

Financial Freedom

Credit Score, Credit Report & Identity Fraud

What is Credit Score?

A credit score is a tool used by a lender to help determine whether you qualify for a particular credit card, loan, or service. Based on information in your credit file, the credit reference agency analyses your information using a complex mathematical model to yield your credit score. Higher scores indicate a lower credit risk. Your credit score will show you if your score is excellent, good, fair, poor or very poor.

Why Your Score Matters?

Credit scores are used by lenders to estimate if you will pay off your loans and whether you will pay on time. Because it is one of the most influential factors in deciding whether to grant you credit. With a high credit scores, you can have more financial options and more favourable offers. If you only got a fair credit scores, some lenders will decline your application. Some lenders may consider your case but at a high interest rate, or under a strict requirement, or require more proof, or at a low lending ratio. The lender may take into consideration any special reasons for your past credit problems. In addition, the lender will look at more than just your credit score – your equity investment in a home, job history, income, savings, and the type of mortgage loan you want – before making a final decision. Application process may also be delayed.

Following the supervision of Mortgage Business by Financial Services Authority since November, 2004, Credit Score have become more important as lenders need to justify their lending, particularly in case of self-certification of income.

What Factors Affect a Score?

Many different formulas are used to calculate credit scores, but most are based on the following factors, which each scoring model weighs differently:

Payment history. A record of late payments on your current and past credit account will lower your score. Some lenders will automatically decline application with two or more months in arrear record.

Public records. Matters of public record such as bankruptcies, judgments, and collection items will lower your score.

Amount owed. Owing too much will lower your score, especially if you are approaching your total credit limit.

Length of credit history. In general, a longer credit history is better.

New accounts. Opening multiple new accounts / loans in a short period of time may lower your score.

Searches. Whenever someone else gets your credit report – a lender, landlord, or insurer, for example – a search is recorded on your credit report. A large number of recent searches may lower your score.

Accounts in use. The presence of too many accounts can lower your score, whether you're using the accounts or not.

Electoral Roll. In U.K., most public information is linked to your residential address. An Electoral Roll registration is a solid proof of residence. All UK citizens have a legal duty to register. If you do not register, you will lose many valuable points.

Ways to Improve Your Score

Looking for a higher credit score? There is good reason to do so – a higher score can give you more financial options and more favourable credit offers. Keep in mind, however, that your credit scores are based on your history of borrowing and repaying money, so there is no way to instantly change it. But here are some effective strategies that should help to strength your credit score over time.

- Make all your payments on time. If forced to miss a payment, make sure to pay the following month.
- If you are eligible to vote, make sure you are registered on the Electoral Roll at your current address with your local council. If you have recently moved, register as soon as possible with the new local council. Please note that paying council tax does not mean you are registered.
- Correct any incorrect information that might appear on your credit report.

- If you fall behind on paying a bill because of illness, unemployment, or family issues, call your creditor to explain the circumstances and, if possible, work out a payment schedule you can meet. If you need help managing your credit, contact a reliable not-for-profit agency, such as: Step Change Debt Charity 0800 138 1111 www.stepchange.org.

- If your credit history is very poor, or you have a very short credit history, there are still ways to improve your credit rating over time. Consider opening new accounts responsibly and paying them off on time as this will show lenders you are capable of managing credit. Some people do not have any account or credit card and think that they must have a high credit score. In fact, the score will be very low because there is no history to assess the credit risk.

- Keep control of your spending. High outstanding debts may negatively affect your credit rating, as you have a greater chance of missing payments.

What is Credit Report?

Credit reference agencies maintain information about you and your credit history. This information is gathered on an ongoing basis from many sources that have extended you credit.

Lenders, employers, landlords, and other service providers buy that information in the form of a credit report to help them decide whether to approve your application for a loan, credit card, job, or housing, or to offer you a product or service at a particular rate. Credit report can also be used to fulfil the legal responsibilities and comply with the money laundering regulations.

What information is included?

Personal information. Compiled from credit applications you have filled out, this information normally includes your name, current and recent addresses, and date of birth.

