Understanding **your credit information** and how lenders use it

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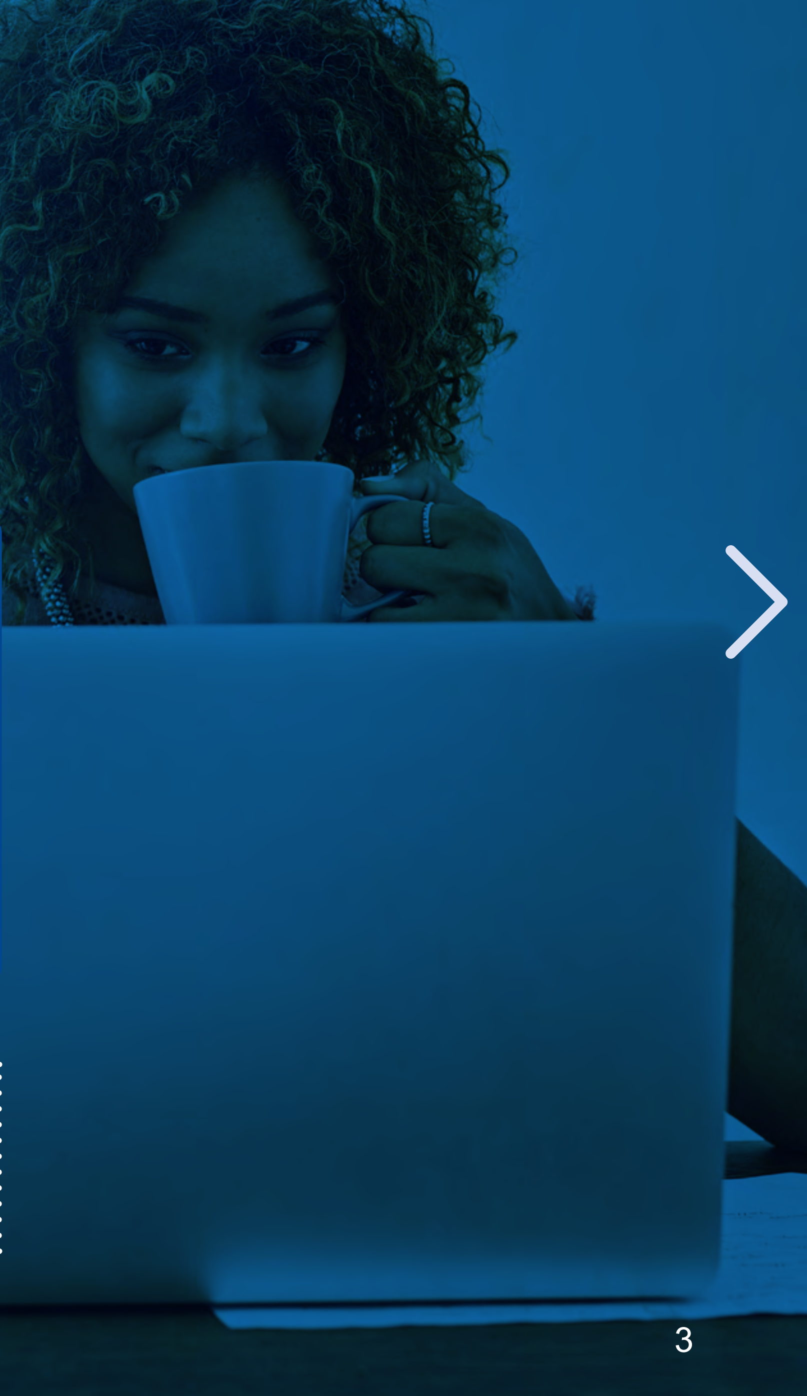
What does this guide cover?

This guide explains what information **lenders** use about you when deciding whether to give you **credit**.

It also explains what happens to the information after that if the lender opens an account for you. In this guide we will refer to this information as **your credit-related information**.



This guide covers:

- the different types of **credit-related information**, who can use it, how and for what, and the role it plays in the lending process;
- your **rights** about credit-related information; and
- what you should **expect from the organisations** that use it.

The guide mainly relates to lending **activity**. However, it also refers to other **sectors where goods or services are offered in advance of payment (click here to know more)**. Credit-related information used in other contexts not involving payments is not covered in this guide. To know more about these other contexts **click here**.

Why should you read this guide?

- To understand the role the credit-related information plays in the lending process
- To understand why credit-related information is a key factor in a lender's decision
- To understand what types of information lenders use and how
- To understand who can use your credit-related information
- To understand your rights and what you can expect from organisations that use your credit-related information

To understand the role the credit-related information plays in the lending process

When you apply for credit, you may want to understand the factors that lenders consider when deciding whether to accept your application. One of these factors is your **credit-related information**.

This information can play a key part in the type of credit you can get or whether you can get credit at all. **Credit-related information** is not only important when applying for credit but also during a credit relationship with a lender, for example, when a lender is deciding how to manage your credit account or adjust your credit limit.

This guide explains the role your **credit-related information** plays during the whole credit lifecycle including:

- when you are thinking about applying for credit or just want to learn about credit-related information;
- when you are selecting a product that meets your needs;
- when you apply for the product;
- after you make your final payment or close the account in some other way; and
- if you are unable to repay your account as agreed (for example, if you got into financial difficulties).

While your credit-related information plays a key role in a lender's decision, they will also consider **other factors based on their individual lending policies**. They could, for example, require that you need to earn more than £10,000 a year or have been a homeowner for more than three years to qualify for a specific credit product. These factors are not covered in this guide but you can always ask the lender if you want to find out more about their other lending criteria. Many lenders publish these details on their own websites and on comparison sites.

To understand why credit-related information is a key factor in a lender's decision

Before giving you credit, lenders want to know that you are likely to repay the money you borrow. To help them assess the **risk** of lending you money, lenders will look at certain credit-related information about you, such as your credit accounts.

Lenders are required to **lend responsibly**. This means that they need to assess not only the likelihood that you will repay the money you borrow but also whether you can **afford** to repay the credit. For example, if someone needs to cut back on essential living expenses to repay the new credit, this would not be affordable. Your credit-related information can also help lenders to assess how much credit you can afford.

If lenders did not fully assess both **credit risk** and **affordability** before giving you credit, and you got into financial difficulties, this could cause you harm. If unaffordable lending were commonplace, it would also harm lenders and the wider economy.

Credit risk and **affordability** are often referred to together as **creditworthiness**.

To understand what types of information lenders use and how

Information to assess your likelihood of repaying what you borrow on time (ie: credit risk)
To assess the likelihood of you repaying credit on time, lenders will look at how you have managed other accounts in the past, particularly your **credit commitments**. This will help the lender to predict how well you are likely to manage the credit you are applying for.

Over the last few years, information about other types of financial commitments has also proved to be useful for lending decisions. As a result, these are increasingly considered by lenders too, especially when information on past **credit commitments** is limited or unavailable.

This includes information about regular household bills such as service agreements (for example energy, water or mobile phone/ broadband contracts) as well as other financial agreements (for example rental).

This information can show how well you pay these bills in a similar way to your credit commitments. It also includes public financial information (for example court judgments and insolvency records) which is obtained from official public records.

Information to assess what amount of credit you can afford
To help lenders assess affordability, they will check:

- sources of income (for example, wages and assets such as property); and
- regular outgoings (such as living expenses and your other financial commitments).

Other factors
As mentioned earlier, when they assess credit applications, lenders will consider other factors depending on their individual lending policies. This means that:

- even if you pay all your financial commitments regularly, the lender may decide to refuse your application based on other factors; and
- your application may be accepted by one lender but refused by another using the same credit-related information because they have different lending policies.

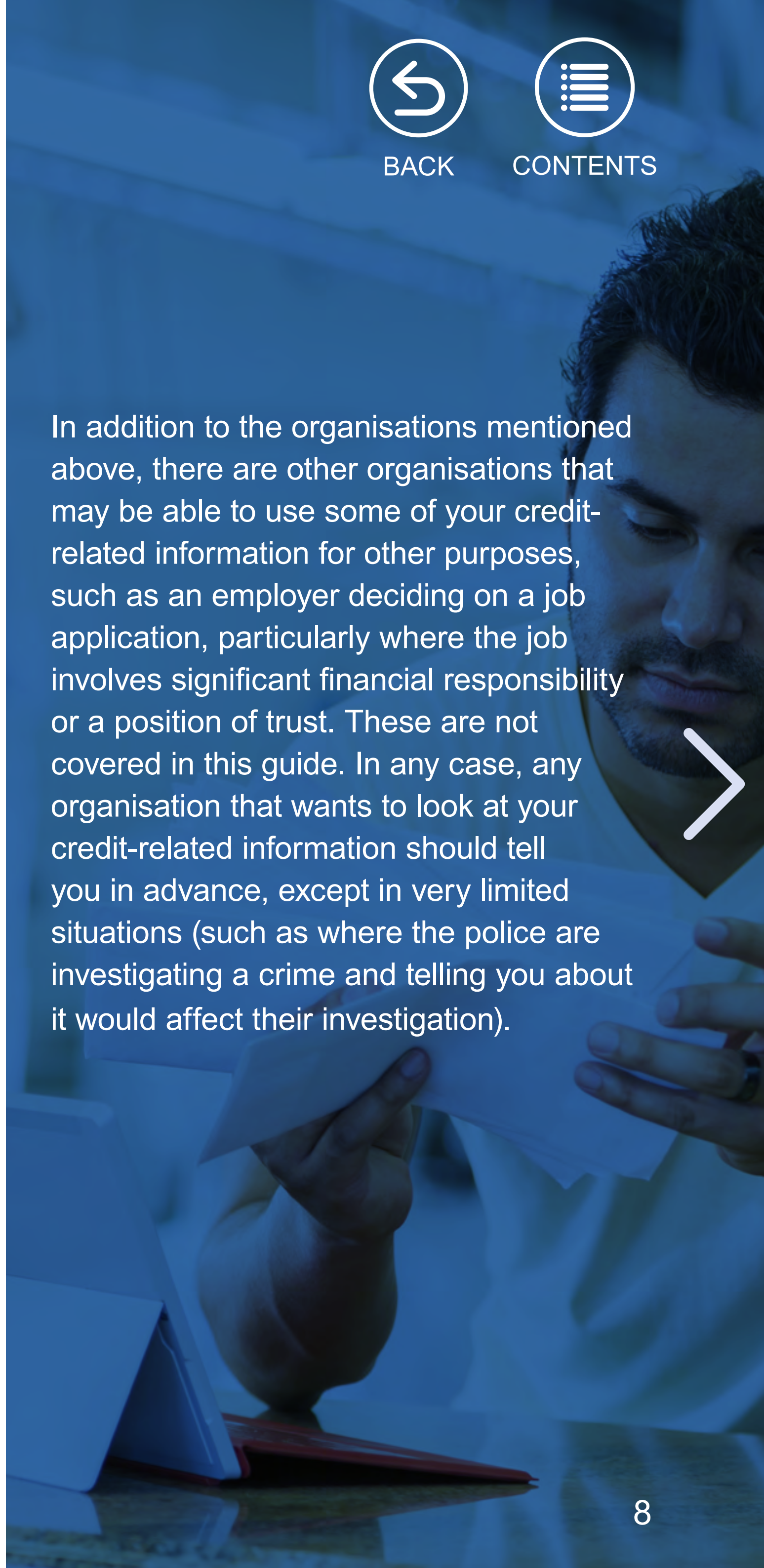
To understand who can use your credit-related information

When assessing your credit application, **lenders** (such as banks, building societies or credit card companies) will look at certain **credit-related information** about you to assess your **creditworthiness**.

Other firms that are not lenders can use the same information as banks and other financial lenders to help them decide whether to set up a payment contract for you.

These are **providers of goods or services** you typically receive up front and then pay for afterwards, often on a monthly contract. These include providers of certain household services (for example, telephone or energy firms) and certain other agreements (for example, a rental agreement with a landlord). They do not lend you money as banks do, but they still expect you to pay on a regular basis.

This is why these other providers may also want to see and use your **credit-related information**, so they can be confident that you will pay these bills regularly.



In addition to the organisations mentioned above, there are other organisations that may be able to use some of your credit-related information for other purposes, such as an employer deciding on a job application, particularly where the job involves significant financial responsibility or a position of trust. These are not covered in this guide. In any case, any organisation that wants to look at your credit-related information should tell you in advance, except in very limited situations (such as where the police are investigating a crime and telling you about it would affect their investigation).

To understand your rights and what you can expect from organisations that use your information

This guide aims to help you understand your rights about your **credit-related information** and how you can expect to be treated by those organisations that:

- collect, store and share it, such as credit reference agencies (CRAs); and
- can see and use it to make decisions, such as lenders.

CRAs are independent businesses that hold information about most adults in the UK to help lenders and other organisations to make informed, responsible decisions.

