



**YOUNG FINANCE**<sup>®</sup>

A Young Group Company

**Advice Guide 1:**  
Credit Score

## Brush Up Your Credit Score

In the current market, it's vital to ensure that your credit rating is as healthy as possible. Lenders are being more cautious than ever and prefer to lend to those with the most squeaky clean credit history. So if you're considering applying for finance such as a mortgage or secured loan, it pays to make sure that your credit report is in the best possible shape.

The way that you've dealt with credit in the past is the way that lenders assess whether they want to take the risk of lending to you or not. They get this information from credit reference agencies such as Experian and Equifax and look at how you've managed loans, credit cards, store cards and mortgage repayments in the past to decide whether your application will be approved.

### **The Spring Clean**

The following simple steps should be used to improve your credit report before you make an application, to ensure that you stand the best possible chance of securing appropriate, affordable credit.

#### **1. Assert your right to vote**

As a protection against fraud, lenders use the electoral register to check that you are who you say you are and that you live at the address that you claim to. So if you aren't registered on the electoral roll – or haven't updated your details with your current address, lenders may need additional proof of your identity or refuse your application.

#### **2. Sever irrelevant relationships**

When you apply for credit, lenders are able to also check the credit reports of anyone with whom you are listed as having a financial relationship, in case their financial situation makes it difficult for you to meet your repayments. This includes anyone that you have a joint mortgage, credit card or bank account with. So if you are separated or divorced, make sure you tell your lender and the credit reference agencies as soon as possible.

#### **3. Manage your credit cards**

Lenders will look at your credit card status and how you manage your available limits. If you have a limit of say £10,000 and are constantly near or at this limit, lenders will grade your credit score lower than someone who has a £10,000 limit but only ever has a maximum balance of say £1,000-2,000. Being able to prove that you can manage credit effectively and are not constantly using up all of your available limit will stand you in good stead.

It is also advisable to set up a direct debit payment for your credit card to ensure that there are no late payments - or worse - any missed payments. This will affect lender credit scoring and can result in an application being declined.

#### **4. Get yourself a reputation**

If you're a first time buyer and have never had a credit card or loan, it makes it difficult for lenders to establish that you have a good history of meeting repayments.



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So if you're a first time buyer thinking of applying for a mortgage, consider taking out a credit card six months prior to making an application. Using it and paying off the balance in full each month will build some basic credit history.

## **5. Eye the detail**

Ensure that your report accurately reflects your current circumstances. Keep a watchful eye for rogue accounts or charges caused by identity theft or fraud and for duplicate entries that result in duplicates of your unpaid balances. Lenders may not always update the credit reference agencies straight away, so if your circumstances change or you notice information that is outdated, ask your lender to inform Experian and Equifax immediately.

## **Maintain a Healthy Credit Score**

A spring clean is all well and good, but follow these steps to keep your credit score in tip top condition:

### **1. NEVER miss the mortgage!**

Missing a mortgage payment is considered by most lenders to be a cardinal sin, and is more serious than missing a payment on any other form of credit. But no matter who the lender is, if you're having difficulties in meeting repayments, speak to them as early as possible and they will help to work out a payment schedule that you can afford.

### **2. The whole truth and nothing but the truth**

Make sure that information you provide on applications is accurate and truthful. Inconsistencies can have a negative effect on your credit score when lenders uncover inaccuracies, and may be considered to be fraudulent.

### **3. Enquire without a trace**

When you're at the stage of just researching loans, credit cards, mortgages or other lending, be sure that you don't unwittingly allow lenders to make an application and search your credit report. Lenders should not access your credit history until you expressly request them to and when they do, it will leave a trace on your report. When lenders see a number of these they may think that you are desperate for as much credit as possible or that fraudulent activity is being planned.

### **4. Get it settled**

If you have defaulted on credit or had a County Court Judgment (CCJ) against you, it will be noted on your credit report. Even once 'settled', some lenders restrict their lending to those whose CCJ or default has been logged as settled for 12 months or more with the credit reference agencies. In which case, it is important that as soon as the status becomes settled, you ensure that your lender informs the credit reference agencies and that your credit report is updated accordingly.

### **5. Keep a watchful eye**

Just as you should always keep an eye on your bank and credit card statements, make it a habit to take a look at your credit report. It changes constantly, so it's important to ensure that it remains accurate and up to date, that no one is running up debt in your name and that the correct information is being passed to the credit reference agencies by your lenders.

Understanding and proactively managing your credit history can help you get the best access to finance deals.