

Credit explained





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How do lenders decide if they will offer me credit?

Introduction

- No one has a right to credit.
- Before giving you credit, lenders such as banks, loan companies, catalogue companies and shops want to be confident that you will repay the money they lend.
- To help them do this, they may look at the information held by companies called **credit reference agencies** and may also use **credit scoring**.
- See below for more about credit reference agencies. See page **2** for more about credit scoring.

Q What are credit reference agencies?

- The three main consumer credit reference agencies in the UK are Callcredit, Equifax and Experian.
- These agencies hold certain information about most adults in the UK. This information is called your **credit reference file** or **credit report**.

- The agencies get their information from lenders, from information in the public domain like the electoral roll, and from other sources. See pages **6–13** for more details about the types of information the agencies hold.
- When you apply for credit, a lender may look at your credit reference file to help it decide if you are likely to repay. If you have a financial link such as a joint account with someone, a lender may look at information about that person’s credit history.
- Credit reference agencies do **not** hold blacklists and do **not** tell a lender if it should offer you credit – that is for the lender to decide.

Q What is credit scoring?

- When you apply for credit, some lenders use **credit scoring** to help them decide if you are likely to repay. Credit scoring enables lenders to look at each credit application in the same way. Lenders should tell you if they are going to use credit scoring.
- To work out your credit score, lenders may look at your application form and give points to some of the information on it, such as your age, your job and if you own your own home. Lenders may also give points to some of the information on your credit reference file.

- Each lender will have its own credit scoring system and will decide how many points to give each piece of information. For example, if a lender believes that people in a certain age group are more likely to repay, the scoring system will reflect this. Each lender will also decide how many points you need to reach its own 'pass-mark'. If you score above the pass-mark, you are more likely to be offered credit. So you may find that you can be refused by one lender but accepted by another.

Refused credit?

- If a lender uses credit scoring and you are refused credit, you can ask the lender to explain the **main** reason why. For example there may be information on your credit reference file that the lender thinks is negative. Or perhaps you did not reach the lender's pass-mark. Lenders may also try to make sure they do not offer credit to people who may not be able to afford it. So even if you repay your existing credit accounts on time, a lender may not want to overburden you with more. You should be aware that lenders do not have to give you details of how their credit scoring works.
- If a lender refuses you credit because it worked out your credit score just by using a computer, you can ask it to review the decision.
- If a lender did **not** just use a computer to work out your credit score and you have other relevant information that you think will alter the decision, you can ask the lender to review it.
- Even if a lender reviews its decision, it may still turn you down.

How do I get my credit reference file?

By law, you can write to any of the credit reference agencies and ask for a copy of your **credit reference file**. You can use the sample letter shown on page 5. Each credit reference agency is allowed to charge a fee of £2. You may find that the agencies offer you other services, such as allowing you to ask for your credit file over the phone or internet or to look at your file online (Experian and Equifax let you apply for your £2 report from their websites). There may be a higher fee for these extra services.

In your letter you will need to give the following details:

- your full name – also give any names you used to be known by, such as a maiden name (your name before marriage);
- your full address, including postcode;
- any addresses you have lived at over the past six years;
- your date of birth; and
- a cheque or postal order for £2, made payable to the credit reference agency.

You should keep a copy of your letter and you may want to send it by recorded delivery or registered post.

When the credit reference agency receives your letter and the fee, they have **seven working days** to reply to you.

123 Any Street
Anytown
A45 6EC

23 April 2004

Dear Credit Reference Agency

Under section 7 of the Data Protection Act 1998 please send me a copy of my credit reference file containing the information that affects my credit status. I enclose a postal order or cheque for £2.

I have lived at the above address for three years. Before that I lived at 789 High Street, Anytown, A43 9DF.

I expect you to respond within 7 working days of receiving this letter.

Yours faithfully

Adam N. Other

Adam Neil Other

Date of birth 1 January 1969

- Sometimes the credit reference agencies need more information from you before they can send you your file. For example, they may need proof of your name and address from a utility bill or bank statement. This is important to make sure that no one else gets your file by mistake or to check that no one else has fraudulently applied for your credit reference file. The agencies do not have to send you your file until they get this information.

When you apply for your credit file, if you are a **sole trader** or **partnership** you may be able to get information about the credit status of your business too.

Please see pages **25–26** for the contact details of the three main credit reference agencies.

