

Foreword by **Luděk Čermák**:

In the EU, Czechs are some of the very best in risk management, for a large part also thanks to the SOLUS registers



In countries with well-developed client reference registers households experience significantly less difficulty with overdue debts than in countries where there is little information about clients' credit history or such information is accessible only with difficulties. This is one of the key conclusions that can be drawn from Eurostat's recently published statistics on liabilities of European households.

The statistics, published by most of the major media in early October, have brought me genuine joy.

As a representative of one of the founding companies of the SOLUS association I remember very well the pioneering times when we did not have almost any information about clients applying for financial products and had to rely solely on the forms and letters of confirmation that the clients themselves provided to us. And indeed, according to a STEM survey, up to this day 40% of loan applicants are determined to withhold any difficulties with repaying their liabilities elsewhere when they go to an institution to apply for a loan.

While we have made only a few small steps in consumers' responsibility over almost three decades, we have achieved great progress in SOLUS with systems that help to manage the risk associated with the financial services provided. The progress is so huge that over the

past ten years, we have outperformed the Estonians, Danes, Dutch and Austrians and overtook all EU countries, with the exception of Germany, in the results of Eurostat's EU-SILC research.

The praise lavished on the Czechs in the media is primarily due to you, the SOLUS member companies, which take a responsible approach to rating their clients as to their ability to pay accepted liabilities, support the operation of client reference registers, and carry out a broad range of educational projects to promote citizens' financial literacy.

I wish us all that together, we are able to 'attack' the position of European Number One in these Eurostat statistics. I am confident that with support provided by SOLUS and the Society for Information Databases we can be successful in this thanks to reliable information from well-established registers and also thanks to a number of innovations that will, in the coming weeks and months, broaden the range of risk management tools used by our member companies (such as the TelcoScore service, see below) and improve the accessibility of the information held in the registers for the individuals themselves (such as the one-off codes for online statements, which we are now pilot testing).

Jan Stopka on TelcoScore:

With operators, we can predict customers' behaviour based on Big Data



The TelcoScore service is a new information source available for responsible companies. Using the wide range of data held by mobile operators on their clients, the service provides prediction of customers' behaviour, including specifically the probability of customers' default in financial services.

Mobile operators O2, T-Mobile and Vodafone have developed TelcoScore in cooperation with Společnost pro informační database (SID). All three major operators in the Czech market are involved, and the TelcoScore service therefore covers the Czech market almost completely.

TelcoScore does not replace the conventional client reference registers; rather, it is another valuable information source for rating creditworthiness in a responsible manner. A new key innovation is the possibility to examine potential client also only with his phone number, with the possibility to use also his Birth Registration Number.

For companies, it is difficult to rate the creditworthiness of loan applicants who do not yet have any credit history and their payment discipline therefore cannot be checked in a client reference register. The service is therefore particularly interesting in respect of young people who apply for their first loan, but have their mobile handsets sort of 'grown into their hand'. The TelcoScore service predicts young people's ability to honour their obligations, doing so on the basis of processing the data held by mobile operators. TelcoScore improves the availability of the financial services for first-time loan applicants while reducing the risk inherent in lending to clients 'without a history'.

Thus, TelcoScore has a positive social effect too, since it also has the potential to facilitate access to loans and similar services to the groups of people for whom such services would be available only with difficulties.

TelcoScore's working

If the financial institution obtains the client's consent to examine his or her creditworthiness through TelcoScore, it enters the client's telephone number or Birth Registration Number into the system and receives his or her TelcoScore in the format of one number. The number can range from 1 to 1,000 and reflects the probability that the client will honour his/her obligations. The higher the TelcoScore score, the higher this probability (and the better the result for the client).

TelcoScore is computed on the basis of the customer's contract, operating, and credit data. And, naturally, the data are only provided subject to the consent of the customer who is applying to the financial institution for the provision of the service.



Customer data continue to be held by the operators all the time and the score computed on the basis of the data is only made available on-line in response to a query. For using the service, it is always required to obtain the customer's conclusive consent to get the score; consent obtaining is required for all entities and will be checked by the platform operator. All of this is thus in compliance with Czech law and the GDPR. An online score accessing service is available for large and medium-sized companies while a web interface is intended for smaller companies.

