

CREDIT REPORTS EXPLAINED



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HOW YOUR CREDIT REPORT AFFECTS YOU

The contents of your personal credit report are very important, and help determine whether or not a lender accepts your application for credit, such as a credit card, loan or mortgage.

Your credit report can affect your ability to:

- Get a loan
- Get a credit card
- Obtain a mortgage
- Get the best credit deals

As the information held about you by credit reference agencies like Experian is used to help determine what credit you can obtain, it is important that those details are correct.

You can view your credit report online for FREE at:

http://www.dotcomallsorts.com/free_credit_report.php

WHAT INFORMATION IS CONTAINED IN A CREDIT REPORT?

Credit references agencies – the largest in the UK is Experian – collate information about your financial background and past behaviour and format this data into your unique credit report.

Lenders see this information when they decide whether or not to offer you a loan, mortgage or credit card. It influences their assessment of the likelihood that you will repay them.

Information comes from two main sources:

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- Public records, such as court judgements, individual voluntary arrangements and bankruptcies. Your credit report also shows whether you are registered to vote – lenders use this as a precaution against fraud, to check that you are who you claim to be and live where you say you do.
- Information from lenders and financial institutions, such as records of the number of loans you have and whether you have ever missed a repayment.

It's important that all this information is as up to date as possible and correctly reflects your circumstances. Then lenders will make the best-informed decisions – and you will get the right deal.

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WHY YOU CAN GET REFUSED CREDIT

Lenders turn down millions of applications every year. If you are one of the unlucky ones, you should be given an explanation. If not, ask for some guidance.

For example, you may appear to be carrying too much debt from other sources or your credit report rang alarm bells, perhaps because you had missed some payments on a previous loan. It may simply be that you do not fit the lender's profile for a particular loan.

You can always appeal against the decision. This may give you chance to provide further information. For example, your poor credit record may stem from a one-off event that no longer applies such as time off work you may have had during a serious illness or enforced redundancy.

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Finally, there's nothing to prevent you applying to another company. Different lenders may take a different view. But be careful how many applications for credit you make in the short term.

If you allow a significant number of companies to search your credit report, this could damage your credit rating as it could be interpreted to mean that you are desperate for money or possibly that someone is trying to commit fraud.

It is always sensible to check your credit report before making any further applications. That way, you can be sure that the information in it is up to date and correctly reflects your circumstances.

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THE CREDIT BLACKLIST MYTH

It has never seemed easier to borrow money, so if you do get turned down, the obvious question is "Why?" swiftly followed by the nasty suspicion, "Maybe I'm on a credit blacklist."

The good news is that you're not. In fact, there's no such thing as a credit blacklist. But there is a host of reasons why you might be rejected.

Your credit report has worried the lender:

This unique, personal record of your credit history could show that you already have a number of loans and the lender may be worried that you will not be able to repay another.

You may not fit the lender's profile:

For example, a credit card issuer may only give cards to people who already have fewer than three, or a mortgage lender may specialise in first-time buyers.

You are a non-standard credit risk:

According to Datamonitor, the independent market analyst, more than one in five adults in the UK are deemed non-standard. They may include the self-employed, others who cannot provide sufficient proof of income and people who have an outstanding county court judgment (CCJ) against them or have had their homes repossessed for non-payment of mortgage.

You move around:

Credit companies look for stability – for example, living at the same address for at least three years or having a long-term relationship with the same bank. So, if you move around a lot or switch banks often, this may tell against you.

Your credit score wasn't high enough.

Lenders generally base their decisions on a credit score, which they calculate using the information in your credit report and your application. Every lender has a different formula which can even vary from one type of loan to another.

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WHY CHECK YOUR CREDIT REPORT?

If anything in your report is out of date or gives a misleading picture of your willingness or ability to repay a loan, mortgage or credit card, it can affect your chances of getting the best deals. It can even lead to outright rejection by lenders.

For example, you may have separated from a partner who has since run up debts but, because you have still got a joint account, his or her payment behaviour could be affecting you. You won't see their credit data on your report but you will find a note of any financial association.

Or you may have shopped around for the best offer, without realising your enquiries have been registered as multiple applications. These should show as quotation searches. If they are down as applications, lenders could think you are desperate for money, have over-extended yourself or even that a fraud is being planned.

