

credit decisions explained

If the thought of applying for a credit card is a little daunting, a read of this leaflet should make you feel a bit more confident about what happens next.

Contents

Section 1

What is credit scoring?
Why does Barclaycard use credit scoring?
What information do you check?
What happens if you turn down my application?

Section 2

How do I get a copy of my credit reference report?

Section 3

What information is on my credit reference report?
How long does the information stay on it?
Some of the information is wrong. What can I do?

Section 4

How to improve the information in my credit report

Section 5

The myths about credit reports

Section 6

Having difficulties? We can help

Section 1

What is credit scoring?

Whenever you apply for credit, the first thing we establish is your credit score. It's a system used by all the major banks, credit card and finance companies.

Even when you have your Barclaycard we can continue using credit scoring to make sure you have the right credit limit.

Why does Barclaycard use credit scoring?

No matter how reliable or responsible you are, if we lend you money we're taking a risk that you may not pay it back. Credit scoring helps us to work out the level of risk for each person who applies, by taking the information that we have and using it to decide how much we think you can borrow and at what interest rate.

Our scoring system is as fair and unbiased as we can make it, so that everyone is treated consistently.

Credit scoring sounds intimidating, but it's designed to protect you as well as us. You will only be able to borrow the amount you can afford to repay. That's why the Office of Fair Trading, which regulates credit, thinks credit scoring is a good system.

What information do you check?

We check three kinds of information – what you say on your application form, what we may already have (if you already have a Barclaycard, for example) and what we can find out from credit reference or fraud prevention agencies. If we contact other organisations, we'll tell you who they are.

Each piece of information that's relevant has a score. If your score reaches a certain level, and you meet our policy rules, we will usually approve your application.

If your score doesn't reach this level, we may not be able to offer you a card. If this happens, we won't share the details with credit reference agencies.

What happens if you turn down my application?

First, it doesn't mean we think you will not pay your credit card bills. All it means is that, based on the information we have, we'd prefer not to lend to you. Each lender has their own system, so it could be that a different credit card company would say yes (and vice versa).

We'll give you the main reason why we turned you down. Here are some examples:

- One or more of the credit reference agencies may have had information that influenced our decision
- If you haven't passed our credit score
- You may not have met one of our conditions (for instance, if it seems you don't earn enough to meet your repayments).

You can ask us to have another look, in which case, we'll generally ask you to give us some extra information. If your credit score still doesn't reach the right level,

and we don't approve your application, we won't tell the credit reference agencies the specific details.

Section 2

How do I get a copy of my credit reference report?

The idea of credit reference agencies holding information about you may seem a bit daunting, but it's not – it's actually to make it easier for other people to help you. And you can check the information they hold at any time. Just call, write or email them and they'll tell you what you need to know.

Experian Ltd

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

Equifax plc

Credit File Advice Centre
PO Box 1140
Bradford
BD1 5US
Tel. 0844 335 0550
www.equifax.co.uk

Callcredit plc

Consumer Services Team
PO Box 491
Leeds
L51 5XX
Tel. 0870 060 1414
www.callcredit.co.uk

If you write to the credit reference agency to get your information, you'll need to send them:

- Your full name, including any aliases you might use (like a writer's pen name, or a musician's stage name) or other names like your maiden name
- Your date of birth
- Your address, including your postcode and any other addresses you've lived at in the last six years.

There is a statutory fee of £2 for the report but other services offered may cost more.

Once the agencies you've written to have received your letter and the fee, they'll usually send your report to you within seven days.

Sometimes, they may need some extra information from you to verify your identity – a utility bill or a bank statement, for example. This is to make sure no one else is asking for your report.

Section 3

What information is on my credit reference report?

The information on your record includes your electoral register details. The electoral register lists the name and address of everyone who has registered to vote, so it confirms your name and address and helps to prevent fraud like money laundering.

Public information

This is information from the courts, provided by Registry Trust Ltd, an independent organisation set up under the control of the Department for Constitutional Affairs. If you've ever been taken to court for not paying back a debt, this will show on your report as a County Court Judgment (CCJ). But, provided that you pay the court judgement within a month, it will be removed from your credit report.

