

## Credit Score Confusion



Have you ever found yourself in the position of applying for a credit card or loan thinking you have good or excellent credit, only to soon find that the credit score that the card issuer or lender has seen was lower than what you saw on with the credit reference agencies? Well, you're not alone so I thought we would help explain why this might be. First things first, it's important to note that lenders don't actually use your credit score. Instead they take the underlying data and run it through their own 'scoring' process. More on that in another article.

There are three main Credit Reference Agencies (CRAs) in the UK — Experian, Equifax and Transunion — and each owns a different credit report on you. Further, they each have their own method for calculating your credit score. That's one of the reasons your score will vary from agency to agency. The higher your credit score is, the more likely you will be accepted for credit. However, not all the credit reference agencies use the same methods to come up with their scores and they also use different ranges of numbers to determine what is a good, fair or poor score. Experian's credit score ranges from 0 – 999, while TransUnion has a range from 300 to 850. A good credit score according to Experian is between 881 and 960, with fair between 721 and 880. Meanwhile, TransUnion defines a good credit score is from 628-710.

However, another reason your score might be different across your three credit reports is that each credit reference agency may have collected different data on you. How does this happen?

Firstly it could be because the data each collects (or doesn't) has come from different sources. For example one lender might report to only one of the credit reference agencies but not to the others. This would be the case if you had a credit card from a company that reported to Transunion, but not to Equifax or Experian for instance.

Or secondly, it could be because there are errors on one or more of your credit reports. Errors on your credit report can cost you money should you be offered high rates of interest on credit arrangements as a result. That's why it's important to check each of your credit reports thoroughly, and correct any mistakes you find. ([Find out how to fix mistakes on your credit report here.](#))

The difference in scores can be really frustrating, because a lower than expected score can mean a more expensive loan. This is definitely something that makes it harder for us all as consumers to make informed financial decisions.

The good news is that the efforts we all make to improve our scores should improve our scores across the board. Making on-time payments and avoiding maxing out your limit on credit cards are great starting points or of course you can open a LOQBOX (shameless plug).

Hopefully this will help demystify some of the different numbers you may see with different CRAs and will help you when making future financial decisions. If you have a subject around credit scores or LOQBOX in general, please get in touch and we will try to shine a light on different topics. Treat us like an agony aunt if you must - for now, happy credit building!

*Let us know if you have a subject you would like us to tackle. Email [katy.ringsdore@loqbox.co.uk](mailto:katy.ringsdore@loqbox.co.uk)*