

Rands & Sense

Understand your credit profile



If you're 'high risk' your chances of accessing credit are greatly reduced, says **Ayanda Ndimande**

19

NOW more than ever, it's critical to take control of your finances. Accessing your credit profile is one of the best ways to glean instant insight into financial pain points and opportunities.

In uncertain times like these, it is important to know where you stand with your personal finances.

● **What is a credit score?** If you've ever taken out a loan, registered a bond or applied for a credit card, you'll most likely have a credit score. Your score tells prospective financiers how much of a "risk" you are in terms of your past debt repayment behaviour and ranks you as low, medium or high risk.

● **What is it based on?** It takes into account your total debt and debt repayment history: late or outstanding amounts owed, the frequency and type of credit you've applied for, any court judgments against you, and how much of your available credit you currently use.

● **Why should I care about my score?** If you're "high risk", your chances of accessing credit are greatly reduced. You're also likely to be charged a higher interest rate on credit agreements. And you may jeopardise future job prospects – some employers will check your credit score.

● **What if I don't have any credit?** If you have no active credit, you will have no payment history on record, which may result in a finance being declined as the creditor is unable to see if you are able to meet your financial commitments.

● **How do I check my score?** You are entitled to a free credit report that shows your score and outlines areas for improvement. It'll show you how much interest you're paying on credit agreements and allow you to compare your rating against an average score.

● **If I'm high risk, what can I do about it?** The best way to improve your credit score, or to maintain a good one, is to make sure that you pay off your debt on time and never miss a payment. A financial planner will be able to provide you with a plan to get you on a stable financial footing again. As a last resort, you may have to enter into debt review to pay off your outstanding debt.

Anything else to be aware of? With identity theft on the rise, it's vital to check your credit profile often. It's the best way to ensure that no one has used your identity to open a credit agreement in your name. If this has happened, report it to the police immediately.

Sanlam and other financial institutions can provide you with a free tool to help you understand your credit profile and ensure that you are aware of your credit standing to make the best financial choices.

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