In each step of the lending process, you will find an explanation of:

- your **rights** about your credit-related information;
- the **principles** that guide CRAs when they use your data and what these mean for you and the wider population; and
- **what** CRAs do in practice to apply these principles.

What are the main steps when applying for credit?

	Steps	In this section, you will learn about:	FAQs
01	Deciding whether to apply for credit	• Credit reference agencies • Credit reports • Why credit reports are important	• Who can see my credit-related information? • How do I know who has seen information about me and why? • What are hard and soft search footprints?
02	Shopping around and comparing different credit products and prices	• Comparison websites • How they work • What eligibility means • Who can check your eligibility	• What is the benefit of knowing my eligibility?
03	Applying for credit	• How the application process works • Information you provide • Information a CRA provides	• Does making several credit applications close together damage my credit score?
04	Does the lender check my identity?	• Why identity checks are important • The information lenders use to check my identity	• What can I do if my credit report wrongly says I am not registered to vote? • How do I register to vote? • What can I do if I disagree with the published electoral register? • Can I stop commercial firms getting hold of my electoral register information? • What can I do if I fail a lender's electronic identity check?

Steps		In this section, you will learn about:	FAQs
05	What information do lenders use to help them decide?	• Creditworthiness checks • Credit-account information • Information on other financial commitments • Public information • Other type of information held by CRAs • How credit-account information and information on other financial commitments can affect a credit decision • How your credit report can affect a utility contract	• Can lenders refuse credit because my name isn't on the electoral register? • Could lenders refuse credit even if I have a good credit history? • How do CRAs keep my information safe?
06	Does the lender assess whether I can afford to repay the credit?	• What affordability checks are • What information is used to do an affordability check	
07	Does the lender use a credit score to help it decide?	• Types of credit scores • How scores are calculated • What happens if you get a high or low score • How scorecards are developed • Whether scores are used for purposes other than accepting or refusing credit • Improving your credit score	• What is a credit score? • Can I find out my credit score?
08	My application was accepted: what happens next?	• The information I should receive when a lender accepts my credit application • How long it takes for my credit report to be updated • How the new credit account affects my credit report	• Can I change my mind?

	Steps	In this section, you will learn about:	FAQs
09	My application was refused: what happens next?	• How to ask the lender to look at your application again	• Am I on a blacklist? • If one organisation has refused me credit will others do the same?
10	My application was refused: what other options do I have?		
11	I want to improve the chances of getting credit in the future	• Why it is important to regularly check your credit report • Checking your own credit score	• I am having problems keeping up with repayments. What should I do?
12	Can I offer extra information to support my application?		
13	Does my credit information matter after I have been given credit?	• How do lenders manage customers once credit has been granted	
14	I am a victim of fraud: what should I do?		
15	How do I find out more?	• Advice and information	

01

Deciding whether to apply for credit

You may be thinking about applying for credit to buy something (for example, a car or home). If so, there are three important questions you should consider:

1. Can I **afford** to repay the loan each month, now and in the future, especially if it is a big purchase?

2. Will the lender think I am an **acceptable risk**? In other words, will the lender be confident that I will pay back the money they lend?

3. What **interest rate** will the lender give me?

The lender will consider all of these questions. Banks and other regulated financial lenders must assess both **credit risk** and **affordability** before giving you credit.

To do this, lenders will ask you for some information (such as your income and savings), usually on their credit-application form. They may also get further information from a credit reference agency (CRA). CRAs may hold information about you in what is called your **credit report** (sometimes referred to as your 'credit file' or 'credit reference file').

Credit reference agencies (CRAs)

CRAs are businesses that do the following:

- Hold information about consumers: they gather information relevant to consumers' financial behaviour and circumstances
- Receive consumer repayment information, mainly from lenders: CRA databases are composed of information provided by lenders about their customers' financial commitments. They also take information from public sources, such as details about court judgments and bankruptcies. CRAs also hold and process repayment information provided by organisations that offer goods or services to people in advance of payment. This information not only helps lenders to lend responsibly but also helps these organisations to make **responsible decisions** when dealing with a potential or current customer.
- Process the information and provide it back to lenders: CRAs combine the consumer information they receive and provide it back to the lenders when they ask to see it (usually by carrying out a "search"). The information is typically provided in so-called **credit reports**
- Help lenders to "lend responsibly": by compiling and sharing relevant information, CRAs help lenders to understand whether consumers can manage their credit affordably, which helps them lend responsibly
- Do not make credit decisions: CRAs aren´t lenders themselves and do not decide which applications the lenders should accept or refuse. It is always up to the lender.

CRAs provide services to:

- lenders: CRAs provide credit-related information and products and services derived from this information, including **"credit scores"**, to help lenders assess credit applications. CRAs also provide other services to lenders, including helping them build their own **credit scorecards**, helping to monitor and predict markets trends, or refining their lending and fraud strategies.
- other organisations that offer goods or services in advance of payment: such as energy or telecommunications companies to help them manage relationships with their customers; and
- the public: CRAs provide services directly to consumers to help them manage their credit information. To know more, **please see here**

In the UK there are three major CRAs: Equifax, Experian and TransUnion. Each operates its own databases and has its own set of data suppliers. While many lenders provide information about their customers' financial commitments to all three CRAs, some do not. Some lenders carry out a search with more than one CRA but many will just obtain credit reports from one of them. The same applies to other organisations that provide and use credit-related information held by CRAs.

Credit reports

The information held about you by a CRA and relevant to your financial standing is referred to as your **credit report**. It includes certain personal details and information relating to your current and previous financial commitments.

Personal details that appear on your credit report include:

- your full name plus aliases (other names you are or have been known by);
- date of birth;
- current address, time at address and previous addresses; and
- the name of other people you are financially linked to, for example a partner with whom you have a joint mortgage. These are called "financial associates".

For more **information on your current and previous financial commitments** on your credit report, mainly details relating to your credit accounts, **click here**

Why credit reports are important

Your credit report can affect future credit applications and it can also affect your current credit agreements.

- If you apply for new credit, your credit report can affect what credit product or service you can get, the amount of credit you can obtain, and the price (that is the interest rate) the lender offers.
- Lenders can also use your credit report to help decide what your credit limit should be, which they may review on a regular basis. For example, if there are signs that you are experiencing financial difficulties the lender may consider reducing your credit limit.

Your credit report can also affect applications for other **products or services** which you typically receive up front and pay for afterwards.

In addition to credit-related sectors, your credit report can be used for other purposes. To know more, **please see here**.

Who can see my credit-related information?

CRAs take the security and privacy of your personal information seriously. An organisation will normally tell you before it checks your credit report with a CRA, except in limited situations (such as where the police are investigating a crime and telling you about it would affect their investigation). It might do this through its application form, its privacy policy or some other way. It should also give you information about **CRAIN** – the CRAs' standard information notice that explains, in detail, how CRAs use personal information about you.

CRAs are very careful to only deal with legitimate organisations. They make sure that only organisations with the necessary authorisations and permissions can see the private information they hold about you.

Lenders can access your credit report information held by a CRA only if they also agree to contribute information about their own customers to the same CRA. These **data-sharing arrangements** between CRAs and lenders specify that lenders can only access the same level of information that they themselves share. So, for example, if a lender only shares information about customers who have defaulted on their accounts, when that lender carries out a credit check it will only see defaulted accounts shared by other lenders. The arrangements also contain strict rules about how lenders can and cannot use the shared information they get from the CRAs. The same applies to other providers of goods or services that use CRA information. They can only access the same level of information they contribute to the CRA.

The amount of information a CRA will hold about you will largely depend on whether you have used credit in the past. A CRA might have a limited amount of information about you because, for example:

- of your age;
- you have recently lived abroad;
- you have never taken out credit;
- you have not set up contracts with other organisations that share information with that CRA.

You can ask each CRA to give you a free copy of the credit report they hold about you. This is called your 'statutory' credit report and you should see a link to order this on each CRA website.

How do I know who has seen information about me and why?

When an organisation searches information about you on a CRA database, because you have applied for credit for example, it gives the CRA the reason for the search. A record of that search is then added to your credit report as a **search footprint**, which shows who made the search, when, and why.

CRAs keep these search footprints on your credit report for one to two years so that you can see who has searched your report. Search footprints also help lenders spot unusual behaviour, such as someone applying for credit with multiple lenders over a short space of time, which may indicate that they have money problems. Search footprints can also help you to spot identity fraud. For example, if your report includes an application for credit that you didn't make, this could be a sign someone has tried to get credit using your name.

What are hard and soft search footprints?

There are two types of search footprint:

- **Hard search footprints:** these are left when an organisation searches your credit report when you apply for credit or, sometimes, are being chased for an outstanding debt. Hard footprints are visible to other lenders who subsequently search your credit report and can therefore affect lenders' decisions about you.
  Applying for credit many times within a short space of time might negatively affect your ability to get credit in the future. This is because lenders will see the search footprints and may think you are trying to take out too much credit, or even that a fraudster is using your details. For this reason, heard search footprints may affect your credit score.
- **Soft search footprints:** these are left when, for example, you are shopping around for credit and comparing deals, and simply want to understand the likelihood of being accepted for a credit product before you apply. Soft search footprints are not visible to other lenders and therefore do not affect any subsequent credit applications or your credit score.

To summarise, hard searches can affect your credit score, soft searches cannot.

Your rights: data shared with CRAs

CRA principles that guide their credit-related activities

CRAs' activities aim to:

- help lenders to **lend responsibly**. This ultimately helps reduce the number of people who face financial distress, debt recovery proceedings and insolvency;
- help lenders to support **access to credit for the financially excluded**; that is, people who have difficulties in accessing credit (for example, because they have never applied for credit before and therefore cannot prove their creditworthiness). By using new sources of information, financially excluded people may be able to have additional means to prove they can afford the credit and are an acceptable credit risk;
- help **fight financial crime and fraud** (for example, when someone is trying to use someone else´s identity to get credit) and help debt recovery (for example when someone is intentionally changing addresses to avoid repayment); and
- ultimately, CRAs' activities aim to contribute to the **financial stability** of the economy. By helping lenders lend responsibly, CRAs help to minimise the amount of unpaid debt in the UK.

CRAs´ activities also help other providers of goods and services to make **responsible decisions** when setting or managing their payment contracts with consumers.

What CRAs do

CRAs:

- provide data and data-related services to help lenders (and other providers that offer goods or services in advance of payment) to make responsible lending decisions and treat consumers fairly. These services also help to reduce the risk of fraud;
- provide education, guidance and services to the public to help ensure that you know your rights about your credit information and can make fully informed decisions as a result; and
- provide lots of information on their websites on how you can access your credit information, how to deal with any potential queries or complaints, and other details and guidance that may be relevant to you. This also includes **detailed information** about the information the CRAs collect and hold about you, including non-credit services that the companies that operate the CRAs also provide, such as marketing services.

02

Shopping around and comparing different credit products and prices

If you're planning to apply for credit, such as a credit card or loan, you may want to shop around and compare products from different providers, to help you find the best deal for your needs.

You can start by doing some research, checking best-buy tables, or asking family and friends. You can also contact different lenders directly.

Another option is to check a comparison website which will show you a shortlist of relevant products that match what you are looking for.

Be aware that comparison websites do not include all types of lenders, so if you have special requirements (for example, you are self-employed or have other circumstances which may make accessing credit more difficult), there are other sources of financing available you can turn to (for example, www.responsiblefinance.org.uk).

Comparison websites

Comparison websites allow you to compare and select credit products from a range of lenders all in one place, rather than having to consult each of the lenders' own websites one by one.

There are different types of comparison sites you can chose from:

- websites that provide a platform where you can filter the product options available before selecting one;
- websites that can go one step further and recommend which products might be best suited to your needs. For this, you first need to share certain information about yourself. In many cases these websites will tell you how likely you are to be accepted for each product they show you, if you applied for it. This is often called your **eligibility**;
- some CRAs also offer this type of comparison service directly.

Using these websites is generally free for you. The websites operators make money because the suppliers who are listed on their website typically pay a commission when a customer applies for a product.

How they work

To be able to find you a list of products that are most likely be best suited to your needs, the comparison website may do the following.

- **Check your identity** so that they can look for products that are relevant to your personal circumstances. There are some cases where they will not need to check your identity as the available products will be the same for all applicants (for example, when you are looking for a mortgage in certain cases). If they need to verify your identity, one way to do this is by using a CRA identity-checking service.
- Ask you some questions about the purpose of the credit you require.
- Carry out an initial check (also referred to as **soft search**) on your credit report with a CRA.
- Consider the lending policies and criteria of the lenders they work with.

With the above information, the comparison website can work out a list of financial products that are most likely to be best suited to your circumstances. This can also include your **eligibility**.

If, after reviewing the list of proposed products, you find one that you wish to apply for, when you select it you will be directed by the comparison website to the lender's own website and asked to complete the lender´s application form.

What eligibility means

Your eligibility (for any specific credit product) shows you how likely it is that the lender would accept your application if you applied. This eligibility may be a percentage (for example 60%, 70%), a score out of 10 (6/10, 7/10) or even a simple yes or no.

