

# How to...

## read and interpret a credit report



A good starting point for any application is to ask your client for their credit report. Once you have this information you will have a better idea as to whether they match our criteria and the DIP will go through.

The three major credit reporting bureaus are Experian, Equifax and TransUnion – all provide credit reports though formats vary.

At Aldermore, we use Experian and TransUnion. This document outlines what to look for in each report.

### Electoral roll information

Electoral roll registration is often a factor in credit scores because it is seen as a sign of reliability and stability.

The report will show the dates that your client's name was registered on the electoral roll and the addresses they were recorded at.

### Public record information

This shows any court orders, Individual Voluntary Arrangements (IVAs), Debt Relief Orders or Trust Deeds, Bankruptcy or Sequestration.

- An **IVA** will appear on the credit report for six years, starting from the date it was approved. This record will be marked as 'complete' if your client has paid it off early.
- A **Debt Relief Order (DRO) / Trust Deed (Scotland)** will also appear on the credit report for six years.
- A **county court judgement (CCJ)** (England & Wales) or a Sheriff Court Decree (Scotland) is a court order that might be registered against you if you fail to repay money you owe. Court judgements are held on record for six years. If the amount of the judgement is paid within one month, it is removed from their record. If it is paid after one month, it stays on the record for six years but it will show as being settled.
- **Bankruptcy (Sequestration in Scotland)** will appear on the credit report for six years, or until your client is discharged if this takes longer.

We can consider a client with an IVA, DRO or Bankruptcy if it has been discharged at least six years. For a buy to let mortgage, we will consider IVAs three years after discharge date.

At a minimum, we will look at someone with a CCJ which has been satisfied for three years, and who hasn't any active CCJs over £500 during the last three years.



## Credit accounts

This section shows specific information on each credit account opened, including current status and any past due information.

Creditor contact information is provided in the report to make it easier to resolve any issues.

For open accounts, positive information will remain on the credit report as long as the account is open and active.

**We class delinquent accounts as defaulted, therefore these must meet our standard default criteria in order for us to assist.**

For paid or closed accounts, with no delinquency or derogatory history, it can stay on for 10 years, from the date it's reported as paid or closed.

**Please note:** There can be a delay with information either being updated from the lender to the credit agency or the other way round.



## Status codes

Every credit account has a list of status codes which show whether they have made their credit repayments over the past 6 years (72 months).

Credit Reference Agencies can provide payment history over the last 72 months, with the most recent balance to the left along with the latest status code of the account.

### Status codes key:

- 0 – payments up to date
- 1 – payments up to 1 month late
- 2 – payments up to 2 months late
- 3 – payments up to 3 months late
- 4 – payments up to 4 months late
- 5 – payments up to 5 months late
- 6 – payments are 6 months or more late

If the account is in default, it is shown as either the warning triangle or an 8 – this is slightly confusing as it represents just one default rather than eight.

**U – Unknown** – the lender cannot give an account status for this month. This may be at the start of the credit agreement when the lender is allowing time for the account to be set up, when they're waiting for goods to be delivered, when they've received the goods but payment is not due to start immediately, when there's a dispute over the payments due or the good received, or when the account is not being used.

**D – Dormant** – the account is not being used and nothing is owed.

### Example of an account status codes

Account status details ( 1-12 months):

▼ Last updated: 07/02/2016

Status	0	4	3	2	2	2	1	0	0	0	1	1
Balance (£)	0	193516	193109	192715	192508	192514	192107	191700	191805	191896	192000	192091

Account status details (13-24 months):

Status	1	2	0	0	0	0	0	0	0	0	0	0
Balance (£)	192222	192289	191483	191488	1191481	1911486	191478	191470	191476	191468	191474	191466

## We will only normally lend to someone who has no defaults within the last 3 years.

We do however, ignored all communications defaults and we also allow 1 settled default aged between 13-36 months, providing its below £500.

### Useful info

- **Linked addresses** – it is important to check that these match with the addresses your client has provided to you.
- If your client believes that data recorded on their report is inaccurate, they can contact the ICO: <https://ico.org.uk/your-data-matters/your-right-to-get-your-data-corrected/>



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