

HOW TO IMPROVE YOUR CREDIT SCORE



Is your credit score not meeting your expectations? Here are some suggestions that might assist you in enhancing it.

Your credit score serves as a numerical indicator for lenders to assess your lending risk. It draws upon details from your credit report, encompassing your borrowing history and your track record of timely repayments.

A lower credit score could categorise you as a higher lending risk, potentially leading to lenders hesitating to offer loans or credit, or even charging you a higher interest rate compared to someone with a favourable credit score.



While a low credit score might seem like a challenging situation, recovery is indeed attainable. However, improving your credit score could demand commitment and effort on your part. So, how can you enhance your credit score? Here are seven steps to consider:

1. Honour Existing Loan and Debt Payments

Maintaining regular and on-time payments can substantially enhance your credit score. With the introduction of comprehensive or "positive" credit reporting, your positive payment record is now eligible for inclusion in your

credit reports. Conversely, failing to meet repayment deadlines can also be recorded, leading to a negative impact on your score.

2. Timely Bill Payments Matter

Ensuring prompt payment of your telecommunications and utility bills can also contribute to enhancing your credit score. This is particularly crucial for bills amounting to \$150 or more. If a payment exceeds \$150 and remains overdue for at least 60 days, it could result in a default being recorded on your credit report. Defaults are noteworthy negative entries on credit reports that remain on your credit history for a five-year duration. Consider setting up automatic payments to manage your bills and inform providers of changes in address to avoid missed bills. You might also inquire if receiving bills via email is possible.

3. Think Carefully Before Applying For New Credit

The act of applying for new credit or loan products, whether approved or not, is registered on your credit report and can influence your credit score. Multiple applications in a short period may signal financial stress, potentially impacting your score adversely. However, seeking credit to replace or restructure an existing credit product, such as a credit card with a balance transfer offer or a personal loan for debt consolidation, could ultimately help you manage your debt and enhance your credit score. It's important to genuinely work on paying down debt in this scenario rather than simply transferring it.

4. Seek Assistance When Needed

If managing repayments becomes challenging, reaching out to your credit provider or service provider for financial hardship assistance is recommended. Consulting a financial counselor is also beneficial. These counselors provide free, unbiased, and confidential support, including budgeting assistance and negotiations with creditors. Be cautious of firms that charge to "repair" or "clean" your credit report; you cannot pay to remove accurate information, even if it's negative.

5. Manage Credit Cards Responsibly

Maintaining manageable credit cards and paying them off monthly can illustrate positive repayment behaviour, thereby improving your credit score. Nevertheless, be mindful of potential costs and risks associated with credit cards, such as accruing high-interest debt. Missing repayments can also harm your score. Keep in mind that a credit card isn't the sole means of establishing credit history.

6. Reduce Credit Card Limits

Consider lowering the credit limits on your active credit cards. This can establish stricter boundaries for potential debt accumulation and might contribute to enhancing your credit score.

7. Review Your Credit Report Accuracy

Carefully inspect your credit report to ensure accuracy. Incorrect information can significantly impact your credit score. Check for errors like incorrect debt amounts, duplicate debt listings, or debts you never acquired (potentially due to identity theft). By comparing your credit report with financial documents, you can identify inaccuracies and request corrections from your credit provider or reporting agency. You can request a copy of your credit report from Australia's three main credit reporting bodies: [Equifax](#), [Experian](#), and [Illion](#).

Improving your credit score doesn't happen overnight, but it can get better over time. As time progresses, the accumulation of favourable data on your report and the expiration of negative information (such as missed payments and defaults) can lead to positive shifts in your credit score.