The higher the eligibility, the higher your chances of success if you decided to apply:

- if your eligibility score is 10/10 (or 100%), the lender may offer you that credit product as **pre-approved** (subject to fraud/money laundering and/or other **suitability checks**);
- if your eligibility score is below 5/10 (or 50%), this does not mean you cannot apply for credit, it only shows that your chances of success are lower and the lender might need to look at your application more closely than someone with a higher score.

Your eligibility will relate to a particular product and its particular price. This is important when comparing the eligibility provided by two different lenders. For example, Bank A may provide you with a low eligibility score but their interest rate may be lower than Bank B's, which is offering you a product with a higher eligibility score but also a higher interest rate.

While you are shopping around, your **credit score** is not affected. This is because eligibility checks register only soft search footprints on your credit report that will not affect your **ability to get credit.**

Who can assess your eligibility

Lenders and comparison websites can usually assess and show you your eligibility for credit. This includes any comparison service a CRA might offer. Some lenders offer eligibility checks to help you shop around, including to compare different products they provide. Not all lenders offer eligibility checks.

What is the benefit of knowing my eligibility?

- The eligibility process is intended to help improve your overall experience when shopping for credit as it helps you to understand – before you apply for credit – what products could be available to you so you can better work out the best products and offers for your circumstances.
- Eligibility information can help give you greater flexibility and wider choice (for example, helping you to look at credit deals without leaving a hard search on your credit report). It can also help promote more responsible lending.

Your rights: comparison websites

- As with any other organisation that is responsible for processing your personal data, comparison websites are required to tell you about how they use your data, where they get it from, who they share it with, and for how long they keep it. This includes information about what data they share with CRAs and what data they receive back from CRAs. This information will usually be set out in their website's privacy policy and should be presented to you as part of the process of collecting your personal data.
- Comparison websites may pass your information to the lenders they work with if you apply for their products. This is why you may get their application form already filled in when you begin to apply. The comparison websites should also tell you the name of the lenders they work with and that information will be shared for this purpose. This information should also appear in their privacy policies.

CRA principles on their relationships with comparison websites and eligibility assessments

- Comparison websites that work with CRAs should make sure that their consumer journey is clear and transparent and that their customers are fully informed about how their data will be used.
- Eligibility assessments should be transparent and fair. Eligibility scores should be transparent, in terms of the type of product and the price people would be offered if they applied. The process should be regularly checked and audited by the comparison sites as well as the CRAs when they offer these services.

What CRAs do

- Before sharing data with any other organisations, such as comparison websites, CRAs perform stringent checks to make sure that the organisation has the necessary authorisations and permissions.
- CRAs will work with the comparison website to make sure they give you clear and comprehensive information about how your information may be used, including by CRAs. This will typically be included in the website's privacy policy which will include a link to CRAIN or other privacy information on the CRA websites.

03

Applying for credit

To assess your application, the lender will usually collect information about you from three main sources.

You (what you put in your application form, such as details of your job and income)

The lender's own database (any information the lender may already have about you, for example, if you are an existing customer)

Your credit report from one or more CRAs

Information you provide

When you apply for credit, you will need to complete an application form and give some information about yourself and your financial circumstances, typically including your income, job and assets (such as whether you own a home).

It is important that you provide accurate information, such as your full and correct address history. If there are inconsistencies with other sources of information that the lender may consult (for example, the **electoral register**) then this may delay their decision.

Information a CRA provides

The lender will use the information that you have provided on your application form to carry out a search about you with one or more CRAs.

CRAs hold information about you called your **credit report** – which will allow the lender to get a clearer picture of your circumstances such as your past and current credit commitments. **Click here** for an explanation of the types of information CRAs hold.

This type of request by the lender results in a hard search footprint on your credit report which can be seen by both **you and other lenders**.

Does making several applications close together damage my credit score?

Applying for credit many times within a short space of time might negatively affect your ability to get credit in the future. This is because lenders may think you are trying to take out too much credit, or even that a fraudster is using your details.

Your rights: the application process

- Lenders must be transparent about their application processes. They should explain to you the basics of how their processes work, and what information they use to help them decide. This is normally found in the lender's privacy policies and their terms and conditions. This information is important as it helps to make sure that you understand what data is used and how, including the other organisations (such as CRAs) that support the lender's decision-making.
- For example, lenders should tell you:
  - if they are going to search your credit report and what sort of search they will record;
  - which CRAs they will share your personal information with;
  - if a decision is automated or involves some form of manual assessment. An automated decision normally refers to the fact that a lender will use a computerised "scorecard" to help them decide, whereas a manual decision is when your credit information is looked at and reviewed by a person. Most online applications are assessed using automated systems. For more information on scorecards **click here**.
- If your application is refused due to an automated decision, you have the right to ask the lender to refer your application to a person for a 'manual review' of the decision. But this does not necessarily mean that there will be a different outcome.

What CRAs do

- CRAs make sure that the lender has told you about how CRAs use your information. This should be included in the lender's privacy policies, together with a link to the CRA Information Notice, also known as CRAIN. For further information on CRAIN **click here**.
- CRAs provide educational materials on their websites (such as frequently asked questions, blogs and guides) to help you see and understand your credit report, find out how it is used and how you might be able to improve it. CRAs have their own privacy pages that you can visit in order to learn more about how CRAs use information, both within and outside the credit-application process. **Find out more**.

04

Does the lender check my identity?

When you apply for credit, lenders will check your identity to help confirm that you are who you say you are. This may involve the lender checking the information you provide against your credit report held by one or more CRAs, or it may involve you providing identity documents.

Identity checks also help to avoid mistakes such where two individuals are inadvertently confused with each other, for example because they have similar details, such as names, addresses and dates of birth.

Similarly, CRAs will check your identity if you want to see your **credit report** or **credit score**. This is to ensure that your credit report is not being provided to the wrong person. **Comparison websites** may also check your identity if you want them to look for products that may best suit your circumstances.

Providers of goods and services offered in advance of payment (such as utilities or telecommunications companies) may also do an identity check before they set up a payment contract for you.

Why identity checks are important

Identity checks are an important part of the process of applying for credit and help protect you from fraud, financial harm and distress (such as following identity theft). Many organisations are also required by law to perform anti-money laundering checks in certain circumstances.

The information lenders use to check my identity

Lenders may ask a series of questions that only you should know the answers to. They will also often check information the CRAs hold to help confirm your identity. This will show whether there are any inconsistencies between information you (or a fraudster that is using your name) give and other available information.

CRA information that is used to help check your identity includes:

- public information, such as the electoral register which contains the names and addresses of registered voters from the UK's local councils; this allows the lender to quickly check that you live at the address you have given on your application form, and for how long. The address shown on the electoral register is the version used by your **local council**;
- details of your credit accounts (which includes associated personal information such as name, addresses and date of birth). To know more about credit-account information **click here**; and
- information from non-financial organisations that a CRA may hold about you (for example, utilities accounts). For further information on these other types of commitments, **click here**.

What can I do if my credit report wrongly says I am not registered to vote?

You should ask the CRA to investigate. CRAs keep electronic copies of the published electoral registers, so they should be able to quickly check and update your credit report for you. The same is true if you disagree with how a CRA records your electoral register information, such as your address or the date you first appeared on the register at your current address.

How do I register to vote?

You can either contact your local council directly or you can register to vote online by visiting the website **www.gov.uk/register-to-vote**.

What can I do if I disagree with the published electoral register?

If you disagree with the published electoral register you should contact your local council directly. If they agree to change the information on the register, they should include this change in the next update they send to the CRAs.

Can I stop commercial firms getting hold of my electoral register information?

There are two versions of the electoral register – the full version and the open version (sometimes known as the “edited register”). The open version of the register can be accessed and use by any organisation who wants to buy a copy, including for marketing purposes. However, you can always opt out of the open register. **Click here to know how**.

The full version of the register can only be used for specific purposes, including by CRAs to help lenders check the names and addresses of people applying for credit. To know more about the full register, **click here**.

What can I do if I fail a lender’s electronic identity check?

If a lender is not able to successfully check your name and address using electronic information, such as your credit report, they will usually ask you to provide documents instead. These might include a copy of an identity document (such as a passport or driving licence) and recent bills, statements or letters sent to you at your address by a regulated or public organisation (such as a bank statement).

Your rights: Identity verification

- The lender must tell you up front if they will check your identity with a CRA.
- If they cannot confirm your identity, the lender should help you with the next steps. This may involve giving them documents that help prove your identity, such as a driving licence. You should also get and check a copy of your credit report, as there might be something in your records that needs correcting, such as a wrong name or address.

CRA principles on identity verification

- It's important for lenders to check the identity of people applying for credit, to help fight fraud and protect genuine consumers.
- With the growing importance of cybersecurity, CRAs treat preventing fraud and identity theft as a top priority.

What CRAs do

CRAs:

- constantly invest in and improve their systems to try to make sure that their identity-checking processes can detect and prevent any new types of fraudulent activity; and
- continuously encourage relevant organisations to use identity-checking services when they engage with a consumer, to help protect the financial system.

Electronic identity-checking services based on credit report information can help keep people's information safe without creating difficult and frustrating barriers for genuine consumers.

05

What information do lenders use to help them decide?

When you apply for credit or ask a lender to change an existing credit agreement (for example, to increase your credit limit) the law requires lenders to assess your creditworthiness before deciding. **Creditworthiness** is whether you:

- are likely to repay based on your previous behaviour (**credit risk**); and
- will be able to comfortably afford the repayments without cutting back on essential spending somewhere else (**affordability**).

To assess whether you are likely to repay, lenders need to check some information about you, as well as **checking your identity**.

This information typically includes:

- credit account information (for example, information about your loans and mortgages) which will show how you have managed your credit commitments in the past and **what other borrowing you have right now**; and
- public financial information (for example, court judgments and insolvency records such as a bankruptcy order) which is obtained from official **public records**.

There are other types of non-credit information which have become available over the last few years (for example monthly mobile phone contract and rental payments) which can also help assess **credit risk**, as they can demonstrate your reliability and help predict your future financial behaviour.

While some of the above information may be already available to the lender (such as if you are an existing customer), lenders regularly obtain this information from one or more CRAs. This is because CRAs hold information from many lenders and organisations in one convenient place.

In addition to **credit risk** checks to assess the likelihood that you will repay, lenders are also required to carry out affordability checks to assess whether you can comfortably afford to repay the credit you are applying for. The latter may involve considering other types of information to that already mentioned. For more information on affordability, **click here**.

Credit-account information

Lenders will first want to understand your credit history. This is how well you have managed your credit accounts in the past and what credit accounts you have now (loans, mortgages, etc). This is a key factor in assessing your **credit risk** because it shows what kind of borrower you are and how much money you already owe.

Credit-account information includes:

- Your open and successfully closed credit accounts. This will include the date you opened them, the current balance, any credit or overdraft limit, and the **utilisation rate**. It will also include the repayment history for the account (whether you have paid on time or missed any payments). Once closed, each account stays on your credit report for six years from the settlement date.
- Your defaulted accounts. An account is described as 'defaulted' if you have failed to keep to the terms of your credit agreement and the lender considers it totally broken. Generally, this happens when you miss three or more consecutive payments. CRAs keep a record of defaulted accounts for six years from the date the lender decided you broke the agreement, known as the default date. If the debt relates to a regulated credit agreement the lender will usually have to send you a formal 'default notice' and give you the chance to resolve the situation before they record a default on your credit report.
- An arrangement to pay: If you are struggling to repay a credit account, a lender may allow you to make reduced payments for a period of time. This will be shown in your credit report.

Lenders usually register and update credit-account information with the CRAs once a month. Some high-cost, short-term lenders (such as payday loan companies) provide daily updates due to the short-term nature of those accounts. Some lenders do not share information with CRAs or may only share information with some of the CRAs.

Information on other financial commitments

In addition to traditional **credit report information**, new sources of information have become available over the last few years that lenders can also use to help make lending decisions. They do not relate to "credit" strictly speaking but as with traditional credit report information, this newer information can also help predict your financial behaviour.

Examples of non-credit repayment information now available on one or more CRA credit reports include the following:

- information on how you manage your **utilities contracts**, i.e. how you make payments against your gas, electric and water accounts; and
- information on **how you pay your rent**. The ability to pay rent is very similar to making a mortgage payment in that it is a large, high-priority payment. As a result, rental payment information can also help to demonstrate your likelihood to repay a new credit commitment based on how you have paid your rent in the past.

Public information

As well as your credit history, lenders may look at publicly available information about you which can also help to determine your creditworthiness. This information, also held in your CRA credit reports, includes the following.

