United States of America
Federal Trade Commission

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Consumer Credit Law & Practice in the U.S.[1]

1. Introduction

Consumer credit is an important element of the United States economy. A consumer's ability to borrow money easily allows a well-managed economy to function more efficiently and stimulates economic growth. This presentation will discuss some of the features of the U.S. consumer credit system, as well as some of the laws which protect consumers in the market for credit.

2. What is Consumer Credit?

A consumer credit system allows consumers to borrow money or incur debt, and to defer repayment of that money over time. Having credit enables consumers to buy goods or assets without having to pay for them in cash at the time of purchase. Having a good credit record means that a person has an established history of paying back 100% of his/her debts on time. A person with good credit will be able to borrow money more easily in the future, and will be able to borrow money at better terms. On the other hand, having a bad credit record means that a person has had difficulty in the past with paying back all of the money he/she owes, or with making payments on time. Lenders are less likely to loan more money to a person with bad credit, making it difficult for that person to buy a car, a house, or obtain a credit card. Access to credit is a valuable benefit, which a person should protect and manage wisely.

3. History of Credit Bureaus & Credit Reporting

Until World War II, most consumer credit was offered by retailers directly to consumers. A retailer's credit relationships were often based on personal familiarity with its customers. There were many small, regional credit rating bureaus because consumers were not as mobile, and there was less of a need for a nationwide rating system.

U.S. credit reporting bureaus started as associations of retailers who shared their customers' credit information with each other. Initially the credit bureaus shared information on customers who did not pay their bills and were identified as bad credit

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[1] This document was complied by FTC Staff. The information contained in this document does not necessarily reflect the opinion of the Federal Trade Commission or that of any individual Commissioner.

risks. Later, they shared their existing customers' information in exchange for information on prospective customers.

As the economy grew after World War II, many changes occurred in the consumer credit market. The retail sector expanded, while banks and finance companies took over from retailers as the primary source of consumer credit. Consumers became more mobile, and banks began issuing credit cards which could be used nationwide. Demand for a national credit reporting system increased.

The development of computers which could store and process large amounts of data enabled the credit bureaus to efficiently provide credit information to consumer lenders. Nationwide reporting of consumer credit information became possible. By the 1980s, three credit bureaus emerged as the dominant consumer credit reporting companies: Equifax, Experian, and TransUnion.

The availability of consumer credit information fueled the growth of consumer debt from approximately $100 billion in 1970 to over $1 trillion by 1995. However, as the market for consumer credit information grew, so did concerns about data accuracy and how inaccurate data might harm consumers.

4. How Consumer Credit Reporting Works

Creditors such as banks and mortgage companies loan money to consumers. These creditors keep a record of how well an individual consumer pays back the money that he/she owes. If a consumer pays late or does not pay the full amount that he/she borrowed, that negative information is reflected in the consumer's record. The creditors then send this record of a consumer's payment history to the credit bureau reporting agencies. The credit bureaus collect all of the payment history information for a single consumer as reported by all of that consumer's various creditors.

Then the credit bureaus compile the consumer's payment history information into a file. In the future, when the consumer wants to borrow money from a new creditor (for example, in order to buy a car or a house), the creditor sends a request to the credit bureau for the consumer's credit file. The credit bureaus send the file to the creditor, which uses it to decide whether or not to loan money to the consumer. If the creditor decides that the consumer is a good credit risk based on the information in the consumer's file, then the creditor will probably loan money to the consumer. If the creditor decides to offer the loan, the creditor will also begin to record the consumer's payment history on the new loan and provide that information to the credit bureaus for use by other creditors in the future.

a. What is in a Consumer's Credit Reporting File?

A consumer's credit reporting file contains a variety of information about the person and about how well he/she has managed credit in the past. First, the file contains basic information such as the person's name, date of birth, address, and Social Security Number (SSN). The SSN is extremely important because it allows the credit bureaus to uniquely identify an individual consumer. When creditors report new information about consumers to the credit bureaus, they generally use the SSN as a designator to indicate the individual person to whom the new information relates.

Next, the file includes information about money which the consumer has borrowed or (as with credit cards) can borrow in the future from a given lender. The file will list the name of the lender, the original amount of the loan, the type of the loan (for example, a car loan, mortgage for a house, or a credit card), and how much money the consumer still owes on that loan. This section also provides details on a consumer's payment history, which helps potential lenders estimate how likely the consumer is to pay back the full amount of a loan on time. Consumers who habitually pay late or do not pay back all of the money they owe are usually considered to be poor credit risks, and lenders in the future are less likely to offer them more credit.