You could even discover applications and credit accounts in your name that you did not ask for. In that case, your identity may have been used fraudulently.

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HOW TO MAKE CHANGES TO YOUR CREDIT REPORT

There is a variety of information held on your credit report from a variety of sources. If any of it is wrong, it could affect your ability to get credit.

Here's how to correct the information held on your report...

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The electoral roll

If you have registered to vote and your credit file does not show this, please contact the credit reference agencies listed at the bottom of this article and they will investigate the matter. If you have not registered to vote, you may want to contact your local authority about filling in an electoral registration form.

If you move home you can tell your local authority who will tell credit reference agencies about your change of registration in the course of the year.

Court judgments

If you believe a county court judgment has been recorded incorrectly, you should contact the county court, quoting the case number included on your file. If the judgment was recorded incorrectly the county court will alter their records. Credit reference agencies are told about any such changes within four weeks, but if you give them original court documents, in the form of a Certificate of Satisfaction or Cancellation, they may be able to change their sooner if necessary.

If you have paid a Scottish Decree, you should send Registry Trust (address below) a receipt or a letter from your creditor (known as the pursuer) to confirm your payment.

If you write to Registry Trust Ltd questioning the accuracy of a judgment recorded on your file, asking for an entry to be changed, you should send a cheque for £4.50 to cover their search fee. They will then tell the credit reference agencies about any change to your file.

For judgments made in Northern Ireland, if you provide

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documents from a plaintiff to confirm a payment, the agencies will change their records. If you have any questions about the accuracy of a judgment recorded on your file, contact the court concerned.

Registry Trust Ltd.
173-175 Cleveland Street
London
W1P 5PE

Bankruptcies

If a bankruptcy order against you is annulled (cancelled) or discharged (that is, you have met all terms), you should send a copy of the Annulment Certificate or Order of Discharge to the credit reference agencies. They will then update their records. If your bankruptcy has been annulled they should completely remove any record of it from your file. If your bankruptcy has been discharged a record of it will be kept on your file but it will show that it has been discharged.

Voluntary arrangements

If you have any questions about a record of a voluntary arrangement you should contact the supervisor who dealt with your case. If you send documents from the supervisor to confirm that the information on your file needs to be changed, the agencies will change their records.

Credit accounts

After carefully studying the credit account details (credit cards, loans, mortgages, etc.) on your file, if you believe any information needs to be changed you should write to the lender concerned and ask them to give the correct information to the credit reference agencies.

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Searches

Credit reference agencies will delete searches only when they are instructed to do so by the company who searched your file. If you are concerned about the accuracy of a record of a search, you should contact the company which carried out that search.

Linked addresses

Links between your previous addresses, or any addresses you may use for correspondence, may be listed on your credit file. The link will only be broken when the reference agencies are asked to do so by the organisation that created the link.

CIFAS

If you have any questions about a CIFAS record, write to the organisation concerned. If you disagree with that organisation over the information on your file, ask the organisation for details of the scheme for settling disputes.

Financial associations (shared financial responsibility)
If a financial association is shown, and you do not share a financial responsibility with the other person, or if that financial association no longer exists, you should write to the credit reference agencies. They will investigate the matter and make any necessary change to your file.

Aliases

If any names are shown on your credit report that you have never used, you should contact the company listed as providing the other name, or write to the credit reference agency and they will investigate the matter and

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make any necessary changes to your file.

Information about other people

If you share no financial responsibility with any other person mentioned on your file you can ask the agencies to 'create a disassociation'. This breaks any connection between your information and theirs and so makes sure their information is removed from your file, and that your information is removed from theirs.

To do this you must give the agencies your, and the other person's, full name and date of birth, details of your relationship and any shared addresses.

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HOW YOUR CREDIT REPORT AFFECTS MORTGAGES

For most of us, buying a home means applying for a mortgage – and success or failure could depend on your financial history.

Your credit report is your personal financial history. It includes a wide range of information on your credit behaviour, from your credit cards and loans to your repayment record, previous mortgages and details of overdrafts.

The report also confirms whether or not your name is on the electoral roll at your current address and how many times your credit report has been searched.

Credit reference agencies – Experian is the UK's largest – hold this data on more than 40 million people and 24

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