

Your credit score is based upon information held in your credit report, also known as your credit file. Your credit score will help a lender see how reliable you are at managing your finances and is likely to influence their decision if you are looking for a loan or a credit card. Your personal credit score is built on your credit history. A decent credit score is essential for your financial wellbeing because the higher it is, the more likely you are to be in control of your finances.

Each time lenders want to carry out a credit check (in order to accept or decline your application) they retrieve this information through one of the credit references agencies including Equifax, Experian and TransUnion.

Every time a search is carried out, a 'footprint' is then left on your file. This is a method of confirming that the credit check has taken a place, and a way of letting both you and other lenders know that your file has been looked at.

In terms of the information that credit check references will be looking at on your profile, it will include:

- Your full name and date of birth.
- Your current address and previous addresses you have lived at.
- Any outstanding debt you have and how they are managed.
- County Court Judgements, if you have previously been bankrupt and if you have any defaults.
- Your current account overdraft and balance.
- Any loans (including payday loans), credit card or mortgage accounts that you currently have open and how you manage these accounts.
- Accounts you have closed in the past six years will also be on your file.



What is the duration of a credit search footprint?

There are different lengths of time in which a credit search footprint remains visible on your credit profile as it depends on the type of application you have made:

- 1 year if you have made a credit application
- Up to 2 years for searches made by debt collectors
- 6 years for a funded loan, whether defaulted or paid in full (payday loans fall into this category)



Types of credit search footprints

There are two types of credit search footprints: hard and soft, and each has different implications:

Soft: A soft credit search footprint doesn't have a long term impact on your credit score or profile and involves a credit agency looking at your file or a company checking your ID. The record remains for less than a year. These are usually only visible to yourself.

Hard: Any application for credit will normally result in a hard footprint being left, this could be from a mortgage or loan application. These are visible to third parties and will stay on your file for over a year.

To build a positive credit score you need to show that you have repaid your loan in full and on time.

Credit repayments stay on your profile for up to six years and late repayments stay on your file for up to seven years.

Payday loans and your credit profile

There are many different types of debt which vary greatly. Some debts have extremely high interest rates. Others might be secured against your vehicle or home, whilst others may allow your lenders to take money directly from your wages. It's important to understand which debt types you currently have and understand the differences before you decide on any future debts. Payday and other short-term loans are typically not the first choice when it comes to borrowing. People generally turn to them if they have bad credit history or need a quick finance boost and can't get a loan elsewhere.

A payday loan is a short term, unsecured loan for people who may find themselves with too little money to cover their outgoings due to an unplanned expense. The amount you borrow can range from as little as £50 to well over £1,000. The representative APR of a payday loan is high.

No matter how much money you have borrowed, all payday loans have to be repaid within a very short period. They should never be used as a substitute for long term borrowing, you should only consider using one to address very short term borrowing. The act of applying for credit can have a negative impact. That's because any responsible lender should run a search on your credit history before offering you a loan, and it's normal for this search to have a slight negative impact on your credit score. For most of us provided you then go on to pay off the loan on schedule, that negative impact will be minimal and short-lived. Lenders will be able to see how much you applied for, when and from what source.

Making multiple payday loan applications in a short space of time will almost certainly have a negative effect on your credit score, and is a strong indicator of poor money management or financial difficulties. That means it could harm your chances of being approved for another loan in the future.



Prospective lenders will also want to see the level of your current borrowings, and how much credit you have access to. If you currently owe money to payday lenders, this is likely to impact what a lender would be willing to offer you.



Missing a repayment on these loans is a stronger indicator of poor money management. It'll be reported back to credit reference agencies and may have a significant, lasting negative impact on your credit score.

Unfortunately, it is also possible that some lenders could simply be put off by seeing a payday loan in your credit history, even if it was paid back in full and on schedule. Regular use of payday loans is more likely to be a red flag.

Payday loans may affect whether you will be considered for a mortgage loan by some lenders up to a period of 6 years even if you have faultlessly paid the loan back in full and in time.

If you are struggling, there is lots of support available and we would encourage you to seek help.

For a guide to your financial fitness take the [Police Mutual fitness toolkit](#)

Police Mutual Services

Worrying about money can be extremely stressful and may lead to mental health conditions. Police Mutual are here to help. We want to break down the stigma surrounding debt and get people talking about money.

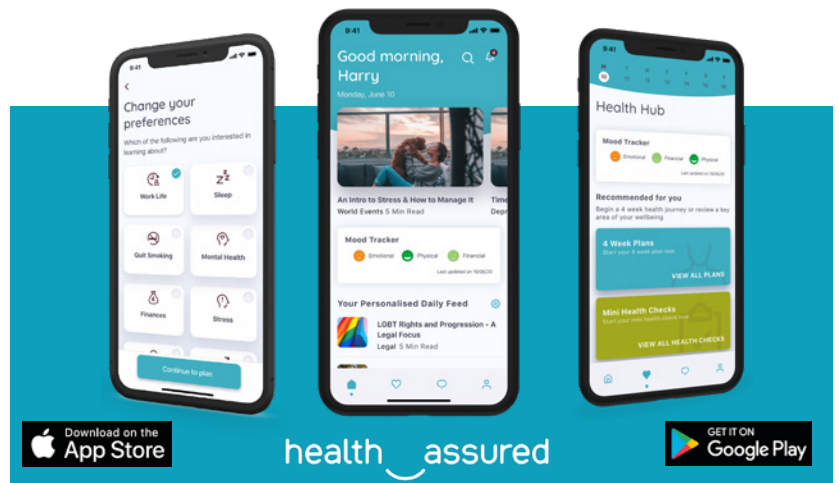
We've teamed up with **PayPlan***, one of the UK's leading free debt advice providers, who offer free and confidential advice to anyone in serious financial difficulties.

They're able to advise you on a range of debt solutions suited to your individual circumstances, helping to protect you and your family with a sustainable way to manage your debt.

Get free and confidential help to combat your debt, call **PayPlan*** on 0800 197 8433.

Our **Care Line** Service provided by Health Assured can offer advice and information, helping with a range of concerns including emotional support. Take a look at the e-portal or download the APP.

Health & Wellbeing e-portal: <https://healthassured.eap.co.uk/>
Username: [policemutual](#) **Password:** [careline](#)



Download the **Health Assured App** and register today - your code is **MHA107477**

For more information on how Police Mutual are supporting you during the coronavirus pandemic click [here](#).

Call us 01543 441630
Visit policemutual.co.uk

We're open from
9am - 5pm Mon - Fri

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