Has TelcoScore attracted you and do you want to know the details? Please contact Ján Hurný at the Society for Information Databases to find how the new service can help you: jan.hurny@sid.cz

SOLUS participates in the sector-specific code of conduct under the GDPR



The GDPR has brought a new feature into the Czech legal system: sector-specific codes of conduct. In a number of EU member states (such as Italy, Poland and the UK) these sectoral codes provide more details for the operation of client reference registers. Thanks to their approval by the supervisory authority (The

Office for Personal Data Protection) sectoral codes provide greater legal certainty to client reference registers and their participants.

Working with other operators of client reference registers, CBCB – Czech Banking Credit Bureau, a.s., and CNCB, z.s.p.o., SOLUS is preparing a code of conduct for client reference registers in the Czech Republic.

As proposed now, the code relies on the fact that personal data processing in client reference registers and by their users serves justifiable interests of the users and frequently also for meeting their legal obligations.

The draft code also sets out common rules for data subjects to exercise their rights (the right to object, the right to be forgotten, the right to access to personal data and the right to the rectification of personal data).

Eurostat research:

Czech households are the second best in the EU in paying their liabilities

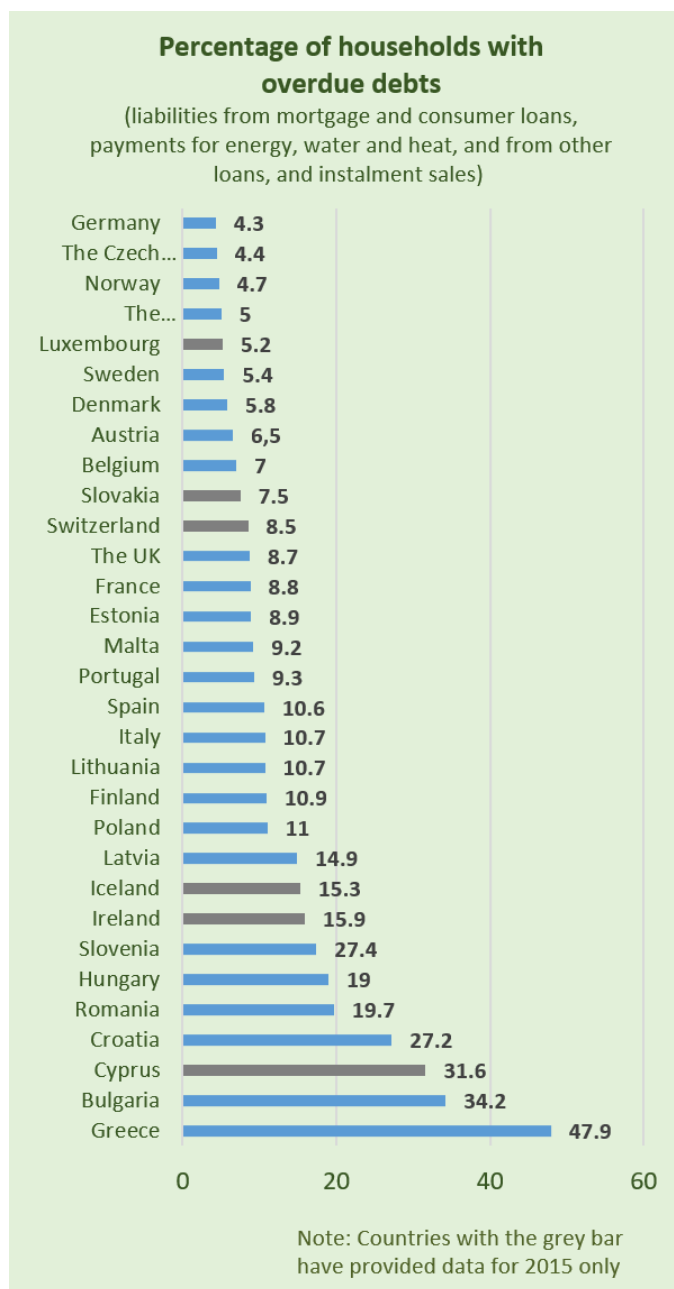
Over this year's first eight months alone, 216,000 individuals recorded in the Register of Natural Persons paid their overdue debts. The Czech Republic will therefore confirm its position as one of the very best in the entire EU: Following Germany, the Czech Republic has long held the second rung in the ranking of countries where households state the lowest level of difficulty with paying their liabilities. Changes in legislation and well-working client reference registers play a major role in this positive development.

