

'Positive Credit Report Can Help Borrowers Access Cheap Loans'

Those people looking to apply for a loan need to take steps to make sure that their credit report reflects them in the best light possible, it has been suggested.

October 23, 2007 (FPRC) -- Speaking earlier this week, Neil Munroe, external affairs director for Equifax, reported that as numerous high street lenders and credit card companies are lowering their borrowing limits, applicants more than ever need to look into managing their financial history "pro-actively". In addition, the credit information provider asserted that consumers are seeing some providers increase interest rates on personal loans and other types of borrowing, which in turn may limit access to cheap loans.

As a result, those people looking to take out a loan have been urged to get a copy of their financial history before making an application as doing so can help them secure a more competitive rate of interest on their borrowing. The Equifax official pointed out that when making a decision on whether to issue money to consumers, loan lenders make checks with credit reference agencies to judge applicants' previous ability to keep up to date with borrowing repayments. Additionally, he asserted that providers also make use of a "credit scoring" system, which helps them to decide whether or not to lend and what level of interest to attach to loans. Thus, Mr Munroe stated that those with the most attractive credit score will find they have the most borrowing options available and will be able to secure the cheapest loans possible.

He said: "Whilst we don't want to encourage people who are already struggling with debt to take on more loans, there is a good proportion of individuals who are creditworthy who might be refused for example simply because their electoral roll information on their credit file is not up to date. The problem is that any information that does not match the application could mean a refusal. And lower scores could mean that individuals are not offered the best rate of interest on a loan or credit card."

The director added that it is for these reasons that it is important that consumers "regularly" get copies of their financial history and credit rating. Mr Munroe also asserted that "this is certainly worth doing if they are planning to take out a new loan or credit agreement".

In addition, he pointed out that a low credit score could be caused by something "as simple as not being registered to vote". However, Mr Munroe claimed that it is "pretty easy" in instances like this to get such information updated.

As a result, those looking to make their financial report look as attractive as possible were advised to make more than the minimum repayments as much as possible on existing borrowing. By doing so it was suggested that not only will borrowers benefit as they give their file a more positive appearance from paying back debts quickly, they will also be shelling out less money in interest each month.

In addition, should a change in consumers' circumstances cause them to fall behind with making borrowing repayments, for instance if they have lost their job or got divorced, Equifax advised them to make lenders aware of this. Consequently, lenders were suggested to be likely to take such alterations into account when judging an application for a loan.

And after receiving such a loan, borrowers may be well advised to consider their spending carefully. Earlier this year, Helen Saxon, spokesperson from the Finance and Leasing Association, reported that if used wisely credit can be “a good thing”. However, she asserted that although personal loans and other types of borrowing can help many people purchase items “that otherwise they couldn’t afford or that they would have to save up for a long time for”, consumers - and lenders alike - must ensure that they will be able to afford to make repayments.

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