- Court judgments (commonly known as CCJs in England and Wales), bankruptcy orders, individual voluntary arrangements (IVAs), protected trust deeds (Scotland) and debt relief orders, which are all supplied by the organisations that maintain the statutory public registers. CRAs keep any judgments on your credit report for six years from the date of the court order. However, they should be removed from both the register and your credit report if the debt is repaid within one month of the judgment date. Insolvency records generally stay on a credit report for six years, if they have been completed in that time, or until they are completed if after that.
- Electoral register information, showing your name and address as held by your local council (if you are a regular registered voter). This shows when you have been registered to vote for relevant elections. This will not always be the exact dates when you lived at an address, but it helps the lender to quickly confirm where you have lived and for how long. The electoral registers are supplied by the UK's local councils. If you recently registered on the electoral register, CRAs may still be updating their records.

You should know that the previous occupants of your home cannot affect your credit score.

Other type of information held by CRAs

In addition to credit-account information, CRAs hold or produce other information which can also appear on your credit report:

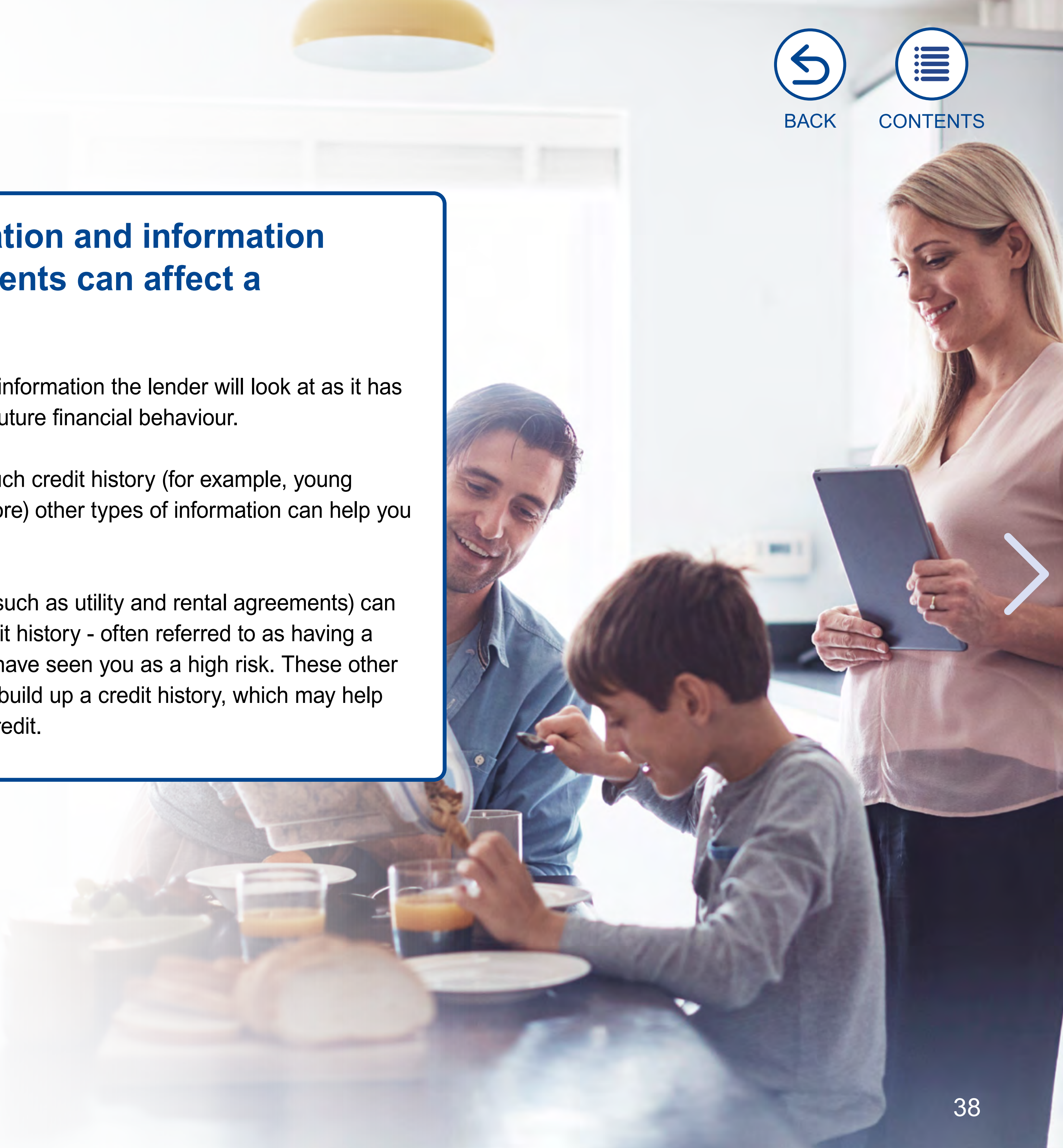
- previous search footprints, including the number of hard credit searches registered in your name;
- other addresses you have been linked to, to help make sure your credit report is complete.
- your financial associations with other people (for example, because you have a joint account or joint credit product with someone). In this case, a lender may look at information about that person's credit history when deciding whether to give you credit.

How credit-account information and information on other financial commitments can affect a credit decision

Credit-account information is the first type of information the lender will look at as it has the highest value in terms of predicting your future financial behaviour.

However, in cases where you do not have much credit history (for example, young people who have never applied for credit before) other types of information can help you show that you are reliable.

Information on other financial commitments (such as utility and rental agreements) can therefore help you if you have little or no credit history - often referred to as having a "thin file" – when otherwise the lender might have seen you as a high risk. These other types of account information can help you to build up a credit history, which may help you to access more affordable mainstream credit.



How your credit report can affect a utility contract

As well as lenders, there are other providers (such as telecommunications and energy providers) that may look at your credit report before deciding to set up a payment contract for you. These providers will also look at your credit-related information. If you have a poor credit history, this should not affect your access to utility services, but the utility provider may want to discuss another payment method with you (such as a pre-payment meter where you pay in advance).

Can lenders refuse credit because my name isn't on the electoral register?

A lender may have a policy to refuse credit where the applicant is not registered to vote. If this happens to you, you could ask the lender to look at your application again and offer other proof of your name and address, such as identity documents and bank statements, which the lender may accept instead.

Could lenders refuse credit even if I have a good credit history?

Your credit history is only one of the things lenders look at when deciding whether to offer credit. As a result, lenders can refuse credit even if you have a good credit history. For example, your income and spending might suggest you can't afford to take on more borrowing. Only the lender can explain why they have refused credit, because only they know. Do not be afraid to ask for the main reason and to challenge it if you think it is unfair.

How do CRAs keep my information safe?

Keeping your information safe and secure is a top priority for the CRAs. They invest a lot of time, effort and money into helping make sure your information is stored securely and can only be seen by legitimate organisations, that have the necessary authorisations and permissions. The CRAs regularly review their security processes.

Your rights: information held by CRAs

- When a lender intends to share information about you with one or more CRAs, they should tell you about this in advance and tell you the names of these CRAs. They will usually do this through their privacy policy or another form of notification. These privacy policies will also give you links to details about how the CRAs use your information. Those details are found in the **CRA Information Notice (CRAIN)**
- Before a lender searches your **credit report**, to help assess your application for credit, they should tell you in advance. They should also tell you the name of the CRAs where the search or searches will take place. This information is also normally included in their privacy policy.
  - The information that each CRA holds about you (your **credit report**) may be different from the others because lenders may not share their customer payment information with all three major CRAs. When you apply for credit, lenders may search your credit report at one, two or three of the main CRAs.
- You have the right to know **how and why CRAs use your information**.
  - As explained in CRAIN, the main purpose of credit reporting is to help lenders to lend responsibly. CRAs must explain what information they hold and how it is used, the legal basis upon which they can do this and your rights relating to this.
  - CRAs also use your information for other purposes. For example, certain information may also be used to help organisations carry out identity and/or anti-money laundering checks. This is also explained in CRAIN and on the CRA websites, for example, in their consumer information portals.
- You have the right to ask for a free copy of your **credit report** from any CRA that holds your information. You should receive it within one month or sooner if you request it online.
- If you have **any concerns about your credit report information** you can ask the CRA to raise a query with the organisation that provided the item of data or you can contact the relevant organisation directly. If the CRA raises a dispute on your behalf, it will usually mark the item in question as unreliable while it investigates. You should always make sure that your personal information (name, address, date of birth) is accurate on all of your agreements and when you check your credit report.
- Remember that there are other organisations that offer goods or services in advance of payment that also provide information to CRAs, and then use it to help manage your account with them. The same rights as mentioned above apply to these situations too.

Your rights: how to raise a query or a complaint

- CRAs get most of the information they hold about you from lenders and from public sources. While CRAs do check for obvious errors, they largely rely on these organisations and public bodies to provide accurate information. They also encourage consumers to check their own credit reports from time to time so they can raise the alarm if something is incorrect.
- **If information is incorrect:** if you have any concerns about information on your credit report, you can easily contact the CRA or the company that provided your credit report (such as a third-party credit-report service) and ask it to investigate. Alternatively, you can contact the lender, the organisation or other body that supplied the information to the CRA directly yourself. If you contact the CRA, the next steps will include:
  - **The CRA adds a "notice of dispute" on your credit report**. This is a temporary marker added to a record to indicate that the CRA is investigating it and that other lenders or organisations should not rely upon it. 'Notices of dispute' can only be added when you approach the CRAs. They cannot be added by the lender or organisation that provided the information.
  - **The CRA investigates your dispute**. Within 28 days the CRA will investigate your request and get back to you. The CRA cannot change the information without first checking with the lender or organisation that supplied it.
  - **If your data is reported incorrectly**. If the CRA agrees that the information on your credit report is wrong, it will change or remove it. This could follow an investigation with the data provider, or the CRA simply agreeing that information shouldn't appear on your credit report, perhaps because it is too old. The CRA will then remove the notice of dispute and let you know the outcome.
  - **If the lender or organisation advises the data is accurate**. If the lender determines that the information on your credit report is accurate, the CRA will remove the notice of dispute and inform you of that outcome. If you still believe that the information is incorrect, there are other options.
    - You can complain directly to the lender or the organisation that supplied the data (if not done already). If you are still unhappy with the response from these organisations, you have the right to refer it to the Financial Ombudsman Service for free. This is an independent public body that aims to resolve disputes between consumers and businesses such as lenders and CRAs. You can find their contact details at **www.financial-ombudsman.org.uk**. You can also refer any concerns about data accuracy to the **ICO**.

Your rights: how to raise a query or a complaint (continued)

- You can also ask the CRA to add a "notice of correction" to the entry. In this you can state why (in a maximum of 200 words) you feel the information is wrong, or you can simply add background information if you want to explain the circumstances behind an entry or entries. The CRA will add your note to your credit report as long as it doesn't think your statement is obviously wrong, frivolous, defamatory or unsuitable for another reason. Any organisation searching your credit report in the future will see your statement and should take it into account. When writing that statement you should bear in mind that any organisation that reviews your credit report will also see it. This is important to know because credit reports can be searched for other reasons than for credit related purposes, such as when you are applying for certain jobs (**click here for more information**).
  - ✔ If the notice of correction is attached to your credit report, it will remain in it as long as you want so you will need to write to the CRA should you wish this to be removed.
  - ✔ If the notice of correction is attached to a specific record in your credit report, it will naturally drop off when that record does. This only applies to some of the CRAs.
  - ✔ CRAs do not usually exchange notices of correction so if the same disputed information appears on the other CRAs' reports then you will usually have to ask them to add your statement as well.
- **If you apply for credit and there is a notice of correction on your credit report, the lender should review your credit report manually.** This means that it will be looked at by a person and not just a computer. This does not necessarily mean that the decision will be any different, but it means that the extra information included in any notice will be taken into account by an individual.
- **You have the right to ask for any links to other people to be removed if they apply.** You should make sure that any historic financial connections to another person are removed as these can affect future applications you make for credit. For example, you may wish to break the financial link you had with an ex-partner or spouse (or child if you were acting as their guarantor) in relation to a mortgage. You can do this by sending each CRA a notice of disassociation, to ensure that you are no longer connected or associated with the other individual. This can normally only be done once you no longer have any active joint financial accounts with that person.

CRA principles on data handling

- CRAs are committed to treating your information with respect and to strictly applying the legal data-protection principles. This means that CRAs should do the following.
  - Be transparent as to how they use your personal information and do it in a lawful and fair manner.
  - Collect personal information for specific, explicit and legitimate purposes and only use it for compatible purposes. That information should be:
    - adequate, relevant and limited to what is necessary in relation to the purposes for which it is used; and
    - accurate and kept up to date.
  - Keep your personal information for no longer than is necessary for the purposes for which it is used.
  - Use it in a manner that ensures appropriate security, including protecting it against unauthorised or unlawful use and against accidental loss, destruction or damage.
  - Take responsibility for what they do with personal data and how they comply with these principles.

If you want to read more about the data-protection principles, see the **ICO website here**

CRAs have processes and procedures in place to comply with the above principles.

