



# Credit Score Guide



**TMS**

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## What is a Credit Score? & Why Does it Matter?

When you apply for a Mortgage, the Lender wants to be sure that the money they lend you will be paid back. To predict your future behaviour, the Lender looks at how you have acted financially in the past.

The Lender does this by reviewing your 'Credit Report' which shows how much Credit you currently have access to and whether you have been paying back the money you owe, on time. This data is analysed to produce your 'Credit Score'.

Importantly, your Credit Score not only affects whether you are eligible for the Mortgage, but also what interest rate you will pay on the money you borrow.

This guide will explain what you need to do to ensure that your Credit Score is in a good place, so that The Mortgage Shop can help you secure the best possible Mortgage.



1

## Checking your Credit Score Where Do I Start?

The Mortgage Shop recommends using **CheckMyFile** to obtain your Credit Report.

This means you can check what is being reported by the three main Credit Reference Agencies in one place and in the same format, saving you the trouble of checking and paying for each individually and interpreting the different information for yourself.

**You will be provided with an overall Score from CheckMyFile as part of the Report.**

The cost for this Report is £14.99 per month, usually with a free one-month trial. We recommend maintaining a subscription to address any issues identified and keep track of the resolution of these issues, as well as to spot any cases of identity theft promptly.

**Your Mortgage Advisor will send you instructions for how to obtain your Credit Report quickly and easily.**



## 2

## Checking Your Credit Score What Will The Report Show?

Your Report will show your current and last 6 years of:

- Bank Accounts
- Credit Cards
- Personal Bank Loans
- Car Leases
- Store Cards/Accounts e.g. Very.
- Phone Contracts
- Utilities e.g. Water Provider
- Insurances (if paid monthly) e.g. Car Insurance
- Addresses and whether you were on the Electoral Roll

If you have a Student Loan this won't appear on your credit report and will only be taken into account by the Lender in terms of your Net pay. Similarly, any Commercial Loans you have taken out will not appear or affect your Credit Score.

**It is important to understand that all information remains on your Credit Report for 6 years.**

**Any missed payments will show for this long, even if they are now settled.**



# CheckMyFile

## What will the Report look like?

The screenshot displays the CheckMyFile website interface. At the top, the logo 'checkmyfile' is on the left, and navigation links 'CREDIT REPORT', 'CREDIT SCORE', and 'EXPERT HELP' are in the center. On the right, there are icons for a mail and settings, and a 'LOG OUT' button. Below the navigation bar, a horizontal menu contains tabs for 'SUMMARY', 'PAYMENT HISTORY', 'ADDRESSES', 'FINANCIAL ASSOCIATIONS', 'COURT RECORDS', 'SEARCHES', 'FRAUD WARNINGS', and 'NOTICES'. The main content area is divided into two primary sections. The left section, titled 'YOUR MULTI AGENCY CREDIT REPORT', is highlighted with a yellow border and contains four sub-sections: 'INFORMATION FROM EQUIFAX 1', 'INFORMATION FROM EXPERIAN 2', 'INFORMATION FROM TRANSUNION 3', and 'INFORMATION FROM CREDIVA'. Each sub-section lists various credit-related items with green checkmarks and information icons. The right section, titled 'CHECKMYFILE CREDIT SCORE', is highlighted with a green border and features a semi-circular gauge showing a score of 841 out of 1000, accompanied by five stars. Below the score, a green checkmark indicates that the credit report was successfully accessed from Equifax, Experian, TransUnion, and Crediva. A descriptive paragraph explains that the score is 'very good' and that most lenders will say yes to applications for reasonable amounts of credit, qualifying the user for some of the lowest interest rates available. At the bottom of the page, two dark blue boxes with yellow and green text provide a summary of the report and the credit score.

**YOUR MULTI AGENCY CREDIT REPORT**

**INFORMATION FROM EQUIFAX 1**

- ✓ 6 active accounts reported
- ✓ No negative payment history reported
- ✓ Confirmed on the Electoral Roll
- i Linked to 3 addresses
- i No Financial Associations reported
- ✓ No Court Judgments or Insolvencies reported
- ✓ No Cifas fraud warnings reported
- ✓ No Credit Applications in the last 12 months

**INFORMATION FROM EXPERIAN 2**

- ✓ 7 active accounts reported
- ✓ No negative payment history reported
- ✓ Confirmed on the Electoral Roll
- i Linked to 5 addresses
- i No Financial Associations reported
- ✓ No Court Judgments or Insolvencies reported
- ✓ No Cifas fraud warnings reported
- ✓ No Credit Applications in the last 12 months