Bankruptcy information

This comes from the Insolvency Service. If the bankruptcy order ends, the Insolvency Service should tell the credit reference agencies. You can also send the credit reference agencies a copy of the discharge certificate or the letter from the official receiver and they'll update their records. If the record hasn't been updated, you should contact the court concerned. You can ask for a certificate of satisfaction as proof that you've paid your debts (there is a fee for this).

Individual Voluntary Arrangement (IVA)

These are agreements that you've worked out with the people you owe money to, to pay off an agreed amount over a shorter period.

Credit account information

All the major banks, credit card and financial institutions share details of their customers' credit agreements with credit reference agencies. When we're considering a new application for a card, this information helps us because it shows how you handle other card accounts, both now and in the past. This helps us to decide whether offering you a new card would be right for you.

The credit account information belongs to the lender that provided it and credit reference agencies cannot change the details without the lender's permission. Each month, lenders provide details of any changes to the credit account information.

Previous search information

This is a record of organisations which have searched your report to check your identity or to assess your application for credit

Linked addresses

When you move house, a linked address helps us to track your account.

CIFAS

CIFAS is the UK's Fraud Prevention Service. If we or any other lender think someone is attempting fraud, we could put a CIFAS marker on your credit reference report to warn future lenders and protect innocent customers.

Gone Away Information Network (GAIN)

If someone doesn't make their payments, then moves house without making the outstanding payments, this service lets lenders pass information on to the credit reference agencies to warn others.

Council of Mortgage Lenders' (CML) repossession register

The CML keeps a register of people who have had a property repossessed or have given it up voluntarily. Only CML members are permitted to see this information.

Alias/Association information

This is a list of any other names you might have used before – if you changed your name by deed poll, for instance. Or if you changed your name when you were married, it will have your maiden name; or it might have an actor's stage name if it's the one you use for the account you have your wages paid into.

And if you are married, or 'financially linked' in some way to someone for any reason that means sharing a joint account or making a joint application, the details, with the name of the organisation which created the link and the date the link was created, will appear on your credit report. So if you make an application, we may take these "associated" records into account in our decision.

Their information won't appear on your credit report, so they will need to apply for their credit report separately.

If you're not sharing your finances with anyone any more, you can write to the credit reference agencies to explain the situation and they can remove the link. This is called a **disassociation**. The contact details of the credit reference agencies are in Section two.

Notice of Correction

This is a statement of up to 200 words written by you to say why you think an entry on your credit file is wrong, or perhaps to explain what happened. You can also write to them if the information is factually correct but you think it creates a misleading impression.

Here's an example:

"I Mr Anthony Person of [address], would like it to be known that the Judgment recorded against me for [amount £'s] relates to a bill which I could not pay because I was made redundant. I paid the bill in full after I got a job. I would ask anyone searching this file to take these facts into account".

How long does information stay on my credit report?

That depends on the type of information.

Electoral Roll information is held indefinitely.

Public Information i.e. CCJs, bankruptcies, IVAs, Administration Orders etc, are held for six years from the date they begin, unless set aside or the courts recalled them.

Credit account information is held for as long as your account is open and then for another six years from the date you close or settle your account.

So if you default on your account, it will stay on your credit report for six years from the date of the default. When the debt is repaid, the entry on your credit report should be marked as settled or satisfied.

Search information is held for 12 months at Experian and Equifax and for 24 months at Callcredit.

Some of the information on my credit report is wrong. What can I do?

If your question is about a CCJ, Administration Order or Decree and is not about paying off your debt, contact the court for help. The entry in your credit report will give the name of the court, the relevant date and the case number.

If your question is about the Electoral Register, contact your local authority for the address. If you're asking about other credit information, you should write to the lender giving your full name, address, any relevant account or reference number and explain what information you think is wrong and why. The lender's details will be on your credit report.

Remember - keep a copy of any letters you send.

