

African Bank Ltd press release

May 2020

Ensure your credit score isn't affected by lockdown

Many South Africans pay little attention to their credit score until it's too late - when they have already been turned down for a loan.

“It is concerning to see that just 9%* of the 25 million credit-active South Africans, actually access their credit report annually,” says Kriben Reddy, vice president of TransUnion Africa’s consumer division. Reddy says this is in spite of the fact that there is no cost for doing so, as South Africans are able to access one free credit report every year from the four consumer credit bureaus. Some banks, like African Bank, through their unique partnership with TransUnion, even give you unlimited access to a detailed credit report on a monthly basis if you wish - and you don’t have to be an African Bank customer to benefit. “This also will not limit you from still accessing your annual free report from a Credit Bureau of your choice,” says Reddy.

Regularly checking one’s credit report and credit score should be part of every South African’s personal financial habits. “This will inform a person of their credit status, their personal payment history and, of course, the ability to acquire credit when it is needed,” explains George Roussos, Chief Operations Officer at African Bank. He says essentially a credit report is a record of your credit history and payment behavior and reflects a six - 24-month view on how you pay your accounts. Credit bureaus then calculate your credit score from this as a three digit number to explain your credit behaviour. “Generally, the higher your score, the better,” says Roussos.

With South Africans facing increasing financial hardship, this is a good time to consider your credit worthiness. The lockdown has impacted many South Africans’ earnings - and that can make it tempting to default on payments or to apply for more credit to tide you over. “But these and other actions may negatively affect your credit score going forward. And that’s important, because you may reach a stage where you have to apply for, say, a loan to fund yours or your child’s education. If you haven’t checked on your credit score first, your application may well be rejected,” says Roussos. He says one cannot under

estimate the value of a good credit score. “It’s your ticket to better interest rates on a loan and being able to plan ahead knowing that you will qualify for some form of credit.”

Roussos says a common concern voiced from customers in good standing is they do not want to do anything to jeopardise their credit score. They worry that enquiries and loan applications can lower their score. Roussos reassures customers that monthly accessing of your credit report and score via the African Bank website will not impact your score in anyway.

According to weekly research being conducted by TransUnion, week 2 results (week of 13 April) show that when compared to a week ago, more South Africans are being negatively impacted financially (81% vs 79% last week). On average respondents said they will be short about R7 000 in the near future and expect to run into a shortfall between two to four weeks from now. 88% are concerned about their ability to pay bills and loans.

“And yet,” says Roussos, “finding a way to service these bills is essential if consumers are to maintain a high credit score.” Roussos says it is a vital piece of information if potential lenders consider before they decide whether or not they will give you credit.

Roussos says the most important thing you can do to maintain a good score is to keep up the repayments on your accounts, vehicle and bond repayments. “Pay these in full and on time, because your ability to pay on time is a key consideration for lenders.” In fact, your payment history is one of, if not the most, critical components making up your credit score, which is why paying on time assures you a higher score. “If you don’t think you will be able to make payments, reach out to your lenders - alert them of your situation, because many are trying to assist consumers with various alternative measures,” says Roussos.

By the same token, consumers should avoid using up all the credit that is available to them. As a rule of thumb, leaving around 30% of the credit available to you shows that you are able to manage your finances well.

“Now is a good time to assess your finances,” Roussos continues. “Since most households are likely to have less disposable income, it’s best to prioritise your bills so that you can

keep up with the payments that count, like education,” he concludes

*Latest NCR Credit Monitor report (Sep 2019)

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PREPARED ON BEHALF OF AFRICAN BANK BY CATHY FINDLEY PR. CONTACT JACQUI MOLOI
ON JACQUI@FINDLEYPR.CO.ZA OR (071) 764-8233 WITH ANY CONSUMER PR QUERIES.