Sample letter to send to credit reference agencies

What is on my credit reference file?

Public record information

The electoral roll (or voters roll)

- By law, credit reference agencies are allowed to use the full electoral roll for certain limited purposes. When you apply for credit, a lender may look at the electoral roll to check that you live, or have lived, at the address(es) you have given on an application form.
- Proof of where you live and how long you have lived there is important to a lender. If you are entitled to vote but are not registered on the electoral roll, you should contact your local authority. You may find that you have problems getting credit if you do not register.

Bankruptcy

- This may stay on your credit reference file for **six years** from the date of your bankruptcy (even if you have been discharged (freed) from bankruptcy). A bankruptcy restrictions order may remain on your credit reference file for longer.
- If your bankruptcy has been discharged, you may need to send the credit reference agencies a **certificate of discharge** (unless you have paid for the Official Receiver to publicly advertise your discharge). You can get the certificate of discharge from the court where the bankruptcy was filed. There will be a fee for this.

- Any account(s) included in your bankruptcy may show on your credit reference file as being in default. The date of the default(s) should not be later than the date of the bankruptcy order. See page **8** for more information on defaults.
- If your bankruptcy has been annulled (cancelled), you will need to send proof to the credit reference agencies.
- If you need help with your bankruptcy, you should contact the Insolvency Service or get independent advice.

Individual voluntary arrangement (IVA)

- This may stay on your credit reference file for **six years** from the date of the arrangement (even if your IVA has been completed). If your IVA lasts longer than six years, it will remain on your credit reference file for the length of the arrangement.
- If your IVA has been completed, you may need to send proof to the credit reference agencies.
- If you need help with your IVA, you should contact your Insolvency Practitioner or get independent advice.

County court judgment (CCJ) and high court judgment (HCJ), administration order (AO) or decree

- All judgment, decree and administration order data is supplied to the credit reference agencies by Registry Trust Limited, which keeps registers of this information.
- Data is held by Registry Trust Limited and on a credit reference file for **six years** from the date of the CCJ, HCJ, AO or decree unless it is set aside or recalled by the courts.
- It can also be removed if your debt is repaid within one calendar month of the original date. See pages **15–18** for more information.

- If you have repaid a CCJ, HCJ, AO or decree you can get your credit reference file updated. See pages **15–18** for how to do this.
- If the judgment, order or decree relates to an account that has gone into default, the date of the default should not be later than the date of the judgment, order or decree.
- If you think your judgment details on the register are incorrect or incomplete you may ask Registry Trust Limited to check your entry with the courts.

Information from lenders

- Lenders may pass information about your credit account(s) to the credit reference agencies to show whether you have been making the correct payments and on time. If you have a history of paying on time, this is likely to help you get further credit.
- If a lender is going to pass information to the credit reference agencies, it should tell you. You would normally see this stated on the application form under the data protection notice.
- Some lenders do not record information with all the main credit reference agencies, so you may find that the information on your credit reference file at one agency differs from the information on your file at another.

Your credit file may show the following:

- **A live account.** This may show on your credit reference file until the account is settled or closed. It may then show on your file for **six years**.
- **A settled or closed account.** This may show on your credit reference file for **six years** from the date it was closed.
- **A defaulted account.** This may show on your credit reference file for **six years** from the date of the default. A default normally occurs when the terms of a credit agreement have not been met and the account is three to six months in arrears. When the debt is repaid, the entry on your credit reference file should be marked as settled or satisfied.

- **An arrangement to pay.** Sometimes, if you cannot make the full payments for your credit account, the lender may allow you to pay a different amount for a short time. This will be shown on your credit reference file as an arrangement to pay. The credit reference agencies may show arrangements to pay in different ways; the information the agency sent to you with your credit reference file should explain how that particular agency records that arrangement.

