



*Guide to:
Credit Repair*

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1.

How Having a Bad Credit Rating Affects You

Anyone with a low credit score can tell you that it can be difficult and embarrassing when you need to apply for new credit.

If, despite your poor credit rating, your application for new credit is accepted, it is likely that you will have to pay high interest on any loans and credit that you are able to obtain.

Fortunately, it is possible to legally and permanently repair your credit report yourself without having to pay a credit repair service to help.

A poor credit rating can be caused by a number of things, like bills being unpaid or paid late or by having a default or county court judgement recorded on your file.

Having defaults recorded on your file can make it very difficult for you to receive further credit.

If you have a default, you will struggle even to find a bank account that will issue you with a chequebook and you will find it difficult to obtain mortgages, credit card or a personal or secured loan at competitive rates.

Having a bad credit rating will result in your borrowing options being limited.

Missing payments for utility services (Gas and Electricity), could have an adverse impact on your credit rating leading to future problems and having County Court Judgements (CCJs), Bankruptcy orders or defaulted payments on your record will cause problems when you try to secure new credit.

Having a bad credit file can result in the only means of credit available to you would be through either the sub-prime market or payday loan companies. If you have to borrow money from these types of lenders, you will end up having to pay high interest rates. If you are to avoid paying inflated interest rates and charges, you will need to work at getting your credit report back on track so that you are able again to borrow from high street lenders at competitive rates.

This guide will provide you with an overview of how the process works, and hopefully it will help you to improve your current credit rating

2.

Getting Started

Before you can start to repair your credit rating, you need to establish your current position and to do this you will need to obtain a copy of your credit file.

The cost of obtaining a copy of your file can be as little as £2.00 and they are easily obtained from any one of the three credit reference agencies (CRA).

The three Credit Reference Agencies: Experian, Equifax and Callcredit

However, due to the fact that some of the information recorded may differ between the CRA's, to be on the safe side, if you are looking to improve your credit rating, you should consider obtaining a copy of your credit report from all of the 3 Credit Reference Agencies.

What is a credit reference agency? (CRA)

Credit reference agencies are independent organisations that compile information from a number of sources held about consumers and businesses, to help lenders decide whether to give them credit.

When a consumer or a business applies for credit they provide the lender with information about themselves and their finances. Additional information is provided to the lender from a CRA.

All of the information held by the CRA is retained and accessed in line with the Data Protection Act.

The information that they hold is purely factual and falls into two main categories – Public Information and Credit Account Information.

Public Information

The Public information held on record includes the following:

- Information taken from the full electoral roll to help them confirm names and addresses of applicants.
- Details of Court judgments and Scottish decrees.
- Information on Bankruptcies, individual voluntary arrangements and administration orders.

Credit account information

Creditors have agreed to share details of their customers credit agreement so that when someone applies for credit, the lender can check their repayment history, amount already owed by the applicant and details of any defaults recorded. This information helps lenders decide if the consumer is a suitable risk for additional credit

Credit Reference Agencies do not make any lending decisions, the decision to approve or turn borrowers down for credit isn't made by them but by the lenders, based on their own criteria.

As lenders do not tell the CRA's how the information they have provided has affected their lending decision, credit reports do not show whether a lender has refused or accepted a credit application.

Every time you open a new form of credit, it will leave an electronic footprint on your record.

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Auditing Your Credit File

In addition to containing your personal details, your credit report holds information on whether you are registered on the electoral role, the credit agreements that you have in place, details of missed payments, defaults and a note of any searches carried out on your file within the last twelve months.

When you receive your credit files, check everything for possible mistakes and make a list of these and any other problems you find as you go along. Not checking your file thoroughly could result in major problems in obtaining credit in the future.

Every detail has to be checked, be vigilant and remember to check for any agreements that may have been taken out fraudulently on your name by someone else.

Although it is recommended that you check your file at least once a year, you should always check your credit file before making any large purchases like a mortgage or car purchase to lower the risk of you being refused the finance.

Make sure that you carefully check the following areas:

- Your Personal Details are recorded correctly
- Check your present and past address details.
- All expired defaults, CCJs and Bankruptcy notices have been removed from your file
- All your debts correctly listed?
- There are no inaccuracies on your repayment history?

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Correcting Errors

If you discover any errors recorded in your personal details on your file, you will need to write to the agency and request it's changed and if they agree, they should be able to correct the error quickly.

If you disagree with any financial information recorded, you will probably have to write to lender to have them change the details recorded.

Should either the agency or lender refuse to amend your file, you can add your own comments by means of a notice of correction and you can also make a complaint to the Financial Ombudsman Service.

When writing to the Agency or lender, you should provide the following information to them:

- Your full name and address
- your credit file reference number
- An explanation of the information you think is wrong
- The reasons why you think that the information is wrong
- Provide documentation to support your complaint

Once you have submitted your letter to the CRA, they have 28 days to advise you of the action they have taken regarding your request. If they have changed the entry on your file, they will send you a copy of the amended entry.

Any lender that has searched your credit file in the last 6 months will be informed of the changes made.

As changes to your credit file are not automatically updated by the other Credit Reporting Agencies, you will need to inform them in writing of the changes that have been made.

