DataCheck (Pvt.) Limited

Understanding your DataCheck Credit Score

1. What is a DataCheck Score?

DataCheck score is a three digit numeric summary of your credit history. The score is derived by using the details found in the “Loan History” and “Loan Application” sections on your credit report and ranges from 0 to 900. The closer your score is to 900, the more favourable your loan application will be viewed by a credit institution. The score plays a critical role in the loan approval process.

2. What does my Score mean?

An individual’s credit score provides a credit institution with an indication of the “probability of default” of the individual based on his credit history. What this means is that the score tells a credit institution how likely you are to pay back a loan (should the credit institution choose to sanction your loan) based on your past pattern of credit usage and loan repayment behaviour. The closer you are to 900, the more confidence the credit institution will have in your ability to repay the loan and hence, the better the chances of your application getting approved.

3. What are the factors that affect my score?

There are four major factors that affect your score. These are described below:

- ***Late payment or defaults in the past:***

  Your payment history has a significant impact on your score. Hence, if you have missed payments on any of your existing loans, over the last few years, your score is likely to be negatively affected because it indicates that you are having trouble servicing your existing obligations.

- ***High utilization of credit limits:***

  While the balance on your loans will only reduce over time as payments are made, you must be diligent about making timely payments on your credit cards. While increased spending on your credit cards may not necessarily negatively affect your score, an increase in the current balance on the card over time is an indication of an increased repayment burden and may negatively impact your score. It’s always prudent not use too much credit.

- ***Higher percentage of credit cards and personal loans (commonly known as unsecured loans) on your credit report:***

  A higher concentration of home loans or auto loans (commonly known as secured loans) is likely to be more favourable for your score than a large number of unsecured loans. Although unsecured loans offer easy access to finance, it’s also by far the most expensive form of credit. Greater the number of unsecured loans with high utilization, larger is the payments resulting from its high rate of interest.

- ***Behaving “Credit Hungry”:***

  If you have made many applications for loans, or have recently been sanctioned new credit facilities, a credit institution is likely to view your application with caution. This “Credit Hungry” behaviour indicates your debt burden is likely to, or has increased and you are less capable of honouring any additional debt, thus impacting your score negatively.

Note: *Please note that individuals who are new to banks or who have had a previous default may have a good credit score (since scores repair overtime if an individual shows good payment behavior) and still not be given a loan by the bank. This is primarily due to polices adopted by lending institutions and not a reflection on the credit score of the individual.*