What CRAs do

Quality

- CRAs constantly monitor, assess and update the information they hold or receive to help make sure it complies with data-protection rules and industry standards. This includes:
  - **data loading:** CRAs check the information they receive for integrity, consistency, accuracy and age, to make sure it is fit for purpose before they load it into their databases; and
  - **data matching:** CRAs match the data they receive to their existing databases to help make sure it is assigned to the right person.

Security

- Data security sits at the heart of a CRA's operations. CRAs have developed and apply robust security frameworks which are in line with common international standards. They also review these on a regular basis.
- Before sharing information with any other organisations, CRAs apply strict access control processes to check each organisation's identity and, where applicable, to confirm whether it is authorised or registered with the appropriate regulators.

Consistency

- The credit industry, including CRAs, trade associations and lenders work to improve data-sharing coverage across different product types and lenders. This is to help make sure a comprehensive picture of your finances is available when you apply for credit, irrespective of which CRA a lender uses.
- To maintain consistency, the credit industry and the ICO have agreed common industry standards for data reporting, including how lenders should send information to the CRAs.

For further information on how CRAs handle your data, **see CRAIN.**

06

Does the lender assess whether I can afford to repay the credit?

BACK CONTENTS

Your past credit behaviour plays a key role when a lender assesses whether you are likely to repay what you want to borrow - your **credit risk**. Lenders must also take account of whether you can afford any more credit at the same time as your existing credit commitments. This is known as **affordability** and is something lenders should also check.

Affordability checks aim to help make sure that consumers are protected from taking on more financial commitments than they can comfortably manage, which could cause suffering and financial hardship.

These checks could mean that, while a lender may see you as a good credit risk (for example, because you pay all your bills regularly and thus you have a ‘healthy’ credit report), they may still decide to refuse credit because other information (such as your income and living expenses) suggests that you cannot afford to take out more credit.

Remember that your credit information is only one factor considered by the lender when deciding whether to give you credit. This means that, even if you were considered creditworthy, a lender might still refuse your application because you do not meet their other lending criteria.

What information is used to do an affordability check

Affordability checks generally involve looking at:

- your income;
- monthly financial commitments; and
- other living expenses.

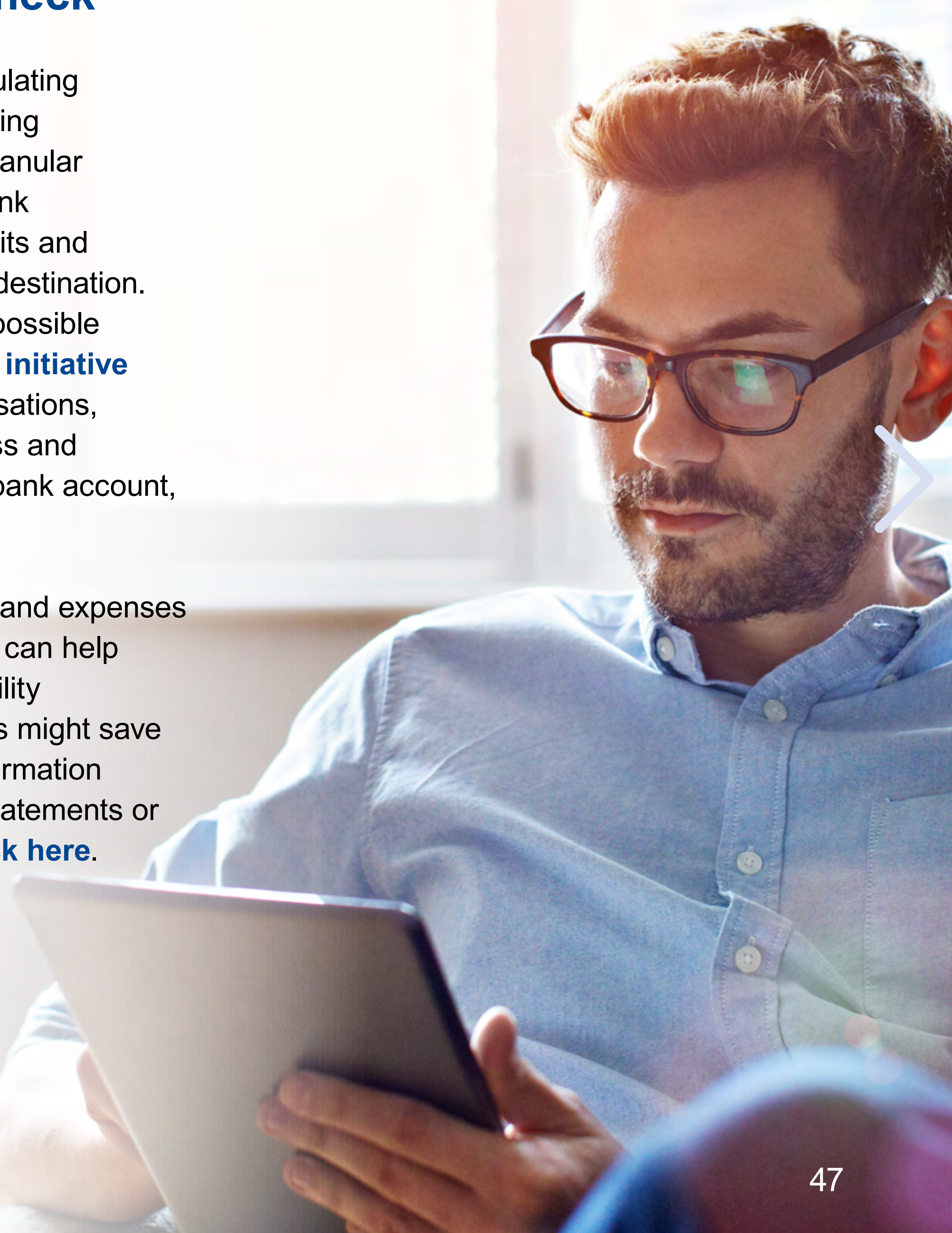
There are different ways that lenders can verify these.

Banks and other data providers generally provide much of this information to the CRAs. This may involve your bank providing:

- high-level information about your current accounts; or
- information that you have declared when applying for credit in the past, for example your income.

A new development when calculating affordability is to use your banking 'transaction data'. This is the granular information you see on your bank statement about individual credits and debits, including the source or destination. Using your transaction data is possible because of the **Open Banking initiative** which allows authorised organisations, including some CRAs, to access and analyse information from your bank account, with your permission.

Information about your income and expenses taken from your bank accounts can help lenders carry out their affordability calculations. In some cases this might save you having to provide extra information yourself, such as paper bank statements or pay slips. For more details, **click here**.



Your rights: affordability checks

- Organisations should always tell you if information will be shared about you with a CRA. This includes high-level information about your monthly income shared by banks. This is explained in CRAIN and in lenders' privacy policies. You can ask a CRA for a copy of any information it holds about you for free.
- An organisation (including a CRA) can only access your bank transaction data if the FCA has authorised it to perform this kind of activity and if you have specifically agreed to allow it this access.

CRA principles on affordability

- In line with the FCA´s objectives, by providing consumer information to lenders, CRAs help protect consumers from the harm that can arise if they are granted unaffordable credit. At the same time, CRAs can help consumers access credit where it is affordable for them.

What CRAs do

07

Does the lender use a credit score to help it decide?

When you apply for credit, lenders may calculate a **credit score** (sometimes called a credit rating) for you to help them decide if you are likely to repay. They may also use credit scores about you produced by other organisations including CRAs.

Your credit score is just one of the elements that lenders may consider before they decide whether to lend (in addition to **checking your credit report with a CRA**). This allows them to consider each credit application in the same manner.

Higher scores usually mean lower **credit risk** so should increase the chances of the lender accepting your application. Lower scores may lead to the lender refusing to offer credit or offering a higher interest rate and/or a smaller loan or credit limit.

Types of credit scores

You do not have a single credit score across different CRAs or lenders. Different organisations take different information into account when calculating your credit score and may use different formulas for different products, which means you could get different scores from the same lender if you apply for two different loans. Credit scores can also be calculated and expressed on different scales, so they are often not directly comparable. Types of scores you may have include:

- **Lenders´ scores:** Lenders create their own scores. While they may use information obtained from CRAs, they will also use their own information and algorithms to help calculate their internal scores. For certain credit products, lenders may use hundreds of different factors to create a score.
- **CRA scores requested by the lender:** Lenders may also use scores worked out by CRAs. These scores may be used to complement their own scores or they may be the only scores that they use as part of their decision-making process.
- **CRA scores requested by you:** Some CRAs may be able to offer you a guide credit score to help you understand how lenders might assess your credit report information. They are a good guide to how your credit report may affect your chances of getting credit. However, having a high guide credit score does not mean a lender will accept your application. This is because each lender typically works out its own credit scores, based on its own lending policies and on all the information it has available (not just your credit report).
- **Scores provided by other types of organisations:** Many other organisations specialising in credit scoring can provide a score to a lender. These organisations will use data provided by one or more CRAs as a basis for their score. CRAs make sure that these organisations have robust systems to ensure data quality and security before they agree to share data with them. These firms may also use additional data to supplement the scores they calculate.

How scores are calculated

Credit scores are typically calculated using a method known as a scorecard. A **scorecard** is a set of rules which take the information from your credit report and use it to produce a score based on that information.

Different scorecards work in different ways, such as attaching different levels of importance to the various pieces of information on your credit report. A typical scorecard might, for example, assign a specific points value or "weight" to each factor; for instance, a good credit account might represent +30 points while a bad account might represent -30 points.

Scorecards allow lenders to make lending decisions in a more consistent, fair, non-discriminatory and objective way, rather than relying solely on individual judgments which might vary from person to person and from day to day.

To help you understand how credit scores work, here is a simple, made-up example:

SCORECARD	
Criteria	**Points**
Starting score	**200**
Electoral register for less than 1 year	20
Electoral register for 1-5 years	40
Electoral register for 5+ years	60
No accounts at all	15
1 or 2 good accounts (all payments made on time)	30
3+ good accounts	60
1 or 2 delinquent accounts (with some missed payments)	-30
3+ delinquent accounts	-60
Acceptance score	255
Referral score	235 to 250
Decline score	< 230

YOUR SCORE

Scenario 1

If you applied for credit and you had been on the electoral register for 3 years and had 2 good accounts, you would have a score of 270 (200+40+30). This is above the acceptance score, so your application would typically be successful.

Scenario 2

If you applied for credit and you had been on the electoral register for 10 months and had 2 delinquent accounts, you would have a score of 190 (200+20-30). This is below the decline score, so your application would typically be declined.

Scenario 3

If you applied for credit and you had been on the electoral register for 10 months and had no accounts, you would receive a score of 235 (200+20-15). This is within the range which would typically be referred for manual review.

Each lender and CRA will have its own credit scoring methods and decide how many points to allocate to each piece of information. Each lender will also decide how many points you need to reach its own pass-mark. This is why you can get different scores and different outcomes from different lenders based on the same information.

Remember that your score will be just one of the elements that lenders may consider before they decide. This means that if you get a ‘decline’ score, this does not automatically mean that your credit application will be refused, although it will be more likely.

What happens if you get a high or a low score

If your application scores above the pass-mark your application will often be automatically accepted or passed on to the next stage of the lender’s decision-making process. If you score below this pass-mark, there is a higher probability that you may be automatically refused or referred to a person for a ‘manual review’, where a person will look at your application more closely.

This means that only a limited number of applications will be reviewed by a person, instead of having to evaluate every single application by hand, which used to happen in the past. This allows much faster and efficient decision-making which improves your experience. If your application is refused by an automated system, you have the right to ask the lender to review the decision manually.

How scorecards are developed

Creating a scorecard requires a large amount of analysis and development. They are based on statistical models that use samples of customer information to find patterns in the data. These can help predict someone’s future behaviour by comparing their current credit information to past customers with similar information and looking at how they went on to behave.

With the increased availability of information and more advanced methods and technologies, credit scoring techniques are becoming more accurate, efficient and quicker. In turn, they are enabling better lending decisions which will help reduce the risk of people getting into financial difficulties.

Whether scores are used for purposes other than accepting or refusing credit

Lenders use scores to help them automate their **credit risk** assessments and decide which customers to accept and refuse. However, they can also use them to support other decisions, such as the type of credit, the amount of credit, or the interest rate to offer. Scores can also be used to decide whether to change your credit limit or to detect early signs of financial distress during the credit relationship.

Improving your credit score

There are many different ways you might be able to improve your credit score. Here are some tips:

- make sure you are on the electoral register;
- make sure you repay your credit commitments and regular bills on time if you can (that is, without affecting your overall financial situation);
- check your free credit report from time to time and report any errors so they can be corrected;
- try to repay or reduce any outstanding balances you have;
- avoid borrowing more than 30% of the limit on any of your credit cards if you can. The lower the 'utilisation' the better; and
- space out any credit applications you make and always investigate a credit refusal before you apply to another lender.

If you want to learn about other ways to improve your credit score, you can visit the relevant pages of the CRAs' websites.

What is a credit score?

