

A black calculator with red 'C' and 'AC' buttons is positioned in the top left corner. A silver pen lies diagonally across the bottom right of a credit report document. The document features a blue header 'Credit Report', a box containing 'Your Credit Score: 680', and a color-coded scale from red to green. A green speech bubble with '680' is placed on the green section of the scale. Below the scale, a 'Credit Score Range table' lists categories: Excellent, Good, Fair, and Certain.

The Hoot Credit Union Guide to Understanding Credit Reports and Scores

What is my credit report and how is my score calculated?

When you apply for a credit product like a loan, a **credit check** is done. This means the lender looks at your past history of managing credit to try and predict the risk of you paying back what you owe without any trouble.

The information they look at is put together in a **credit report**.

Your **credit report** contains your **credit history**: a record of repayment of debts and your financial standing. This can include things like loans, mortgages, credit cards, store cards, mobile phone contracts, bank accounts and utilities like gas or electric.

It contains details about your past borrowing behaviour and gives a **credit score**.

This score shows how you manage any debt you already have, and indicates whether you are likely to manage more debt or repay your loan.

A **credit score** is created using a set of rules which take information from your credit report. It can help lenders like Hoot assess your creditworthiness (how well you repay and manage your debts).

The credit score varies. The higher the score the more likely that you will be considered low risk and therefore given a loan, or viewed favourably by a potential employer or property landlord.

A poor credit history counts against you, but so having little or no credit history as it makes it difficult for the lender to predict if you are likely to repay.

If your credit score is poor you may be offered loans at a higher interest rate than those with a good score; or you may not be offered any credit at all.

Get your report

There are three main credit agencies that each have different types of credit scores.

Transunion (Credit Karma)

Equifax (Clearscore)

Experian

You can get your report FREE from each agency by visiting their website.

These agencies also offer access to reports on a monthly basis, but these come at a charge.

It's best to check all three reports at least once a year, because they all have an impact.

www.transunion.co.uk

www.experian.co.uk

www.experian.co.uk

What will not appear on my credit report?

Your score is a representation of how you manage financial responsibility, not a testament to you as an individual.

Things like age, ethnicity, religion and marital status are excluded in the calculation of your score.

Your employer, salary and occupation are likewise not included in the equation.

Also not included would be any medical information or criminal record.

What does a lender look for on a credit report?

Searches and applications

The number of credit checks done in the past year because you have made lots of applications for loans, phone contracts or other credit.

Searches also include addresses you are linked to.

A lot of these in a short period of time may reduce your credit score.

Payment History

A big part of your credit score is that it shows your payment history and how well you manage your finances. Keeping up with payments helps improve your score.

If your report shows a lot of missed payments, or defaults, it looks like you are not managing the debt you already have and will lower your score.

Amount of credit

Your report will show details of any loans, credit cards or other credit you have taken in the past six years.

If the total amount of debt, (not including a mortgage), you have is more than 35% of your annual income, we would consider you to be over-indebted, i.e. have too much debt.

Debt arrangements

If you have any County Court Judgements (CCJs, Individual Voluntary Arrangement (IVA), Debt Relief Order (DRO), Debt Management Plan (DMP) or Bankruptcy, this will show on your credit report and will have an effect on your ability to get more credit.

Not being able to lend to someone already on a debt arrangement.

Bank and utility accounts

Bank and building society accounts you hold including any mortgages, overdrafts, insurances, bank loans or bank credit cards.

The report also shows utility accounts like gas or electric.

Changing your bank or utility accounts frequently can lower your score.

Electoral roll and address details

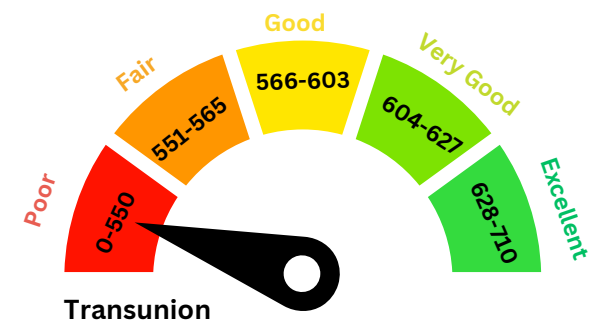
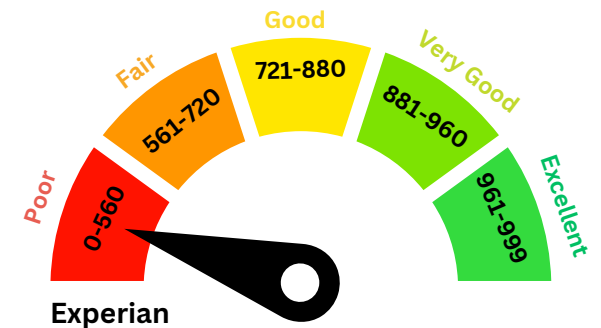
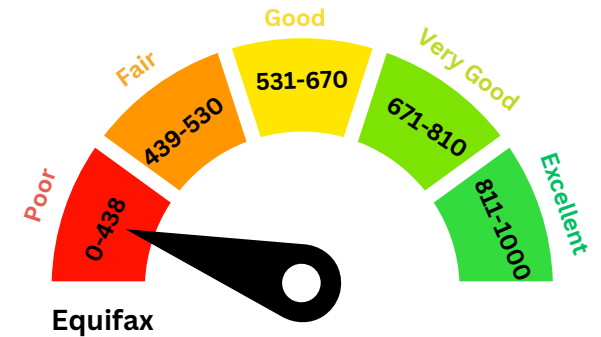
Credit reference agencies use your address to confirm your identity and to match any credit information they have about you.

It will also look to see if you are registered on the electoral roll, which is another way of verifying your ID.

Frequent changes of address will have a negative affect on your score.

Credit reference agency score ranges (May 2023)

Different credit reference agencies use different scores. Below gives the ranges of the three main agencies and what they mean.



Keep a check on your score

A credit reporting agency needs a track record of how you've managed credit before it can calculate a credit score. Typically, six months' worth of activity will provide enough information to generate a score. As your credit history increases, your score might rise or fall based on how you pay your bills over time.

Check your credit score regularly with a monitoring service, but don't let minor fluctuations stress you out. Your credit score is just a snapshot of how you're managing your credit at a particular moment in time. Paying your bills on time, maintaining low balances and not taking on too much debt can help to rehabilitate your credit profile, resulting in a higher score.

Remember, one of the best ways to keep your score healthy is to only borrow what you can afford.

Getting into trouble with debt may lead to things like County Court Judgements (CCJ), an Individual Voluntary Agreements (IVA) or even bankruptcy.

These things will stay on your credit report for at least six years and will have a significant, negative impact your credit score.

Five tips to improve your credit score

1

Make sure you are on the electoral roll, and update this when you move house.

2

Don't make multiple applications for credit in a short period of time. Too many searches makes you look 'credit hungry'

3

Avoid keeping high balances on your credit card and make sure you make regularly monthly repayments for more than the minimum amount.

4

Close down unused credit cards and cancel old agreements. Check your report regularly so you know it is up to date.

5

Monitor your credit report regularly to check for errors or fraudulent activity