A consumer's credit reporting file will also list any information contained in the public record which might affect his/her ability to pay back a loan. For example, if a consumer has recently filed for bankruptcy, or if he/she owes money related to a lawsuit or tax liabilities, that information will be presented in the credit reporting file.

Lastly, a consumer's credit reporting file will include the consumer's credit score. The credit score is a number which reflects the level of quality of a consumer's credit. The credit bureaus use complicated mathematical formulae to calculate a consumer's credit score based on all of the other historical credit information contained in the consumer's credit reporting file. The credit bureaus mathematically summarize a consumer's credit history into a credit score, much like a statistical index. Consumers with better credit histories and better credit usually have higher credit scores as a result. Lenders and other creditors often rely on credit scores to quickly assess the creditworthiness of consumers who apply for financing. Creditors generally view consumers with higher credit scores as being better credit risks and judge them to be more likely to repay what they owe.

b. Why the Contents of a Consumer's File Might Not Be Accurate

Although the credit bureaus strive to provide creditors with accurate information about consumers, the system is not perfect. There are three general ways in which a creditor might receive incorrect information about a consumer. First, creditors might provide the credit bureaus with information about a given consumer that is inaccurate or incomplete. Second, the credit bureaus might add the information that they receive from creditors about one consumer to a different consumer's file. Third, a credit bureau might accidently send the wrong consumer's file to a creditor.

Undesirable results can occur when creditors use flawed or inaccurate information when assessing a consumer as a credit risk. A creditor might lose money by extending loans to a consumer with a poor credit history or by not lending to a customer with an excellent credit history. Just as importantly, credit reporting file errors can leave a consumer unable to obtain a good job, a satisfactory place to live, or other necessities. An effective consumer credit system must provide a mechanism which allows consumers to correct any mistakes in their credit reporting file.

5. Fair Credit Reporting Act

The U.S. Congress enacted the Fair Credit Reporting Act (FCRA) in 1970. The FCRA was intended to address concerns over consumers' previous inability to challenge errors in their credit reports, as well as a lack of privacy protections related to consumers' credit information.

The FCRA applies in any situation in which information is collected and used to evaluate a consumer for the purposes of providing credit, insurance, employment or other qualifying services such as utilities, etc. Three principles guided the creation of the FCRA: privacy, accuracy, and fairness.

a. Privacy

To protect consumers' privacy, the FCRA requires that a person or organization have a "permissible purpose" for receiving credit information from a credit bureau. The FCRA requires credit bureaus to take adequate steps to ensure that they do not provide consumer credit information to parties which lack a permissible purpose. Although some exceptions exist, permissible purposes generally involve a legitimate need for a consumer's credit report related to a business transaction which that consumer initiated. Permissible purposes usually relate to credit/lending transactions, the review or collection of a credit account, or insurance underwriting. Certain categories of government investigations and legal proceedings are also considered permissible purposes under the FCRA. Furthermore, credit bureaus can release credit information to be used for otherwise "non-permissible" purposes (such as employment background checks) as long as the consumer grants written permission.

b. Accuracy

The FCRA gives consumers the right to review the contents of their credit report file (except for their credit scores) and dispute inaccurate information. The FCRA requires credit bureaus to maintain reasonable procedures for ensuring the maximum possible accuracy of the consumer credit information they collect and distribute. Also, if a creditor becomes aware of a mistake in its records, the FCRA requires the creditor to provide updated, corrected information to the credit bureaus.

The FCRA also establishes the process through which consumers can dispute errors in their credit report file. If a consumer notifies a credit bureau of a mistake in his/her credit report file, the credit bureau must forward the dispute to the creditor in question. The creditor must then investigate the dispute and report back to the credit bureau. The credit bureau must report the results of the investigation back to the consumer within 30 days after receiving notice of the consumer's dispute. If the investigation does not result in any changes to the consumer's credit report file, the consumer has the right to file a dispute statement. Any creditors who see the consumer's credit report file in the future will be aware of the alleged inaccuracy.

c. Fairness

The FCRA grants consumers the right to know if a decision to deny them credit or take other adverse action against them was based on information in a credit report file. Creditors must notify consumers if they deny credit based on a credit report file, and must also tell the consumer which of the three credit bureaus provided the report. Also, the FCRA allows consumers to receive one free copy of their credit report file per year. Consumers are also entitled to receive a free copy of their credit reports if a creditor takes adverse action against them, or if they become the victim of identity theft (discussed below). Next, the FCRA grants consumers the right to learn who has received a copy of their credit report files. Lastly, the credit bureaus are required to remove obsolete information from credit report files after 7-10 years. This allows consumers who have made mistakes in managing their credit in the past to eventually improve their credit profile and enjoy the benefits of good credit once again.