**INFORMATION FROM TRANSUNION 3**

- ✓ 7 active accounts reported
- ✓ No negative payment history reported

**INFORMATION FROM CREDIVA**

- ✓ Confirmed on the Electoral Roll
- ✓ No Court Judgments or Insolvencies reported

**CHECKMYFILE CREDIT SCORE**

841  
OUT OF 1000

★ ★ ★ ★ ★

✓ Credit Report successfully accessed at Equifax, Experian, TransUnion and Crediva

Your checkmyfile Credit Score is **very good**. Most lenders will say yes to your applications for reasonable amounts of credit. You qualify for some of the lowest interest rates available.

**Summary from the three main Credit Reference Agencies**

**Your Credit Score**

# CheckMyFile

What will the Report look like?

**checkmyfile** CREDIT REPORT CREDIT SCORE EXP

SUMMARY **PAYMENT HISTORY** ADDRESSES FINANCIAL ASSOCIATIONS COURT RECORDS

### PAYMENT HISTORY

LENDER	SEEN AT	TYPE	BALANCE	WORST	LAST	
1ST CENTRAL INSURAN...	EQ EX TU	Other	£140	OK	OK	<a href="#">VIEW</a>
Monzo Bank	EQ EX TU	Bank Account	£0	OK	OK	<a href="#">VIEW</a>
American Express	EQ EX TU	Credit Card	£33	OK	OK	<a href="#">VIEW</a>
EE Limited	EQ EX TU	Other	£0	OK	OK	<a href="#">VIEW</a>
Lloyds Bank	EQ EX TU	Credit Card	£0	OK	OK	<a href="#">VIEW</a>
Lloyds Bank	EQ EX TU	Bank Account	£0	OK	OK	<a href="#">VIEW</a>

**Your Credit Commitments and Lenders**



### Monthly Breakdown

#### LLOYDS BANK [EDIT](#)

**JULY 2019** [LAST 12M](#) [20](#)

**EQUIFAX**  
Updated 16 Mar 2020  
Balance: £0  
Limit: £200  
Payment made on time

[DETAILS](#)

**EXPERIAN**  
Updated 1 Mar 2020  
Balance: £0  
Limit: £50  
Payment made on time

	Mar	Apr	May	Jun	Jul	Aug
<b>EQ</b>	OK	OK	OK	OK	OK	OK
<b>EX</b>	OK	OK	OK	OK	OK	OK
<b>TU</b>	OK	OK	OK	OK	OK	OK

3

## Checking Your Credit Score What Happens Now?

Once you have your Report, you'll need to download a copy and send it to your Mortgage Advisor.

After checking through the details, they will help you understand any concerns that the Lender may have and advise you on next steps to give you the best chance of having your Mortgage application approved.

**Generally, if your credit score is between "Fair" and "Excellent" there will be no cause for concern and no further action should be required.**

However, many people will be surprised by their Score or some of the information in the Report and will need to take action before a Mortgage application can be submitted.

**The biggest piece of advice we can give you is not to panic. We have helped many customers overcome Credit issues and one of our favourite sayings is "There is always a solution", and together we will find it.**



# 4

## Checking Your Credit Score What if My Score Needs Improving?

The Mortgage Shop has supported many homebuyers over the years to improve their Credit Score.

We have plenty of tips to share with you in this guide to help you depending on whether the issue is:

**1** Building Your Credit Score  
*When the Lender doesn't have enough information about you to predict your future financial behaviour.*

**2** Repairing Your Credit Score  
*When the Lender is concerned about your future financial behaviour based on your actions in the past.*

Remember, the goal is to prove to the Lender that you can be trusted to borrow money and will pay it back in a reliable and timely manner.

Therefore with these suggestions comes the caution that you must make payments on time, otherwise your Score will be further reduced.





# Building Your Credit Score

Our Top Tips



The background of the slide features several wooden house models of varying sizes and colors (light wood, dark wood, and white) arranged on a wooden surface. A large, semi-transparent white circle is overlaid on the right side of the image, containing the text.

1

## Ensure you are on the Electoral Register

**The first step is to make sure that you are registered at your current address as a voter. Whatever your attitude to politics, this is an essential step as it allows the Lender to confirm your name and address as correct and up to date.**

To do this you should go to GOV.UK where you can type in your postcode and be taken to your Local Authority website to complete online registration.

If you are unable to vote in elections i.e. you are not a UK national, your Mortgage Advisor will help with next steps.



