

# VIEWPOINT

WATSON PROPERTY FINANCE

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# The essentials you need to know about credit checks before borrowing money

The information a lender finds during a credit check is important – it could affect whether you're able to borrow money, including through a mortgage, and the interest rate you're offered. Yet, they can also seem perplexing.

Indeed, a **Royal London** survey found that a third of Brits had never looked at their credit report.

The good news is that we can help you cut through the jargon, so you feel more confident next time you apply for a loan.

## Lenders usually carry out a credit check to assess how much risk you pose

Lenders carry out a credit check by looking at your credit report to understand how financially stable and reliable you are. Your credit report includes:

- Personal details, such as your name and address
- Borrowing and payment history
- Current borrowing and credit limits
- Details of people you're financially linked to, like your partner.

If their check indicates that you are more likely to default on repayments, a lender may offer you a higher interest rate, which would affect your repayments and the total cost of borrowing, or even reject your application.

## Hard v soft credit check

Two different types of credit searches can be carried out – a hard or soft credit check.

A soft credit check happens when you review your credit report or a lender checks to see if you're eligible for certain offers. A soft credit check doesn't show up on your report.

A hard credit check is usually carried out when you've made a finance application, such as a credit card or mortgage, and the lender wants to take an in-depth look at your report.

Hard credit checks may be noted on your credit report for up to two years and will be visible to other lenders.

Several hard credit checks in a short space of time may affect your ability to borrow as it could indicate you're struggling to manage your finances. As a result, taking the time to understand which lenders are suitable for your needs could be useful as it may reduce the number of hard credit checks that are carried out.

A hard credit check can only be performed with your permission.

Don't worry if you're unsure about the two different types of credit searches and what they mean to you, we're on hand to talk you through it all.

## 6 useful steps you could take to improve the outcome of a credit check

1. By reviewing your credit report and score before applying for credit, you may have a chance to improve how lenders view you. Here are six steps you may be able to take.
2. Search your credit report for any mistakes and contact the provider to fix them
3. Register on the electoral register to demonstrate stability
4. Reduce your outstanding credit
5. Pay more than the minimum payment on a loan or credit card
6. Avoid late payments by automating bills
7. Be careful about applying for new forms of credit.

## Speak to your adviser if you have any questions

If you have any questions about your credit report or are worried about what it means for your future, including the ability to secure a mortgage, please don't worry. You can contact us to discuss your concerns and plans.

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