



Advice for Service Personnel and their Families

How Credit Checking Works

Including Credit Card Purchases by Phone and Internet



How it works

Opening an account

When you first apply for a financial product, organisations have a legal duty to check that you are who you say you are and that you live where you say you live. If you have applied for credit, they also want to make sure that you are going to be able to keep up any repayments on money that you borrow. They start by checking your name and address so that they can be sure you are who you say you are and live where you say you have lived and then they look at the information you give them when you apply (such as your job and income). You will usually give them permission to also look at the information a Credit Reference Agency (CRA) holds about you.

Lenders will then use all this information to verify your identity and (for credit products) assess the risk of lending to you. Many lenders use credit scoring systems to rate all of this information automatically. Points are given to all the relevant pieces of information, according to each lender's own rules. Lenders then add up these points and use the total score to help them decide whether to open the account and (if requested) to give you credit.

Using a credit card remotely

Although it might seem very quick, a similar sort of checking process is used when you are making a credit card purchase by phone or internet. These are called "Card Not Present", or CNP, transactions and because this is a growing area of fraud, merchants are very careful about carrying out appropriate checks. The same sorts of checks apply, including identity verification (you are who you say you are), address verification (you live where the account is held) and credit checking (you have the available balance left to pay for the goods).

Credit Reference Agencies

There are three major CRAs in the UK: Callcredit, Equifax and Experian. They hold a range of information about you, some from public sources such as the Electoral Roll and some from lenders such as information about your credit accounts and how you have managed them in the past. They all have a legal obligation to provide you with a copy of the information they hold for a fee, currently £2, and all have dedicated advisers who will help you understand the information or sort out any concerns you may have about it. They can also help to correct any inaccurate information showing on your credit report. Details of how to do this are shown at the end of this guide.

It is important that the CRAs' information is accurate and up to date and that it gives a true picture of your residency and credit history. This information, known as your credit report, not only helps lenders check your name and address, but also shows them how you have managed credit in the past and how you are managing credit at the moment. If your report shows that you repay credit on time, this will usually help you get credit. It will also help you get the best credit deals.

Service families

Account opening

In the UK, residents (including Service families) are required by law to complete, sign and return the annual canvass form sent out by District Councils every autumn. The details on this form are used to compile the local Electoral Roll. Service voters may register in this way (by completing the annual canvass), by completing a rolling register form (if moving address outside the canvass period), or by using the special arrangements for Service voters.

If you are overseas for extended periods of time, it is likely that you will use the Service voters' facility. If you complete a Service voter form with an address in the UK that you would, if not for your Service, be living at¹ then this address will be listed on the Electoral Roll and your Electoral Roll entry should appear on your credit report. However, if you register as a Service voter with a nominal or 'contact' address in the UK² then you will only be listed on the Electoral Roll under "other Electors", with no address details. This means that the UK address that is used for your Electoral registration may not be provided to CRAs and information about your Electoral Roll registration won't appear on your credit report. This may cause you problems when you apply to open an account. If you feel that this might be an issue for you, you should consider whether you could instead register in the normal way at a UK address.

As part of the name and address confirmation process, financial services companies use the Electoral Roll to confirm your name and address. If you supply them with a non UK address when you apply and your credit report shows you are not registered to vote at your current address, lenders may ask for other proofs of name and address. They may even refuse your application altogether.

Your credit report also includes details of credit accounts that have been opened in your name in the last six years. If you have been posted overseas for a few years you may find you have little or no credit account information on your report. This can cause problems because most lenders like to see a proven track record of account holding and management. If your credit report shows little or no credit account information and no Electoral Roll information, you could find it very difficult to get credit or even to open other types of financial product (such as a savings account).

¹ This is the 1st box on Section 2 of Page 1 of the Service Voters Form, where you complete the UK registration address

² This is the 2nd box on Section 2 of Page 1 of the Service Voters Form, where you complete a nominal or contact address in the UK

If you want to make sure some credit account information appears on your credit report, it is advisable to keep open and to use a UK-based bank account while you are overseas, and with a bank that shares current account information with the CRAs. Currently, not all UK banks supply information to the CRAs and you will need to check that yours does by either talking to your bank or obtaining a copy of your credit report.