Credit history. The bulk of your credit report consists of details about credit accounts that were opened in your name or that list you as an authorised user (such as a spouse's credit card). Account details, which are supplied by creditors with which you have an account, include the date the account was opened, the credit limit or amount of the loan, the payment terms, the balance, and a history that shows whether or not you have paid the account on time. Closed or inactive accounts, depending on the manner in which they were paid, stay on your report for up to 6 years from the date of their last activity.

Inquiries. Credit reference agencies record an inquiry whenever your credit report is shown to another party, such as a lender, service provider, landlord, or insurer. Inquiries remain on your credit report for up to two years.

Public records. Matters of public record obtained from government sources such as courts of law – including County Court Judgments and bankruptcies – may appear on your credit report. Most public record information stays on your credit report for 6 years.

CIFAS – The UK's Fraud Prevention Service. Once a fraud has been identified by a CIFAS member organisation, a warning is placed against the address linked to the application or account in question. The warning will show the name used at application level, but does not necessarily mean that the name stated is involved in the fraud, as potential fraudsters often use several different names, whether false or genuine. A warning on your file does not mean that you are being accused of fraud, or that your address has been blacklisted. It merely ensures that any application for credit is more carefully examined where a CIFAS warning is present.

What is not Included?

A credit report does not include information about your saving accounts, bankruptcies that are more than 6 years old, charged-off or debts placed for collection that are more than 6 years old, gender, ethnicity, religion, political affiliation, medical history, or criminal records. Your credit score is generated by information on your credit report, but is not part of the report itself.

Who Can Look at Your Credit Report?

Anyone with what is considered a permissible purpose can look at your report. These companies, group, and individuals include:

- Yourself
- Potential lenders
- Landlords
- Insurance companies
- Employers and potential employers
- Companies you allow to monitor your account for signs of identity theft
- Any government agency (although they may be allowed to view only certain portions)
- Someone who uses your credit report to provide a product or service you have requested
- Someone that has your written authorisation to obtain your credit report

Checking Your Credit Report / Credit Score

Your credit report / Credit Score are used by many different lenders and other businesses to make decisions about you. Credit card companies, mortgage loan companies, car loan and insurance companies, even landlords and employers check credit reports to find out about your credit past. The reason? They assume if you were responsible in the past, you will most likely be responsible in the future.

When it is time to consider any sort of financial move -- a new home or car, a new personal loan, even a new job -- it is time to check your report.

Correcting Errors on Your Report

It is possible for incorrect or outdated information to appear on your credit report. If it does, it can affect your chances of getting the mortgages, loans, credit cards, and other credit products you deserve. If you find an error, take the following steps to correct the information as soon as possible.

Please note: It is important to keep a record of everything you do. If sending via post, send all correspondences return receipt requested, and make copies of any letters or documents you send. Never send original documents.

Contact the Creditor Regarding the Problem

In most cases, you should contact the appropriate creditor or lender before contacting a credit reference agency. Most large creditors have standard procedures for customers to dispute items on their account. If you have proof that the item in question is incorrect, it should be resolved quickly.

If the creditor finds that the disputed information is indeed incorrect, the creditor is required to update its records both internally and with the credit reference agencies it deals with, usually within 28 days.

Always follow up your phone calls with a letter. List each disputed item, and state how it is inaccurate,

Frequently Asked Questions

- **How do I improve my credit rating?**

Refer to page one and two.

- **How long does information stay on my credit report?**

The different types of information will be held on your credit report as detailed below:

attaching copies of all relevant documents. Include your full name, account number, the amount in question, and the reason you believe the item is wrong.

If Necessary, Contact the Credit Reference Agency

If you cannot resolve the problem with the lender, contact the credit reference agency that is reporting the item in question. You will need a printed copy of your credit report from them. There is a charge for providing you with the report.

After you send written documentation of the inaccuracy, the credit reference agency will review it. If further investigation is required, they will provide notification of you dispute, including the relevant information you submitted, to the source that furnished the disputed information to them.

The source will then reviews the information, conduct their own investigation, and report back. The credit reference agency will then make all appropriate changes to your credit file based on the investigation, and notify you of the update.