2

## Keep Using a Traditional Bank Account

As we move into a digital era, many people are turning to digital only Banks, such as Monzo, to manage all of their finances including direct debits, overdrafts and loans.

The issue with this is that your financial data is not necessarily shared with all Credit Reference Agencies. This means that your financial history can't be properly assessed to establish your Credit Score.

**Even if you use digital accounts for your day to day money management, we recommend keeping a 'traditional' Bank Account to have your direct debits come out of for example.**

This will help build your Credit history because the Credit Reference Agency can then see that you have a responsible, ongoing relationship with a bank, reflecting positively on your Credit Score.



3

### Use a Credit Card for a Regular Purchase

**A very simple and easy way to improve your credit score without adding to your outgoings, is to use a credit card for purchases you regularly make. For example, you could use it to pay for your petrol, or food shopping. Just make sure you pay off the full amount each month!**

You can usually obtain a credit card from your existing bank relatively easily. However, be aware that applying for multiple credit cards, and having these approved with considerable limits, can actually work against you as the Lender may feel you could borrow too much money overall. **It's best just to stick to one, or maximum two credit cards.**

**It's also really important that you only utilise a fraction of the credit you are given. For example, if you have a credit card approved with a limit of £2000, don't spend all of that. As tempting as it may be to book a holiday or something else expensive, it looks bad to the Lender if you use 100% of the credit you have been given.**

Hence why we recommend using a Credit Card for relatively inexpensive and usual purchases so that you keep the overall amount being borrowed as low as possible.

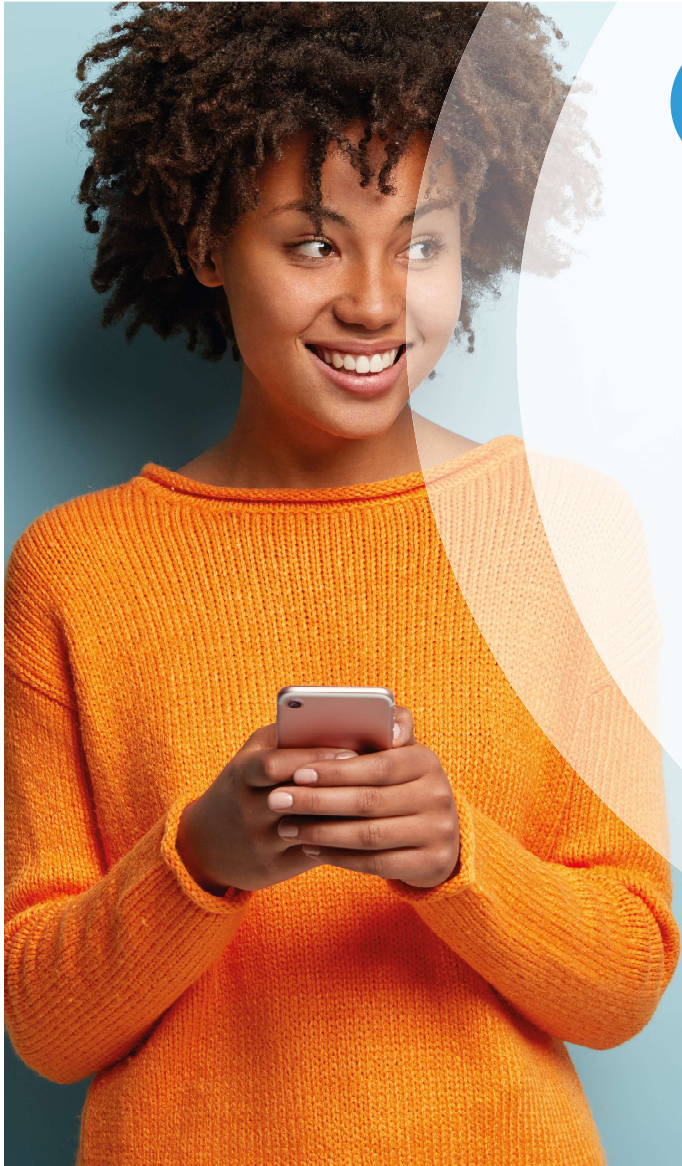


## 4 Make Use of an Overdraft

You could also apply for an overdraft with your Bank. Some Banks offer new customers this on an interest-free basis for the first 12 months.

**Just make sure you pay it off in full before the interest-free period ends and stay within the limit. If you go over the agreed overdraft limit, this will hinder your credit score.**





5

## Start a Phone Contract in Your Name

Whilst other options such as being on a parent's account, can be cheaper, having a phone contract in your own name can help improve your credit score.

