

Manage and improve your credit score

Once you know what lenders see, you are in a better position to say their opinion. You do this by thinking tactically and behaving appropriately. Unfortunately though, there's no magic. After all, every lender does it differently, but there are easy ways to improve the odds. A quick note, though. You may've seen adverts for credit repair agencies promising to improve your 'rating' for a fee, yet there's nothing they can legally do that you can't do yourself for now.

Improve your credit score

While it's not an exact science, there are a number of specific things you can do as good practice to improve both your credit score and lenders' attitudes towards you.

- **Get on the electoral roll.**

If you're not on the roll, it's unlikely you'll get any credit, so sign up immediately. You don't need to wait for the annual reminder, you can sign the register at any time on the '*About my vote*' website. Simply enter your postcode to search for your local council, complete the form online then print it off, sign it, and send it back to your local electoral registration office (the address will be on the form). You can also print a blank form but either way you need to post it back as they need a copy of your signature.

For those who aren't eligible to vote (mainly foreign nationals), send all the credit reference agencies proof of residency and ask them to add a note to verify this.

- **Time applications correctly.**

Lots of credit searches, the notes left on your file when you apply for things, in a short space of time hurt your score. Space out applications, not just for credit but for car insurance, mobile phones and others, as all can leave searches on your file. Moving house also disrupts a score, so make important applications pre-moving. Plus, you'll score better when you're earning, so if you're about to take time off, go on maternity leave or suspect potential redundancy, apply beforehand - though never lie on applications, if asked.

- **Building a good credit history/repairing past problems.**

Credit scoring tries to predict your behaviour. If you've no credit history it's more difficult for lenders to do this, so you're more likely to be rejected. Therefore, both for those with poor and no credit histories, you need to build a good one. One of the best ways to do this is by getting the right sort of credit card. By getting any kind of credit, and operating it perfectly (i.e never missing payments, always staying within limit), you can either build up a credit history from scratch, or remedy a tarnished one.

- **Keep up payments and never be late.**

Always try to follow at least the minimum repayment plan for your financial products. Even if you're struggling, don't default or miss payments. Doing this once or twice could cause problems that can cost you for years, those in the previous 12 months will hurt you the most. If you are in difficulties, the contact your lender' is a good one. Hopefully, it will try and help a little. Changing your repayment schedule is preferable to you

defaulting - and though it will hit your credit score, it's better than a County Court Judgment (CCJ) against you. For repaying credit cards, the simplest method is to set up a Direct Debit to repay it each month. Then, you'll always hit the key criteria. If you have to, just do it for the minimum repayment, but then always try and pay extra by web, phone or post to get rid of the debt quicker.

- **Marriage doesn't hurt, joint finances do.**

Simply marrying or living with someone with a bad credit score shouldn't impact your finances, as third-party data (ie, someone else's info) doesn't appear on your file.

Yet if you're 'financially linked' to someone on any product, it can have an impact. Even just a joint bills account for flat sharers can mean you are co-scored. If one partner has a poor history, keep your finances rigidly separate, and it should maintain access to good credit for the other.

In fact, there are only two common products that can infer financial linking: mortgages and joint bank accounts. As a note, there's no such thing as a 'joint' credit card. Technically, it's one person's account and the other just has access to it. It is technically possible that joint utility bills could be reported on credit files, though current practice is not to do so.

If you split up with someone you've joint finances with, once the accounts are separated or no longer active, always write to the credit reference agencies and ask for a notice of 'disassociation', to stop their credit history affecting yours in future.

- **Get a 'quotation search' not a 'credit search'.**

If you're just trying to get a specific quote for a loan, ask the lender to do a 'quotation search' and not a 'credit search'. This means the enquiry won't have a negative impact on your credit score. Sadly, many lenders haven't yet adopted this practice, but it is worth asking. If not, consider whether you really want to get a quote - if it's unlikely you'll get the product, don't bother.

- **Evidence of stability is good.**

Home owners rather than renters, and those who are employed, rather than self-employed, tend to be accepted more. Putting a fixed (land) line rather than a mobile number on application forms can help with security checks and improve your chances. Being with the same employer, bank and current address for a while all help too.

- **Check the address on all active accounts.**

You may not have used your old mobile contract or credit card for five years, but if the account is still listed as open and you had a different address this can stymie applications due to ID checks. Check your file and go through every active account's address to ensure it's up to date.

- **Dealing with defaults on your file.**

One of the major problems people face are past debt defaults on your file, these can easily hamper most applications to get new credit and if they're genuine and fair are tough to deal with. There are a few things you can try though especially if the default is unfair.

Complain to the Ombudsman. First write to the company and complain the default isn't fair and lay out your terms. Ask it to wipe the fault from your file, which it can do if it's disputed. If that fails, complain to the *Financial Ombudsman* the free independent

arbitrator of disputes, it can rule both that the debt is unfair and that the default can be wiped.

Negotiate with the lender. If you are prepared to settle the debt, either in part or in full, then you can enter a negotiation with whomever you owe the money. As part of this you can make a condition of settlement that the default is wiped off your credit file. Companies are allowed to do this for disputed defaults.

Add a 'Notice of Correction'. If all else fails, and you believe the default's justifiably unfair, add a notice of correction to the file explaining the problem eg, saying: "It was a joint account and the debt was run up once I no longer had access by my errant ex-husband/wife." This will slow applications down, as most companies will look at it manually, but as a substantial default is likely to stop you getting credit anyway, that's usually not a problem, providing it helps.

- **Cancel unused credit cards, debts and accounts.**

Access to too much credit, even if it isn't used, can be a problem. If you have a range of unused credit cards, cancel most of them; this lowers your available credit and should help. However long standing bank accounts with good credit histories can be a benefit to your credit score, so they're often best left open.

Also, if you need to cut debt costs, first check if those old cards will let you shift debt from other cards to them cheaply, as you then won't need new cards, which protects your score too.

- **Use any savings to pay off debts.**

The amount of outstanding debt you have is part of the info lenders have access to, so minimising this is a clever strategy. In general, you'll be better off by using savings to pay off expensive debts anyway. With the credit crunch biting, this is particularly true if the product you're applying for is a mortgage. People who haven't paid much of their mortgage debt off are struggling to get decent new deals.