

Credit Scoring – what is it?

A guide to Credit Scoring, Credit and Fraud Prevention Agencies

Assessing applications for credit

As a responsible lender, we take into account your personal circumstances when opening accounts or establishing the appropriate level of credit to grant you. To help us do this, applications may be assessed using a process called credit scoring.

How does credit scoring work?

Credit scoring takes into account information provided directly by you, any information we may hold about you, and any information we may obtain from other organisations. Where we use information from other organisations, which may include a licensed Credit Reference Agency (see Credit Reference Agencies), we will tell you who they are.

The credit scoring system allocates points for each piece of relevant information and adds these up to produce a score. When your score reaches a certain level then we will generally agree to your application. If your score does not reach this level, we may not. Sometimes scores are calculated by a Credit Reference Agency and we may use these in our assessment.

The points allocated are based on thorough analysis of large numbers of repayment histories over many years of providing credit.

This statistical analysis enables us to identify characteristics that predict future performance. For example, individuals who have county court judgements registered in their name have proved to be less likely to meet payments than those without judgements.

Credit scoring produces consistent decisions and is designed to ensure all applicants are treated fairly.

Additionally, we have policy rules to determine whether we will lend. These reflect our commercial experience and requirements. For example, if we have direct evidence that you have shown poor management of credit products in the past we may decline your application.

Every application to open an account or borrow money involves a certain level of repayment risk for the lender, no matter how reliable or responsible an applicant is. Credit scoring enables us to calculate the level of risk for each applicant based on the information we have obtained. If the level of acceptable risk to us is exceeded, we will not accept the application.

This does not mean that any declined applicant is a bad payer. It simply means that based on the information available to us, we are not prepared to take the risk of opening that account or granting that loan.

Lenders are not obliged to accept an application.

Lenders have different lending policies and scoring systems, and so applications to them may be assessed differently. This means that one lender may accept your application but another may not.

If your application is declined, this will not be disclosed to the Credit Reference Agency.

Is credit scoring fair?

We believe that credit scoring is fair and impartial. It does not single out a specific piece of information as the reason for declining an application. We test our credit scoring methods regularly to make sure they continue to be fair and unbiased.

Responsible lending is essential both for the good of applicants and lender. The Office of Fair Trading regulates credit and considers credit scoring to be an aid to responsible lending.

Applicants with county court judgements may find credit difficult to obtain.

What happens if your application is declined?

If we are unable to accept your application, we will tell you. We will also tell you the principle reason why we were unable to agree to your request, for example, if you do not pass our credit score we will tell you.

If we have declined your application you may contact us and ask us to reconsider our decision. We will usually ask you to provide additional information, which was not available at the time your original application was submitted. We will then review your application and tell you how long it will take until you receive a response.

Credit Reference Agencies

We use Credit Reference Agencies to help make our lending decisions and identify customers. They do this by compiling and providing public and credit account information.

Public information includes Electoral Roll information supplied to local authorities by householders each autumn. We use this information to help confirm names and addresses. Public information also includes information on county court judgements, Scottish decrees, bankruptcies, individual voluntary arrangements and Administration Orders.

Credit account information includes data supplied by registered lenders on how customers manage their credit agreements. This allows us to check when someone applies for credit, that the person applying has repaid or is repaying other lenders.

When we (or any lender) processes an application that may involve credit it searches the Credit Reference Agency database for information about the applicant at current and previous addresses. The agency keeps a record of all searches and this allows us to see when and how many times other lenders have accessed the applicant's credit information.

We may make periodic searches of HSBC Group records, Credit Reference and Fraud Prevention Agencies to make decisions regarding your account including whether to make credit available or to confirm or extend credit.

Financial associations – how your data is used

For an application which may involve borrowing, your Credit Reference Agency records may be cross checked with others who are financially linked to you because of other joint financial commitments. This is known as a financial association and this process enables lenders to form an accurate view of the existing financial commitments of customers.

Where a personal application is made a new financial association will be created and registered with the Credit Reference Agency, if this does not already exist.

You should be aware that where you have a financial association, information relating to the associates may be taken into account in applications which may involve credit. This means, where one person applies for a loan, their credit history together with that of existing or previous partners with whom they have a financial relationship may be associated and taken into account when assessing their application.

Any association will continue until one of you successfully files a 'disassociation' at the Credit Reference Agency.

Financial associations are not created for business account applications.

If you apply for a product or service with another person and they are not present you are declaring that you are entitled to disclose information about your fellow applicant and you authorise us to search, associate and/or record information at credit reference agencies about you and your fellow applicant.

Disassociation

If you believe you have been treated as 'financially associated' due to a previous joint financial commitment but that your records should no longer be associated, then you can register this 'disassociation' by contacting and gaining agreement through the credit reference agencies. Details of the credit reference agencies we use are set out overleaf.

Crime Prevention, Debt Recovery & Fraud Prevention Agencies

To prevent crime, to verify your identity and to recover debt, we may exchange information (both within the UK and, where appropriate, overseas) with other members of the HSBC Group, and, where appropriate, debt recovery agencies, Fraud Prevention Agencies and other organisations including other lenders.

If you provide false or inaccurate information and fraud is identified, details will be passed to Fraud Prevention Agencies.

Law enforcement agencies may access and use this information.

We and other organisations may also access and use this information to prevent fraud and money laundering, for example, when:

- Checking details on applications for credit and credit related or other facilities
- Managing credit and credit related accounts or facilities
- Recovering debt
- Checking details on proposals and claims for all types of insurance
- Checking details of job applicants and employees

We and other organisations may access and use from other countries the information recorded by Fraud Prevention Agencies.

Contacts

Copies of the information held about you at the credit reference agencies can be obtained from:

**Experian, Consumer Help Services,
PO Box 8000, Nottingham, NG80 7WF**

**Tel: 0844 481 8000
www.experian.co.uk**

**Equifax plc, Credit File Advice Centre,
PO Box 1140, Bradford BD1 5US**

**Tel: 0844 335 0550
www.equifax.com**

**Callcredit plc, Consumer Services Team,
PO Box 491, Leeds LS3 1WZ**

**Tel: 0870 060 1414
www.callcredit.co.uk**

Fees start from £2 and vary depending on how often you require the information. You can pay using a debit or credit card.

We are members of the UK's Fraud Prevention Service, CIFAS, and we record information at Fraud Prevention Agencies.

Contact details for the Fraud Prevention Agencies are:

**CIFAS, The Compliance Officer,
6th Floor, Lynton House, 7-12 Tavistock Square, London,
WC1H 9LT**

**Experian Ltd, Experian Decision Analytics, Seabank
House, Wight Moss Way,
Southport, PR8 4HQ**

**Tel: 0844 481 8000
www.experian-da.com**

**Synectics Solutions Ltd, Customer Helpdesk, The
Brampton, Newcastle-under-Lyme, ST5 0QY**

**Tel: 01782 664000
www.synectics-solutions.com**

**National Hunter, PO Box 2756,
Stoke on Trent, ST6 9AQ
www.nhunter.co.uk**