**As the phone and package are being given to you in advance (like a loan), by paying your bill on time each month, you are demonstrating that you are financially trustworthy.**

Phone providers do run a credit check before committing to the contract, so if your credit score is too low, you may be declined. If this happens, it may be worth trying a different phone provider.

However, the check they perform can impact negatively on your score as the Lender looks at how many times you have applied and failed to get credit. Before doing this, speak to your Mortgage Advisor about your situation.





# Repairing Your Credit Score

Our Top Tips





## Check For Mistakes

Your Credit Report contains a lot of information, and it's important to check that the details are all correct.

**One of the most common issues we see is discrepancies with how addresses are entered. To overcome this, make sure you follow the format Royal Mail use, which is usually how your address is shown on your Council Tax bill.**

There may be a different issue with the report, something on there may not apply to you, for example someone may have applied for credit in your name without your knowledge.

If you do spot any mistakes in your Report, speak to your Mortgage Advisor who will help you resolve this as quickly as possible depending on the specific issue.





## 2

### Review your Financial Ties with Other People

There may be an issue with your credit score due to a financial tie or 'Association' with someone else. For example, if you purchased something on credit together or had a shared utilities account, your credit files will be linked. This means you will be seen as 'Joint and Severally Liable' for any outstanding credit and if one of you doesn't make the necessary payment, you both will be affected.

**It is really important to end historic financial links, for example with ex-partners or flat mates. To do this, you need to close any joint accounts you still have, and make sure that any outstanding credit is paid off either jointly or by you.**

As well as being tied for specific credit taken out together, because you have a financial link to that person, the Lender can check their file as well as your own. This means that any issues with their credit can affect yours so if they failed to make repayments on credit cards or other loans, it could worsen your credit score.

**Once you have paid and closed any joint credit, you will need to submit a 'Disassociation Request' with CheckMyFile who will raise a dispute with the Credit Reference Agency. Otherwise, the association will remain on your report indefinitely.**



### 3

## State Your Case For Minor Issues

It may be that there is information on your report that is accurate but is no longer reflective of your current situation.

For example, you may have missed a payment for something due to an accident, but you haven't missed a payment since being back in work. Alternatively, you may have lost your job or had a bereavement in the family which was the cause of a missed payment.

It is really important to explain any circumstances such as this to your Mortgage Advisor who can help you plan how to best manage this.