6. Role of the Federal Trade Commission

The Federal Trade Commission (FTC) is one of many U.S. federal agencies which regulate the consumer credit system and enforce the laws related to it. One of the FTC's primary responsibilities involves protecting consumers from companies that engage in unfair or deceptive business practices, and this responsibility extends to the consumer credit market. Although the FTC has no independent regulatory authority, it promotes consumer education related to consumer credit issues. The FTC creates its own consumer credit education materials, and can require the credit bureaus to develop and provide consumers with educational materials as well. The FTC also offers commentary on legal interpretations related to proposed legislation and civil enforcement matters. The FTC does not conduct audits or investigations into individual complaints, but it has the power to bring civil lawsuits against organizations that demonstrate a pattern of legal violations affecting large numbers of consumers.

7. Credit Milestones: Obtaining and Maintaining Credit

a. Establishing Credit/First Credit Cards

Most creditors evaluate a potential borrower's credit report to determine whether to extend credit to the applicant. However, many people who are just starting out, and do not have a credit history for lenders to evaluate, may run into difficulties in setting up their first loans or credit cards. In order to build good credit history, a first time borrower has several options. A first-time borrower may consider applying for a credit card from a local store, because local businesses are more willing to extend credit to someone with no credit history. Once the borrower establishes a pattern of making timely payments, other lenders might also be willing to extend credit. Another option is obtaining a secured credit card, or a credit card for which the borrower provides the money first, and then can borrow back 50 to 100 percent of the account balance. Secured cards typically have higher interest rates than traditional non-secured cards. First-time borrowers can also try to find a co-signer, or someone with an established credit history to co-sign on an account. By co-signing, the person is agreeing to pay back the loan on behalf of the primary borrower, if the primary borrower fails to make payments.

(1) Deception in Credit Terms

Creditors have attempted to use a variety of deceptive terms when extending credit. These terms include special interest rates, promotional rates, loan fees, and penalties. Under the Federal Trade Commission Act (FTC Act), the FTC has authority to prevent persons and companies from using unfair or deceptive practices. To offer consumers additional protection from deceptive credit terms, in 1968, Congress enacted the Truth in Lending Act (TILA) as a means to assure the meaningful disclosure of consumer credit and lease terms. Under TILA, creditors are required to disclose material costs and terms clearly and conspicuously, before the transaction is consummated, and in a written document that the consumer may retain. Provisions that specifically address advertising and disclosures allow borrowers to shop around for the best loan terms. If creditors fail to comply with the statutory requirements, they may be responsible for actual damages, and statutory damages up to $4,000.

Under the advertising requirements, creditors may advertise only credit terms that are actually available to the customer, and may advertise terms that are only offered for a limited time, or will become available on a known future date. For closed-end credit, or transactions in which credit is advanced for a specific time period and has a set schedule for payments, such as a mortgage on a home, advertisements with the following triggering terms must meet additional requirements: amount or percentage of any down-payment in credit sale transactions; the number of payments or period of repayments; amount of any payment; amount of any finance charge. If an advertisement for closed-end credit uses any of these terms, it must include information on the amount or percentage of the down payment, the terms of repayment, and the annual percentage rate (APR), which is a measure of the annual cost of credit. Creditors may also advertise the simple interest rate or the periodic rate for close-ended transaction as long as these rates are not displayed more prominently than the APR.

Open-ended transactions are transactions where the creditor reasonably contemplates repeated transaction; may impose a finance charge from time to time for outstanding unpaid balances; and generally makes additional credit available when any outstanding balance is repaid. Credit cards are an example of open-ended credit. The only rates permissible in advertisements for open-ended transactions are the APR rate and the simple interest rate or periodic rate. As with a close-ended transaction, the advertisement APR must be displayed at least as prominently as the simple interest or periodic rates.

