

## Chapter 73

# Chinese Internet Finance Credit Investigation Issue and Legal Countermeasures

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### **ABSTRACT**

*In recent years there has been a phenomenon of “Thirst for Credit Investigation Information” within China’s internet finance industry. To compensate for the new credit investigation demands that traditional measures of credit investigation lack, big data credit investigation has been widely recognized as a viable solution. Big data credit investigation however poses greater risks to the rights and interests of the information subject. In order to solve the existing problems associated with the data credit investigation industry, the author advocates that special laws and regulations be revised or formulated on the basis of balancing the rights and interests of the information subject with those of public interests. In the future, the combination of big data credit investigation system with blockchain technology may effectively solve the problems that are harmful to the rights and interests of the information subject, such as information-isolated island and information security.*

### **INTRODUCTION**

The operation of the modern financial system cannot be separated from the support of credit information. In order to cope with the dilemma this poses, there has been a resulting upsurge of big data credit investigation since 2015. The development of the big data credit investigation industry in China is still however still facing issues surrounding the infringement upon the rights and interests of the information subject; which needs to be actively solved.

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The main problems are as follows: (1) The isolated island of credit information caused by the lack of effective information sharing within big data credit investigation agencies; (2) While personal information is being excavated and utilized by multiple subjects, not only the connotation of personal information has changed qualitatively, but also the issue of insufficient protection of the rights and interests of information subjects has become increasingly prominent. In short there is a significant mismatch between big data credit investigation and China's existing credit investigation laws and regulations. In order to solve the above-mentioned problems faced by China's Internet finance industry in big data credit investigation activities, this chapter intends to discuss from the perspective of "Perfecting the laws and regulations of the big data credit investigation", and also points to future research directions of "Combining the big data credit investigation with blockchain technology".

## **BACKGROUND**

Big data credit investigation is often referred to as internet credit investigation or network credit investigation. Compared to traditional credit investigation agencies, the Credit Investigation Center of PBOC for example, has been widely used in the credit risk management of financial agencies.<sup>1</sup> By the end of May 2017, a total of 3,000 agencies had been connected to the database, which included relevant information of 926 million individuals, 23.71 million enterprises and other organizations, effectively solving the problem of information asymmetry and improving the convenience of public financing (Xinhua News Agency, 2017). However, it is difficult for the centre to fully collect information on the liabilities of people with debts outside financial agencies. To prevent the risk of credit default from moving across markets, industries or regions, it is necessary to cultivate some social credit investigation agencies outside the Credit Investigation Center of PBOC,<sup>2</sup> so as to build a diversified and comprehensive credit investigation system compatible with market demands (People's Bank of China, 2017). The big data credit investigation industry has been rapidly developing in China in recent years (Wang Qiang, Qing Sude & Ba Jieru, 2017). It is important to note that credit system based on the big data is only part of the Chinese credit information system, and it is still unable to replace the traditional credit information. For the complete evaluation of the credit status of a specific person, it is still necessary to combine the traditional credit report with big data, the credit report can then be completed. The importance of a credit system based on big data cannot be overemphasized nor can the importance of traditional credit reporting methods.

Big data credit investigation refers to the redesign of the, credit investigation model and algorithm by means of big data, cloud computing depth algorithm, mobile terminal, artificial intelligence and other new technologies. These then collect, sort, store and process the structured and unstructured data produced by individuals or agencies in the use of internet various services that then describe the "Portrait" of the credit subject and present the default rate and credit status of said subject, thereby forming the specific credit products and providing it to information users or directly applying it to a certain preset scenario (Liu Xinhai & Ding Wei, 2014). The establishment of credit investigation agencies in China and the acquisition of the corresponding licenses are bound by the *Regulations on Administration of Credit Investigation Industry*. Big data credit investigation activities in essence still fall within the scope of credit investigation business as defined by this regulation.<sup>3</sup> However, compared to the traditional credit investigation system, it has its own characteristics and can be a useful supplement to the traditional credit investigation system (Shi Mingsheng, 2017).

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