A credit score is an estimate of how likely it is that you will repay credit on time in the future. Lenders calculate scores by comparing your credit information to past customers. You do not have a single credit score. Lenders calculate scores depending on their own policies.

Can I find out my credit score?

Lenders often won't tell you what score they have calculated for you or how they have worked it out. However, some CRAs can give you a guide credit score to help you understand how your credit information might affect any credit application you make.

Your rights: credit scoring

- If a lender uses credit scoring, they should tell you. This includes lenders' own scores, CRAs' scores and those provided by other organisations specialising in credit scoring.
- If your application is then refused, you have the right to ask the lender to explain the main reasons why. Lenders do not have to tell you exactly how they work out your credit score but should give you a basic explanation so that you can understand what factors resulted in your application being refused (for example, because of your overall credit score or because of specific information held on your credit report such as an outstanding CCJ).
- If your application is refused as a result of an automated process, you can ask the lender to manually review the decision and it must do this. However, a manual review might not result in a different outcome.
- You can ask the lender which CRAs it has obtained information about you from.
- Credit scores cannot be based on characteristics such as religion, race, political beliefs, sexual orientation, disability or criminal record.

CRA principles on scoring

- CRA scoring methods should be objective, consistent and fair.
- Scorecards should be validated and tested to make sure that scores are calculated accurately. They should be monitored and reviewed to ensure they continue to be appropriate, fair and impartial to the population. This is especially important as consumer behaviour and the economy changes over time.

What CRAs do

- CRAs make sure scoring models they produce are auditable, transparent and fair.
- CRAs make sure that their processes are well-documented and reviewed regularly.
- CRAs can help lenders with credit scoring, in several ways. For example, CRAs help lenders build scorecards, supply data to lenders to run through their scorecards, run data through lenders' scorecards on their behalf, build their own scorecards, run data through their own scorecards and share their own scores with lenders.

08

My application was accepted: what happens next?

Once your application has been successful, the lender will confirm that you have been accepted. They will also provide details of the next steps.

The information I should receive when a lender accepts my credit application

The lender should provide you with details about your new account.

This may include when payments are due and, if you have agreed to direct debits, when they will take payments from your bank account.

It may also include details of the lender´s terms and conditions and privacy policy. These two important documents may have been available as part of the application processes, but if you didn't read them at that time, you should consider reading them now. These documents:

- will explain how the lender uses your information, for how long it is kept, and who they may provide your details to. They will also explain your rights regarding your information; and
- include a section about what information is provided to CRAs, what information is updated monthly (or more often), along with details of how CRAs may use your information. They should also mention **CRAIN**. It is important that you read CRAIN if you have not done so already. The lender should also have shown you this information up front as part of their **application process**.

How long it takes for my credit report to be updated

Once the lender has accepted your application, it will upload the details onto its system and communicate this information to the CRAs it works with. The new account may take about a month to show up on your credit report, because lenders usually update the CRAs once a month. For example, a monthly CRA update that includes details of an account opening in January may not show on the credit report until February.

Remember that not all lenders share data with all CRAs. Your new account might not show up on the credit report held by any particular CRA at all.

How the new credit account affects my credit report

Your credit report will be updated with information about your account and then updated each month to show whether you are paying on time. Over time, this will help build up a picture of how you manage your credit commitments.

If you miss a payment, pay less than a minimum payment required, or exceed your overdraft or credit card limit, this will also be shown on your credit report. This can influence any credit scores either the CRAs or lenders calculate for you, so you should always try to make your full and expected payments on time if you can.

However, if you find yourself in financial difficulties and maintaining full payments is leaving you unable to afford essential living expenses such as food and heating, you should speak to your lender straight away. You can also get free debt advice from **independent organisations**.

Information about open credit accounts stay on your credit report while they remain open and then for six years from the date they are closed. For accounts that have defaulted (when the lender decides you have broken your credit agreement) the CRAs keep the information on your credit report for six years from the date of the default.

Can I change my mind?

You have the right to withdraw from a new credit agreement for 14 days after opening a credit account if you are not happy. If you do decide to withdraw, this will usually be reflected in your credit report by the following month.

Your rights: credit application accepted

- The lender should give you information about how they and the CRAs will use your information throughout the lifetime of the credit agreement, and also after that. This will normally be contained in the lender's terms and conditions and in its privacy policy.

What CRAs do

- CRAs regularly check to help make sure that lenders tell you about how CRAs will use your information. This information should be included in the lender´s privacy policy which should also contain a reference to CRAIN. Lenders must provide this information and include **CRAIN** in their privacy policies according to the CRAs' data sharing arrangements.

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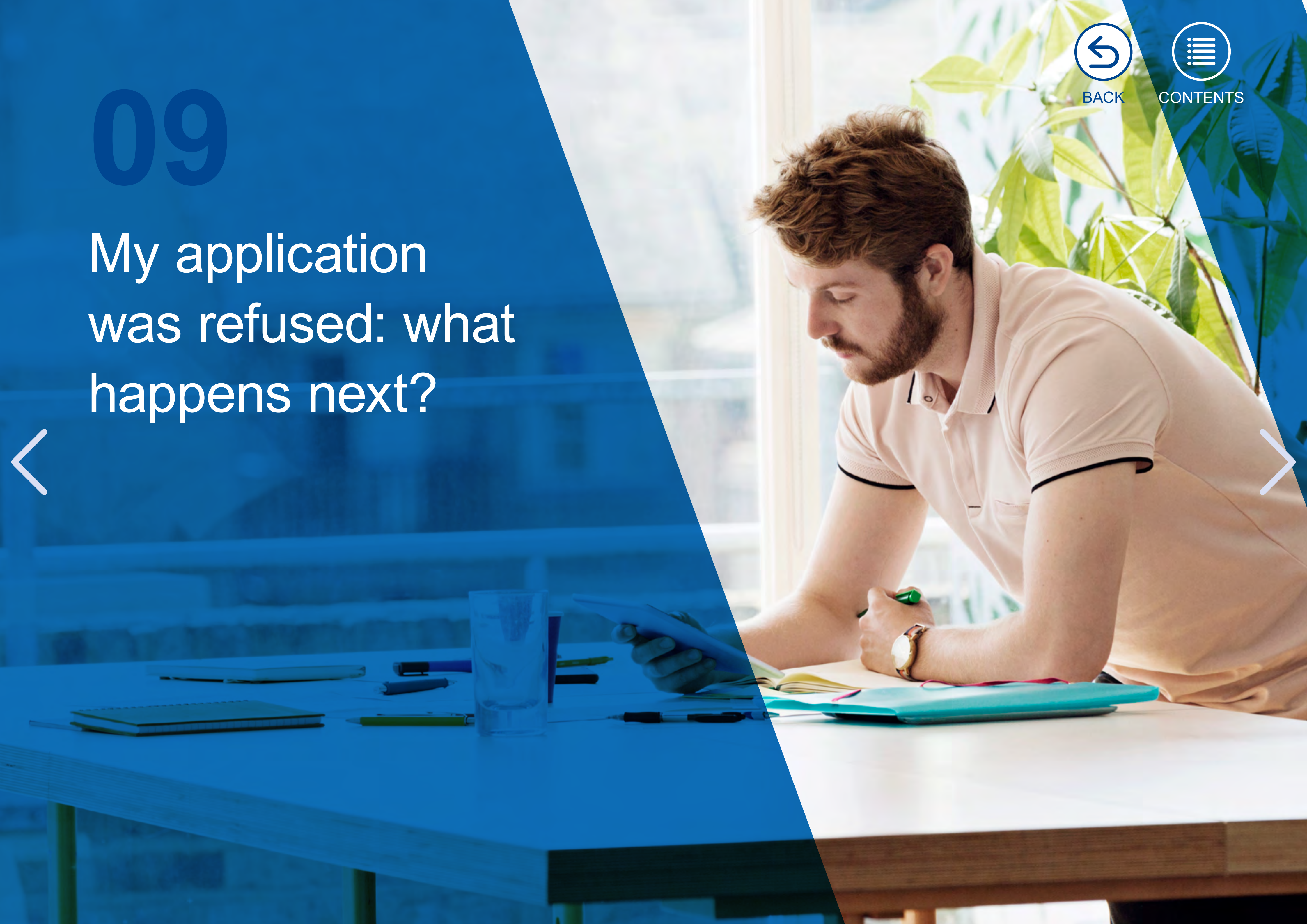
My application was refused: what happens next?



The lenders decide on their own whether to accept or refuse credit. If a lender refuses your application, they are the only ones who know why.

Lenders should give clear explanations about why they refuse credit and they should tell you if their decision was based on all or some of the following:

- information on your credit report (for example negative information);
- other information you gave them;
- other information they hold about you as a customer;
- a concern that you can't afford to take on more credit; and/or
- their policies on providing credit (for example, not meeting their minimum credit score, age or other criteria).

They should also give you the details of any CRAs they obtained information from so you can contact those CRAs and ask for a copy of your credit report if you wish to.

- If you think that the reason for the refusal may be incorrect information held by the CRAs, **click here** for more details about how to get your credit report changed.
- It is also wise to check your credit report with each of the three major CRAs at least once a year to make sure the reports are correct and up to date. **Click here** for more details on the benefits of doing so.

Whenever a lender refuses to give you credit, you should always take the opportunity to find out why before you apply to other lenders. This is because there may be something you can do about the refusal, for example by challenging the decision or taking steps to improve your chances of being accepted the next time you apply.

How to ask the lender to look at your application again

The lender should provide details of how to challenge their decision. But if they don't, ask them for this.

Don't be afraid to raise and discuss the issue with a lender. There may be relevant circumstances that the lender is not aware of that could, if you tell them, affect the decision. If the person you are dealing with at the lender refuses to help, ask to speak to someone more senior. If necessary, ask for details of their head office and write to them asking for a satisfactory explanation.

Am I on a blacklist?

There is no such thing as a credit blacklist. CRAs hold factual information about people taken from public sources or provided by lenders. Some information can also come directly from consumers.

If one organisation has refused me credit will others do the same?

If one lender refuses you credit this does not necessarily mean that others will do the same. Different organisations take different things into account when deciding whether to provide credit and are likely to have different lending criteria. One organisation may refuse your application while another may accept it based on exactly the same information.

Your rights: credit application refused

- You have the right to know the main reasons why the lender refused your credit application.
- If the refusal was an automated decision, you have the right to ask the lender to reconsider it and have your details reviewed by a person rather than a computer. This does not necessarily mean that there will be a different outcome.
- You can ask the lender which CRAs it has obtained information from and then ask for a copy of your credit report from those CRAs. You can also challenge any of the information on your report if it is wrong.

CRA principles on consumer awareness

- CRAs provide their services in a transparent way and make it easy for you to access a copy of your information, either online or in hard a copy if you prefer.

What CRAs do

- CRAs' websites contain a lot of information on how to access your credit report, how to deal with any potential queries or complain, and provide other information and guidance that may be relevant to you.

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My application was refused: what options do I have?

CRAs can give guidance to help you understand how to improve your credit report.

This can include:

- making sure any negative entries are up to date (for example, because you have recently settled an outstanding payment);
- adding a notice of correction to explain any relevant personal circumstances behind negative information, such as a spell in hospital or redundancy; and
- breaking the link between your report and an ex-partner's.

The CRAs provide these services for free. You should not have to pay to have information on your credit report corrected or updated. The CRAs' websites include detailed guides on improving credit reports and credit scores and have people on hand to help with your questions.

If you're struggling to pay your regular bills and credit commitments, borrowing more money may not be a good idea.

- You should first let the lender know immediately. If you explain the circumstances, most lenders will be happy to agree for you to make reduced payments for a period of time. The lender may add a 'marker' to your report to show your arrangement.
- You can also ask a CRA to add a notice of correction to your report if you want to explain the circumstances that may, for example, explain any negative information (such as missed payments).

If you would like free sources of independent, professional advice on dealing with debt, there are several organisations that can help, such as **National Debtline**, **StepChange Debt Charity** and **Citizens Advice**.

You can also check the **Money Advice Service website** which includes lots of free and impartial general advice about money and credit, including on credit reports and credit decisions.

CRA principles on consumer awareness

- CRAs believe that consumers should be able to access information about why a credit application has been refused, and what to do next.

What CRAs do

- encourage and support people to access and improve their credit reports and signpost find other sources of free help;
- provide free consumer guidance and advice on your credit report to help make sure you know your rights about your data and understand how it is used; and
- make lots of educational material and guidance available on their websites and through third parties such as the media, consumer groups and advice providers.

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I want to improve my chances of getting credit in the future

Many people only check their credit reports when they have been refused credit.

However, you should check your credit report with each of the three major CRAs at least once a year and definitely before you apply for new credit, particularly something important like car finance or a mortgage.

You should also check your credit report when you stop being financially linked to another person (for example, due to a divorce) and send the CRAs a **notice of disassociation** if required.

