



how to

improve your credit score



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Whether you're a new business that needs start-up funding, or a growing company that needs the funds for expansion, credit scoring can affect the success of your applications. To give you a helping hand, here's our quick guide to the basics.



What is a credit score?

A credit score is a numerical indicator of how likely a business is to fail in the next 12 months. A company with a high score indicates that they are a low financial risk, whereas a low score suggests that they are less financially stable. In the UK, this score is based on information held on a credit report, which is compiled by a credit reference agency.



Where can I find out my credit score?

Many organisations have different credit policies depending on the product or service concerned. As such, you will need to enquire with the organisation you're applying to. While they don't have to tell you exactly how they score applicants, you have a right to enquire if it will be based on your credit report.



What is my credit report?

Your business credit report will have been compiled by a credit reference agency, and includes your business' financial history. Most of the information will have been sent to the agency by companies who you have a financial relationship with or have had in the past. These records usually indicate if your payments have been kept up to date every month.



What is my credit rating?

There is a subtle difference between a credit score and a credit rating. While a score is an indicator of your financial stability, a credit rating is a recommended lending limit based on the size of your business, the way you pay your credit suppliers, as well as any published financial accounts.



What is a credit reference agency?

A credit reference agency is a company that collates data from various sources, providing credit information on individuals or businesses for a variety of uses. In the UK, this task is entrusted to three carefully regulated credit reference agencies.

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How is my credit score calculated?

Credit scores are calculated using two sources of information: the details you submit with a credit application, and the contents of your business credit report. Remember, credit comes in various forms. The most obvious kind is the credit extended to you through a commercial bank account. However, the allowance of time to pay an invoice is also a type of credit, albeit from another business or supplier.



Can my credit score prevent me from getting credit?

Being refused credit in one place doesn't necessarily mean that you will be declined by another. This is because your score is calculated on a case-by-case basis. An application for a vehicle lease, for instance, may be viewed differently than one for business credit with a stationer. However, if you make multiple applications for credit, each potential lender can leave credit footprints on your report after scoring, which can allude to an urgency for financial help.



What is a credit footprint?

Making applications for business finance leaves a trail of records on your financial history whenever a potential lender searches for your details. These are known as credit footprints. The more applications you make, the more records will appear in your business credit report. A long trail can give the impression that you're having difficulty getting approval from lenders. You can however shop for finance without affecting your credit footprint, by asking for quotations instead of full applications.



Who uses my credit report?

Potential lenders, suppliers and customers can use your credit report to gauge how much of a financial risk you present before working with you.

If you are a director or named secretary, you can obtain your Own Company Report from a credit reference agency, for a nominal fee. This often includes your business' financial history, any outstanding invoices against you, or County Court Judgments (CCJs). A reputable credit reference agency should be able to offer a walkthrough of the report's contents, and advise on how to improve it.



Can someone improve my credit report for me?

No. Be wary of any company which promises to 'repair' your creditworthiness by removing bad debt on your records. However, if you find an error on your report, your credit reference agency will amend it for free, providing that you supply a statement to support the alteration.



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How could I improve my credit report?

- When shopping for finance, ask your broker for footprint-free quotations rather than full applications.
- Maintain a healthy cashflow by looking for potential gaps and minimising the chance of falling into debt with credit suppliers.
- Recruit quality suppliers by screening them through a credit reference agency, protecting your business against the knock-on effect of non-delivery.
- Protect your business against non-payment by identifying customers who may present a credit risk.



How do I get in touch?

To find out more about how Experian can help your business, please visit
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Look out for our other guides on...

- How to find finance more easily
- How to manage your cashflow
- How to check out your suppliers
- How to recruit good people without risk
- How to execute successful email campaigns
- How to find customers with spending power
- How to drive customers to your website

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