

Borrowing and credit scoring – what you need to know



NatWest

What happens if you decide to borrow

Mortgages, personal loans, credit cards and overdrafts are all forms of credit that may be available if you decide to borrow. There are different types to suit different situations. So if you're considering borrowing from us, it's important that you choose the product that best suits your needs. It's essential that you make sure you're able to afford the repayments.

Understanding our credit decisions

Like other responsible lenders, to help us make decisions on when to give you credit, we use a system called credit scoring when we assess your application. As you may have questions about what this means and how it works, this leaflet is designed to give you straightforward answers and clear explanations.

Why do we use credit scoring?

Credit scoring is a method we, and many other lenders, use to predict how likely we are to get back the money we lend. It's a consistent, accurate and fair way of assessing risk.

To work out your credit score, we look at:

- information you give us when you apply;

- information from credit reference agencies that will show us whether you've kept up to date with payments on any credit accounts (that could be any mortgages, loans, credit cards or overdrafts), or if you've had any court action such as judgments or bankruptcy;
- your history with us.

When do we use credit scoring?

We use it when we look at applications for certain products and accounts that use credit. We'll tell you when you apply for one of these if you're going to be credit scored.

How does credit scoring work?

We give you points for each bit of relevant information, then add them up to get to your credit score. Once you've scored a certain number of points (and met our other policy requirements), we'll usually approve your application. The score you need to get your application approved may vary. To help make sure our systems remain secure and fair, we keep the finer details of how we work out your score confidential. Our branch and call centre staff will not be able to provide the full details of your score either. But it is important that you complete your application in full, because if you leave something out it may affect our assessment.

Who helps us with credit scoring?

The main credit reference agencies in the UK are Equifax Plc, Callcredit Plc and Experian Ltd. These agencies keep records to help lenders like us assess credit applications.

Their records include information such as:

- your electoral roll status;
- if you've been made bankrupt or insolvent;
- if you have any County Court Judgments and Court Decrees;
- any current and previous borrowing you have and the way you managed these accounts;
- any credit reference searches carried out by other companies;
- the names of anyone you've made a joint application with or have a joint account with, or the names of people you've told the credit reference agencies you're financially associated with.

What happens with this information?

It goes into your credit report (also called your credit file). That's where all your credit activities, such as any credit card accounts or loans you may have, the balances, and how regularly you make your payments, are listed. Your credit report also shows if any action has been taken against you because of unpaid bills. Almost everyone has a credit report, and it can help your finances if you check and improve it where possible. It might be useful to see the details held about you by the credit reference agency once a year or before you make any new credit applications.

Can you get your own credit report?

You should be able to get online access to your statutory credit report. Or you can write to them and ask for a paper copy. The addresses of the three main agencies are:

Equifax Ltd

Customer Service Centre
PO Box 10036
Leicester
LE3 4FS
Tel: 0800 014 2955

Calls are free from a BT landline, charges from other networks and mobiles may vary.

Tel: 0333 321 4043

Calls from landlines and mobiles are normally included in bundled call packages, otherwise calls cost 9p per minute and 15p connection fee from a BT landline. Other networks and mobiles may vary.

Callcredit Plc

Consumer Services Team
PO Box 491e
Leeds
LS3 1WZ

Tel: 0330 024 7574

Or visit: www.callcredit.co.uk

Experian Ltd

Consumer Help Service
PO Box 8000
Nottingham
NG1 5GX

Tel: 08000 13 88 88

Or visit: www.experian.co.uk

You might find the most convenient way to contact these agencies is through their websites, which have lots of useful information and will guide you through what you need to do to access your details.

If you decide to write, you should ask for a copy of the information the credit reference agency holds on your file. You'll need to give them your title, surname and first name(s), your date of birth and full current address, including your postcode. If you've lived at your current address for less than six years, you'll need to supply all your addresses and postcodes during this time.

You'll also need to include a cheque or postal order for £2 with your letter to each agency you write to.

Can you see information about people you're financially associated with?

If you ask for a copy of your credit report, it'll include the names of anyone you're financially associated with. So you'll be able to see who they are, but no further information about them.

What if the information the credit reference agency has is wrong?

When you get your report, the credit reference agency will let you know what to do if you feel that any of the information it includes is incorrect.

Where can you get more information about credit and credit scoring?

