

Students and young people

Credit Crossroads



Experian is a leading UK credit reference agency. When you apply for credit, you will probably give the lender (the company you want credit from) permission to carry out a credit check through us. We do not decide who should get credit, but the information we provide may help the lender to decide.

We hope this guide, for students and young people, will help you understand the importance of your credit report.

How it all works

When you apply for credit, lenders have to make sure that you are who you say you are and live where you say you live. They also want to make sure that you are likely to be able to keep up the repayments. They will look at the information you give them when you apply (such as your job and income). They will also look at the information we hold about you, which we call your credit report (sometimes called your credit file).

It is important you understand the information on your credit report. Your credit report must also be up to date, because it helps lenders check:

- your name and address;
- how you have managed credit in the past; and
- how you are managing credit at the moment.

If your report shows that you repay credit on time, this will usually help you get credit. It may also help you get the best credit deals.

Once you close a credit account (such as a credit card, a loan or a mortgage), details of how you handled your payments stay on your report for six years. Negative information (such as a court judgment, a bankruptcy or a 'default' – a credit account you have broken the terms of) also stays on your report for six years.

You can ask us to send you a copy of your credit report. We will also send you information to help you understand it and answer any questions you have. You can also get help and advice from our website.

To order a copy of your credit report, visit www.experian.co.uk or call 0844 481 8000. You will need to pay £2 if you apply online or £3.50 if you apply by phone.

You can also write to:
Consumer Help Service
Experian
PO Box 8000
Nottingham
NG80 7WF.

You will need to give your full name, date of birth and all of your addresses over the past six years.

If you apply in writing, the report costs £2. You need to send a cheque or postal order, made payable to Experian Ltd, with your letter.

To view your Experian credit report online (over the internet) you can join our 'CreditExpert' credit-report monitoring service. For more details, including a free CreditExpert trial, visit www.creditexpert.co.uk.

Building up a picture

When you apply for credit, lenders will check your name and address against the electoral roll (the register showing the names of people registered to vote from each address). If you have not registered to vote at your current address, they might ask to see other proof of your name and address. They might even refuse to give you credit. If you are a student, you might stay registered to vote at your family home or you might register at a different term-time address. Whatever you do, it is essential you register to vote somewhere and give that address when you apply for credit.

Lenders often use credit scoring to assess whether or not you will be able to pay back a debt on time and in full. Your credit score is based on how customers similar to you have managed their credit accounts. The exact way lenders assess credit applications varies from company to company, including how they work out any credit score. This is why some lenders say yes when others say no. Some lenders like to check that you have paid credit off on time in the past and so may refuse your application if you haven't had credit before.

Information about other people

Your credit history can only be linked to other people if you have a financial link with them (such as sharing a joint account). Paying the rent together doesn't count. However, you will be linked to people you share with if you have all put your names on a credit agreement.

People who share a home often have the household bills in one name, but it might be better to arrange for them to be in joint names. If bills are just in your name, you are totally responsible for paying them. If your friends leave and owe you money, the fact that they should have paid part of the debt will not protect you. Whether or not you manage to get them to pay their share, you will be held responsible if the company decides to try to recover the debt. If you can't pay you might end up with a court judgment against you.

Think before you borrow

If you are a student, you'll probably take advantage of one of the special bank accounts on offer. Avoid the gimmicks and free gifts. You should pick the account that offers free banking, the best interest rates and a sensible borrowing limit. A bank with a branch close by is handy, although being able to bank

over the phone and by internet make this less important. Many banks will offer interest-free overdrafts to students, but remember that you will need to pay the money back when your course ends. Never go over your overdraft limit without permission. Always speak to your bank if you are struggling.

If you're going to need to borrow money, you should first approach the Student Loans Company. The Government links the interest rate to inflation and you don't have to start paying the loan back until you are earning more than a certain amount.

You should speak to a student adviser in your students' union or college to make sure you are getting all the financial help (including grants and trusts) you are entitled to. They will also be able to give you valuable advice about budgeting and other ways to help you manage your money.

Don't forget to budget

If you do apply for another form of credit (such as a credit card, store card or personal loan) be very careful. Work out the real cost of any credit you get, including how much you will pay back in total. Draw up a budget to make sure you can afford the repayments. Don't forget to include costs that only happen once in a while, such as annual charges. The APR (annual percentage rate) is designed to help you compare the cost of different credit products. Basically, the higher the APR, the more the credit costs. Credit cards and store cards can be very expensive if you don't pay them off on time, and in full, every month. Some cards charge interest on the whole amount shown on your bill, even if you do pay some off. So check the small print before you apply to see if the card is right for you, and look at different cards before you decide.