Why it is important to regularly check your credit report

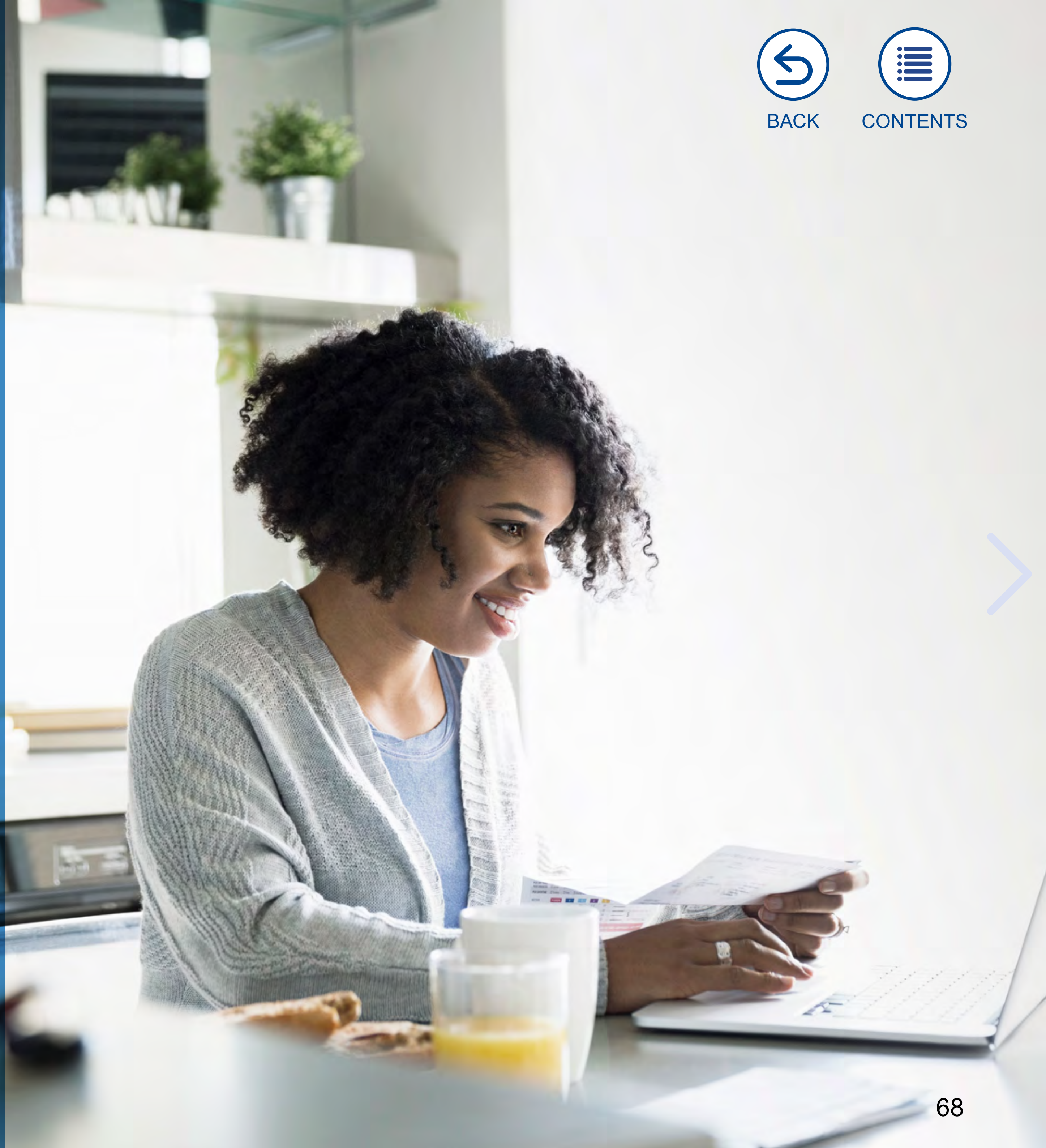
- **To make sure your credit report is correct and up to date:** If you find something on your credit report you disagree with, the CRA can help you investigate and, if necessary, correct it.
- **To be able to improve your credit report:** CRAs can also guide you on things you might be able to do to improve your credit report. This might include registering on the electoral register, and 'disassociating' your credit report from someone else's, such as an ex-partner. CRAs have lots of supporting information to help you do this.
- **To stop fraudulent activity:** By checking your credit report, you could discover fraudulent credit applications or agreements made under your name. You could then raise the alarm and begin correcting the situation to minimise any damage caused.

Checking your own credit score

In addition to checking your credit report, some CRAs may be able to give you a guide credit score, designed to help you understand how a lender might assess your credit report information. Checking your score does not affect any credit applications you may make, but these scores can help you identify where your credit history could be improved. For further information on scores, **click here**.

I am having problems keeping up with repayments. What should I do?

You should contact your lenders and other affected providers to tell them about your circumstances. They should offer help, such as agreeing to accept reduced payments for a while. Reduced payments may be recorded on your credit report as a temporary 'arrangement' and may result in payments being recorded as late depending on the circumstances. The lender should be able to tell you how this will affect your credit report.



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Can I offer extra information to support my application?

Some people have very little credit information on their credit report. This can be for numerous reasons, including:

- people who haven't taken out any credit, and therefore have no credit records;
- people who are new to credit, for example, because of their age or having recently lived abroad; and
- people who have borrowed from lenders that do not share information with the relevant CRA.

Self-contributed data is a process whereby you (through a third party) can provide extra information about how and when you make regular payments to certain products and services.

This is a new development in the credit industry and the process relies on you allowing access to your banking transactions so that they can be analysed.

This type of initiative has been made possible by a government initiative called **Open Banking**. Open Banking allows authorised financial institutions or technology businesses secure access to your financial information in order to offer you enhanced services that may benefit you.

Your rights: your data after you have been given credit

- It is your decision to provide access to your banking transaction data. Access can only occur with your permission. You can withdraw your permission at any time.

CRA principles on information you contribute

- Access to consumer banking transaction data is subject to very high control levels. Only approved organisations are allowed to offer this facility and must strictly comply with the relevant legislation and rules.
- The credit industry recognises that open banking data can be helpful to the lending process, and are encouraging people to explore and understand the positive implications of using their banking data to support credit assessments.

What CRAs do

- Based on their extensive experience in handling credit information, the three major CRAs have obtained the necessary licences and permissions to be able to access Open Banking data, either directly or via third parties.
- Along with lenders, the CRAs offer guidance to consumers to explain the implications of such data sharing, including the possible benefits.

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Does my credit information matter after I have been given credit?

Your lender may arrange for one or more CRAs to provide them with a monthly summary of your credit report, which can include details of any arrears, credit limit use (utilisation), as well as a credit score. This allows the lender to monitor how you are managing your credit accounts with all your lenders, this can help make sure that you are not suffering any financial distress or struggling to meet your commitments.

If you are starting to miss payments on your account or any other credit commitments you have, your lender may contact you to offer advice or help. FCA rules require this.

Lenders and debt-collection agencies may also access and use CRA information to help them trace and recover overdue debt. For example, when people owing money move home without informing their lenders, the lenders can use CRA data to help find their new address and contact details.

Your rights: your data after you have been given credit

- A lender should tell you in advance if they intend to obtain a monthly summary of your credit report from a CRA. This will be included in the lender's terms and conditions or privacy policy.

CRA principles

- CRAs believe that consumers should be fully aware of how their information is used throughout the credit relationship. This includes the value of lenders using credit information to help spot the early signs of financial distress, so they can offer their customers early-arrears support.

What CRAs do

- CRAs provide data and data-related services to help lenders and other relevant organisations better serve their customers, including at start but also throughout the relationship.

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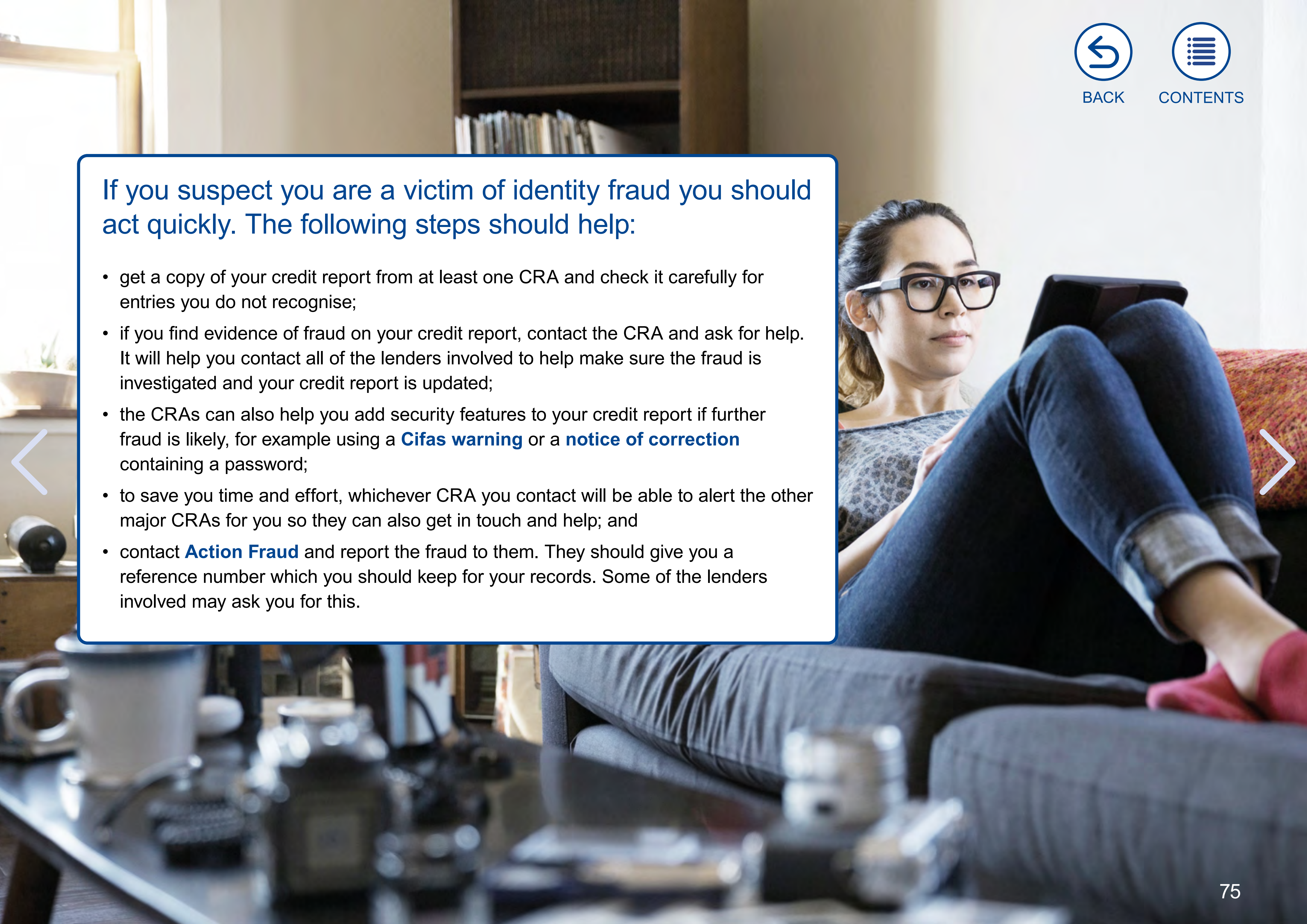
I am a victim of fraud: what should I do?



If you suspect you are a victim of identity fraud you should act quickly. The following steps should help:

- get a copy of your credit report from at least one CRA and check it carefully for entries you do not recognise;
- if you find evidence of fraud on your credit report, contact the CRA and ask for help. It will help you contact all of the lenders involved to help make sure the fraud is investigated and your credit report is updated;
- the CRAs can also help you add security features to your credit report if further fraud is likely, for example using a **Cifas warning** or a **notice of correction** containing a password;
- to save you time and effort, whichever CRA you contact will be able to alert the other major CRAs for you so they can also get in touch and help; and
- contact **Action Fraud** and report the fraud to them. They should give you a reference number which you should keep for your records. Some of the lenders involved may ask you for this.

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How do I find out more?

CRAs offer lots of online and offline educational material to help increase your awareness of credit, what information goes into your credit report, how credit scores work and how to improve them.

Financial education is not just a one-off experience. It is an ongoing process of learning throughout life. It's particularly important that you understand how credit reporting and credit decisions work if you intend to apply for something important like a mortgage. Some knowledge of credit reporting will also help you if you are coping with a major life event such as relationship breakdown, redundancy or moving home. You can find guides to help you deal with events like these on some CRAs' websites.

Lenders should also provide helpful information throughout the credit application process. In particular, they should make it clear what and how information is used as part of their decision-making process.

If you want to find out more about how data is handled by the CRAs you can:

- Go to **CRAIN**; and
- Visit the CRAs' privacy pages which explain how they handle personal data throughout their business. **You can access these here**
- You may also be interested to visit the sections of the CRA websites that explain how personal data is processed by their Marketing Services business. **You can find this all here**
- You can also visit the **ICO's website** which contains further information

CRA principles on financial education

- CRAs believe in increasing consumer understanding of the implications of taking out credit, how to manage it successfully, and the importance of their credit information and how it may be used as part of the credit process.

