

Your Credit Decision Explained

Assessing applications for credit

Credit scoring is used because lenders want to make sure you do not borrow more than you can afford. When considering your application for borrowing, we will assess your financial circumstances. To help us to do this, we may assess applications using a process called credit scoring.

How does credit scoring work?

Credit scoring is the system most major banks and finance companies use when considering applications for borrowing.

It takes account of information you provide in your application, any information we may already have about you, and any information we may get from other organisations such as credit reference or fraud-prevention agencies. When we use information from other organisations, we will tell you who they are.

The credit-scoring system gives points for each piece of relevant information and adds these up to produce a score.

If your score reaches a certain level, we will generally accept your application. If your score does not reach this level, we may not accept your application. We may sometimes use scores worked out by credit reference agencies when considering your application.

The points are based on a thorough analysis of repayment histories over many years. This allows us to identify characteristics that predict how likely someone is to pay back a loan.

We also have lending policies, which reflect our commercial experience and needs. These policies set limits and conditions concerning how we will lend.

Every credit or loan application involves a certain level of risk to us, no matter how reliable or responsible you are. Credit scoring allows us to work out the level of risk for each applicant, based on the information we have. If the level of risk is too high, we will not accept the application.

This does not mean that any applicant we have turned down is a bad payer. It simply means that based on the information available to us, we are not prepared to take the risk of providing the credit applied for.

Lenders do not have to accept an application. Each lender applies its own policies and has different scoring systems, so applications may be assessed differently by different lenders. This means that one lender may accept your application but another may not.

If your application is turned down, details of this decision are not shared with credit reference agencies.

Is credit scoring fair?

We believe that credit scoring is fair and unbiased. It builds up a profile of your borrowing behaviour. We test our credit-scoring methods regularly to make sure they continue to be fair and unbiased.

Responsible lending is essential for the good of applicants and lenders. The Financial Conduct Authority, which regulates credit, agrees that credit scoring helps make sure that lending decisions are responsible.

What happens if my application is turned down?

If we cannot accept your application, we will explain, if you ask, the main reason why you have not met our lending criteria.

For example:

- you may not have passed our credit score;
- You may not have completed all the information necessary to assess your application; or
- one or more of the credit reference agencies may have information about you which may have influenced our decision; or
- we may have a specific policy which results in our decision. For example, we will not lend to you if we feel your level of income suggests you may have difficulty repaying further credit comfortably.

If we refuse your credit application and information from a credit reference agency search contributed to our decision, we will give you the contact details of the agency so that you can get a copy of the information they have about you.

You may also ask us to consider our decision again. In this case, we will generally ask you to provide us with extra information. If you would like us to consider our decision again, please contact us.

What types of information does a credit reference agency hold?

Credit reference agencies hold different types of information, such as information from the electoral register, details of any court judgments or bankruptcies in your name, a record of current and past credit commitments (for example, credit cards, loans, mortgages) that you have held in the last six years, and details of any searches of your credit file.

To get a copy of your credit file (the report lenders see when checking your creditworthiness), contact the credit reference agencies using the contact details listed at the end of this booklet. The credit reference agencies offer instant on-line access to your credit file via their websites. If you ask for a copy by writing, you will need to send the fee of £2 (cheque or postal order) and provide your full name, date of birth and all addresses you have lived at during the past six years.

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We will tell you, if you ask us, the credit reference agencies we have used when considering your application.

How to improve the information held in your credit file

Being granted credit can be important, and being refused is frustrating. So how can you improve your chances of being approved for credit?

Keep up to date with existing credit.

Paying your existing credit card and loan repayments on time will show that you're likely to be able to meet future credit payments.

Be patient not persistent.

If you're refused credit for a product or service, don't keep on reapplying as this may lower your score. Wait a couple of months before making further applications.

Get yourself on the electoral register.

Banks, finance companies and retailers carry out this standard check to make sure you are registered at the addresses you provide.

Don't leave out previous addresses.

If you've moved a lot in the last three years, don't be tempted to leave out any previous addresses. This could be seen as an attempt to conceal unpaid credit at that address and may be treated as suspicious.

Be honest about your credit history.

If you've been in difficulties in the past and not been able to meet your repayments, or you've got county court judgments against you, make sure you disclose all the relevant information as it can easily be traced.

Settle bad debt.

Although unpaid credit and county court judgments will stay on your file for six years, they will be marked as settled once you pay the debt. This could be taken into account when you're making future applications.

Get the facts.

If you're still puzzled by being refused credit, contact a credit reference agency to get a copy of your credit file. This will show you all the information about you that lenders and retailers can see. The agencies must give consumers copies of the information they hold.

Dispute any inaccuracies.

Once you have your credit file, check all the details carefully. If you find any incorrect information, tell the agency. You can also add a note to your file, to explain any special circumstances.

Credit Reference Agencies

Callcredit plc
Consumer Service Team
One Park lane
Leeds LS3 1EP
Phone: 0330 0247574
www.callcredit.co.uk (consumer services team)

Equifax Ltd
Customer Service Centre
PO Box 110036
Leicester LE3 4FS
Phone: 0800 014 2955
www.equifax.co.uk

Experian
Credit Expert
PO Box 7710
Nottingham NG80 7WE
Phone: 0844 481 8000
www.experian.co.uk

Calls may be recorded. Calls charged at basic rate. The number provided may be included as part of any inclusive call minutes provided by your phone operator.