

Credit & Debt News

10 Ways to Improve Your Credit Score



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Like the judges in the BBC's *Strictly Come Dancing*, lenders can be demanding - they may penalise those with imperfect credit histories Photo: BBC

Banks, building societies and credit card companies are becoming far more picky about who they will lend money to – they often offer their best deals only to those with a squeaky clean credit history.

Like the judges in the BBC's *Strictly Come Dancing*, they may give their approval only to those who can turn in a flawless performance.

But before you apply for a mortgage, credit card or personal loan there are steps you can take to improve your credit status and encourage lenders to look more favourably at your application.

Even those who consider that they have a good credit history should request a copy of their credit file to ensure that all information held on you is both accurate and up to date. Credit files are available for just £2 from the two main credit agencies, Experian (www.experian.co.uk) and Equifax (www.equifax.co.uk), and should be checked regularly.

There is another reason why borrowers should check their credit file regularly: to ensure that their details are not being used by a third party for identity theft. If you do spot discrepancies, alert the lenders concerned at the earliest opportunity.

Neil Young of Young Group, the property management company, says: "Potential borrowers should look to spring-clean their credit report to ensure it is in the best possible shape, and then take care to maintain their credit status in future."

The following tips should help.

THE SPRING CLEAN

1. Assert your right to vote If you aren't on the electoral roll, or haven't updated your details after moving house, lenders are likely to give you a wide berth. They use this register to protect themselves against fraud and check that you are who you say you are. You can find out how to register at www.aboutmyvote.co.uk

2. Sever old relationships When you apply for credit, it isn't just your details the potential lender will scour. It will also check the credit history of your spouse or anyone else with whom you have a joint bank account or loan. In some cases lenders make mistakes and also check the history of those who live at the same address, or may have in the past. This is why it is important to get a copy of your file to ensure that no one else's poor credit history is dragging your score downwards. If you are divorced or separated, make sure your ex's details are expunged as soon as possible.

3. Cancel out of date credit cards Many people switch cards frequently but fail to cancel old agreements even if they no longer use the card. But these lines of credit will still appear on your file, which can make lenders wary

about the potential size of your total debt – some may fear that you will "max out" these cards and then struggle to meet repayments.

Make sure the arrangements are terminated and that this is logged on the file. Likewise, if you do not need the full credit limit given on a card, ask your lender to reduce it. It may make you look a better risk when you come to remortgage.

4. Get yourself a reputation Lenders want to see that you have a record of managing credit sensibly. So if you are a first-time buyer consider taking out a credit card six months before making your mortgage application. Of course, you'll need to make sure that you pay off the balance in full each month, and on time, to avoid interest payments.

5. Scour the small print Ensure that you take a close look at all the information on your file to ensure it accurately reflects your current circumstances. Lenders may not always inform agencies of any changes straight away, so if you notice information is outdated ask your lender to inform Experian or Equifax immediately - or contact them yourself.

Keep a watchful eye for rogue accounts or charges caused by identity theft or fraud and for duplicate entries of your unpaid balances.

MAINTAIN A HEALTHY CREDIT SCORE

6. Never miss a mortgage payment This is a cardinal sin as far as lenders are concerned, and viewed more seriously than missed credit card or loan repayments. If you are struggling to make a mortgage payment, talk to your mortgage lender as early as possible; they may be able to switch you to an interest-only loan or lengthen the mortgage term to lower the monthly payment (although this will mean you pay more interest in total).

7. Ensure details are 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 and may be considered fraudulent.

8. Enquire without a trace When you're just researching loans, credit cards or mortgages, make sure that you don't unwittingly allow lenders to make an application and search your credit report. Some websites will allow you to compare loan prices, for example, without conducting a full credit check. 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. Lenders can get nervous if they see too many of these "footprints" on your file and may refuse credit as a result. This is because they can interpret multiple credit checks as evidence that you are desperate for as much credit as possible, or that fraudulent activity is being planned.

9. Settle old debts If you have defaulted on credit or had a county court judgement (CCJ) against you, it will be noted on your credit file. Even once "settled", some lenders restrict their lending to those who have had a CCJ in the past 12 months. Therefore it is important that, as soon as the status becomes settled, you ensure that your lenders inform the credit reference agencies and that your credit report is updated accordingly.

10. Include additional information Where necessary, add further information about previous credit problems. If such problems were after redundancy or divorce, for example, and your financial situation has since improved, you can add a note explaining this. Likewise, if you have been a victim of identity fraud in the past, make sure that any credit problems caused by this are removed from your file. If they are not your fault, they should not be there.

Remember that your credit file changes constantly, so it's important to check regularly that it is still accurate and that no one else is running up debt in your name.