



Credit Reports and Credit Ratings

It is really important to understand your credit report and ensure it is in the best shape it can be before you apply for credit.

Whenever you apply for credit in its many forms – mortgage, credit card, personal loan, mobile phone contract, some utilities - the Lender will usually check your credit report.

Your credit report may also be viewed by employers and other institutions with your permission.

- A **good credit** report means **higher likelihood of finance** and **cheaper** finance
- A **poor credit** report means **higher costs** and **less likelihood** of getting credit. Also any failed applications for credit will further impair your ability to get credit.

So what is a credit report?

There are a number of credit reference agencies –Experian, Equifax, CallCredit (trading as noddle).



EQUIFAX



They create a credit report using:

- details from banks, credit card companies and other lenders of the **debt outstanding** for each customer and **if payments are made on time**.
- **electoral roll** information, address history, CCJs, bankruptcies and voluntary arrangements, **financial links** with other people eg joint credit applications,
- details of **all the credit applications** you have made and if these have been accepted or rejected.

How is a credit rating determined?

A credit rating is an assessment of how likely you are to repay debt in combination with the type of customer a Lender wants. How this is calculated **varies between Lenders**.

The credit reference agencies also calculate their own indicative rating scores. These will not be the same as the Lender's scores but may be broadly similar.



Loan Applications

When you request a loan **quotation** this **does not** impact your credit rating.

When you **submit your application** to the Lender for any form of credit this will be **recorded** on your credit report.

Making lots of applications for credit in a short period and having multiple rejections for credit are likely to lower your credit rating and result in less likelihood of future credit being granted

If you are refused credit the Lender should tell you why they have refused credit and whether it is based on your credit report. They should also give you details of the credit reference agencies they have consulted

How to improve your credit rating

- ✓ Make sure you are on the electoral roll
- ✓ Make payments on time or contact the lender as soon as possible if you will miss a payment
- ✓ Check your credit file and correct any inaccuracies including ensuring all your debts are registered to your correct name and current address
- ✓ If you split up from someone you have had joint credit with, contact the credit reference agencies to delink your record
- ✓ Cancel unused credit cards and store cards
- ✓ Space out credit applications including mobile phone contracts

<http://www.moneysavingexpert.com/loans/credit-rating-credit-score>

Viewing Your Credit Report

Your credit report is your data and usually other institutions can only view this information if you grant your permission.

You can view your credit report by going to the credit reference agencies website.

Your credit report will show which organisations have queried your report.

If information is incorrect you can contact the credit reference agency to ask them to correct it or add a note to your record.

See the below for more information on checking your credit report

<http://www.moneysavingexpert.com/loans/check-free-credit-report>



Other sources of information online

<http://www.moneysavingexpert.com/loans/credit-rating-credit-score>

<http://www.thisismoney.co.uk/money/cardsloans/article-1585131/Improve-credit-rating-history-score.html>

<https://www.moneyadvice.org.uk/en/articles/how-to-improve-your-credit-rating>