Other information

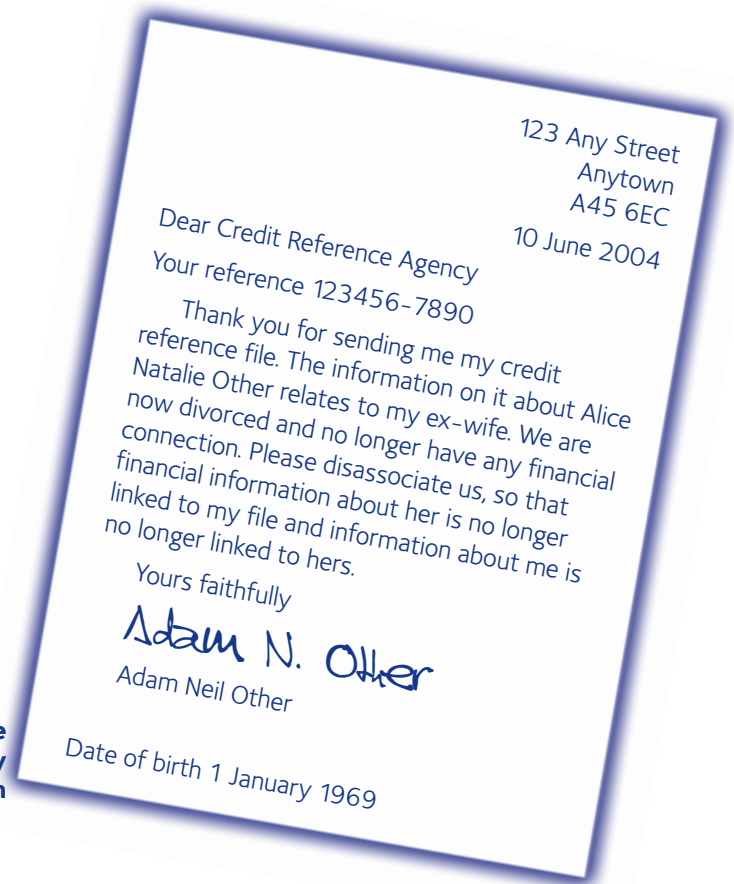
Search information

- When an organisation looks at your credit reference file, a record of the 'search' is made. This will show the name of the organisation, the date it searched your file and the type of search.
- Organisations may also search your credit reference file while you are 'shopping around' for the best credit or insurance deals; they should always tell you that they will do this. To avoid a lot of credit application searches while you are shopping around, you should make it clear that all you want is a quotation for the likely cost of the product. Organisations can carry out **quotation searches** which do not indicate that you have applied for credit.
- Sometimes organisations also need to look at part of your file for other reasons, such as to check your identity or to prevent money laundering. No one else except you would see that they had made these enquiries.
- Debt collection searches are recorded for up to **two years**.
- Callcredit keeps search information for **two years**.

Alias or association information

- You may see a list of any other names you have used in the past, for example a maiden name. This is known as ‘alias’ information. Financial information in your other names will show on your credit reference file.
- If you have a joint account or have made a joint application for credit, the name of the other person(s) will show on your credit file as a financial **association**. This means that when a lender looks at your file they will also be able to see financial information in the name of the other person or persons. However, your file will only show financial information in your name. Your file will show the name of the organisation that gave this information and when. You and the other person may also have provided this information directly to a credit reference agency. The other person’s name will stay on your credit reference file until you write to the credit reference agencies telling them that you are no longer financially connected. This is called **disassociation**.

Sample letter to send to the credit reference agency to request a disassociation



Linked addresses

- A linked address may be created when an account moves between addresses, such as when you move house, or when a lender checks your records at your previous address, or if you tell a credit reference agency about a previous or forwarding address.
- A linked address may stay on your credit file as long as this information is relevant for credit referencing purposes.

Council of Mortgage Lenders' repossession register

- The Council of Mortgage Lenders keeps a register of people who have had a property repossessed or have given it up voluntarily. Only members of the Council of Mortgage Lenders see this information.
- This may stay on your credit reference file for **six years**.

CIFAS (the UK's fraud prevention service)

- This is a system used by the credit industry and other organisations to prevent fraud.
- If a lender believes it may have detected a fraud or attempted fraud, a CIFAS marker may be put on your credit reference file. It is intended to warn lenders and to protect innocent consumers.
- The information filed may not directly relate to you but, for example, may show that someone has tried to use your name without your permission.
- No one should be refused credit just because of a CIFAS marker, and these markers are not included in your credit score. A CIFAS marker simply means the lender should take extra care to make sure that the person applying for credit is who they claim to be and that the information they have given on their application form is correct. Only members of CIFAS see this information.

GAIN (Gone Away Information Network)

- Lenders that take part in GAIN pass information to the credit reference agencies when customers have not kept their account repayments up to date and then move without telling the lender their new address. Only participants in GAIN may see this information.
- This information may stay on your credit reference file for **six years**.