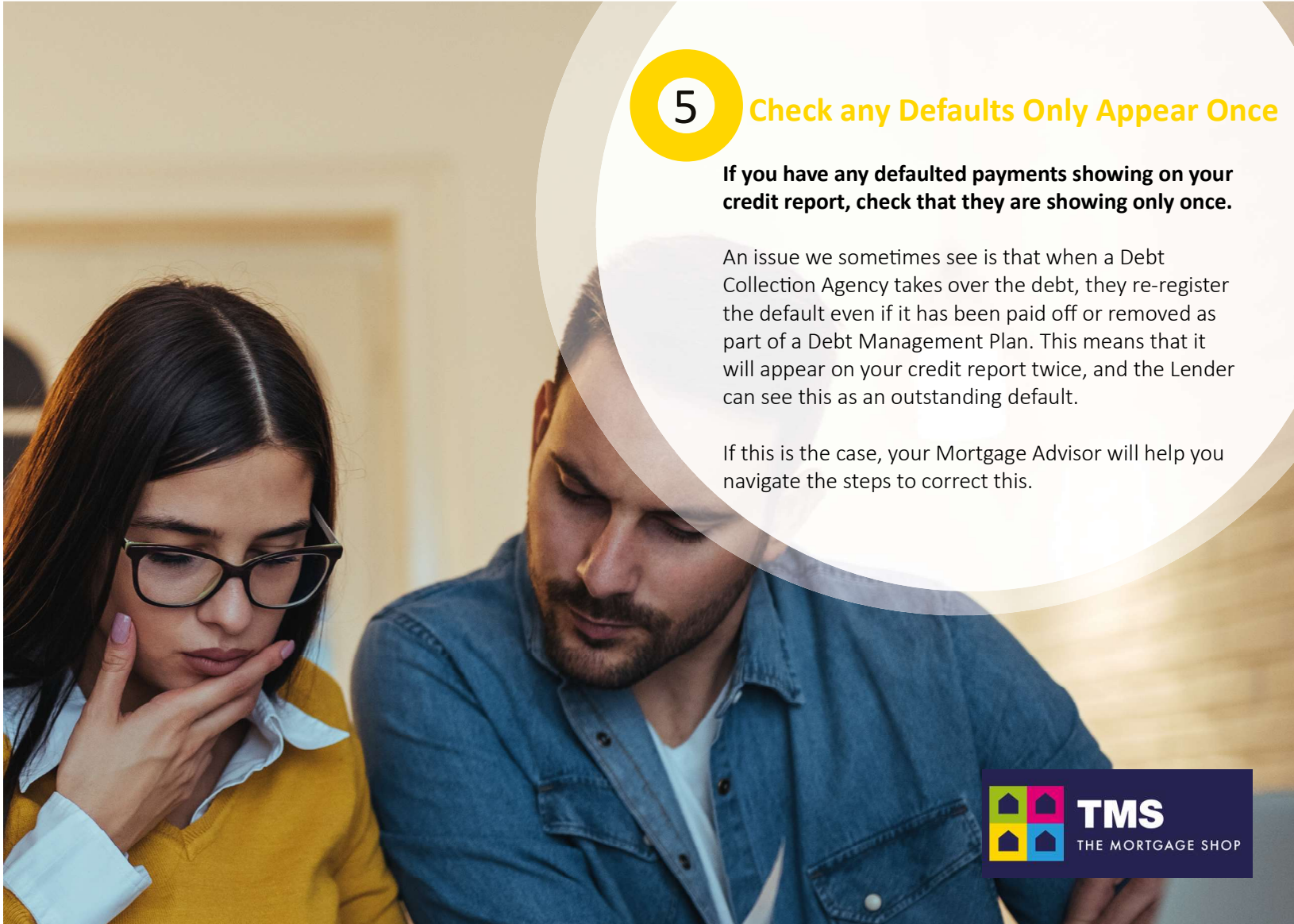
## 4 Manage any County Court Judgements

CCJ's are penalties for debts that stay on your report for at least six years and will have a serious impact on your credit score.

The key to reducing the impact of these is to do the following:

- 1 Make sure that you have paid the outstanding amount that caused the CCJ to be enacted. The company you owed the money to can then provide you with confirmation that it has been paid.
- 2 Once you have this it is crucial that you submit a request for a 'Certificate of Satisfaction/Cancellation' from the court. This can be done online via a form, visit [GOV.UK](http://GOV.UK) for more information.

**In our experience, many people do not realise that this second step needs to be done. Doing this works in your favour as although the CCJ remains on your file, the debt will be showed as 'satisfied' which the Lender will view more positively.**



5

## Check any Defaults Only Appear Once

**If you have any defaulted payments showing on your credit report, check that they are showing only once.**

An issue we sometimes see is that when a Debt Collection Agency takes over the debt, they re-register the default even if it has been paid off or removed as part of a Debt Management Plan. This means that it will appear on your credit report twice, and the Lender can see this as an outstanding default.

If this is the case, your Mortgage Advisor will help you navigate the steps to correct this.

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## Consider Getting a Credit-building Card

Taking out one of these credit cards and repaying it in full each month can help improve your credit score by proving that you can be trusted to repay borrowed money.

**However the amount you can borrow will be low and the interest rates will be high. It is critical that the amounts you put on the card are repaid in full each month and on time.**

The best way to ensure this is to use the card only for something you would normally buy such as petrol or food shopping, and then put that money aside in a separate account so you have it ready when the payment is due. Otherwise, your good work repairing your credit score will be undone and you will now face high interest charges and a lower score.



## Quick Tips

We understand that there is a lot of information to take in when looking at your Credit Score.

We have condensed a lot of information into some quick top tips to consider regardless of your situation.

Remember, we are here to help you navigate everything from obtaining your Credit Report, to understanding it and fixing any issues.

**There is always a solution.**





- **Use the Address Shown on Council Tax Bills or Royal Mail**

Check online how your address appears and mirror this on CheckMyFile and any credit applications you make.

- **Close Joint Accounts with Former Financial Associates**

Make sure you pay off any outstanding credit taken out together and close the accounts, for both banks and stores.

- **Keep Your Credit Utilisation as Low as Possible**

In other words, don't spend all the credit you are given.

- **Close Any Store Cards and Accounts You No Longer Use**

Having 2 or 3 is fine, but 10 cards will work against you.

- **Keep Up Regular Payments From 'Traditional' Banks**

Don't be tempted to change everything to a Digital Bank.

- **Don't Neglect the Basics**

Even a slightly late payment to your Water company, or for your phone bill can drastically affect your credit score.





You're in Safe Hands



Helping First Time Buyers Since 1997

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YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE