

# Lesson plan for credit ratings topic - duration 30 minutes+

## Learning objectives

- To explain how a credit rating is calculated.
- To explain how a credit rating affects us.
- To discover how to build a good rating up.
- To discover how to protect a good rating

## Resources

- WizeUp powerpoint presentation
- Videos
- Kahoot! quiz

## Content & teaching activity

### Slides



## Credit Ratings

You acquire one at 18 when you receive a service before paying for it.

Your rating is continually updated.

3 main ratings agencies in UK - Experian, Equifax, Callcredit.

Affects your ability to to buy, rent and borrow.

Good account management = good rating.

x

### Starter

- Explain that a credit score is a number generally between 0-999 which is given to us at 18.
- The rating is updated continually by the three ratings agencies in the UK
- Your rating will affect your ability to buy rent and borrow.
- If your accounts are managed well then you will have a good rating.



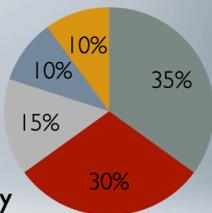
## How is it calculated?

No one method.

But roughly.

- 35% based on payment history
- 30% based on outstanding debt
- 15% based on length of credit history
- 10% based on recent enquiries on your report
- 10% based on types of credit in use

Highest score is generally 999



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- No one knows exactly how the ratings are calculated but this represents a reasonable guess.
- 999 is the highest score generally but some agencies use lower scores.



## Who is bothered?

Banks.  
Employers.  
Lenders.



TV Companies (Sky, Virgin etc).  
Telephone companies.  
Credit card companies.

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- These companies will look carefully at your rating before offering services or a price on services.



## What they will know



Credit agency files.

Payday loan data.

History with some  
TV/phone/energy companies.

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- All of these companies will know or have access to your credit ratings agency files.
- Any payday loan data if you have had a payday loan.
- Your payments history with some TV, phone and energy companies.
- This information is shared amongst them.



## What they won't know

Race, religion.  
Income & savings.  
Parking or driving fines.  
Medical or criminal history.  
Student loans.  
Relatives.  
Declined applications.



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- There are plenty of things that they won't know however.
- Just read off of slide



## Benefits of a good one

Get loans and pay for goods easily.

Get Services when you want them.

Cheaper interest rates.

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- By having a good rating you will get cheap loans easily.
- Services where you take the service before paying for it (a type of credit) will be available to you.
- You may be eligible for 0% interest deals.



## Best way to build one

Open a bank account early.

Get on the electoral register.

Run a credit card account perfectly.

Don't take out silly loans you can't repay.

Don't miss a bill or a repayment.

Check your score regularly

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- At 18 you will have a zero rating.
- It is important to build your rating quickly and efficiently
- Some things can be done before you reach 18.
- Open a bank account.
- Ensure you are on the electoral register.
- This is compiled every 6 months or so - check with you family to ensure you have been included.
- After 18 run a credit card account properly.
- This is the single best way to boost your rating.
- Don't miss a repayment or break a pre-arranged limit.
- Check you rating regularly.
- You can appeal anything that you think is wrong.



## How to protect one

Keep up all minimum payments.

Never be late.

Don't put in lots of applications close together .

Don't break a pre-arranged limit.

Don't leave a card at it's limit.

Don't use joint accounts.

Cancel unused cards and accounts.

Check your credit file regularly.



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- Continually protect your rating.
- Imagine its a game of snakes and ladders
- One bad decision can cost you months of good work.
- Don't make multiple credit applications - they all affect each other.
- Don't leave a card at or near it's limit. Makes it look like you can't afford it.
- An unused card will show that you are using it when it comes to your rating.

Could show a film from the website here is time allows

**Test Knowledge**

Kahoot! Quiz on the website

**Plenary**

Check out how easy it is to check a credit score.

Are there free checking agencies? - There are!

Discuss results