Q How long is information kept on my credit reference file?

Public record information:

Type of information	Kept for
Electoral roll	Indefinitely
Bankruptcy	Normally six years from the date the bankruptcy begins, even if discharged (unless the bankruptcy lasts longer than this)
Individual voluntary arrangement (IVA)	Six years from the date the IVA begins, even if completed (unless the IVA lasts longer than this)
Administration order	Six years from the date of the order, even if paid in full
County court judgment/high court judgment/decree	Six years from the date of the judgment, even if paid in full (but may be removed if paid in full within one month of the date of judgment)

Account information

Type of information	Kept for
Live account	Information is collected until the account is closed, then kept for six years
Closed account	Six years from the date the account is closed
Default	Six years from the date of the default
Arrangement to pay	Depends on the terms of the arrangement agreed with the lender

Other information

Type of information	Kept for
Searches	Experian and Equifax – one year (or two years for debt collection searches)
Alias information	Depends on your circumstances
Association information	Until the financial link ends, you ask for a disassociation and the credit reference agency changes your records
Linked addresses	As long as is relevant for credit referencing
Council of Mortgage Lenders	Six years
CIFAS	Ongoing if there is evidence of fraud
GAIN	Six years

When things go wrong...

Q Should I use a credit repair company?

- You should think carefully before deciding whether to use a credit repair company. These companies may promise to remove information such as county court judgments from your credit reference file to improve your credit rating. They will charge a fee for doing this.
- If information such as a county court judgment has been accurately recorded on your credit reference file, it normally cannot be removed until after a set period. Section 3 of this booklet (pages **6–13**) explains what information may show on your credit reference file and for how long.
- This section (pages **14–21**) tells you what you can do when you think information on your credit reference file is wrong. There is also a list of useful addresses for organisations that may be able to help you free of charge.

Q I requested my credit reference file over seven working days ago but I have not got it yet. What do I do?

- You should send the credit reference agency a follow-up letter explaining when you asked for your file.
- If you sent your previous letter by recorded delivery, you should give the reference number, the type of service you used and the date you sent your letter.

- If your cheque has been cashed, it may help if you can tell the credit reference agency when this was done.

If after doing this you still do not get your credit file, you may wish to contact the Information Commissioner. See pages **22–24** for who the Information Commissioner is and how to make a complaint.

Q I have paid my county court judgment (CCJ) or high court judgment (HCJ), administration order (AO) or decree but my credit reference file has not been updated. What can I do?

England and Wales

County court judgment (CCJ) and high court judgment (HCJ)

- Once you have fully repaid your judgment, the court will notify Registry Trust Limited so that the register can be updated.
- If you wish, you may also apply to the relevant court for a certificate of satisfaction. To do this you should send the court:
 - the case number; and
 - a fee of £15 (cheque/postal order payable to HMCS).

- If the CCJ or HCJ was fully repaid **within one** calendar month from the date of the judgment, it will be removed from the register and from credit reference agency files.
- If the CCJ or HCJ was fully repaid **after one** calendar month, the register and your credit file will be amended to show the judgment as satisfied. This will stay on your credit reference file for **six years** from the date of the judgment.

Administration order (AO)

- Once you have repaid your AO, the court will notify Registry Trust Limited so that the register can be updated in respect of this order. If you wish, you may apply to the court for a **certificate of satisfaction**. To do this you should send the court details of the AO number and a fee of £15 (cheque/postal order payable to HMCS). Payment of the AO will not satisfy any CCJ contained within it unless that judgment is also fully repaid.
- After issuing the certificate, the court will notify Registry Trust Limited who will amend the register and inform the credit reference agencies so that they can update their records. The AO will be marked as satisfied and will stay on your credit reference file for **six years** from the date of the order.

Scotland

- In Scotland judgments are called decrees and are issued by the small claims and summary causes sheriff courts.
- If you fully repay a decree, you should write to Registry Trust Limited (address on page **27**) with the following:

- your full name and address at the time of the decree; and
- proof of payment (usually a receipt or letter from the claimant) which must also contain:
 - the case number;
 - the name of the sheriff court;
 - the date and amount of the decree;
 - the date the decree was paid in full; and
- a fee of £8 (cheque/postal order payable to Registry Trust Limited).
- Registry Trust Limited will amend the register and tell the credit reference agencies so they can update their records.
- If the proof shows that the judgment or decree was paid **within one** calendar month of the original decree date, it will be removed from the register and the credit reference agency files.
- If the proof shows that it was paid **after one** calendar month, it will be marked as **satisfied** and will stay on the register and your credit reference file for **six years** from the date of the decree.

