

INTRODUCTION TO CREDIT REPORTS

Credit plays a huge role in the lives of most Australians. 80%* of us currently have some form of credit product. The most common types of credit include credit cards, home loans, vehicle finance, Buy Now Pay Later products and personal loans.

When used responsibly, credit can prove handy for managing cash flow and help us make both big and small purchases in life.

HOW DOES CREDIT REPORTING WORK?

Credit reporting works by credit providers (which includes banks, credit unions, finance companies, BNPL providers, telcos and utilities) sharing information about their customers' credit with credit reporting bodies, who consolidate this information into a credit report.

Australia operates a comprehensive credit reporting system. Comprehensive credit reporting gives consumers an opportunity to build up a track record of credit behaviour and look good to lenders. But to do that, it's important to understand what information is on your credit report, what factors influence your credit report, and what it all means to a lender.

HOW DO ACCOUNT REPAYMENTS AFFECT MY CREDIT REPORT?

When lenders access your credit or loan application, they want to ensure that the information you supplied in your application is accurate, and that you will be able to make your repayments. If you consistently make late repayments on your credit account/s, it can indicate that you can't manage the debt you have, while making repayments on time can indicate to a lender that you're a responsible borrower.

Ultimately, looking at repayment history is just another part of the assessment that lenders undertake when assessing your ability to manage your debts.



EVERYONE HAS THE RIGHT TO A **FREE** CREDIT REPORT EVERY 3 MONTHS FROM EACH OF THE THREE MAIN CREDIT REPORTING BODIES

- Credit reporting bodies collect and maintain people's credit information and provide it to lenders and consumers in the form of a credit report.
- Only banks, credit unions and other type of finance companies can report or access repayment history information. Most Buy Now Pay Later (BNPL), and all phone/internet, gas and electricity providers are not able to report or access this information. This means that your credit report will not show whether you've paid your BNPL (usually), phone/internet or utility bills on a month-by-month basis.
- A credit report:
 - o Is a detailed record of your credit information.
 - o Has detailed information about your credit accounts including your repayment history.
 - o Reflects your payment habits. It has details of your loans and whether your payments are up to date.
- When you apply for credit or a loan, a lender may look at your credit report to understand your debt commitments and gain insights into your credit health.

* Source: CreditSmart/YouGov research August 2022

KNOW WHAT'S IN YOUR CREDIT REPORT

Getting to know what is on your credit report is the first step in taking control of it. Plus, it will let you see if there is anything incorrect in it.

WHAT IS A CREDIT REPORT?

Your credit report is a detailed record of your credit history. It may include:

- **Personal information** to identify you,
- A **credit rating** or **credit score**
- **Credit enquiry information** about loans and other credit accounts you've opened or applied for in the last five years
- **24-month repayment history breakdown** showing whether or not you pay your credit card, home loan, personal loan, or car loan on time
- **Financial hardship information**, if you've agreed to a financial hardship arrangement

A financial hardship agreement **protects** your credit report when you have experienced financial hardship

- Whether you have a **formal notice (default)** that you are 60 days or more overdue on your account payment where the outstanding amount due is at least \$150 on your loans or credit accounts
- Legal action against you such as a **judgment** where a court has ordered you to repay money that you owe to a lender

Repayment History Information (RHI)

ACC ID	2022										2021					2020									
	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct
123				X	6	5	4	3	2	1	0	0	0	0	0	0	0	0	0	0	2	1	0	0	0

←----- (Read dates from right to left)

A 'grace period' of 14 days (applied to your first overdue payment) is allowed. During this time, a credit provider will not report a late payment to a credit reporting body. If the amount owing is paid during the grace period, there will be no record on your credit report that you made a late payment.

However, once the grace period has passed, if you have not made full payment of the amount owing, the credit provider may report this as a late payment to the credit reporting bodies.

HAVING A GOOD CREDIT HISTORY IS IMPORTANT

Keeping your credit report healthy by paying your credit accounts or loans on time will make you look better to a lender the next time you need to apply for credit. It takes time to build up a positive payment history to show that you are a trustworthy borrower.

If you are finding it difficult to make repayments on your credit accounts or have experienced an unexpected change to your circumstances that might impact your ability to make your repayments, you should contact your lender as soon as possible. Lenders have well-established programs to assist you if you are experiencing financial difficulty.

ADVICE AND ASSISTANCE

National Debt Helpline (ndh.org.au – 1800 007 007) offers a free, independent, and confidential service. For information about how credit reporting works, your rights when it comes to your credit report and credit score, or the impact of financial hardship assistance on your credit report, visit creditsmart.org.au

For more information visit www.creditsmart.org.au

WHAT IS REPAYMENT HISTORY INFORMATION?

Repayment history information in a credit report is shown as a 24 month history to indicate payments that are:

- **On time and up-to-date:** 0 or ✓ (mean the same thing)
- **Overdue:** shown as a figure 1 - 6 depending on months overdue or shown as an X when repayments are seven or more months overdue (unless a financial hardship arrangement applies)

If you've missed a repayment, restarting your payments and getting back up to date as soon as you can will help improve your credit report.

You can request a **FREE** copy of your credit report, every 3 months, from any of the credit reporting bodies:



Equifax
www.equifax.com.au

Experian
www.experian.com.au

Illion
www.illion.com.au