Contact the Other Credit Reference Agencies

There are three Credit Reference Agencies, namely Equifax, Experian and Call Credit. If you find an inaccuracy with one credit agency, you may want to get your credit report from other two agencies to see if their reports contain the same error. After you have corrected an error with one agency, the other agencies should eventually receive the corrected information. But for prompt correction, it is best to contact each of the three agencies yourself. Within a month of your inquiry, the credit reporting agency should notify you of the results of its investigation.

If you Can not Resolve a Disputed Item

You have the right to attach a 200-word statement, free of charge, explaining the nature of your disagreement. Your statement will become part of your credit file, and will be included each time your credit file is accessed.

County Court Judgments / Court Decrees:	6 years after judgment
Home Repossession register:	6 years after repossession notification
Gone Away Information:	6 years after first notification
Notice of Dispute:	Stay until you ask for it to be taken off, or the dispute is resolved
Notice of Disassociation:	Until such time as there is contradictory evidence or you request to have it taken off
Individual Voluntary Arrangement:	6 years
Bankruptcy:	6 years
Administration Orders:	6 years
Payment Performance:	6 years after the lender has closed the account

- **Can the credit report tell me why I have been refused credit?**

No. The decision on whether or not to extend credit to an application is made by the lender alone and they do not inform the credit reference agency of their decision. If you are refused credit, you should contact the lender concerned who is obliged to give you an explanation of their decision. Sometimes, the bad record in the credit report and /or the poor credit score are part of the reason.

- **How do I know who has been looking at my Credit Report?**

Whenever an organisation carries out a search on your information, a record of this is left on your Credit Report. All these records will be kept, detailing which company has accessed the information and when. This will stay on your report for one or two year and then be removed.

- **What do I do if information for other people appears on my credit report?**

You can apply for a Notice of Disassociation if there is credit agreement information on your Credit Report that related to a person with whom you have no financial association. The credit reference agency has up to 28 days to complete the process of adding the Notice of Disassociation to your credit file.

- **Can another person at my address affect my credit rating?**

If you have or have joint accounts, this information and the other person's data is included in some credit searches. Including information from other people can negatively affect your score if there is derogatory information on their credit report such as defaulted accounts. If you believe that the people listed as associates on your credit report have no active financial link with you, you may complete a Notice of Disassociation.

- **There is some information on my credit report that is correct but I want to add a comment about it?**

If there is information on your credit report that is factually correct but you believe affects your ability to obtain credit then you can add a Notice of Correction to your credit report. This allows you to add a statement of up to 200 words explaining why the information is misleading.

Some examples are:

- You have recently changed your name (i.e. recently married, separated or divorced)

- You are behind on credit repayments due to redundancy or loss of employment or long-term illness.

Once the Notice is on your credit report, it will be shown to any potential lenders when you make an application for credit.

- **Do all the credit reference agencies hold identical information about me?**

No. The information obtained by the credit reference agencies from public sources, such as Electoral Roll data, Bankruptcies and County Court Judgments, should be broadly similar. Information supplied to the agencies by lenders may well be different. Some lenders supply data to only one or two agencies.

- **Will lenders know if I order a copy of my credit report?**

No, this information is never shown to anyone, and is simply a record of how often you have looked at your credit report.

- **I have moved address recently, but I am not appearing on the Electoral Roll?**

You can use the following web link to register or to change of your address: <https://www.gov.uk/register-to-vote>. Keep in mind, the fact that you pay your Council Tax does not mean that you are registered on the Electoral Roll. You should contact the Electoral Registration Office within your Local Council to ensure that you are registered to vote.

How Identity Theft Strikes

What exactly is identity theft? Identity theft occurs when someone steals your personal information to take over your credit accounts, open new ones, take out a loan, rent flat, access bank accounts, or commit many other crimes in your name and at your expense.

When it strikes, the effects can be devastating. What is more, because it frequently involves no physical theft, identity theft may not be noticed by its victims until significant damage has been done – often, several months and thousands of pounds later.

How do Thieves do it?

First, they steal your personal information by....