Under TILA, the creditor must share specific information with potential borrowers. It must disclose its identity and the amount of money to be financed, which lenders determine by adding the loan principal amount to any other amounts that the creditor will finance, and subtracting any prepaid finance charge. Creditors must also disclose the total amount of the consumers' payments, which they calculate by adding the finance charge to the amount financed, the APR, variable rate, payment schedule, what happens if there is a late payment, and its security interest in the item it is financing. In the cases of home equity and most refinance mortgage loans, the borrower has an absolute right to rescind until midnight of the third business day after they sign the credit contract, receive a TILA disclosure form, and receive notice explaining the right to rescind. If a consumer does not receive the TILA disclosure materials, the rescission right extends to three years.

(2) Discrimination in Credit

The Equal Credit Opportunity Act (ECOA) was enacted in 1974 to prevent discrimination in credit transactions on the basis of race, color, religion, national origin, sex, marital status, and age (as long as the applicant has the capacity to contract). The ECOA requires a creditor to inform an applicant in writing of the specific reasons for taking adverse action against the applicant, such as denying credit. This provision holds the creditor accountable to the nondiscrimination standards. Creditors who violate the

ECOA may be liable for actual damages, punitive damages up to $10,000, court costs, and reasonable attorney's fees.

(3) Later Stages of Life

Older Americans, particularly older women, may find it difficult to get credit. If an elderly consumer has paid in cash their whole life, a lender may deny credit on the grounds that they have no credit history. A decrease in income after retirement can lead a lender to deny credit for insufficient income. Some creditors will also try to close joint accounts if one spouse dies.

However, under the ECOA, it is illegal for a creditor to deny credit or terminate existing credit merely because of a consumer's age. A creditor may only consider age as it relates to certain elements of creditworthiness. For instance, a 70-year-old may be denied a 30-year mortgage on the grounds that they may not live to pay it off. A shorter loan or a down payment may satisfy a creditor's concerns in this situation. In addition, consumers age 62 and older receive certain protections. They cannot be denied credit because credit-insurance, which pays off the creditor if a borrower dies or becomes disabled, is not available based on the borrower's age. On the other hand, a creditor can consider age in order to favor applicants who are 62 or older, or to determine other elements of creditworthiness, such as whether the borrower is close to retirement age and a lower income. If a creditor closes a joint account after the death of a spouse, the remaining spouse may be asked to reapply if the account was based on the deceased spouse's income and the creditor has reason to believe that the surviving spouse cannot support the credit line.

b. Managing Established Credit

(1) Realistic Debt Management

It is important for borrowers to remain in control of their financial situations at all times by annually monitoring their credit reports and making smart decisions about borrowing. However, many people face financial crises at various points in their lives, which may make it difficult to pay bills. The first step in taking control of a difficult financial situation is creating a realistic budget, by determining income, and then accounting for fixed expenses, such as mortgage payments, rent, car payments, and insurance premiums, and varying expenses such as entertainment and recreation. These listings help borrowers to track spending patterns, identify necessary expenses, and prioritize their spending.

Borrowers who are having trouble making ends meet should be upfront with their creditors before creditors have a chance to turn borrowers over to a collection agency. Under some circumstances, creditors may be willing to work out modified payment plans to work within a borrower's budget. Credit counselors are another option for borrowers in financial crises. Consumers should make sure that their credit counselor is a reputable, nonprofit organization. Reputable credit counselors can advise borrowers on managing money and debts, and help them to develop personalized plans for solving problems with money.

Borrowers may take advantage of other relief options, which may have significant repercussions. A borrower can lower the cost of credit by consolidating debt through a second mortgage or home equity line of credit. Though these options have certain tax advantages, they are tied to a home as collateral, so if a borrower is still unable to pay, the lender could take their home.

A borrower could also declare bankruptcy, or seek a court order discharging them from certain debts. This should be a borrower's last resort because, unlike other unpaid debt, which stays on a credit report for seven years, bankruptcy remains on a credit report for ten years, and may preclude the consumer from obtaining future credit, buying a home, getting life insurance, or even getting a job.

