

Credit

This guide is only giving information about obtaining credit or borrowing in obtaining goods and services and the regulatory bodies and advice agencies that exist to protect the consumer.

At some time in our life we may need to borrow money but often to achieve this we need to build a decent healthy credit history. Bad and no credit history can make you ineligible for credit or bank loans or mortgages. So developing a healthy credit history when you are younger can also be the difference between cheap and expensive rates of interest when borrowing money when you are older.

'Credit checks' are often done to see that you are of good financial standing and not a risk of defaulting on payment for essential bills. Checks occur if you are buying something in instalments e.g. a mobile phone, laptop, electrical goods, insurance and cars.

How can I develop a Credit History?

Firstly, try and register on the electoral roll and ensure you apply for 'credit' using the address you are registered at, even if you are ineligible to vote. This shows various search agencies you actually exist somewhere in the 'system'. And make sure you apply for student Bank account at this address (ideally for an account with 0% interest overdraft facility) but the key is to manage your bank account properly and be financially disciplined by budgeting your income and expenditure so in effect you do not need credit to survive financially!

Also make sure you have all your student funding and pay from employment going in to your student bank account and also open a savings account as well. (See the welfare advice guide on 'Student Banking')

You may think that credit will be the answer to your money problems, but unless you are particularly disciplined it may be better to avoid credit cards and other credit agreements altogether. Mostly credit is used for unforeseen circumstance or emergencies or purchasing a holiday. Credit agreements can be arranged through banks, stores, credit card companies or finance companies and may come in a variety of forms: overdrafts, hire purchase, credit cards, charge cards and store cards, to name but a few.

What should you consider before entering into a credit agreement?

- Do you really want this item or loan?
- Can you save up the money - or use savings and pay the cash price?
- Can you afford it?
- Will you have enough cash at the end of the month to cover the repayments and any emergencies?
- Will you be able to keep up the payments for months or years?

How much will credit cost?

If you decide to apply for credit, find out how much the total repayment will be. Look at the "APR" (Annual Percentage Rate of charge) and check for any additional fees or charges.

Some loans are offered interest free for a limited period or nothing to repay for 2 months but ensure that you read the small print as there may be time limit restrictions where it reverts to a higher interest rate or even early repayment redemption fees.

Some credit card companies often offer 0% (interest free) on purchases and 'balance transfers' from another credit card and/or 6 to 20 months, but will have a small administration charge (often 2%-3% on balance transfers but still better than paying the full APR). If you still have a balance outstanding, it may be advisable to 'balance transfer' to another 0% card before it reverts back to its 'normal' APR rate. This is normally one month before the existing credit card 0% deal expires.

Where is the best place to find the credit best deals?

To view comparison websites between different credit products, you might like to look at:

www.moneysavingexpert.com/borrowing/
www.moneysupermarket.com

BE AWARE of extortionate agreements. You may end up paying for your goods several times over if the APR rate is high. For example:
Amount of credit: £150 for 18 days Interest: £27.99 Interest rate: 365%pa (fixed) Transmission fee: £5.50 One total repayment of: £183.49 Representative 5,853% APR.

www.moneyhelper.org.uk/en/savings/how-to-save/interest-rates-explained

Are there any advantages of credit?

If you have a major complaint about goods or services bought on a credit card costing over £100, you will be able to claim a refund from the credit card company instead of the retailer. Seek advice if this applies to you. Can be useful when purchasing holidays when things go wrong.

What if I am refused credit?

They use a variety of factors to determine whether to grant you credit. One of the key methods they use is to check your credit history through a 'Credit Reference Agency' or it could be you are not satisfying residential conditions.

These companies keep records of Court judgements, bankruptcy orders and details about credit accounts (for 6 years). Your 'credit file' will also show any 'payment arrears' you have acquired. This is one of the most common reasons of credit being refused.

If you think the information is wrong you can try to correct it, so seek advice immediately. If you have had a 'financial connection' with someone at the same address, e.g. a joint credit agreement, or bank account, these details should not affect your credit rating. You can file a 'notice of disassociation' with the credit reference agency that the 'financial connection' has ended.

BE AWARE of companies who offer to clear your credit record by removing judgements for a 'fee', when in fact they cannot be legally removed.

How can I check my credit report?

You can check your credit report yourself, If you would like to check your credit rating contact one of the organisations below:

Experian Limited, Consumer Help Service: www.experian.co.uk

Equifax plc, Credit File Advice Centre, www.equifax.co.uk

How can I rebuild my credit history?

For free advice on how to repair your credit report at:
www.moneysavingexpert.com/credit-cards/bad-credit-credit-cards

What if I have trouble making repayments?

If you do find that you are having difficulty making repayments, don't ignore statements or letters from the creditor. Your problems will only be made worse by ignoring the situation. Keep in touch with your bank or Credit Card Company and seek free independent

advice. Defaulting or consistently making late payments can have a negative effect on your credit scoring file. Communicating with your creditor may be beneficial in this respect. Visit the free advice agencies below. Also see the Welfare Advice Guide on Money Management and Debt

Additional information

Here are some financial advice websites:

Money Helper is free unbiased advice to help you with money matters and has many helpful booklets and budgeting tools/planners. Visit: www.moneyhelper.org.uk/en

National Debtline: www.nationaldebtline.org/

Citizens Advice Visit www.citizensadvice.org.uk

Free advice on debt problems and budgeting: Stepchange For help with budgeting www.stepchange.org

Financial Ombudsman Service (FOS) helps to resolve disputes between lenders and their customers. They provide a free and independent service. Tel: 0800 023 4567 or if calling from a mobile 0300 123 9123, or www.financial-ombudsman.org.uk

Finance Conduct Authority (FCA): They prosecute financial companies who do not adhere to financial guidance and regulations. Visit www.fca.org.uk/firms

The Information Commissioner's Office is the UK's independent authority set up to promote access to official information and to protect personal information. They publish a free booklet called 'Credit Explained'. <https://ico.org.uk/your-data-matters>

Any questions?

Contact the Middlesex University Student Welfare Advice Team on 020 8411 3008 between 11am - 1pm and 2pm - 4pm Mon to Fri, or submit an enquiry at <https://unihub.mdx.ac.uk/support/unihelp>

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