

# Credit Scoring - what is it?

## Information Sheet

### A guide to Credit Scoring and Credit Reference Agencies

#### Assessing applications for credit

As a responsible lender, we consider your personal circumstances when establishing the appropriate level of mortgage loan we may be able to offer you. To help achieve this, applications may be assessed using a process called credit scoring.

#### How does credit scoring work?

Credit scoring uses information provided directly by you and information we have obtained from other organisations. Where we use information from other organisations, which will include a credit search with a licensed Credit Reference Agency (see Credit Reference Agencies), we will tell you who they are.

The credit scoring system allocates points for each piece of relevant information and adds these up to produce a score. This information enables us to identify characteristics that predict your ability to successfully repay the loan. For example individuals who have county court judgements registered in their name have proved to be less likely to meet payments than those without judgements. When your score reaches a certain level then we will generally agree your application subject to affordability and full underwrite. If your score does not reach this level, we will decline your application.

Lenders have different lending policies and scoring systems, so applications may be assessed differently. This means that one lender may accept your application but another may not.

#### What is a credit footprint?

Credit Reference Agencies retain records of all credit searches, these records are commonly referred to as credit footprints. There are two main types of footprints, soft and hard. A soft footprint is not visible to other lenders and does not impact your credit score. Soft searches are used before a person makes an application for credit and are used to facilitate people 'shopping around' for the best deal or quote. Unlike a soft footprint a hard footprint is visible to other lenders and could affect your ability to obtain credit in the future. We will always notify you in advance of undertaking a credit search that leaves a hard footprint on your credit file.

#### Is credit scoring fair?

Credit scoring produces consistent decisions and is designed to ensure all applicants are treated fairly. It doesn't identify a specific piece of information as the reason for declining an application. We test our credit scoring methods regularly to make sure they continue to be fair.

#### What happens if your application is declined?

We have policy rules to determine whether we will lend. For example, if we have direct evidence that you have shown poor management of credit products in the past we may decline your application.

We will provide you with a reason for declining your application and if this was due to your credit history and/or the credit score. You have a right to contest any automated decisions made using credit scores.

If your application is declined, this will not be disclosed to the Credit Reference Agency.

#### Credit Reference Agencies

Credit Reference Agencies compile and provide public and credit account information.

Public information includes Electoral Roll information supplied to local authorities by householders. We use this information to help confirm names and addresses. Public information also includes information on county court judgements, Scottish decrees, bankruptcies, individual voluntary arrangements, Debt Relief Orders and Administration Orders.

Credit account information includes data supplied by registered lenders and providers on how customers manage their credit agreements. This allows us to check when someone applies for credit that the person applying has repaid or is repaying other lenders.

When we (or any lender) process an application that may involve credit, the Credit Reference Agency database is searched for information about the applicant at current and previous addresses.

#### Financial associations

Your Credit Reference Agency records may be cross checked with others (including previous partners) who are financially linked to you because of other joint financial commitments.

Where a joint application is made a new financial association will be created and registered with the Credit Reference Agency, if this does not already exist.

Any association will continue until one of you successfully files a 'disassociation' at the Credit Reference Agency.

#### Contacts

Copies of the information held about you at the credit reference agencies can be obtained from:

Experian Customer Services Team

Experian Ltd

PO Box 8000

Nottingham

NG80 7WF

email: [customerservices@uk.experian.com](mailto:customerservices@uk.experian.com)

Tel: 0115 8286738

 Call 0345 607 9825

 Go to [skipton.co.uk](https://www.skipton.co.uk)

 Visit us in branch