If you are concerned about your record or you have been overseas for a while, it is a good idea to check your credit report before you apply for financial services. Then, if you believe that you have gaps in your history and/or you are not on the UK Electoral Roll you can ask the CRA to assist you by adding a short statement to your report explaining why there is not a lot of information about you on the report but why you are nevertheless creditworthy. Then, any lender who checks your report when you apply for credit will be aware of your special circumstances. This statement is called a Notice of Correction and can be up to 200 words long. It will be seen by any lender performing a credit check who will then be able to take into account your special circumstances – like your serving abroad for a prolonged period. Be aware, however, that a Notice of Correction can slow down the account opening process as your application will have to be handled manually, so do not add one unless you really need to.

General identity checks for opening other non-credit accounts

CRAs also help a wider range of organisations (such as investment companies and share-dealing companies) to confirm people's identities and to satisfy money laundering regulations. This is done by providing on-line identity verification checks. Electoral Roll information can affect these checks, as can other information on the CRAs' databases. It is therefore important that Service families are aware of this and are prepared to provide paper-based proofs of identity and address in such situations.

Shopping and/or using credit cards by Internet

When ordering goods over the Internet, you may find that the on-line ordering forms do not take BFPO numbers. This can usually be solved by directly contacting the merchant who can use a manual workaround, although there are some businesses that choose not to do business with BFPO customers. The BFPO website has a list of over a thousand companies who have entered into formal contracts with BFPO regarding the delivery and onward dispatch of internet purchases to BFPO customers.

What can you do?

- Get a copy of your statutory credit report from all three CRAs so that you are aware of what information lenders will see when you apply for credit (there is a small charge for this – currently £2). Be aware that they also offer other similar products at a higher cost. Be prepared to provide paper-based proofs of name and address when you order your report, to satisfy the agencies' own authentication checks – particularly if you are not on the UK Electoral Roll. If, after examining your credit report, you have any concerns, contact the CRA for free advice about your particular circumstances

- Check whether you can stay registered to vote from your UK address while you are overseas. If you are not living away full time this may be possible. Otherwise, you are only allowed to stay on the Electoral Roll (on which you were last registered) as an 'overseas voter' for a maximum of 15 years. If you register to vote on the Electoral Roll using the Service voters' facility and give an address you would be living at were you not serving overseas, this information should appear on your credit report. The Electoral department at the relevant UK local authority (council) can give you advice on this. If details of your Electoral Roll registration cannot be registered with the CRAs in the usual way (for example you have registered to vote at a nominal address), if you can send the agencies copies of your registration yourself they may be able to add a note (called a Notice of Correction) to your credit report at the UK address at which you are registered. If you use this address when you apply for credit and for correspondence while you are away, that registration should enable lenders to confirm your address. Some lenders will agree to send your statements and other correspondence to a different address, but you will need to check with the lender.
- If your name is missing from the Electoral Roll for one or more years, consider adding a Notice of Correction to your credit report, as explained above. If your credit report contains little or no credit account information, be prepared to provide other information about your financial commitments to support any application you make for credit, such as proof of your current account or savings. Mortgage statements and utility bills showing regular payments may also help.
- When you apply for credit, explain any special circumstances upfront to the lender, particularly if your credit report does not include Electoral Roll information in your name at your current address (where you are living now), before filling in an application form. Offer other proofs of name and address. A letter from your Commanding Officer (CO) will also help explain and verify your circumstances to the lender.
- If a lender refuses your application for credit, you can always appeal against the decision and provide evidence to support your case. If the lender used credit scoring to assess your application; you have a legal right to ask for your application to be reconsidered and manually assessed (i.e. looked at by a person).

For further information and to order a copy of your statutory credit report, contact:

Experian Ltd	Equifax PLC	Callcredit Ltd
Consumer Help Service PO Box 8000 Nottingham NG80 7WP	Credit File Advice Centre PO Box 1140 Bradford BD1 5US	Consumer Services Team PO Box 491 Leeds LS3 1WZ
Tel: 0844 481 8000 www.experian.co.uk	Tel: 0870 240 1170 www.equifax.co.uk	Tel: 0870 060 1414 www.callcredit.co.uk

(Version 3.0)

Other useful contacts:

This note is intended to explain how credit checking works and in no way represents financial advice, which must be sought independently. Remember that credit needs to be repaid. Do not over-extend yourself by taking out loans which you cannot afford. Interest rates can go up which mean your repayments may also increase.

If you find yourself struggling to pay back credit, there are a number of places you can go for advice. Each of the three Services, HIVE and SSAFA-FH will all have information such as pamphlets and leaflets on managing personal debt. Help is also available from external organisations as:

Citizens Advice Bureaux Email: www.nacab.org.uk

Consumer Credit Counselling Service (0800 138 1111) Email: www.cccs.co.uk

National Debtline (0808 808 4000) Email: www.nationaldebtline.co.uk