- Going through your post or rubbish, looking for bank and credit card statements, pre-approved credit offers, and tax information.
- Stealing personal information from your wallet or purse such as identification, credit or bank cards.
- Completing change-of-address forms to redirect your mail.
- Obtaining your credit report by posing as someone who has a lawful right to the information.
- Acquiring personal information you share on unsecured sites on the Internet.
- Buying personal information about you from an inside source – for example, a shop assistant that gets your information from a credit application or by “skimming” your credit card information when you make a purchase.
- Getting your personnel record at work.

Then they use your personal information by....

- Opening new credit card accounts using your name. When they use the credit cards and don't pay the bills, the debt and its delinquency is reflected on your credit file.
- Establishing a phone or mobile phone service in your name.
- Opening a bank account in your name and writing fraudulent cheques on the account.
- Counterfeiting cheques or debit cards, and draining your bank account.

- Buying cars by taking out car loans in your name.
- Calling your credit card issuer and, pretending to be you, changing the address on the account. Statements get sent to the new address, so you don't realise there is problem until you check your credit report.
- Filing for bankruptcy using your name to avoid paying debts they have incurred under your name.

No Credit Card is Necessary

Credit card fraud is just one type of identity theft, but some types of identity theft do not involve credit cards at all. Someone with a poor credit history may use your personal information to get a car loan, acquire phone or mobile phone service, or another utility service, or open a bank account in your name.

Such cases can be seriously damaging, since you may not realise anything is wrong until you notice unfamiliar charges on your monthly bills or statements.

Preventing Identity Theft

It is unfortunately not possible to prevent identity theft and credit fraud entirely. But, by managing your personal information carefully, and with a full understanding of its importance, you can substantially reduce the likelihood that it will happen to you. The following tips show you how.

How to Outsmart Identity Thieves

Be careful about giving out personal information. Whether on the phone, by mail, or on the Internet, never give anyone your credit card numbers or other personal information for a purpose you do not understand. Ask to use other types of identifiers when possible. Make sure you only give your personal information to trustworthy people.

Protect your post. To stop a thief from going through your rubbish or recycling bin to get your personal information, tear or shred your receipts, credit applications, insurance forms, bank statements, expired charge cards, and credit offers. Deposit outgoing post in post office collection boxes or at your local post

office. Promptly remove post from your post box after it is delivered. If you plan to go away, contact the Royal Mail about their Keep Safe Service.

Guard your credit cards. Minimise the information and the number of cards you carry in your wallet. If you lose a card, contact the fraud division of the credit card company. If you apply for a new credit card and it does not arrive in reasonable period, contact the issuer. Watch cashiers when you give them your card for a purchase. Also, when you receive a new card, sign it in permanent ink and activate it immediately.

Pay attention to billing cycles. Contact creditors immediately if your bills arrive late. A missing bill could mean an identity thief has taken over your credit card account and changed your bill address.

Safeguard personal information in your home. Especially if you are having service work done in your home.

Find out who has access to your information at work. Be sure to verify that records are kept in a secure location, and are accessible only to employees who have a legitimate reason to access it.

Be smart about passwords and PINs. Memorise your passwords and personal identification numbers instead of carrying them with you. Avoid using easily available information like your mother's maiden name, your birth date, your phone number, or a series of consecutive numbers.

Conclusion

Year-on-year, identity fraud continues to grow substantially. A victim usually need months to years to recovering from identity theft. Credit score also becomes very important to your financial options. It can save money substantially in the long term. It is worth to have your own credit checking from time to times, or at least before any major financial change. Good credit history needs time to build up and any adverse record may stay in your record for 6 years. You are living in U.K., you must accustom to U.K. system. You should take immediately action to improve your credit worthiness. Ignorance it will jeopardize your financial health seriously. Be careful.

What can Prosperity Financial Services Centre Help?

Prosperity Financial Services Centre is a wholly owned division of Prosperity Solutions Company Limited, a general insurance broker, a business financial specialist

and a mortgage advisor. Our services include residential mortgage, business finance, life insurance, critical illness cover, building and content insurance, shop and business insurance. Our principle, Mr. Arnold Cho had been managers for multi-national bank and has been in the lending field for over 20 years.

As a professional firm, we will provide unbiased help to your situation. For any enquiry, please call Mr. Arnold Cho on 020 8467 9728.

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