What CRAs do

- CRAs make a significant amount of educational material available on their websites – such as through guides, blogs and FAQs. CRAs will also provide or direct you to detailed information when you request a copy of your credit report to help you understand it and deal with any issues.

What are the laws and regulations that protect my credit information?

Two main legal frameworks protect your credit information and govern how it is used: consumer credit legislation and data protection legislation. This guide is not intended to explain those legal frameworks in detail; it just aims to make it easier for you to understand them in the context of your credit information.

Consumer credit legislation

The Consumer Credit Act 1974 gives you various rights, including:

- a right to know the name of any CRA that a lender consults when making a credit decision about you,
- a right to challenge the accuracy of anything on your credit report, and
- a right to have an explanatory statement (a notice of correction) added to your credit report.

In 2014 the Financial Conduct Authority (FCA) became responsible for regulating the consumer credit industry and supervising businesses in this sector, taking over this role from the Office of Fair Trading. The FCA makes detailed rules governing the conduct of those **businesses** and also makes sure that these organisations respect the Consumer Credit Act.

A CRA must obtain an authorisation (or permission) from the FCA before it can operate.

You can get more details from the Financial Conduct Authority website: **www.fca.org.uk**.

Data protection legislation

The General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA 2018) both relate to data protection in the UK. They are the laws on how organisations can gather, use and share your personal information.

The Information Commissioner´s Office (ICO) is the regulator responsible for supervising businesses which process personal information. The ICO also provides information about how to exercise your data rights, including how you can access your personal data from a CRA and make sure that information is correct and up to date.

You can get more details from the ICO website: **www.ico.org.uk**.

Who are the regulators?

FCA

The FCA is the conduct regulator for financial services firms and financial markets in the UK. Given the important role that financial services play in everyone's lives, the FCA aims to ensure that the markets and firms operate effectively.

The FCA has three main objectives:

- protect consumers
- protect and enhance the integrity of the UK financial system
- promote effective competition in the interests of consumers

The FCA has information on its website including the Financial Services Register which shows the firms authorised by the FCA.

The FCA can be contacted during business hours **www.fca.org.uk/contact** where consumers and firms can seek guidance or raise issues.

ICO

The ICO's role is to uphold information rights in the public interest. This includes overseeing compliance with the Data Protection Act 2018, General Data Protection Regulation (GDPR), Freedom of Information Act and Privacy and Electronic Communication Regulations, amongst others.

Their website **ico.org.uk** provides advice for data subjects and organisations about data protection and privacy. They can be contacted directly about data privacy issues, including to report personal data breaches.

Common credit myths – plus the truth

There's a credit blacklist

There is no such thing as a credit blacklist. Credit reports are factual and mostly positive. They are also assessed by lenders who will each have different lending policies.

Previous occupants affect your score

Credit checks are on people and not on addresses. Someone else's credit history can only affect credit applications you make if you've previously linked up your credit reports by applying together (such as taking out a joint mortgage with a partner) or if you are applying for credit together for the first time.

Credit refusal damages your score

Lenders do not tell the CRAs whether they have accepted or refused credit so the outcome isn't shown on your report, just the fact that you applied. But, do try to avoid making multiple applications for credit, as this can give lenders the impression that you are being repeatedly refused credit by other lenders and are desperate, that you are taking out more credit than you can afford, or that you are a victim of identity fraud.

Credit reference agencies decide who gets credit

CRAs do help inform decisions by providing some of the credit information that lenders use (and, sometimes, some of the software). But only the lender can decide which customers to accept and refuse.

Checking your credit report harms your score

You can do this as often as you like with no impact as it leaves only soft search footprints. Hard footprints, which lenders can see and can affect credit scores, are only usually created when you apply for credit.

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Action Fraud: This is the UK's national fraud and cybercrime reporting centre where individuals can report fraud if they have been scammed, defrauded or experienced cybercrime. Their website is www.actionfraud.police.uk

Affordability: This is whether you can afford credit repayments. It is assessed by looking at your existing credit commitments, information about your monthly income and other information to understand whether you have the capacity to take on more credit and continue to meet all of your existing obligations.

Alias: This refers to an alternative name you may be known by, or have previously been known by, for example your maiden name as opposed to your married name.

Arrears: If you fail to pay by the payment due date, lenders can record arrears. These arrears will then increase each month if you continue not to pay. If you fail to meet your payments for several months the lender may register your account as a default.

Associates / Associations: See historic financial connections.

Cifas Warning: The Cifas system is used by CRAs and other organisations to help prevent fraud in the UK. A Cifas warning is a marker that a lender may put on your credit report following fraud or attempted fraud. It warns other lenders, for example, that you may have been a victim of fraud or attempted fraud in the past. These markers do not affect your credit score, but they should mean lenders will review any credit applications they receive in your name more carefully.

CRAIN or Credit Reference Agency Information Notice: This document describes how the three major credit reference agencies, Equifax, Experian and TransUnion each use and share personal data they receive about you connected to your credit activity.

Credit: This is a loan of money. The credit must be repaid under the agreed terms with the lender. It can help you to spread the cost of a purchase over time. Credit includes loans, mortgages, overdrafts, car finance, to name just a few examples.

Credit reference agency or "CRA": CRAs are independent businesses that hold factual information about most adults in the UK to help lenders and other organisations to make responsible decisions. In this guide, "CRA" refers to the major CRAs in the UK, currently Experian, Equifax and TransUnion.

Credit account: An account that includes an element of credit, such as a credit card or mortgage.

Credit-account information: The open and closed credit accounts on your credit report, including the repayments on those accounts (such as loans, mortgages and car finance).

Credit checks: This refers to when an organisation looks at your credit report when you apply for credit to try to understand your financial situation and past behaviour.

Credit commitments: See credit-account information.

Credit history: This is a record of your financial payments and contains information such as the number and type of credit accounts you have, how long they have been open, the amount you owe and whether your repayments are made on time.

Credit-related information: This is information typically held by CRAs that may be used in a decision. This includes credit-account information (such as bank accounts, credit card accounts and mortgage accounts), and information about other financial commitments relating to regular household services (for example energy, water or mobile phone/broadband contracts) as well as to other agreements (for example, rental or insurance). In addition, credit-related information includes public information and other information the CRAs hold or produce (such as address links, aliases, scores or search footprints).

Credit report or 'credit reference file': This refers to all of the credit-related information a CRA holds about you. It can be provided either to you as a consumer or to lenders or other organisations to help them assess any relevant application you make. The report will include information such as the electoral register, your credit commitments, previous searches, address links or alias information to name a few examples. Include a Sample Credit report in an appendix/link

Credit risk: A lender has to assess the risk related to the likelihood that you will repay any credit you apply for, which is generally based on how well you have repaid your credit commitments in the past. This assessment is often referred to as a credit risk assessment.

Credit score: A credit score is an estimate of how likely it is that you will repay credit on time in the future. They are typically calculated by lenders to help them decide whether to give or refuse credit. Your score is calculated by comparing your credit information to past customers. However, you do not have a single credit score, as different scores can be calculated by different organisations. Each organisation will calculate your credit score in a slightly different way and based on information they want to include.

Creditworthiness: This is a borrower's likelihood and ability to keep up repayments, taking account of both credit risk and affordability.

Data sharing arrangements: A data sharing arrangement exists between each CRA and all providers that contribute credit-account information to its database. Usually, only organisations that share credit-account information about their customers with a CRA can carry out credit checks with that CRA.

Default: This is an account which the lender has classified as defaulted, meaning that the lending relationship has broken down. Lenders will usually record a default only when the borrower is at least three months in arrears and after they have notified the customer that they intend to register a default.

Electoral Register: The electoral register lists the names and addresses of everyone who's registered to vote. There are two versions of the electoral register, the full version and the 'open version'. The open version can be accessed and used by any organisation that wants to buy a copy.

Eligibility: This is an indication of how likely you are to be accepted for credit (if you applied) based on your creditworthiness. This may show as a rating, generally a score out of 10, or a percentage, or as a red / amber / green status depending on the website you are using.

Financial commitments: This refers to all the commitments you have to repay, usually each month. This will include credit commitments, but also other financial commitments not necessarily present on your credit report, such as rent, insurance, child-care costs and council tax.

Financial dissociation (or notice of disassociation): This is an amendment a CRA can make to your credit report to make sure that any historical financial connections with someone you are no longer associated with are removed. This

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can usually only be done if there are no longer any active joint credit agreements between you.

Fraud: This means intentionally deceiving an organisation, typically with a view to making a financial gain, for example by impersonating someone else or by deliberately providing false information to the organisation about your circumstances.

Hard search footprint: A hard search footprint is left on your credit report when you apply for a credit product or sometimes when you are being chased for an outstanding debt. Lenders can see this type of search and it can, under certain circumstances, affect your credit score.

Historic financial connections (or 'associations'): These are links between you and anyone else you have shared a credit commitment with. For example, there would be a link between you and your partner if you have shared a joint mortgage or a joint current account.

Lender: This refers to financial organisations (such as banks and credit card companies) that make money available to people with the expectation that the money will be repaid.

Lending: This refers to the activity carried out by lenders to make money available to people with the expectation that the money will be repaid. You will usually repay charges such as interest or fees as well as the money you borrow.

Money laundering: Knowingly holding or transferring money that has been obtained illegally. Lenders carry out anti-money laundering checks to help make sure that their services are not used to help hide the proceeds of crime.

Notice of correction: This is a statement that you can add to your own credit report to make extra information available to organisations that check it. Notices can relate to one or more specific items of data or to your financial circumstances in general. Examples include that you have been a victim of fraud or that you were unable to repay your credit commitments while you were in hospital. People often use notices to explain why there are arrears or defaults on their credit report.

Notice of dispute: This is a marker the CRA adds to your credit report if you have disputed the accuracy of information on it. This marker alerts lenders to the dispute and means they should not rely on that information when assessing your creditworthiness.

Open Banking: An initiative that allows lenders (and other authorised firms) to access your bank account transactions, for example, to help a lender check your affordability. This access is only allowed where you provide explicit consent. If the organisation wishes to access this information on a regular basis they will need to ask for your permission every few months.

Pre-approved: This means that you will be accepted if you apply for the credit, subject to fraud and anti-money-laundering checks, and usually follows an eligibility check.

Providers of goods or services offered in advance of payment: see "sectors where goods or services are offered in advance of payment"

Public Information: This is information that is publicly available about you, such as any electoral register information, court judgments, or insolvencies. Lenders use this information when assessing your creditworthiness.

Responsible lending: Lenders must make sure that they make appropriate checks of a borrower's creditworthiness before they approve any application for credit.

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Scores: Lenders often use scores to help them assess your creditworthiness. For example, lenders typically use scores to help them automate assessments of credit risk and decide which customers to accept and refuse (see credit scores). However, they can also use them to support other decisions, such as the type of credit, the amount of credit you are likely to afford, or the interest rate to offer. Scores can also be used to decide whether to change your credit limit or to detect early signs of financial difficulties during the credit relationship.

Scorecards: Lenders and CRAs use scorecards to work out credit scores. The scorecard determines how different pieces of information affect your final score, according to the policies of the organisation carrying out the assessment.

Sectors where goods or services are offered in advance of payment: These include a range of organisations that provide goods or services that customers receive up front and then pay for later, such as water, energy or telecom services. They also include other sectors such as rental, where you receive a benefit (accommodation) in exchange for regular payments. Utilities, telecommunication companies and landlords do not advance money as banks do, but they expect you to pay on a regular basis. This is why these providers may also want to see your credit-related information, so they can be confident that you will pay these bills regularly.

Soft search footprint: A soft search footprint is left on your credit report when, for example, an organisation carries out quotation or eligibility check. These footprints do not affect your credit score.

Utilities contract: The customer has an agreement with a utility provider, such as for gas, electricity or water. The service is usually provided in advance of regular payment, often once a month.

Utilisation: This is how much of your available credit you are using. For example, a balance of £2,950 on a credit card with a limit of £3,000 shows a high level of utilisation. High utilisation can sometimes indicate financial difficulties.

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Nature of this Guide

Experian Limited, Equifax Limited and TransUnion Information Group Limited have produced this Guide to help everyone understand better how the credit system uses data. Because individual organisations will use data in somewhat different ways, this Guide has to be relatively high-level and general. Version 1.0 of the Guide was written during 2019 and early 2020. It is not legal advice so you should only rely on it as a general introduction to this complex and detailed subject.

Acknowledgement and thanks

Experian, Equifax and TransUnion are grateful for the valuable thoughts of a range of organisations, including:

Citizens Advice
L&C Mortgages
Lloyds Banking Group
Responsible Finance
StepChange
The Finance and Leasing Association
UK Finance
Vanquis Bank
Virgin Money
Which?