



ACCIS Association of Consumer Credit Information Suppliers IVZW

European Banking Authority
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UK

Brussels, 1 October 2015

ACCIS Response to the EBA Call for Evidence SME lending and the SME supporting factor

Dear Sir or Madam,

ACCIS (Association of Consumer Credit Information Suppliers) welcomes the opportunity to respond to the European Banking Authority's (EBA) Discussion Paper and Call for Evidence on SMEs and SME Supporting Factor.

In response to question 7 of the Call for Evidence, ACCIS would like to highlight an additional important element used by lenders in their assessment of the creditworthiness/riskiness of SME borrowers: the use of credit scores developed by credit bureaus. In practice, such credit scores are widely used by lenders as part of their own assessment of SME riskiness during their lending decisions.

It is important to stress that in practice information necessary to evaluate the five financial ratios (profitability, leverage, activity, liquidity and coverage) is often not available to lenders in relation to SMEs (in particular smaller companies) and would be very costly or impossible for them to obtain. Using credit scores helps lenders reduce this problem of lack of data and obtain condensed information about SMEs, including the information about financial ratios. Credit scores are a highly predictive tool enabling lenders to accurately assess the creditworthiness of SMEs in a cost-effective manner, and to expand credit to SME borrowers, that otherwise would not be available due to the high costs and uncertainty.

Credit scores provided by credit bureaus use a full range of market information about SMEs¹, which enables the lenders using such scores to significantly increase their risk prediction accuracy. In particular, based on the

¹ A study carried out by the German Association Die Wirtschaftsauskunfteien "Scoring in focus: Economic and legal framework in an international comparison" (2014) demonstrates that the following types of information are used for calculating credit scores: (i) basic company information (name, legal form, address, number of employees, year of foundation, industry sector, etc.); (ii) information on borrowing and payment behavior (negative information such as insolvency proceedings, data of collecting agencies, information on existing accounts (e.g. at banks, telecommunication providers), information on existing and paid off credits (lender, term, loan amount, rate), information on payment and liquidity of customers and business partners information on the payment behavior: requested, completed and unfulfilled credit transactions with credit risk usage: the number, type, duration and scope of credit transactions with credit risk; length of credit history: possible indication of experience in dealing with financial obligations; and (iii) macroeconomic data (e.g. economic situation/seasonal influences/market situation in the industry; unemployment rate; interest rate environment, GDP, oil prices; import prices).

The full text of the Study (in German) is available here:
https://www.uni-oldenburg.de/fileadmin/user_upload/wire/fachgebiete/privatrecht/DW-Studie.pdf



evidence available to ACCIS, credit scores developed by credit bureaus improve risk prediction accuracy for SMEs credit by ratios ranging from 10 % to 49 % , depending on the types of data incorporated in the score.

For example, incorporation of credit bureau data helps reduce the rate of non-performing loans by ratios ranging from below 10 % (Germany, Italy, Lithuania, Croatia, Romania, Czech Republic, Slovakia) to more than 25 % (Bulgaria).

Therefore, ACCIS strongly believes that credit scores based on credit bureaus' data should be included among the key elements of creditworthiness assessment in the context of the Capital Requirements Regulation and other EU and national regulations and guidelines in the credit sector.

ACCIS would like to thank the EBA for the opportunity to respond to this Discussion Paper and Call for Evidence.

We remain at your disposal, should you be interested in discussing our response in more detail. For any questions regarding our response and evidence mentioned in the response, please contact the secretariat of ACCIS at: secretariat@accis.eu, tel: +32 250 01527.

Yours sincerely,

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ACCIS