

GUIDE NO. 1: Credit Ratings, Reports and Blacklists.

This ClearDebt guide provides:

- Information about your rights to information about your credit rating
- Contact details for the main UK credit agencies
- Sample letters you can use to get a copy of your credit report

Your Rights: Under the Data Protection Act 1998 you should be told, unless it is already obvious, if the files of a credit reference agency are to be searched when you apply for credit.

In most cases you should be told if a credit reference agency receives information about you from a lender: They should let you know who they are and how your information will be used and disclosed - normally the lender will tell you all of these things when you apply for credit. The name and address of the agency which has been used will not always be on the application form but it will be made available to you free of charge if you ask. You can write to the lender (see bottom of page) or you may be given a phone number.

If you do not want to contact the lender, you can apply directly to the credit reference agencies for a copy of your credit reference file.

Are you Credit Blacklisted? There is no such thing as a blacklist. There is just a list and some people on the list are more likely to get credit than others: Credit reference agencies only display factual information about people, most of which is provided by lenders.

Credit reference agencies do not offer opinions about whether you are likely to repay credit. Lenders make their decisions using credit scoring based on information held by credit reference agencies, additional information you may have provided and their own internal procedures.

Your Right to See Your Credit File: You can ask to see the information credit reference agencies have about you at any time. You do not have to be refused credit first.

You have the right at any time to ask them in writing for a copy of your file (Costs £2 administration fee).

It is a good idea to keep copies of any letters you write and to have a proof of posting or recorded delivery number. They may be useful later if there is a disagreement about your file.

The agency you contact may ask for more details to help them find all the information they hold about you and before sending the file out, to check that you are who you say you are. Otherwise they must send you your file within 7 working days from the receipt of your letter or tell you that they hold no information about you. You can only ask for information about yourself.

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Self-employed or in partnership? You are also entitled to information if you run a business as a sole trader. You can get this information at the same time as you request any data held about you as a private individual - just give your businesses' name and address when you write. Under the Data Protection Act you will be entitled to any separate information that may be held about you in your business capacity.

If you are in a business partnership you can also ask for a copy of your file. But, since you are entitled to this information under the Consumer Credit Act the Office of Fair Trading regulates your right to this information. Requests from partnerships should be sent to the Director General of Fair Trading.

Limited companies do not have any rights under the Data Protection Act 1998 or the Consumer Credit Act 1974.

Correcting Errors: You can require a credit reference agency to put a notice (up to 200 words) on your file explaining why you think information on your file is misleading or why you got into debt.

This notice will then be seen by anyone reading your file. Computers makes most credit decisions these days. But, if there is a Notice of Correction on your file, your application must be referred to a real person, who will decide whether your application is approved).

Credit Score: What's in your credit file defines your credit score.

What is a credit score? A score is a snapshot of your credit risk picture at a particular point in time. The higher the score, the lower the risk to the lender.

How are credit scores calculated? Every score is individual and calculated using a mathematical formula that evaluates all the information on your credit report, compared to patterns in millions of past credit files. The score then identifies your level of future credit risk.

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Important factors in a credit score: Most credit score and credit rating agencies use five main factors to determine your credit score. These are:

- Payment history,
- Amount owed,
- Length of credit history,
- New credit,
- Types of credit in use.

The factors above are listed in the usual order of importance applied by the agencies. The weighting used will vary between credit rating agencies but not by much.

Why do lenders use scores? Scores provide a guide to future risk based on credit report data. The higher your score the lower the risk lenders think you will be when offering new credit.

Debt Consolidation Loans often require a good score: Don't wait till you have missed lots of payments to ask for help. Many of the cheapest lenders seem far less keen to lend money to repay other people's debts than they are to help you buy something tangible such as a car or household appliances.

Does everyone have a credit score? Anyone who has had credit will have a credit file. For a score to be calculated on your credit report, it must contain at least one account that has been active for more than six months and one account that has been updated in the past six months. This ensures that there is enough recent information to compute an accurate score. Your score will not be calculated if there is a fraud statement on your credit file.