(2) Payday Loans

Payday loans are an expensive form of credit typically used by consumers who need cash immediately, and are unable to wait until they receive their paychecks. These loans are small and short-term, but have high interest rates. Typically, a borrower will write a lender a personal check for the amount to be borrowed, plus a fee for a percentage of the face value of the check, or otherwise based on the amount borrowed. The lender then gives the borrower the amount of the check, minus the fee. The lender agrees to hold the check until the borrower's next payday, and on that date, the borrower can redeem the check by paying the lender the principal loan plus the fee in cash, or the lender can deposit the check. Often, lenders allow the loans to "roll over" for another pay period, by requiring the borrower to pay another fee. The TILA requires the cost of payday loans (including the amount of the finance charge) and APR to be disclosed to the consumer before consummating the transaction.

(3) Advance-Fee Loans

Advance-fee loans are scams targeting consumers with bad credit or no credit at all. Lenders "guarantee" that applicants will get credit, in exchange for an up-front fee, which can be as high as several hundred dollars. However, most legitimate lenders will not "guarantee" credit before a potential borrower applies, will not require an up-front payment, and will check the customer's credit report before determining whether to extend credit.

(4) Billing Mistakes

Sometimes, creditors make mistakes when they bill customers. These errors include incorrectly identifying charges, billing for goods not delivered, or issuing multiple bills for the same goods or services. To resolve these issues, the Fair Credit Billing Act (FCBA), a 1975 amendment to the TILA, establishes procedures for resolving billing errors on credit card accounts.

Under the FCBA, after receiving notice of a consumer's billing error, the creditor must send a written acknowledgment within 30 days and resolve the dispute within two complete billing cycles, or within no longer than 90 days. If the creditor is in error, it must correct the mistake and credit the consumer's account for the disputed amount and any related charges over $1. If, after conducting a reasonable investigation, the creditor determines that no error occurred, it must send the customer written explanation, and documentary evidence of the charge if the consumer reports it. Until the consumer and the creditor reach a resolution, the consumer may withhold the disputed amount of money; the creditor may not take any action to collect the disputed amount; the creditor may not close the consumer's account, or restrict it in any way other than deducing the consumer's credit limit; and the creditor may not report or threaten to report delinquency on the amount to any third party.

If a credit card is lost or stolen, under the FCBA, a consumer may only be held liable for up to $50 of unauthorized purchases if the loss is reported after the card has been charged. Reporting the loss or theft before the card is used precludes the consumer from any responsibility for unauthorized charges. Additionally, if the credit card number has been stolen and unauthorized charges appear, but the consumer has retained the credit card, as is often the case when credit card numbers are stolen through online transactions, the consumer is not responsible for any unauthorized charges.

Under the Electronic Fund Transfer Act (EFTA), the rules vary slightly for lost or stolen debit or ATM cards. As with credit cards under FCBA, in order to release a consumer from liability, the loss must be reported prior to use. However, if unauthorized use occurs before the consumer reports the debit or ATM card lost or stolen, liability depends on how quickly the consumer reports it missing. If the unauthorized charges are reported within two business days after the loss is discovered, the consumer can only be held liable for up to $50. However, if a consumer does not report the loss within two business days, they could lose up to $500 because of an unauthorized transfer. The consumer also risks unlimited loss, including all of the money in an account, for failure to report an unauthorized transfer within 60 days after the bank statement containing unauthorized use is mailed to the consumer. For unauthorized transfers involving only the debit card number, and not the loss of the card, the consumer is liable only for transfers that occur after 60 days following the mailing of the bank statement containing the unauthorized use and before the loss is reported.

(5) Abusive Collection Practices

The debt collection industry evolved in order to collect money from those who did not repay it. This industry is necessary for a society which thrives on credit, as a means for lenders to avoid passing on debts from borrowers in default to borrowers who pay their bills on time. However, debt collectors began engaging in abusive debt collection practices such as harassing phone calls, false or misleading representations, or contacting third parties about the debt.

