



# How to improve your **credit score**

OUR GUIDE

# What is a **credit rating?**

A credit rating essentially shows how likely a typical lender would be to offer you credit.

When you apply for credit, such as a loan, credit card or mortgage, the lender tries to predict your future behaviour based on the way you've acted in the past. They will look at lots of different data to determine this, including how many applications you've made recently, how much you owe, what credit products you've had and whether you paid them all off on time.

# Do Covid-19 payment holidays affect credit files?

At the start of the coronavirus pandemic, lenders were offering coronavirus-related payment holidays on mortgages, credit cards, loans etc. to customers struggling to make repayments. If you applied for this, here's how taking one might impact your credit file:

- **The first six months of a payment holiday shouldn't be reported as missed payments on your credit file.**

But even if the payment holiday is not on your credit file, lenders can still find out about it in other ways. For example, they will be able to see that your mortgage balance isn't going down.

- **Further help after a six-month payment holiday will go on your credit file.**

Lenders are supposed to report any further 'forbearance', such as financial support like an extra payment deferral, after you've had six months of payment holidays to credit reference agencies. Your lender should let you know if the support they are offering you would affect your credit report.



## Register to vote

If you're not on the electoral roll, you could find it very difficult to get credit. The electoral roll is used to confirm that you live at the address given in your application. This acts as a key part of any identity check that lenders must carry out.

Experian claims that registering to vote can boost your score by as much as 50 points. You can register to vote online at any time through the register to vote website. It doesn't take long.



## Evidence of **Repayments**

Adding evidence of keeping up with repayments helps people build a credit history without having to enter into new credit agreements to enrich their credit record information. Whether this is paying off a mortgage or simply keep up with rent payments.

If you are renting a property, it is useful to know that previously, landlords didn't provide rent payment information to credit records. However, social housing providers, larger property management companies and private landlords can now add information showing that you're keeping up with rent payment information to Experian credit reports via the Rental Exchange scheme.



## Credit Building Card

If you have a poor credit history, you might want to consider getting a credit-builder credit card. These are cards designed for people who either have made little previous use of credit or who have a bad credit history. But credit limits on these cards are often low and the interest rates are high. This reflects the level of reassurance your credit file information provides to lenders.

However, by using these cards and paying off the bills each month, you can help prove you're creditworthy, and therefore increase your credit score. But it's important to know that the interest rates charged are much higher than standard credit cards.



## Fix Errors **on your File**

Be sure to fix any mistakes you may spot on your file. You can challenge them by reporting them to the credit reference agency. They will have 28 days to remove the information or tell you why they disagree with you.

During that time, the 'mistake' will be marked as 'disputed', and lenders won't be allowed to rely on it when assessing your credit rating. It's also best to speak directly with the credit provider you believe is responsible for the incorrect entry. Credit reference agencies rely on information provided by lenders, and the lender often is in the best position to resolve this.



# Consolidate **Debts**

If you have several outstanding debts, it could be to your advantage to take out a debt consolidation loan from a bank and pay them all off. Then you'll just have one payment to deal with. If you're able to get a lower interest rate on the loan, you'll be able to pay down your debt faster. This is a great way to improve your credit utilisation ratio and, in turn, your credit score.



Everyone should take time to manage their credit score, especially during this time of coronavirus uncertainty. It's no longer just about whether you can get a mortgage, credit card or a loan, it can also affect mobile phone contracts, monthly car insurance, bank accounts and more.

**If you have any concerns or require any advice, please do not hesitate to get in touch with our team of advisors.**



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