

Credit Reference Agencies

What are Credit Reference Agencies?

In the UK there are three main Credit Reference Agencies, namely:

Callcredit Ltd

Consumer Services Team
PO Box 491
Leeds LS3 1WZ
Tel: 0870 060 1414
www.callcredit.co.uk

Equifax plc

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

Experian Ltd

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

What Services do these Credit Reference Agencies provide?

They provide factual information about the credit worthiness of individuals to people and companies who are entitled to obtain such information and who are prepared to pay a fee for this service.

Where do these Credit Reference Agencies get their information from?

The principal sources of information are the credit agreements which individuals sign when they borrow money. These agreements generally carry a consent clause permitting the lender to pass on information about the agreements. If consent is withheld, the lender may not pass on details of the borrower's agreement. Passing on such information without consent is a breach of the **Data Protection**

Act 1998. Agencies also obtain information from County Court Judgments and from the electoral rolls.

Why would people or companies be prepared to pay a fee for such information?

Lenders are prepared to pay for such information because it can help them to decide whether to lend money to potential borrowers. The information may provide a history of repayment of the borrower's previous loans and the lender may want to be reassured about the borrower's reliability in repaying any funds advanced. The information thus obtained is sometimes referred to as the borrower's credit report or credit file. The lender weighs up the mainly financial information so obtained with other factors such as the borrower's age and occupation, and whether he or she is a homeowner.

This is information which the borrower usually provides on the credit application. Lenders often assess this information and the information on the credit report using a process known as credit scoring. They may also take into account whether the borrower is on the electoral register.

The lender may allocate points for each piece of information it has and then add them up to give the borrower's total credit score. Different lenders may apply different weightings to the various factors used in compiling the borrower's credit score when making lending decisions. Each lender has its own pass mark and if the borrower does not achieve that score their credit application may be refused.

Can a borrower find out why credit was refused?

The borrower should ask the lender why credit was refused. Generally lenders will provide broad information about any credit scoring method they may have used and the factors that they have taken into account in their scoring system, including the use of information from the borrower's credit report. If the scoring system used was computerized, the borrower can ask for a manual review, providing any further extra information needed. If the lender used information from a Credit Reference Agency, the borrower should be informed as to which agency was used. For a small fee they can,

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if they so wish, obtain for themselves a copy of their credit report. If any of the information in the report is incorrect, they can ask the agency to correct or remove the error.

Can shopping around for credit affect your credit score?

Unfortunately it appears that this is the case. Every time you make an actual application for credit a 'search' will show up on your credit report. If lots of searches show up on your report it can create the impression that you are desperately seeking credit from numerous lenders thus implying that you have had multiple refusals.

Experian, Equifax and Callcredit keep records of such searches on their files for between one and two years. Of course if and when a lender does agree to offer you credit, make sure to check out the interest rates and other terms being quoted since you may be charged penal interest rates if you have a poor credit rating.

How long do the Credit Reference Agencies keep your information on file?

They normally keep the information on your report for at least six years and include the following:

Credit accounts 'in default': These details are deleted after six years from the date of the default. This should mean that even if you settle a debt up to six years after a default, the debt will be removed from your file six years from the date you defaulted.

Settled accounts: These details are deleted six years from the date the account is settled or when the last payment is made unless a 'default' was registered.

Bankruptcy Orders: Bankruptcy Orders are normally deleted six years from the date of the bankruptcy order, unless you are subject to a bankruptcy restriction order or undertaking which lasts longer than six years, in which case the bankruptcy order will be removed once the bankruptcy restriction order or undertaking ends. Your credit report details can be changed to show the date your bankruptcy order ended. You can send a Certificate of Discharge from bankruptcy to the credit reference agencies, but there is a fee payable to the court for the certificate. If you have not

been discharged from your bankruptcy, the bankruptcy order will remain on your credit report until it has been discharged, even if this is longer than six years.

Debt Relief Orders: Debt Relief Orders are recorded on your credit report and normally deleted after six years. This can be extended if you are subject to a debt relief restrictions order or undertaking but will be removed once the debt relief restrictions order or undertaking ends.

Individual Voluntary Arrangements: IVAs are normally deleted after six years from the date the IVA was set up. If the IVA lasts longer than six years it will remain on your credit report until the date the IVA ends. You can ask for your credit report details to be changed to show the date the IVA was completed.

County Court Judgments: County Court Judgments are deleted six years from the date the judgment was made, whether or not they have been satisfied.

Administration Orders: Administration orders are deleted six years from the date the order was made.