Northern Ireland

- If a debt is undefended, judgments can be issued by the magistrates' courts or the county courts in Northern Ireland, depending on the amounts of money owed.
- If you fully repay a judgment, you should write to Registry Trust Limited (address on page 27) with the following:

- your full name and address at the time of the judgment; and
- proof of payment (usually a receipt or letter from the plaintiff) which must also contain:
 - the case number and name of the county court; and
 - the date and amount of the judgment; and
 - the date the judgment was paid in full; and
- a fee of £8 (cheque/postal order payable to Registry Trust Limited).
- If the judgment has been registered with the Enforcement of Judgment Office, you can contact that office (address on page **28**) asking for a 'paid in full search' which costs £6.
- Registry Trust Limited will amend the register and tell the credit reference agencies so they can update their records.
- If the proof shows that the judgment was paid **within one** calendar month of the original judgment date, it will be removed from the register and the credit reference agency files.
- If the proof shows that it was paid **after one** calendar month, it will be marked as **satisfied** and will stay on the register and your credit file for **six years** from the date of the judgment.

Q I have my credit reference file but some of the information is wrong. What can I do?

If your query is about the accuracy of a CCJ, H CJ or AO in the England and Wales courts, and is not about full payment of the debt, you may ask Registry Trust Limited (address and website on page **27**) to check your entry with the courts.

If you think the electoral register information on your credit file is incorrect, you should contact the credit reference agency. If you simply need to register to vote, you should contact your local authority.

If your query is about the accuracy of a decree or Northern Ireland judgment, you should contact the court.

If your query is about other credit information, you can write to the **lender** or the **credit reference agency**. If you write to the credit reference agency, it will normally need to contact the lender and ask it to investigate your complaint. You may therefore find it quicker to write directly to the lender yourself. This will also save you having to write to each of the agencies that hold the information you think is wrong.

Writing to the lender

- Give your full name and address. It may also help to give any relevant account numbers or reference numbers to help them find your information.
- Explain what information you think is wrong and why.
- Provide any proof you have to show the lender why the information is wrong.

- Keep a copy of any letters you send.
- Give the lender a reasonable time to reply, say at least **28 days**. This will enable it to investigate the problem.
- If you do not get a response, you should send the lender a follow-up letter.

Writing to the credit reference agency

- Give your full name and address. It may also help to give your credit reference file number.
- Clearly explain what information you think is wrong and why.
- Provide any proof you have to show why the information is wrong.
- Keep a copy of any letters you send.
- By law the agency must tell you within **28 days** of your letter if it has:
 - removed the entry from your file;
 - amended the entry; or
 - taken no action.
- If the entry is amended, the agency will send you a copy of the amended entry. The agency will also send the details to any lender that has searched your credit reference file in the last six months.

If, after writing to the lender or the credit reference agency, the information is still wrong or you do not get a response, you may wish to contact the Information Commissioner. See pages **22–24** for who the Information Commissioner is and how to make a complaint.

Q The credit reference agency has not replied to my letter within 28 days, or it has replied to my letter but taken no action. What can I do?

You can ask the credit reference agency to add a **notice of correction** to your credit reference file. You can also write to the Information Commissioner.

What is a notice of correction?

- This is a statement of up to 200 words which you can write. It will be seen by anyone who looks at the entry on your credit reference file and should be taken into consideration if you apply for credit.
- The notice should clearly and accurately explain why you think an entry on your credit reference file is wrong.
- If the agency thinks your notice of correction is incorrect, defamatory (affecting someone's reputation), frivolous or scandalous, or is for any other reason unsuitable for publication, it must pass the notice to the Information Commissioner. The Commissioner will then make an order to say what notice, if any, should be added to your credit reference file. See pages **22–24** for who the Information Commissioner is and how to make a complaint.

The Information Commissioner

Q Who is the Information Commissioner?

- The Information Commissioner enforces the Data Protection Act 1998 and Freedom of Information Act 2000.
- The Data Protection Act 1998 gives you the right to ask for a copy of your credit reference file and to correct any information that is wrong.

