to date, complete and relevant”, and ensures that credit reporting data is shared fairly and delivers an accurate perspective of a consumer’s credit history.

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- ARCA strongly believes that Credit Reporting Information must be shared on the principle that Credit Providers who contribute all of their credit reporting information receive all available credit reporting information that they are entitled to under law in return
- The principle of reciprocity at its most basic form means that “You give all you have – You get all”
- ARCA believes reciprocity should be incorporated into the credit reporting system in three ways (through the binding Code, in defined transitional policies, and prominently within compliance)

Reciprocity is the foundation for ensuring consistency, accuracy and completeness of credit reporting information.

The success of the credit reporting system is largely dependent on Credit Providers providing the level of credit reporting information they wish to access from a credit reporting bureau.

Building reciprocity into the new credit reporting system will:

- Ensure that credit reports reflect (as far as possible without credit reporting being mandated by law) a full and accurate picture of individual indebtedness and performance of those debts; and
- Ensure that a breach of the principle of reciprocity is a breach of the Credit Reporting Code of Conduct which in turn is a breach of the Act..

The concept of the principle of reciprocity at its most basic form is:

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**Reciprocity: “You give all you have – You get all”**

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Reciprocity should be incorporated into the credit reporting system in a number of ways:

## **1. Binding Code**

The Credit Reporting Code of Conduct should establish binding data exchange standards for Credit Providers and Credit Reporting Agencies including reciprocity requirements. All organisations who wish to participate in the credit reporting system should be bound by the Credit Reporting Code of Conduct.

## **2. Defining transitional policies for credit reporting**

Transitional policies will enable Credit Providers to engage with the new regime as effectively as possible. These policies should include a threshold for reporting required if the Credit Provider is to access credit reporting information. This could simply be a list of the products (assuming that the Credit Provider offered then) that had to be reported prior to accessing credit reporting information. ARCA acknowledges that Credit Providers may need to invest in the development of their infrastructure to facilitate the supply and use of the new data, and that a graduated approach may be required to promote full participation in the new regime.

ARCA will encourage the broadest participation but in a manner that is fair and transparent to all users, and to protect against manipulation of the process.

## **3. Compliance to reciprocity**

Compliance monitoring of the Code of Conduct should include monitoring of the principle of reciprocity.

## **About ARCA**

*ARCA brings together the talent, energy and perspectives of its members and staff to bring about positive change.*

*Combining experience and insights, expertise and passion with industry collaboration, ARCA promotes the effective use of consumer analytics and data sharing to improve responsible lending practices and promote better lending decisions.*

*Access to responsible credit is a fundamental part of today's modern economy.*