



Credit report myths

Credit Report Basics

This guide uncovers the truth behind some of the myths surrounding your credit report and how credit reference agencies work.

Who is Experian?

Experian is the UK's largest credit reference agency. When you apply for credit, you will probably give the lender (the organisation 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 (which you can see by asking us for a copy of your credit report) may help the lender to decide. This information includes details of the electoral register, court judgments, bankruptcies and your current and past credit commitments.

Do credit reports show when credit has been refused?

Credit reference agencies are not told which credit applications are successful and which are not. So the fact that you have been refused credit is not recorded on your credit report. What is recorded is the fact that a lender looked at your information (with your permission) when you applied for credit. This 'footprint' will show the date of the credit check (known as a previous search), the name of the organisation you applied to and the type of credit you applied for, but not whether your application was granted or refused.

Credit reference agencies do not hold information about your race, religion, sexuality, political beliefs, employment details, medical history, council tax payments or criminal records.

Do credit reports include information about things like employment and medical records?

Credit reference agencies do not hold information about your race, religion, sexuality, political beliefs, employment details, medical history, council tax payments or criminal records. Nor do they hold information about savings accounts, other investments or insurance policies - unless you choose to spread the cost of an insurance premium over several credit repayments.

Can information about the previous occupants of my home affect my creditworthiness?

No. Lenders can only carry out credit checks with the individual's consent and on people, not addresses.

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When you apply for credit, the lender will only see credit information about you and anyone to whom you are financially linked (called your financial associate). As a result, information about previous occupants of your home is not retrieved and can have no bearing on your creditworthiness.

Will adverse information in my name affect the rest of my household?

No, it won't – unless you actually have joint finances (a loan, a bank account or a mortgage, for example) with them. If you are not financially connected in this way, their credit histories won't be connected to yours. So lenders won't be able to see information about you when someone you live with applies for credit.

Do credit reference agencies hold a blacklist of people or properties?

No, there is no such thing as a credit blacklist. Some lenders will say 'yes' to a credit application when others would say 'no'. Lenders look at the information on a credit report when they do a credit check, but nobody tells them whether or not to lend and there is no list of people who shouldn't be lent money or must be refused a credit card. The information credit reference agencies hold is purely factual and shows that most people manage their credit repayments well.

This means that this information usually helps people to get credit quickly and easily when they need it. Obviously, lenders are going to look more carefully at a credit application from someone whose credit report shows they have, or have had, arrears on credit accounts, defaults, or court judgments against them. But even then, depending on the lender's policy, they may take into account how long ago the arrears occurred and whether or not the debts have been paid. They may charge you a higher interest rate because you have a poor credit history, but they may still grant you credit.

Lenders make their own decisions and do not tell the agencies what those are. These decisions are usually based on more than the information on your credit report

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because lenders also take into account the details you give when you apply. They will also look at how you have run any accounts you may have held with them in the past.

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 similar customers managed their credit. The exact way lenders assess credit applications, including how they work out your credit score, varies from company to company. We help many lenders develop their credit-scoring systems, based on each lender's own policies.

Do I have a single credit rating that all lenders see and use?

You do not have a single credit score or credit rating. This is because each lender calculates your score each time you apply for credit using their own criteria. Lenders' scoring systems, which can differ quite widely, give points to all the different pieces of information on your application and on your credit report. They base the marks they award on how their customers have behaved in the past – so they know what a good customer 'looks like' – and on information about your situation. They also work out whether or not you can afford the credit you are applying for.

Some lenders use different scoring criteria for different 'products' and depending on the sort of customer they want. So you could get one score if you applied for a credit card but a different score if you applied for a personal loan from the same lender.

The Experian Credit Score, which you can buy alongside your Experian credit report, is our expert assessment of your credit report, which we calculate as a guide for you.

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Can adverse information be removed from my credit report for a fee?

No, it can't. And you should be very wary of any company which promises to 'repair' your creditworthiness or remove debts from your credit report. If information on a credit report can be altered or removed because it's wrong, the credit reference agency will do this for free. If the information is accurate but needs explaining, the credit reference agency will help you add a statement to your report, for free. If you need specialist advice on how to deal with your debts, you can get help from any number of debt counselling or money advice organisations – and, again, this is free.

So-called credit repair firms, which advertise that they can improve your credit rating, will charge you and will very often give you very poor or no advice. They may be a front for a loan company and they may offer you credit, instead of repairing your history, but at really high interest rates. Quite often the advice given by these companies can make matters worse. They have been known to encourage people to lie to a court or on a credit application. The Financial Conduct Authority closely monitors any organisation that offers credit report advice.

I've heard lots about identity fraud, but should I really be worried?

Identity fraud is still a big problem. Luckily, most cases of identity fraud are spotted and prevented but it's also a sad fact that it takes victims an average time of 10 months to discover the fraud and several more months to sort out the muddle a fraudster leaves behind. People who monitor their credit reports and check their bank and credit card statements usually spot identity fraud more quickly, typically within a few weeks. People who shred all papers containing personal information before throwing them away, who refuse to give personal details to cold callers or in e-mails and who are careful about the websites they use are less likely to be victims. But fraudsters are clever. Identity fraud could happen to you. If it does, Experian has a Victims of Fraud team who will help.

Will shopping around for credit affect my creditworthiness?

It shouldn't – as long as you simply get quotes and don't make lots of actual applications for credit. You have to give permission for a credit check to take place – so only do that once you have done your research and have found the best deal. It is important to make it quite clear to lenders that you are only seeking a quotation. Otherwise, shopping around could, indeed, cause problems. This is because each time you apply for credit a search is recorded on your report and stays there for one year (at Experian and Equifax and two years at Callcredit). This lets you check who has looked at your information. And it lets lenders see how many times you've applied for credit in the past year.

An abnormally high number of searches might suggest that you have been a victim of fraud or that you have applied for an excessive amount of credit. Lenders do look more carefully at applications from people with lots of searches on their credit reports. So when you ask for a quote, make it clear to the lender that if they have to do a credit check you want them to record a 'quotation search' and not a credit application search. Lenders know that quotation searches do not represent actual credit applications, so they won't harm your creditworthiness.

Checking your own credit report does not harm your creditworthiness. There is more advice about previous searches in our separate guide, [Your Credit Report and Previous Searches](#).

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Other useful guides and leaflets

Credit Report Basics is a series of guides that examine common credit report issues. We produce these under our consumer education programme and a full list of these guides is below.

- Your credit report and the electoral register
- Your credit report and bankruptcy
- Credit report myths
- Your credit report and individual voluntary arrangements (IVAs)
- Your credit report and previous searches

We also produce a series of leaflets called Credit Crossroads to help you understand how credit reports are produced and used and when they affect your life. The leaflets available in this series are listed below.

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

You can visit www.experian.co.uk/consumer/introduction-to-credit/index.html to read or print all our free guides and leaflets.

Useful contacts

Experian: Help and advice about your credit report

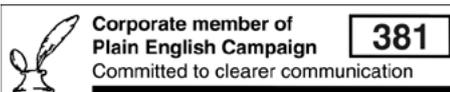
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