Q When should I contact the Information Commissioner?

There are four main reasons why you might need to contact the Information Commissioner:

1. You asked for a copy of your credit reference file but still have not got it, despite following the advice on page **14** and **15**.
2. You wrote to the lender(s) because the information on your credit reference file is wrong. You have given them at least **28 days** to reply and have sent a follow-up letter but they have not replied, or they have replied but the information is still wrong.
3. You wrote to the credit reference agencies because the information on your credit reference file is wrong. You have given them **28 days** to reply but they have not replied, or they have replied but the information is still wrong.
4. You asked for a notice of correction to be added to your credit reference file but the credit reference agency will not add it. The credit reference agency should also write to the Information Commissioner's Office.

Q What should I send the Information Commissioner?

- Your full name and address.
- If you:
 - a) **asked for a copy of your credit reference file** but have still not received it, you should send:
 - a copy of your letter asking for your credit reference file;
 - a copy of your follow-up letter; and
 - proof that your cheque has been cashed, if it has;
 - b) **wrote to the lender or credit reference agency** because the information on your credit reference file is wrong, you should send:
 - an explanation of what you think is wrong and why;
 - copies of letters sent to or received from the lender or agency; and
 - any proof you have to show why the information is wrong;
 - c) **asked for a notice of correction** to be added to your file and the credit reference agency will not add it, you should send:
 - a copy of the notice of correction; and
 - copies of the letters sent to or received from the credit reference agency.

Q What happens next?

- The Information Commissioner will consider the information you provide and may decide to contact the lender or the credit reference agency for their comments.
- The Commissioner will then decide what action, if any, to take.
- You can get more information about the Information Commissioner and his role from our website: www.ico.gov.uk

Useful addresses

Credit reference agencies

■ Callcredit Limited

Consumer Services Team
PO Box 491
Leeds
LS3 1WZ
tel: 0870 060 1414
www.callcredit.co.uk

■ Equifax Plc

Credit File Advice Centre
PO Box 1140
Bradford
BD1 5US
tel: 0870 010 0583 (for enquiries once you have your credit reference file)
www.equifax.co.uk

■ **Experian Limited**

Consumer Help Service
PO Box 8000
Nottingham
NG80 7WF
tel: 0844 481 8000
www.experian.co.uk

Other bodies

■ **Information Commissioner's Office**

Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF
tel: 08456 306060

If you have access to free or cheap calls to 'national rate' numbers you may prefer to contact our helpline on 01625 545745.

www.ico.gov.uk

■ **Office of Fair Trading**

Enquiries Unit
Fleetbank House
2–6 Salisbury Square
London
EC4Y 8JX
tel: 08457 22 44 99 (general enquiries)
www.oft.gov.uk

■ **CIFAS**

4th Floor – Central House
14 Upper Woburn Place
London
WC1H 0NN
www.cifas.org.uk
www.identityfraud.org.uk

■ **Registry Trust Limited**

173 – 175 Cleveland Street
London
W1T 6QR
tel: 020 7380 0133 (general enquiries)
www.registry-trust.org.uk

■ **Enforcement of Judgments Office**

6th Floor, Bedford House
Bedford Street
Belfast BT2 7FD
tel: 0289 024 5081
www.courtsni.gov.uk

■ **Insolvency Service**

21 Bloomsbury Street
London WC1B 3QW
tel: 0845 602 9848
www.insolvency.gov.uk

■ **National Debtline**

Tricorn House
51 – 53 Hagley Road
Edgbaston
Birmingham
B16 8TP
tel: 0808 808 4000
www.nationaldebtline.co.uk

■ **Consumer Credit Counselling Service (CCCS)**

Freephone 0800 138 1111 (for advice with debt problems)
www.cccs.co.uk

■ **Citizens Advice**

www.citizensadvice.org.uk
www.adviceguide.org.uk (general advice)

■ **Trading Standards**

The address of your local Trading Standards Department is in the telephone book under your county, regional or borough council.

Contact us

If you would like to contact us please call 08456 306060
or 01625 545 745 if you would prefer to call a national rate number.

e: mail@ico.gsi.gov.uk

w: ico.gov.uk



August 2008

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Wycliffe House, Water Lane,
Wilmslow, Cheshire SK9 5AF



Information Commissioner's Office