

Credit Scoring - what is it?

Information Sheet



A guide to Credit Scoring, Credit and Fraud Prevention Agencies

Assessing applications for credit

As a responsible lender, we consider your personal circumstances when establishing the appropriate level of mortgage loan we can offer you. To help achieve this, applications may be assessed using a process called credit scoring.

How does credit scoring work?

Credit scoring uses information provided directly by you and any information we may hold about you or have obtained from other organisations. Where we use information from other organisations, which may include a licensed Credit Reference Agency (see Credit Reference Agencies), we will tell you who they are.

The credit scoring system allocates points for each piece of relevant information and adds these up to produce a score. This information enables us to identify characteristics that predict future performance. For example individuals who have county court judgements registered in their name have proved to be less likely to meet payments than those without judgements. When your score reaches a certain level then we will generally agree your application. If your score does not reach this level, we may not. This does not mean that any declined applicant is a bad payer.

Lenders have different lending policies and scoring systems, so applications may be assessed differently. This means that one lender may accept your application but another may not.

Is credit scoring fair?

Credit scoring produces consistent decisions and is designed to ensure all applicants are treated fairly. It doesn't identify a specific piece of information as the reason for declining an application. We test our credit scoring methods regularly to make sure they continue to be fair.

What happens if your application is declined?

We have policy rules to determine whether we will lend. For example, if we have direct evidence that you have shown poor management of credit products in the past we may decline your application.

We will provide you with a reason for declining your application and if this was due to your credit history and/or the credit score. You may contact us and ask us to reconsider our decision if there is additional information which was not available to us at the time of your application. We may however, be limited, on joint applications, to what information we can disclose due to the Data Protection Act.

If your application is declined, this will not be disclosed to the Credit Reference Agency, although the credit footprint will be retained.

Credit Reference Agencies

Credit Reference Agencies compile and provide public and credit account information.

Public information includes Electoral Roll information supplied to local authorities by householders. We use this information to help confirm names and addresses. Public information also includes information on county court judgements, Scottish decrees, bankruptcies, individual voluntary arrangements, Debt Relief Orders and Administration Orders.

Credit account information includes data supplied by registered lenders on how customers manage their credit agreements. This allows us to check when someone applies for credit that the person applying has repaid or is repaying other lenders.

When we (or any lender) process an application that may involve credit, the Credit Reference Agency database is searched for information about the applicant at current and previous addresses. The agency keeps a record of all searches and this allows us to see when and how many times other lenders have accessed the applicant's credit information.

Financial associations – how your data is used

Your Credit Reference Agency records may be cross checked with others (including previous partners) who are financially linked to you because of other joint financial commitments.

Where a joint application is made a new financial association will be created and registered with the Credit Reference Agency, if this does not already exist.

Any association will continue until one of you successfully files a 'disassociation' at the Credit Reference Agency.

Contacts

Copies of the information held about you at the credit reference agencies can be obtained from:

Callcredit
One Park Lane
Leeds
West Yorkshire
LS3 1EO
www.callcredit.co.uk
Tel: 0330 0247574

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