Section 4

Being rejected

We all like to be accepted, especially for something as useful as a credit card. So how do you improve your chances of being approved?

Keep up-to-date with your existing credit

Paying your current credit or loan repayments on time is a good idea anyway, but it also helps to show that you're likely to keep doing it in the future.

Be patient, not persistent

If you're turned down, wait a few months before trying again. If you simply keep re-applying, it could lower your credit score which will actually make it even harder to be accepted.

Get yourself on the electoral register

It's the first thing that any institution checks – that you're registered at the address on your application.

Don't leave out previous addresses

If you've moved a lot in the last three years, don't be tempted to leave out previous addresses you've lived at – you might think it's simpler, but it could look like you're trying to hide unpaid bills from before.

Be honest about your credit history

If you've had problems in the past and you've been unable to make your repayments, or you've had County Court Judgments (CCJs) against you, it's better to admit it.

Settle bad debt

Although unpaid credit and CCJs remain on your credit file for six years, once you've paid them off they'll be marked as settled. This could be taken into account in your favour in the future.

Get the facts

If you're still puzzled about why you've been turned down, contact a credit reference agency to see a copy of your credit file. This will show you all the information that lenders can see about you. The main credit reference agencies are Experian, Equifax and Callcredit.

Get mistakes put right

If you see something that isn't right, dispute it – you can appeal to the agency directly, and to the lender. You can also add a note to your file, to explain any special circumstances such as a sudden illness which had an effect on how you paid your bills, for example.

Section 5

The myths about credit reports

You may not know much about credit reference agencies, which is probably why you hear some very strange stories about them.

To help you here are some useful questions and answers:

Do credit reference agencies blacklist people or properties?

No. All they do is pass on the facts. Any decisions about giving you credit are made by the lenders themselves, and credit reference agencies don't offer lenders an opinion about individuals.

Can information about someone who was in my house before me affect my credit score?

This can't happen to you, because we check up on people, not addresses. We want to know your address so that we know about you, not who lived there before you.

Will my bad debts affect anyone else in my household?

No, because your credit history is nothing to do with anyone living with you, unless you share a bank account or a mortgage. If someone you share a flat with, for example, has their own finances, we won't see their information when you apply for credit, and vice versa.

Do credit reports show when I've been turned down?

A search 'footprint' can show the date of the credit check, the name of the organisation you applied to and what you applied for, but not whether you were

accepted or turned down. Only the fact that you applied can be recorded, not the decision.

Do credit reports include information about employment or medical records?

No. credit reference agencies know your address, who you bank with, what types of finance you have, plus how well you pay them off and that's it. Nothing about your race, your gender, your religion or your medical history. They don't even know if you have any savings accounts, investments or insurance, for example.

Section 6

Having difficulties? We can help

We know that life isn't always as smooth as we'd like. Perhaps you've had some bad luck, or an unexpected emergency through no fault of your own. Or perhaps you just overestimated how much money you had to work with.

Whatever the situation, you need to do two things straight away.

1. Keep calm
2. Call us

There are plenty of places to find free, impartial advice.

Citizens Advice Bureau (CAB) - The CAB has trained, specialist debt advisers who will be able to help you reorganise your finances and deal with creditors. You can find your nearest CAB in your Yellow Pages under "Counselling and Advice" or visit their website at www.citizensadvice.org.uk.

Consumer Credit Counselling Service (CCCS) - CCCS is a registered charity that provides counselling to people in financial difficulty. Call **0800 138 1111** or visit www.cccs.co.uk for more information.

Payplan - Payplan provides expert advice on dealing with your debts. You can call Payplan on **0800 917 7823** or visit their website at www.payplan.com.

Advice UK - Find your nearest information and advice centre at www.adviceuk.org.uk or call **020 7469 5700**.

National Debtline – National Debtline provides free confidential and independent advice on how to deal with debt problems, call **0808 808 4000** or visit www.nationaldebtline.co.uk.

And you'll find even more independent help and advice at the Financial Services Authority's website, www.money.made.clear.fsa.gov.uk.