



Understanding your Credit Score

What is a Credit Score?

Your credit score (also known as a credit rating) plays a big role in your financial well being. That's why checking your credit score, and understanding the factors that affect it, is a great way to take control of your financial future.

Your credit score can have an impact on most of your finances. From being accepted for a credit card, mobile phone contract or mortgage, to even the type of home broadband deal you're offered.

One thing is clear: the better your credit score, the healthier your finances and the more likely you are to be accepted for credit.

In this handy guide we'll explain how credit scores work and why you should take care of your credit score.

4 Things to know about your Credit Score



You have more than one credit score

In the UK there are three big credit reference agencies: Equifax, Call Credit and Experian. Each one creates their own credit report on your financial history, which lenders can see when they do a credit check. Some lenders use all three agencies, while others might only use one.

CreditWise works in partnership with Equifax to provide your credit score.



Each credit reference agency uses different scoring systems

The three credit reference agencies each have their own way of working out your score. This means that one might show your score out of 999 and another might give you a score out of 700. But if you have a good credit score from one, you should also have a good score with the others too.

If you're concerned about your credit score it may be worth occasionally checking all three, to make sure there are no mistakes on your report that could be holding you back.



It's still up to lenders

While credit bureaus give you a credit score, it's still up to the lenders to decide whether to lend to you or not.

These lenders, like banks or credit card providers, use your credit score and report, together with the information you provide in your application to decide if they can lend to you.



Your Credit Score can change

Everyone's credit score is different. It can change over time and depends a lot on how you manage your finances. The good news is that there are things you can do to improve it. And that's where CreditWise comes in. CreditWise gives you free access to your credit score, and shows you the factors that affect it. Even if your score isn't great right now, it's never too late to do something about it. Check out our [Simple steps to improving your credit score](#) to find out how.

Why your Credit Score is important

A credit score is based on how well you manage your finances. The better your credit score is, the more likely you are to be accepted for credit.

Your credit score is a bit like a passport. It's easy to forget about until you need it. But if you don't look after it, you might have to delay or cancel your plans.

Your credit score can have an impact on your life in many different ways. Here are six reasons why your credit score is important:



Mobile phone contracts

Phone providers will usually do a credit check before handing you a new shiny phone. If your credit score isn't up to scratch, they could turn you down - leaving you with Pay-As-You-Go as your only option. You could also end up with an unnecessary mark on your credit report.



Renting a flat or house

Landlords and estate agents will often do credit checks on potential tenants. Having a good credit score could save you from paying an additional deposit up front, or from having to ask a family member to sign the contract as a guarantor on your behalf.



Applying for a credit card

The money you spend on a credit card is borrowed, so you'll eventually need to pay it back. That's why credit card providers do a credit check every time you apply for a new credit card. The credit card company uses your credit score to help them decide whether to lend to you and how much credit they would be willing to give you.

Tip: Some credit card companies offer eligibility checkers that let you know if you'll be accepted before you apply.

Capital One's [QuickCheck](#) tool is a free eligibility checker that gives you a definite yes or no in 60 seconds. So you can be 100% certain if you'll be accepted for one of our credit cards before you apply without harming your credit score.



Monthly car insurance

If you choose to pay your car insurance in monthly instalments, insurers will usually do a credit check before giving you the green light. This is because the insurer is effectively loaning you the insurance upfront, so a healthy credit score will improve your chances of being accepted.



Buying a house

Banks and building societies can be very strict when lending mortgages. Your credit score can make or break your chances of being accepted.



Save money on interest rates

If you want to get a car on finance, or apply for a loan or credit card, your credit score could affect the interest rate you're finally offered. The better your credit score, the more likely you are to get a better interest rate, which would save you money in the long run.