According to the [European Union Statistics on Income and Living Conditions](#) research, in 2016 Czech households had, after Germany, the least problems in the EU with meeting their liabilities from mortgage and consumer loans or payments for water and energy. **Over the last ten years the Czech Republic has significantly improved its position in the ranking:** as late as 2007, Czech households still posted worse repayment than, for example, the Estonians, Danes, Dutch or Austrians.

While a little more than 4% of households have overdue liabilities in the Czech Republic, in neighbouring Slovakia the figure is almost 8% and in Austria 7% of households.

Naturally, the countries in the ranking cannot be compared mechanically; countries similar in economic and cultural terms have to be compared. And such comparison shows the crucial effect of checking clients'

payment ability in a responsible manner and of the availability of information about their payment history.



"In the Czech Republic, we have multiple registers using which responsible firms can rate the credit history and the overall credit exposure of their clients. Thanks to SOLUS registers, data are accessible for telcos as well as other sectors that significantly improve the general picture of

clients' payment discipline. In Slovakia, firms can only check data concerning loans, and companies therefore have no way of seeing whether or not the client owes money to, for example, his or her telecom service provider," Luděk Čermák, SOLUS Chairman, explained the causes of the excellent results to the media. The situation is similar in Germany where client reference registers contain information from the financial, telecom and energy sectors.

On the other hand in Belgium, where companies can only check clients' payment discipline through data on overdue loan repayment in the register maintained by the country's central bank, more respondents are in arrears than in the Netherlands where positive client reference registers also exist.

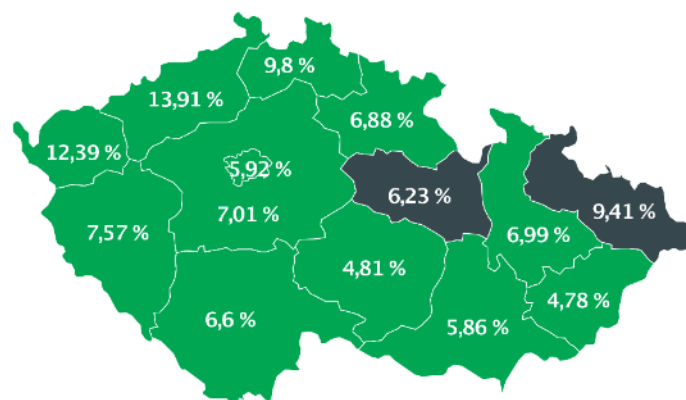
The percentage of adult citizens of the Czech Republic recorded in SOLUS registers is the lowest since 2011

The number of adult citizens of the Czech Republic with overdue debts and recorded in the Register of Natural Persons is the lowest since 2011. At the end of September, the negative register held 7.36% of persons (compared with 7.67% at the end of September 2016 and 8.12% at the end of September 2015).

In the Olomouc Region, the percentage of individuals with overdue debts declined under 7% for the first time in the history of the SOLUS index. Individuals there have approximately one half of the difficulties faced by those in the Ústí Region with almost 14% of individuals with overdue debts.

Although the quarter-on-quarter decreases are relatively small, we can discern a positive trend – Czech consumers' improving payment discipline. The key contributor to this improvement is client reference registers that help to arrest a further deterioration in the situation of the consumers who are no longer able to honour their earlier contractual obligations as due; thus, the registers facilitate their return to a life free of overdue debts. The justifiability of the registers is also borne out by the provisions on registers in the latest wording of Act No 378/2015 on Consumer Protection.

"Our estimate is that up to twice as many individuals might have overdue debts without client reference registers in the Czech Republic. We have based our estimate on a comparison with countries in which client reference registers do not work or are not supported by legislation, for example, in Hungary, Latvia and Slovenia," Jan Stopka, SOLUS Secretary, commented on the latest statistics.



Persons with overdue debts in the Register of Natural Persons: percentages of the total number of citizens aged 18 or more

Almost 640,000 individuals with overdue debts totalling CZK 50 billion were recorded in the negative Register of Natural Persons at the end of September 2017.