High Court Judgments: High Court Judgments registered from April 2006 are held by the credit reference agencies as well as the **Register of Judgments, Orders and Fines**, which records almost all County Court and High Court Judgements. See below for further information on this.

Student Loans: From 15th April 2009, The Student Loans Company can pass on details of old 'mortgage style' student loans to credit reference agencies where the student has not made a payment arrangement or deferred their loan with them. They should contact the student first and give them twenty eight days to get in touch with them.

Mortgage Debts and Secured Loans: From July 2010, the Council of Mortgage Lenders no longer keeps information on people who have handed in the keys in on their home or whose property has been repossessed. This information used to be kept in a mortgage possessions register and passed on to Credit Reference Agencies. Existing information will stay on Credit Reference Agency files. Information on a borrower's mortgage or secured loan

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may still show up on their report and they can check their file in the usual way. Borrowers may be in arrears with their payments but have made an arrangement to pay or have had a possession order suspended by the court. In these cases the details may not show up as a 'default' on the borrower's credit report as long as they keep up with the payments. Otherwise a 'default' can usually be registered by the lender within six months of a possession order being made. Details will stay on the Credit Reference Agency's files for six years from the date the 'default' was registered which could be the date of a repossession order or when the borrower handed in the keys to the lender.

In some cases, details of how much the borrower still owes will also appear on the file. This may affect the borrower's ability to get a new mortgage, especially if they still owe money to their previous lender. This does not mean that your mortgage debt is written off after six years.

Mortgage lenders may try to recover a mortgage shortfall for up to 12 years. Your file should be marked as 'satisfied' if you pay the mortgage arrears off or if the sale of your house covers the outstanding debt. If you clear any mortgage shortfall, your file should also be marked as 'satisfied'.

From November 2004, the only electoral roll information on your credit report will be your own details even if other people are registered on the electoral roll at the same address. Details of magistrates' court fines, council tax or community charge debts are generally not kept by Credit Reference Agencies, although this may change in the future.

How can errors on your credit file be corrected?

You can ask the credit reference agency to put a notice on your report of up to two hundred words explaining why you got into debt or why you think that information on your report is misleading. You may want to explain your financial circumstances at the time and why your situation is now different.

This notice will then be seen by anyone reading your report such as a lender making a search of your credit report when you apply for credit. Most credit decisions are made automatically i.e. by a computer. If there is a notice of correction on your report, your application must be referred for a manual decision so that a person will decide whether or not you can get credit and the decision will not be made by a computer.

Can my credit rating be affected by that of other people?

Credit Reference Agencies should not include information about other people in your credit report even if they happen to live with you and even if you share a surname, unless a financial connection has been created between you and the other party. This means that other people's credit details should not affect your credit rating. From November 2004 your credit report should only include: financial information about you; the name of anyone you have a financial connection with at your address but not any financial information about that person; and the date and source of the financial connection.

This means that your financial details will no longer appear on anyone else's credit report unless you have a financial connection with them. If you have a financial connection with someone, lenders will be able to see more information about that person on your credit report than you can. Your report will only say that you are linked to that person. A lender looking at your report will see all the normal information about that person's credit history, such as what type of credit they have and if they are up to date with their payments. Your credit report will also continue to show you who has accessed your details and when this happened.

What does 'having a financial connection' mean?

You will be treated as having a financial connection to someone else where a lender tells the Credit Reference Agency that you have made an application for credit in joint names or that a bank account or other credit facility has been provided in joint names or if you tell the credit reference agency that you are financially linked to someone else.

This will continue until you file a notice of disassociation to end the financial connection between you and the other party. Credit reports will also include a 'linked addresses' section with details of any previous addresses that you provide when applying for a copy of your report and other addresses you have been connected to.

There may be information on your report about people with whom you have no financial connection, or who no longer share a financial connection with you, such as a former partner. You can write to the Credit Reference Agency to 'disassociate' yourself from them explaining your reasons.

You will need to fill in a form giving details about the people you

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want removed from your report. You only need to contact one of the Credit Reference Agencies, as they will share the disassociation with the other agencies. If the agency refuses to accept your notice you can ask the Information Commission for help.

Can you complain about how a Credit Reference Agency is treating you?

You have the right to complain to the Financial Ombudsman Service about how a credit reference agency has dealt with your credit file. You will have to follow the complaints procedure of the Credit Reference Agency first and you can only complain about events that happened from April 2007 onwards. You can also complain to the Information Commission under the **Data Protection Act 1998**. They can look at issues such as why a lender or Credit Reference Agency has not corrected information on your file, or where a Credit Reference Agency has refused to add a notice of correction.