How often does the score change? Both your existing creditors and any new companies who are supplying you with credit update your credit file all the time.

Why is my credit score poor? The top six factors that can damage your credit score are detailed below.

Bad Credit History: Your history makes up about one third of your credit score. Missed and late payments will reduce your score. County Court Judgments or defaults on your credit report have a big negative impact. Negative entries stay on your credit file for 6 years, but the impact of missed and late payments reduces over time. If you have been making payments on time for at least the last 12 months those negative entries will begin to have less influence on your score.

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At current address less than 3 years: You'll get negative scores if you've had many addresses in the last 3 years or if you have been at your current address for less than 6 months. This means that tenants are most likely to be hit by this scoring criterion.

Your score will be higher if you have been at the same address for more than 3 years. There may be some impact if you have had two addresses in the last 3 years, but probably less for a homeowner than a tenant

Lack of Employment continuity: Lenders are looking for someone who has had the same job for a number of years. Having had two employers in 3 years or changing jobs for more money will usually not cause any problems. Periods of unemployment between jobs and having had 3 or more jobs in the last 3 years will adversely affect your credit score.

By the way, it's better to have been in a new job for a few months before applying for credit as lenders often ask to see recent pay slips.

Multiple Credit Applications: Your credit file is updated every time you apply for credit. Many applications in a short space of time may be perceived as being from someone desperately trying to obtain credit – in these circumstances your score will go down.

A single credit application every month or two has little impact on your file. If you have recently been declined for credit, it is advisable not to make any new applications for 6 months.

No or New Bank Account: You get maximum points if you have been with your bank for a number of years. Having only recently opened your current account will reduce the score. Not having a bank or current account is worse.

Not on the Electoral Register: Not being registered to vote at the address on a credit application, decreases your score.

Same surname and same address with bad credit: The credit record of anyone with the same surname at the same address is taken into account, which can have a positive or negative impact. This even applies if the person moved out before you moved in.

Where to write: You can order your credit file on the Internet or by telephone. The main agencies details are:

Equifax Plc
Credit File Advice

Experian Limited
(tel: 0870 241 6212)

Callcredit plc (tel
0870 060 1414)

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Centre
PO Box 1140
Bradford
BD1 5US
www.equifax.co.uk

Talbot House
Talbot Street
Nottingham
NG1 5HF
United Kingdom
www.uk.experian.com

Consumer Services
Team
P O Box 491
Leeds
LS1 5XX
www.callcredit.plc.uk

What to write:

Step 1: Use this example letter to ask your loan provider which credit reference agencies they used.

<p><Your Address> <Here> <Postcode> <Lender name> <address> <postcode> <Date></p> <p>Dear Sirs,</p> <p>Data Protection Act 1998</p> <p>Please provide me with the name and address of any credit reference agencies that you have asked to provide you with information about me.</p> <p>I expect a reply within 7 working days of you getting this letter.</p> <p>Yours faithfully</p> <p><Your signature ></p> <p><Your Name></p>
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Step 2 – Once you know which credit reference agencies were used, send letters based on this example on each credit reference agency:

<p><Lender name> <address></p>	<p><Your Address> <Here> <Postcode></p>
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<postcode>
<Date>

Dear Sirs,

Section 7 , Data Protection Act 1998

Please send me a copy of any file you have containing information that has an effect on my financial standing.

I enclose a postal order/cheque for £2.

My details are as follows:

- forename, middle name and surname (and maiden name if appropriate – plus any other name you have been known by)
- date of birth
- current address, including house number/name, street name, district, post town and postcode
- Any previous addresses lived at during the last 6 years. (List all addresses separately including house number/name, street name, district, post town and postcode)

I expect a reply within 7 working days of receiving this letter.

Yours faithfully

<Your signature >

<Your Name>