Consumers now have rights regarding how their debt may be collected. Under the Fair Debt Collection Practices Act, which Congress passed in response to abusive practices by debt collectors, a debt collector may not contact a borrower before 8 a.m. or after 9 p.m., or at work, if the collector is aware that the consumer's employer does not approve of the calls. The legislation also prohibits debt collectors from harassing, lying, or using unfair practices when they try to collect a debt. Debt collectors must also honor a written request from you to stop further contact. Remedies under the Act include actual damages, statutory damages up to $1,000, court costs, and reasonable attorney's fees.

c. Consumer Leases

The Consumer Leasing Act (CLA), a 1976 amendment to the TILA, compels any party that leases personal property to consumers to comply with certain clear and conspicuous advertising disclosure requirements. The following terms in a lease ad trigger the disclosure requirements: a statement of any capitalized cost reduction or other payment required before or at lease consummation or by delivery if delivery takes place after consummation, or that no payment is required, or the amount of any payment. If these terms exist in the lease ad, the disclosures must state that the transaction advertised is a lease; the total amount due before or at consummation, or by delivery if delivery takes place after consummation; the number, amounts and due dates of scheduled payments; whether a security deposit is required; and in leases where the consumer's liability is based on the difference between the property's residual value and its realized value at the end of the lease term, that an extra charge may be imposed at the end of the lease term. Failure to comply with the CLA could result in cease and desist orders with fines up to $11,000 per day per violation, injunctions in federal district courts, and refunds to consumers for actual damages in civil lawsuits.

d. Buying a Home or Auto

Loans for buying a home or an automobile are typically secured debts, or debts that are tied to an asset. Therefore, if the borrower stops making payments, the lender can take the asset to which the loan is tied. Lenders can repossess cars or foreclose on homes if borrowers do not pay.

Most automobile financing agreements do not require the creditor to provide notice to the borrower before repossession. To get the car back, the borrower must pay the balance on the loan, as well as towing and storage costs. Often, it is better for a borrower to sell the car on their own to pay off the debt, rather than risk a negative entry on their credit report.

Many homeowners struggling to make mortgage payments are able to work out modified payment plans with their lenders, particularly in situations where the lender believes that the borrower is acting in good faith, and the financial strain is only temporary. If a borrower and a creditor cannot reach an agreement, the borrower can seek financial counseling from a housing counseling agency.

The Home Ownership and Equity Protection Act (HOEPA) provides additional rights to borrowers who obtain high-interest, high-fee loans, because these loans are extremely expensive and could result in a borrower losing their home if they are unable to make payments. A borrower qualifies for protection under HOEPA if the loan is a home equity loans, a second mortgage, or a refinancing secured by their principal residence, and if: 1) the loan's APR exceeds by more than 8 percent the rate on a Treasury note of comparable maturity on a first mortgage, or the loan's APR rate exceeds by more than 10 percent the rate on a Treasury note of comparable maturity on a second mortgage; and 2) if the total fees and points at or before closing exceed $499 ($499 was the rate for 2004, and is adjusted annually), or 8 percent of the total loan amount, whichever is larger.

Under HOEPA, a lender cannot offer credit on the basis of home equity without regard to the borrower's ability to repay the loan, and the creditor must provide certain disclosures at least three business days before closing. The lender cannot make a direct payment to a home improvement contractor, have a balloon payment due in less than five years, or require certain loan terms including prepayment penalties, increased interest rates at default, and due on demand clauses for situations other than default. A lender that has made a HOEPA loan generally cannot refinance the loan into another HOEPA loan within the first year, and cannot call a one-time loan a line of credit.

8. Privacy

Privacy is a central concern to consumers in the United States. Although the U.S. does not have a comprehensive federal privacy law, many federal laws contain provisions which focus specifically on protecting privacy in the consumer credit context. The Fair Credit Reporting Act (FCRA), discussed previously in this outline, is one example of a federal law which includes privacy provisions related to consumer credit information. Another example is the Gramm-Leach-Bliley (GLB) Act. The GLB Act restricts the ability of financial companies to share consumers' personal financial or credit information with unaffiliated businesses or individuals. The GLB Act also requires financial companies to disclose their privacy policies regarding financial and credit information to consumers.

The FTC plays an important role is helping to protect consumers' private credit information by enforcing laws such as the GLB Act and the FCRA. The FTC encourages consumers to file complaints when they believe their privacy has been violated, and the FTC has the authority to file lawsuits against businesses which break the promises that they make about protecting consumers' private information. The FTC likewise works to protect consumers from identity theft and deceptive commercial email offers (sometimes called "spam") through education efforts and enforcement actions. Both of these online dangers can have a harmful effect on a consumer's credit profile.

9. Conclusion

A healthy consumer credit system can play an invaluable role in a developing economy. A strong framework of legal protections, in combination with government support, can magnify the benefits which a consumer credit system generates for the private sector. Government must strive to balance the interests and rights of both creditors and consumers, since both groups are critical elements in a successful consumer credit system.