Only apply for credit once you have decided on the best deal. When you do apply, your application will give the lender permission to pass details about your account to a credit reference agency. Lenders usually update this information with your latest balance and repayment record. To build up a good credit history you must make all your payments on time.

Your credit report is very important and goes back six years. How you manage any credit you have now will affect your chance of getting credit in the future. So use credit wisely and budget to make sure you don't spend too much. It's often a good idea to set up direct debits to pay regular bills. You often get a discount if you do this. You should also check your bank and credit-card statements very carefully each month to make sure you know where you are spending your money.

If you are refused credit, find out why as soon as possible. Only the lender you applied to for credit knows why they turned down your application. They should be able to tell you the main reason if you ask. If the lender says it was

because you have very little credit history, offer them other information that shows you are responsible and can manage credit. This might include a statement from your bank, information from a landlord or a council tax bill. If you have a bank account, you may find your bank more willing to give you credit than a lender who doesn't know you.

When you apply for credit, your application will usually give the lender permission to check your credit report. Credit reference agencies keep a record of these checks (called searches) for one year. If your credit report shows a large number of credit searches in a short space of time, this might make you look desperate for credit. It can also be a sign of fraud. So find out why your first application was refused before you apply again. Checking your own credit report does not create searches that can affect your chances of getting credit.

Never be tempted to turn to so-called credit repair companies. These companies claim to be able to get rid of negative information from your credit report in return for a fee. But they can't do anything you can't do yourself for free. Many credit repair companies will fail to 'repair' your credit report. In fact, some may make matters worse. Some are simply loan sharks and will offer you a loan at a very high interest rate. Don't take it.

Help is at hand

If you are struggling with any repayments, let your lenders know as soon as possible. If you keep in touch they will try to help. They may let you reduce your repayments for a while. The same is true if your circumstances change suddenly (for example, if you become ill or your income drops). Let lenders know and get free help from our Consumer Help Service or an organisation which provides money advice. (Contact details are given at the end of this leaflet.)

Being made bankrupt is a last resort. Even though many people who are made bankrupt now come out of bankruptcy (are discharged) within a year, the bankruptcy stays on your credit report for at least six years. And most people who are made bankrupt still have to repay their student loans in full. Even after you have been discharged, the fact that you have been bankrupt in the past may stop you getting credit. It may also stop you getting the best rates. Mortgage lenders often ask if you have ever been bankrupt.

Many landlords and employers also check your credit report for court judgments and bankruptcies (but they cannot see your credit account information). So declaring yourself bankrupt might also make it difficult for you to rent a flat or get the job you want. If you are considering declaring yourself bankrupt, speak to a professional debt adviser first.

Useful contacts

- **Experian Consumer Help Service**
Phone: 0844 481 8000
Website: www.experian.co.uk
- **National Union of Students**
Advice about all aspects of student life, including money
Website: www.nusonline.co.uk
- **The Financial Services Authority**
Free budget planners, comparison tables and useful information on how to make the most of your money
Website: www.moneymadeclear.fsa.gov.uk
- **Consumer Direct**
Government-funded consumer advice service, including financial guides and tools
Phone: 08454 04 05 06
Website: www.consumerdirect.gov.uk
- **Moneyfacts**
A leading independent financial website
Website: www.moneyfacts.co.uk
- **Support 4 Learning**
Compare different student bank accounts.
Website: www.support4learning.org.uk
- **Citizens Advice**
Look in your local phone book under 'Citizens Advice Bureau'
Website: www.adviceguide.org.uk
- **Consumer Credit Counselling Service**
Website: www.cccs.co.uk
Freephone: 0800 328 1813
- **Credit Action Student Helpline**
Freephone: 0800 591 084
- **National Debtline**
Website: www.nationaldebtline.co.uk
Freephone: 0808 808 4000

Other leaflets

This leaflet comes from a series of advice guides to help you understand how credit reports are produced and used and when they affect your life. Other guides available in this series are listed below.

- Bereavement or serious illness
- Refused credit
- Living together
- Moving home
- Redundancy or reduction of income
- Relationship breakdown

To order free copies of all these guides, visit www.experian.co.uk/learningzone or call 0800 013 0161 and leave your name and address.

Information we hold about you may not be the same as that held by any other credit reference agency.

Consumer Help Service
Experian
PO Box 8000
Nottingham
NG8 7WF
www.experian.co.uk



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