



# When a client's credit file isn't squeaky clean.

It's a common story. A client's case fails with the high street, due to their credit score, so a broker will approach a smaller, niche lender who manually underwrites.

## **Score doesn't matter; the story does.**

The good news is that as a manual underwriter we don't look at the credit score. It's what's on the credit file (a customer's financial behaviour), and the explanation, that is important.

Every lender is different. We've created a guide on how we approach adverse credit and overall indebtedness. So, the next time a case lands, you'll know whether to head to Suffolk... and just what our underwriters look at in terms of client credit files.

We know that brokers have a good idea of what a lender can and can't do, but there are nuances with lenders and just what their lending policy is. Arguably, adverse credit and associated areas (pay day loans and indebtedness) are where lenders' acceptance varies greatly. Whether it's the hard and fast accept or decline, or the grey areas where those lenders using the individual underwriting model can look at each case on an individual basis – below are some tips as to what's considered.



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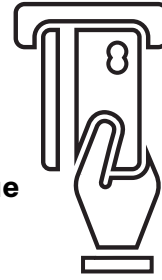
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## The odd blip

Using an old credit card after a long break. Client had previously cancelled the direct debit in their banking app during a 'tidy up'. The payment fails due to a genuine mistake rather than affordability.



### Top tips on getting your ducks in a row

1. If there's adverse or areas for concern, send us your credit file (securely!) – we're happy to look up front and assist.
2. Find out the customer's backstory. Talking us through any rationale for missed payments, or exceeding a limit, is incredibly useful. It helps our underwriters understand the overall pattern of how someone is managing their finances.
3. Give us as much information as soon as you can. This can save so much time later on and will help you manage your customer's expectations.

### Our green and red flags – things to discuss with your client:

1. Get a copy of their credit file up front – make sure you're working on the facts from the beginning.
2. What type of adverse have they had? Read on for our hierarchy of missed payments.
3. Do ensure your client really understands the words 'adverse' and 'missed payments'.
4. £ vs volumes – is it a number of missed payments peppered throughout the report or is there a group of missed payments at the same time suggesting a 'life event'? A life event is often deemed less risk than someone who has poor management of their money over a longer period.
5. Frequency. Is your client missing the same payment repeatedly?
6. What is your client's overall level of indebtedness? Sometimes we see cases where the level of debt is of concern, even if there is no adverse credit.
7. Is your client consolidating debt again and again? This may show a pattern of how they are managing their finances.
8. If your client says their adverse was the fault of another financial organisation or utility company, can they evidence it with communications from the company?
9. Payday loans and 'buy now pay later' can sometimes be a sign of financial pressure. Please give us any backstory so we can make an informed decision.
10. When clients are up to their limits (or over) on several credit cards, this might also demonstrate financial pressure.

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### The odd blip

Moving house and not remembering to change the address with the DVLA. Then a parking ticket arrives at the old house. Left unpaid the debt can soon accumulate, leading to a CCJ.



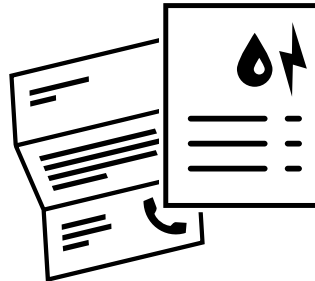
The hierarchy of credit items showing missed payments, in terms of severity.

1. Mortgage.
2. Secured loans.
3. Unsecured debt – loans (consistent monthly payment)
4. Unsecured debt - credit cards.
5. Communications.

Telling us the backstory to any missed payments, or exceeding a limit, helps us get a better picture.

Borrowers are becoming savvier about their credit files; this is a good thing. Things they can do to improve their credit management:

- Make payments on time.
- Set up direct debits to ensure the above!
- Stay well within their agreed credit limits (often using less than 50% of your credit facility is seen as a positive) – just because they could use it, doesn't mean they should!
- Stay on top of what's coming in and out of their bank accounts.
- Don't make multiple credit searches on comparison sites.



### The odd blip

Utility bills and mobile phones (even pay as you go) are a common reason for having adverse credit that a client doesn't know about.

As we manually underwrite we can be flexible and will always look to take a view on a case if we can.

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## What we're looking for in your client's bank statements.

1. To confirm their declared income matches the application.
2. To confirm any credit commitments.
3. We'll review any regular payments.
4. Conduct. Are they staying within limits? Do their statements include any returned payments or fees for going above limits?

We manually underwrite which means we can look at one-off blips and prior adverse. Ideally, we're looking for a file that's been clean for 12 months.

We can be flexible though, and we look at cases on a risk-based approach – LTV does play a part and below 80% LTV we have more flexibility, so if it's a good case

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**When relationships breakdown one person may wrongly assume their ex is keeping up with the mortgage or rent payments.**



overall and the explanation makes sense – give us a try.

There's a lender to suit every credit profile. If we can't help, then sourcing and criteria portals are a great place to start.

If in doubt, do talk to us. We're always happy to help you shape a case.

## Errors on your client's credit report.

It's rare but it happens. Your client finds themselves in the unenviable position of having an error on their credit report.

Whether it's wrong personal information, inconsistencies in spelling, or missed payments that should be there, there is a process to follow depending on the credit agency.

For **TransUnion**: Clients can raise a Notice of Dispute (NOD) if they find an error on their TransUnion credit report. A NOD can be raised on their website

with the 'Raise a dispute' button, by email or writing directly to their address.

**Experian**: Clients need to contact Experian directly to let them know if there are any issues on their credit report. Experian will then raise the disputed entry with the lender.

**Equifax**: Clients can create an account on the Equifax online helpline for help correcting data on their credit report. They can also write to Equifax Ltd.

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