

African Bank Limited press release

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Get Money Smart and check your credit score

With so many South Africans facing increasing financial hardship, this is a good time to consider your credit worthiness. The pandemic 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 report and your 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.

Eloise Boezak, Head of Customer Experience at African Bank, says many South Africans pay little attention to their credit score until it's too late. It is concerning to see that just 9%* of the 25 million credit-active South Africans, access their credit report annually.

For this reason, African Bank are proud to be participating in this year's Money Smart Week South Africa (MSWSA), an initiative of the National Consumer Financial Education Committee (NCFEC) taking place from the 22 - 28 March. "In the spirit of the theme 'Take care of yourself, take care of your money' we wanted to take this opportunity to explain to consumers why it is much easier to build a good credit profile from the start than trying to repair a broken one," says Boezak.

What is the difference between a credit score and a credit report?

"A credit score is a three digit number created by a Credit Bureau to explain your credit behaviour. It is calculated based on the latest information it receives from your credit and service providers using a formula that looks at how much debt you have and how well you pay your accounts," explains Boezak.

Generally, the higher your score, the better. Each credit bureau has its own scoring

method, but a TransUnion Consumer Credit Score for example can range from 0 (poor credit management) to 999 (excellent). Although TransUnion provides a score, all credit providers have their own risk rules to decide who they will grant credit to and on what terms.

“Your information - both positive and negative - is stored by the various credit bureaux. Importantly, to get good credit, it is better to have credit,” she says. Boezak explains that good credit profiles are gained when you borrow money and pay it back regularly, on time, and for the full amount.

“If you default on payments or pay late, your credit profile is affected, which could make it much more difficult for your applications to be approved when you are trying to get ahead in life. While adverse information is cleared as soon as your repayments are up to date, or the account is paid up, the negative repayment history or any judgements against you, remains for years.”

Consumers must remember to look at the accuracy of their credit reports regularly.

“A good credit score will help you reach your financial goals much more easily.”

Here are six handy tips to improve your score.

- **Check your credit report.**

Boezak says consumers are entitled to a free credit report every 12 months from TransUnion and other credit bureaux in South Africa. “Through our unique partnership with TransUnion, consumers are given unlimited access to a detailed credit report on a monthly basis from African Bank if they wish - and they don’t even have to be an African Bank customer to benefit. You simply need to register for internet banking or download the African Bank App, and then, with one click, you will be able to check your score regularly and get your free credit report. This will not limit you from still accessing your annual free report from a Credit Bureau of your choice,” she explains. When you check your report ensure your personal information up to date, including your address, contact

details, etc.

- **Manage your accounts**

Make sure you pay your accounts in full every month. Partial payments can negatively impact your score and leave you playing catch-up with growing outstanding debt. If you have bad debt, or accounts which are in arrears, that will limit your chances of getting credit in future. It will be wise to bring your arrears payments up to date and see how your score will improve once your repayments are up to date and kept up to date. Eventually you will be in a position to apply for new credit.

- **Limit your amount of debt**

Keep the utilisation of your current unsecured credit facilities below 35% of your limit.

- **Address negative listings**

Take active steps to settle outstanding debt if you have any judgments and defaults against your name. Remember to request settlement documentation to clear your credit record.

- **Grow your credit history**

Long-standing credit accounts that are consistently settled in full or paid up, reflect positively on your repayment reliability. Maintain a healthy mix of secured credit (home loans and vehicle finance) and unsecured credit (store accounts and credit cards). “Of interest, it is not only an unhealthy credit history that may affect your ability to get credit. A lack of a credit bureau profile e.g. not having a credit history of paying on time, can cause an application to be declined or can result in limited credit offers being extended to you. It is good to build a positive credit payment profile from the start.”

- **Limit your enquiry activity**

Don't shop around for too much credit at the same time. Numerous applications could

raise a red flag to lenders about your current financial situation.

“It’s never too late to begin working towards an improved credit profile,” says Boezak.

Finally, if you are listed negatively on a credit bureau you do have certain rights. You can challenge the information if you believe it is incorrect.

Step 1 - Contact the bureau in question

Step 2 - If you are not satisfied with the findings you can call the Credit Ombudsman on 0861 662 837

Step 3 - If you are still unsatisfied you can lodge a complaint to the National Credit Regulator (NCR) by calling 0860 627 627

African Bank will be hosting a podcast on this topic during Money Smart Week. You can follow Money Smart Week South Africa on Facebook, Twitter and LinkedIn to find out more and go to www.mswsa.co.za. Anyone who has any queries, or wants to know more, please email info@mswsa.co.za.

Ends

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