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Improving your credit file

Get on the electoral roll

Make sure that you are registered on the electoral roll at your current address.

If you're not registered, it's unlikely that you will be able to obtain any credit, so as a matter of urgency, get registered.

If you are turned down for credit, don't continue to too many applications as every search made by lenders leaves a 'footprint' on your file. Too many footprints will have a negative impact on your credit rating.

Check Your Personal Details

Check your file to make sure that all your debts are registered to your correct name and at your current address

Getting Defaults Removed from Your File

If the default is genuine, it is going to be difficult to have it removed from your file.

If you are disputing the default and you can settle the debt, either in part or in full, then you may be able to negotiate with the lender to have the default removed from your file as part of the settlement agreement.

If you feel that the default is unfair, you can complain to the Financial Ombudsman if the lender refuses to remove it from your file. If the Financial Ombudsman agrees with you, it can rule that the default be wiped from your file.

If you believe that the default is unfair but you are unable to have it wiped from your file, you can add a notice of correction to your file explaining the reasons why you regard it as being unfair.

You can appeal against receiving a default if the lender has failed to send a default warning letter. By law the lender is required to issue a default warning letter that provides you with a final 28 days to settle your debt prior to issuing the default.

Applying for New Credit

When you are considering applying for new credit, start off small and only apply for credit that you are likely to be approved for.

If you are considering applying for a mortgage and you have defaults or CCJs on your file then there is high chance that your application will be turned down.

However, once your defaults or CCJs are expired (which will take six years), you should think about making an application.

Get a quotation search rather than a credit search

If you're just looking to get a quote for a loan, ask the lender to carry out a quotation search rather than credit search as this type of search won't have a negative impact on your credit score.

Pay your bills on time

Don't miss any creditor repayments and never be late in making them. Do everything you can to make sure that you keep up all agreed repayments. If you start to struggle, ask your lender if they can reduce your repayments.

If you have a mortgage, or a mobile phone contract or any other credit, you need to make sure that the monthly payments are made on time

Cancel unused credit cards as they could be used fraudulently by third parties

Keep any long-standing bank accounts that you have opened as this can benefit to your credit score.

Be careful who you borrow with

The quality of your present lenders are also considered by prospective lenders, payday loan companies are viewed as a last resort to obtain finance and using them can have a negative effect on your credit rating and cause you problems in obtaining credit in the future.

If your credit rating is reasonable but and you're looking to improve it, I would advise you to avoid opening an account with a payday loan company.

Joint Finance Agreements

Joint finance done with someone with a bad rating will affect your rating. If you have some joint debt and you split up with a partner, let the agencies know

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Rebuilding your credit history

You can improve your credit rating by taking out small amounts on store cards or credit cards and paying off the balances in full each month.

Although it can take some time for your new credit history to take shape, it will help to convince lenders that you are a good credit risk.

If you happen to be refused for credit, the lender must tell you why, which will give you the opportunity of reviewing your rating and identify where action can be taken to improve your credit file

Credit builder prepaid cards

If, due to having financial problems in the past, you are finding it difficult to get accepted for a credit card or personal loan, a credit builder prepaid card can help you to repair your credit rating by building a credit history and help you to get approved for better deals in the future.

The benefit of these cards are that not only can they help you to build up a credit history, being accepted for one is guaranteed as they don't require any credit checks or proof of income when you apply.

How they work

Like other prepaid cards, credit builder prepaid cards allow you to deposit cash into them whenever you want to and you can then use the card as you would a credit or debit card.

These cards don't offer the same protection as credit cards do.

Purchases made by credit cards are protected under Section 75 of the Consumer Credit Act 1974 and the Consumer Credit Directive where your card provider is jointly liable with the merchant for purchases between £100 and £60,260 that turn out to be faulty, damaged or don't arrive.

Although it may take some time to repair your credit rating with Bankruptcy and default details remaining on people's files for up to six years, most minor problems should only take a year or less to get your credit rating back on track.

High Interest Credit cards

There are a number of Credit Card companies out there who will be happy to issue a small amount of credit (£500) on a high interest card that will allow you to, if used sensibly will provide you with the opportunity of rebuilding your credit history.

The interest charged by these cards can be as high as 50%, but that does not matter because you will be clearing the outstanding balance each month in full and thus avoiding interest charges.

Clearing your card or cards every month will result in your credit file being credited with positive marks each month. Having the card/credit agreement on your file shows other creditors that their competitors are happy to provide you with credit.

Rather than using your debit card each month to pay for your groceries, consider using your card (remembering to clear the balance in full each month) because a debit card doesn't offer credit, it won't help improve your credit file.

Although the time and effort involved in improving your credit rating will depend on how bad it is to start off with, by taking some of the steps listed above can help improve your current rating.

Point to remember:

However bad your credit rating is, it won't get any better unless you take action to improve it.

I hope that the actions listed in this report will help you to understand and improve your credit file.

If after reading this report, you feel that you would rather have some professional help, please give us a call on any of the numbers listed below and we will be happy to answer any of your questions.

You can contact us on:

0141 942 9700 or 08000112322 (free from landlines)

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Disclaimer

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