What is recorded on the Register of Judgments, Orders and Fines?

Almost all County Court and High Court Judgments are recorded on the Register of Judgments, Orders and Fines and kept on that register for six years. Some magistrates' court fines are added to the register in specific circumstances where you have not paid the fine. These stay on the register for five years.

If you are unsure whether you have any County Court or High Court Judgments or whether the judgments are on the register, you can make a search against your name and address by filling in a form with the correct name and sending in the form with the correct fee. Since the fees are quite high, it is quicker and cheaper to contact a Credit Reference Agency and check your credit report first. The register holds limited information.

It will tell you the name of the court, the date and amount of the judgment and who the judgment is against. It may also list the case number. It will not have the name of the creditor or claimant. You would need to ask the county court for this information. If your judgment has been fully paid, you will need to provide evidence, usually a receipt, to the court that the full balance, including costs has been paid.

Once you have paid the judgment, the court will then notify Registry Trust who will automatically mark your entry on the

register as satisfied. This will then be passed on to the credit reference agencies.

If you require proof that you have paid a judgment, you can ask the court in which the judgment was made to provide you with a Certificate of Satisfaction for which there is a fee of £15. The judgment will still stay on the register for six years from the date of the judgment. If in the meantime you have fully paid the judgment, this will also be shown on the register.

How can entries be removed from the Register of Judgments, Orders and Fines?

An entry will only be removed if you pay off the debt within one month of your county court judgment being entered on the register or the judgment is 'set aside' by the court, which is only possible in very limited circumstances such as if you did not know about the judgment because you did not receive the court papers and you have a valid defence to the claim.

If you feel you have been a victim of fraud it is important to act quickly to prevent further fraudulent transactions. Report the loss or theft of any documents, cheques, plastic cards or online fraud to the card issuers or lenders immediately. It is up to your lenders to report the theft to the police for you. Contact one of the Credit Reference Agencies to notify them of any items on your credit report which you believe to be the result of fraudulent activity.

The agency you contact should inform the other agencies for you. The credit reference agencies should then cooperate to send you copies of your credit reports, advice on protecting yourself from identity theft and tell you who is managing your case and how to contact them.

The agencies should also contact lenders for you if fraudulent applications for credit have been made in your name and make sure your credit report is corrected. Consider registering your details with CIFAS, the UK's Fraud Prevention Service. For a fee, a fraud warning can be placed against your address and will be flagged up if applications are made using your address. The CIFAS marker will mean additional checks are made to ensure any application for credit is genuine. This may result in delays in your credit applications.

What are credit repair companies?

Credit repair companies are companies that offer to clear your

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credit records with Credit Reference Agencies to allow you to apply for more credit. However you may have to pay a fee to the company for something that you can do yourself. Credit repair companies will often send you an information pack telling you how to get a copy of your credit report and how to clear county court judgments. You need to be very careful before paying a fee to a commercial company which suggests that it can remove judgments for you. If you apply to the county court to set aside a judgment and you do not have a real reason to do so then you could be in trouble with the court.

From October 2008, credit repair companies must have a consumer credit licence from the Office of Fair Trading. Check if the credit repair company has a licence before using their services. If you have a complaint about something a credit repair company has done from October 2008 onwards, you can ask the Financial Ombudsman Service for help.

You can also check out a website set up by representatives from trading standards, the credit industry and credit reference agencies which give more information on credit repair companies and what to watch out for. The address is www.ukcreditrepair.co.uk

What other sources of advice or help are available?

Here are the contact details for some of the government agencies who may be able to help or advise or provide useful information:

Consumer Direct

Tel: 08454 04 05 06
www.consumerdirect.gov.uk

You can get email advice via a form on the website if you wish to make a complaint to Trading Standards.

Financial Ombudsman Service

South Quay Plaza
183 Marsh Wall
London E14 9SR
Tel: 0845 080 1800 or 0300 123 9123
www.financial-ombudsman.org.uk

Office of Fair Trading

Fleetbank House
2-6 Salisbury Square
London EC4Y 8JX
Tel: 0845 722 4499
www.oft.gov.uk

The Information Commission

Complaints Department
Wycliffe House
Water Lane
Wilmslow
Cheshire SK9 5AF
Tel: 0303 123 1113

Registry Trust Ltd

153-157 Cleveland Street
London W1T 6QW
Tel: 020 7380 0133
Email: info@trustonline.org.uk
www.trustonline.org.uk

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