

HOW TO MAINTAIN A GOOD CREDIT SCORE



Maintaining a good credit score:

Having a good credit score is not so much about having no credit, rather it is about finding a balance between having credit and being able to manage it.

In South Africa, creditors use one of two main credit reporting entities, either [TransUnion JTC](#) or [Experian](#) to determine your credit worthiness. Based on your amount of credit and how good you are repaying it, they will determine your score. And your score is what will determine whether a lending institution will grant you more credit or not.

This is why it imperative that you maintain a good credit score and you can do this by following a few simple guidelines:

MONTHLY EXPENSES TIPS

1. **Get a copy of your and/or your partner's credit report**

As a first step, get a copy of your credit report so you keep track of your credit habits and improve them where necessary. Also ensure that they are up to date, some reports may contain data on accounts that you have already closed. Creditors also look at your spouse's credit record, so it's a good idea to keep track of your reports together.

2. **Don't take on too much debt**

As a rule, households should try to limit themselves to two major debts such as a home loan and car finance. If you have a credit card, then keep it under half the allowed credit amount and try to repay it within the interest free period in order to keep your costs down.

3. **Pay on time and call your creditors if you can't**

Your payment history plays an important role in your credit score; often it counts for up to 35% of the score, so make sure you pay on time, every time. If you are unable to make payment for any reason, contact your credit provider and make other arrangements.

4. **Don't use one credit facility to pay off another**

This may help you in the short-term, but it actually means higher repayments in the long-term.

5. **Pay your credit cards first**

Credit cards have a very high interest rate, so it's advisable to keep these as low as possible and to make regular payments to your credit cards.

6. **Close that unused account**

If you are not using a credit account rather ask to have it closed, and request the institution to inform the credit bureaus that you have done so. This will help improve your risk assessment.

7. **Use a reputable debt repair agency**

If you are really unable to get out of the debt spiral, then you can approach a debt repair agency to assist you. But only use a reputable agency and be aware that there are plenty of illegitimate organisations, so do your research thoroughly. With The Truth About Money we offer you access to debt management.

8. **Stay away from a revolving credit account**

This type of account allows you to "re-borrow" money after a certain percentage has been paid, which can be quite tempting if you are in a bind. They also have a hefty interest rate so it's better just to ignore them completely.

9. **Ensure your limits are high, but your due payments are low**

This shows that you are a low risk who can be trusted to maintain the gap between what you could afford and what you can actually pay for.

10. **Make sure that you do have some credit history**

If you haven't been a credit consumer for a long time, the banks might hesitate in lending you money as there is little proof of your credit worthiness, and your time spent as a credit consumer accounts for 15% of your score. In order to establish some credit record, start with applying for a credit card, but remember point 5 above.

MONTHLY EXPENSES TIPS



11. Keep credit enquiries to a minimum

Avoid applying for credit while you improve your credit score as every time a credit check is run against your name, it has a negative impact on your status and accounts for 10% of your record.

12. Above all, avoid going to court

Having a court order against your name can take years to delete, and inflict a huge amount of damage on your credit score. Rather contact your credit provider and make new arrangements.

MONTHLY EXPENSES TIPS



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