Further details and your rights to see or obtain information held about you are all set out in a leaflet called 'Credit Explained'. The Office of the Information Commissioner produces this leaflet and you can get a copy by calling 01625 545700. Or by writing to:

Credit Explained Leaflet
Information Commissioner
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

Why might your application for credit be turned down?

There are a few reasons why we decline applications:

1. If we feel that the credit you're applying for may be unaffordable due to your income, living costs and existing borrowing.
2. If you have current or past credit repayment problems, for example you've been declared bankrupt, had credit arrears or defaults or court judgments made against you.
3. If you don't provide all the information we need to assess your application such as your name and contact details, a signed credit agreement and identity information.

4. If approving your application would mean you exceeded the number or value of credit products that our lending criteria allows one person to hold with us.
5. We may decline a mortgage if the property is unsuitable.
6. If using credit scoring, you've not reached the minimum score needed or we feel your ability to repay what you have borrowed may be too risky for us to consider lending to you.

If we turn down your application we'll try to tell you the main reason and also which credit reference agencies' information we used, if it was relevant to how we made our decision. In some cases, our decision may not be due to information from a credit reference agency, but because of other details we find during the application process, for example – if you are under 18 or if your current account is in such a position that we couldn't approve borrowing on e.g. a loan, card or overdraft.

If you have other credit accounts with us, why might we refuse your application?

Your personal circumstances often change over time. So when we make our assessment we look at any current information that is available to us. This information may mean it is inappropriate for us to offer you additional credit at this time.

Helpful tips and frequently asked questions

Would an application ever be turned down because of where you live?

No. We won't decline your application because of where you live, unless for example you live abroad and the product is only available to UK residents.

Can you appeal against a decision?

Yes. But we can't guarantee the outcome will be any different. Giving us any information we didn't take into account originally should help. You'll find details about our appeals procedure at your local branch. If you decide to make an appeal, you should give us any relevant information you feel supports your request, for instance, if you have additional regular income or investments that you didn't include on your application.

If your application is turned down, can you reapply?

If your circumstances change we'll be happy to look at a new application from you. If your circumstances haven't changed since your last application, it's unlikely our decision will change. But we won't turn down an application just because we've turned one down in the past.

If we turn you down, will other lenders automatically do the same?

No. Every lender's scoring system is different. But the credit reference agency will keep the search we did about you on file, and if another lender uses the same agency, they will tell them about it.

Is information about your family or any other person taken into account?

Only if the credit reference agency has been told that someone is financially associated with you. That includes anyone you've made a joint application with or have a joint account with.

Also, we won't look at the credit history of people who've previously lived at your address, unless you're financially associated with them.

Can you improve your credit score?

Yes. There are a few simple ways to try to improve your score.

- **Make all your regular payments on time**

Always try to make at least the minimum payments on any credit products you have, on time. Missing or making late payments (even to your mobile-phone operator) can often be registered on your credit report and this may harm your

chances of getting credit in the future. An easy way to help you avoid late payments is to set up a Direct Debit.

If you're in difficulties, you should speak to your lender who will be able to help you.

- **Check you're registered on the Electoral Roll at your current address**

The Electoral Roll is used to confirm both your name and address, so if you're not registered your application could be delayed or you might even be turned down. You can check with your local council to see whether you're on the current Electoral Roll.

- **Close any accounts you no longer use**

Having a large amount of credit that you do not use can affect your credit score. For example, if you have a credit card with a limit of £5000 but you never use the card. Keeping accounts open that you don't use can also make you more vulnerable to fraud. Also if you have old accounts, such as mobile phone or credit cards, they might be registered at a previous address that can affect your ID checks.

- **Check the information on your credit report is accurate and up to date**

If you don't agree with something on your report, let the credit reference agency know straight away. You can also ask to add a note to your credit report if past credit problems were due to special circumstances. This is called a 'notice of correction' and is a short statement of no more than 200 words that you can attach to your file.

- **Manage your applications carefully**

Making lots of credit searches in a short space of time can affect your score, so it may help to space out any credit applications, and those for things like car insurance and mobile phones. Moving house can also disrupt your score, so try to make important applications before you move. Finally, check if the product you're interested in offers a quotation facility so you can check any terms before applying, and, without your credit search being recorded.

