

CREDIT CHECKS – HOW'S YOURS?

- Allistar Walker

What does a Credit Check show and why is it such a valuable tool for lenders? It is often said by bankers and other lenders that we write our own history. On this history, you could well be judged.

Banks, Finance Companies, Phone Companies, and others who may extend credit or services to you in one way or another, will make an enquiry through Veda Advantage (NZ) Ltd (ex-Baycorp) to see how good your credit is. Let us take a Bank for example, where you, the customer, applies for a loan.

Permission to obtain a credit check is taken from you by way of a signed Privacy Act statement. Without this permission the Bank would not proceed any further with your loan application. Therefore, what can the bank find out about me?

Previous Inquiries – shows up other names you may have used, such as maiden name and the number of enquiries you have made for finance or other services over the last five years. The detail related to these enquiries can be quite telling. They will show the name of the Inquirer, the date it was made, and how much it was for.

Defaults – details who the default is to, when, for how much and whether or not it has been paid. A Default is simply when you have not paid a bill after a creditor has demanded payment. If that creditor doesn't receive payment from you they will list your name and debt with Veda Advantage. This will remain on your record until five years **after** payment. You are writing your history.

Judgements – A Judgement is when a Court has ordered payment of the debt you have incurred. In other words the creditor has taken the matter further. Under the law, you are also liable for court costs and other costs that the Creditor named to obtain Judgement. As with Defaults these remain on your record for five years **after** payment.

Other Information revealed – Bankruptcy, Public Notices, Directorships you are involved in, and Lost/Stolen ID's also appear on your record.

The Bank can glean your habits from these reports, particularly when combined with the way you conduct your bank accounts. A lot of enquiry to finance companies or other lenders could indicate a pre-disposition to living beyond your means. It may also indicate other lenders don't want you if a number of enquiries are seen for the same amount, at similar times.

Defaults, Judgements and particularly Bankruptcy tend to rule out a lot of Bank lending. You will need good, really good, explanations as to why these have happened. In a banker's eyes, it will often indicate you have contracted for something that you were not in a position to pay for or careless money management.

We do write our own histories. As in life, so it is in borrowing, your past is the key to your future.

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