



I Credit health

A credit report is a summary of your financial status with regards to how you pay for your debt and what your spending habits are. A credit report contains a complete record of your financial history including account information, payment history, amounts owed, age of accounts, judgements, defaults, and a list of occasions on which credit providers requested to view your credit report.

This report indicates to credit providers your attitude towards debt, whether you can afford the debt you have, what it is that you spend your income on and whether you have faced legal action initiated by other previous lenders due to lack of payment. A good credit record is most important when buying a house because a good credit record improves your chances of being approved for a home loan.

How to ensure a good credit report

- **Paying your debts on time:** Ensure that you pay your debt in full when they become due for payment. To help you not fall behind with your payments, you can make use of resources such as automatic payments, for example debit orders or scheduled payments, to make sure that every payment is made on time when due. Remember that information about your missed or late payments remains on your credit report for five years and defaults remain for one year.
- **Open new accounts only when needed:** Opening too many accounts may lead you into temptation, which over time will result in overspending, thereby leading to an accumulation of debt on your part. Do not get more debt than you can afford.
- **Minimise your inquiries:** Anytime a check is made on your credit profile, that can have a negative impact on your credit score points. Try not to shop around too much for credit at the same time. Too many simultaneous applications could indicate

that there has been a significant change in your financial circumstances. It is therefore not advisable to conduct too many inquiries on your credit record as these will also last on your credit report for a period of 12 months.

- **Keep your credit balance low:** By maintaining a low credit balance on your available credit facilities, you are suggesting to your lender that you know what it takes to manage credit well and you never gone beyond your credit limits.
- **Get your free credit report:** Every South African is entitled to check their credit report, at no cost, once a year. This can be done through any of the registered credit bureaus, ensuring that you check your credit record at least on an annual basis and not when you are applying for a home loan.

How to repair a bad credit report

- Commit to not taking any more debt during the time you are in the process of repairing your credit record.
- Review your free annual credit report and check which of your accounts are likely to be causing your credit report to look bad. Also check for any errors on your credit report and you may dispute that incorrect information with the relevant credit bureaus.
- Start paying off these identified accounts, focusing on accounts with very high interest rates.
- Keep ensuring that you pay the minimum instalment when due, and in full, and be sure to snowball the money from other paid off debts as you've settled them in full.

Remember repairing a bad credit report won't be achievable overnight, as you need ample time, patience, and discipline, ensuring it doesn't slip in the process.