



# A guide to credit scores: What could affect your credit score and things you can do to improve it

Credit reports look at your borrowing history and how you've managed to pay back any money you've borrowed in the past. They're put together by the three main credit reference agencies in the UK; TransUnion, Equifax and Experian.

Every time you borrow and repay money, your credit score builds up in the background based on your credit history and habits.

A credit score can range from 0 to 1,000, depending on the agency, and is worked out using the information in your report. Each agency might have slightly different credit scores for you and their own levels of what they rate as a 'poor', 'fair', 'good' or 'excellent' credit score.

What they all have in common is that they offer similar perspectives on how lenders may view you when you're looking to do something that involves credit – applying for a loan, credit card, mobile phone contract or securing a mortgage deal.

## Why your credit score is important

The higher your credit score, the better you may look to a bank, building society, credit card company or other lenders. Your score can help you understand how lenders might assess how risky it would be to lend you money and whether you're reliable when it comes to paying it back, as well as deciding how much interest you'll pay and what your credit limit could be.

Lenders also have their own processes and consider factors besides scores to help make their decisions about you – so just because you're turned down from one doesn't mean another will.

**“The higher your credit score, the better you may look to lenders.”**



If you would like to find out more about financial protection, get in touch. One of our specialist advisers will be happy to help.



### What can affect your credit score?

It's normal for your credit score to move up or down, but it's a good idea to check it regularly to make sure it isn't changing too much, as this could be due to inaccurate information in your credit report, or even due to someone fraudulently using your details.

The way you work with and use your credit can affect your score. It could be a change to your credit card balance, opening a new account somewhere, closing an account or simply making (or missing) a payment on a credit card. Other factors include your payment history, presence of any public records (like bankruptcies) and your credit usage, including if you're keeping your debt to manageable levels.

**“Only use your credit card for purchases you can afford so you’re in a stronger position to make your required payments every month.”**

The age of your credit accounts matters too, as it shows your experience in managing credit. Your credit limits and how much available credit you have access to can affect your score, along with any new account openings; making many credit applications at once may signal to lenders you need money.

### Getting your credit report and score

You're legally entitled to access your statutory credit report for free – online or by post – by requesting them directly from each of the three main credit reference agencies. To find out your credit score, try Credit Karma, TotallyMoney or sign up for a trial with checkmyfile.

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### Six ways to improve your credit score

**01** Pay your bills on time, to show lenders you're reliable at paying things like your rent or mortgage, utility and credit card bills.

**02** Only use your credit card for purchases you can afford so you're in a stronger position to make your required payments every month. Avoid using the maximum credit limit on your card – aim for a limit of a smaller portion of your total credit limit.

**03** Use your credit card responsibly. Keep your oldest credit accounts open because having established accounts in good order shows lenders you're experienced and reliable when it comes to managing credit.

**04** Avoid withdrawing cash using your credit card. Lenders could see this as a red flag, and it can also be expensive.

**05** Correct any errors on your credit report by writing to the agency concerned. These could include an incorrect address, letting them know you're no longer linked to a joint bank account, or flagging any credit activity that hasn't come from you.

**06** Put yourself on the electoral register. Registering your details on the electoral roll helps lenders quickly verify your identity if you want to take out a loan.