

# BAD CREDIT BUSTS GOOD WEALTH

When it comes to growing personal wealth, nothing will hinder your progress more than a bad credit rating, so it pays to be more than your score!

**"A** bad credit record impacts individuals in all aspects of their lives – when they apply for work and when they want to purchase anything of significance," says Trixi Neethling, a lawyer who's been helping people cope with debt for over 20 years. "In the past, the entire social and financial approach towards any individual who incurred a bad debt record made it virtually impossible for them to build wealth in their own name."

## CREDIT BUREAUS

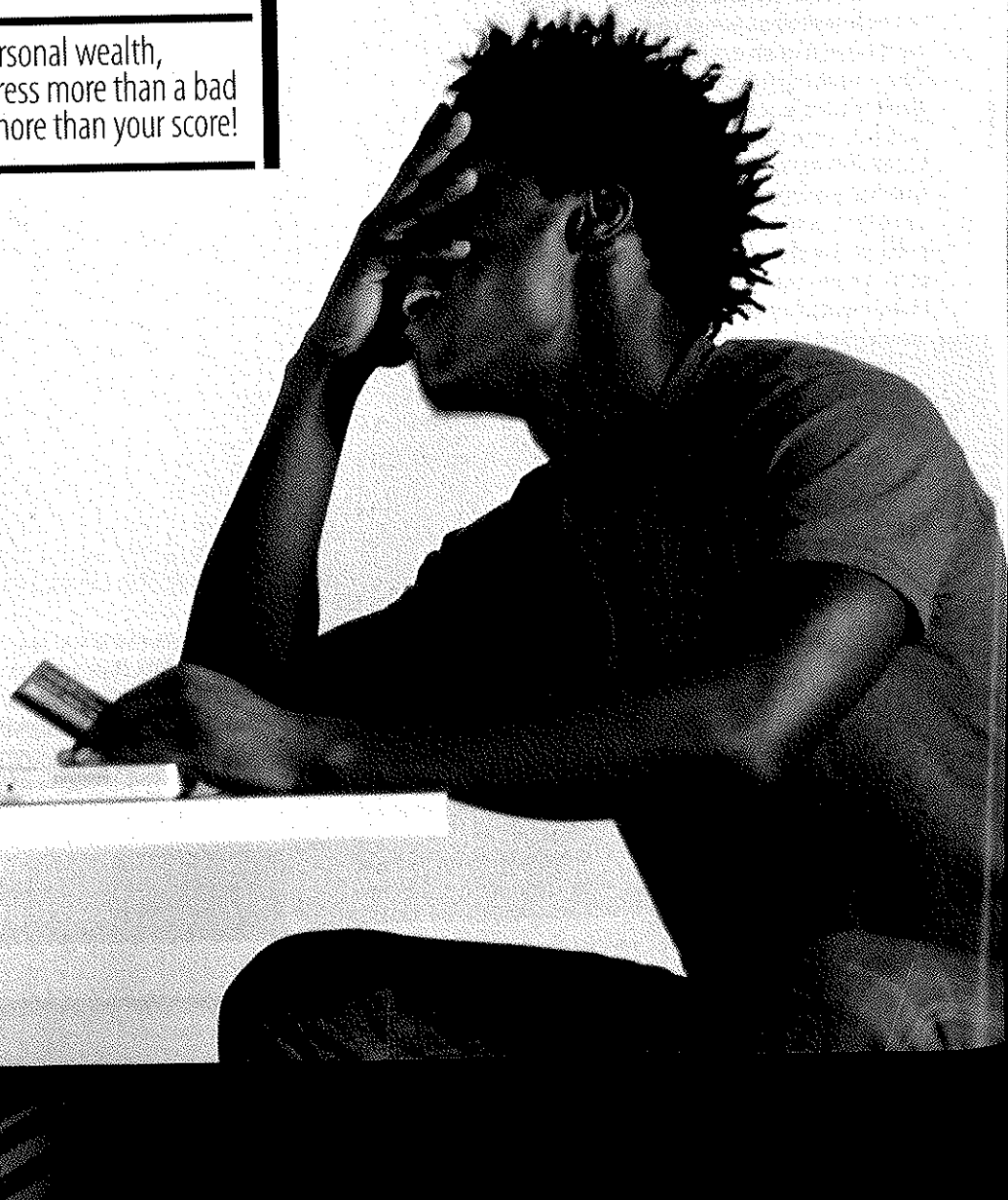
"SA has a sophisticated credit bureau system," says Michelle Beetar, Director at Experian SA credit bureau. "A credit bureau helps lenders identify good borrowers, which reduces default rates and enables borrowers to develop credit profiles."

The credit bureaus act like a library, she says, using factual information about an individual, such as positive or negative payment history, defaults and judgments, to rank their rating in terms of whether they're likely to repay credit.

"Credit or service providers view your credit report information for numerous factors," according to TransUnion, another credit bureau. "They may use it to evaluate and set interest rates when extending credit to you or to evaluate their risk in increasing your credit limit."

## CREDIT SCORES

"A credit score is a number value which is calculated using a formula that evaluates how you pay your bills, how much debt you carry and how all of that stacks up against other borrowers," says TransUnion.



"The biggest benefit of a credit score is that it provides an objective statistical approach to granting credit and often takes out the subjective human element, thus ensuring you get the fairest decision in the credit granting process."

"Credit scores differ between credit grantors and also depend on the type of credit you're applying for, such as a home loan or credit card," says Beetar. "Usually, credit grantors make use of credit bureau data, other information captured at application, their own internal data and income and affordability data calculated according to the ratio of instalment to income. Out of this, they build a company-specific credit score."

the information remains on your credit report." In terms of the National Credit Act, every consumer in SA is entitled to one free credit report a year. Thereafter it will cost you around R20 per report. You can contact a credit bureau directly or visit its website for details on how to get your credit score – your report will be available within 48 hours of requesting.

**2** **QUERY:** If you disagree with what's showing on your record, contact the credit bureau and register a dispute. According to statistics from the National Credit Regulator, most disputes end up being resolved in favour of the consumer. "Credit providers will be notified that there's a dispute on your record, but

SA'S CREDIT FACTS	
Credit-active consumers in SA	18,8 million
Credit-active consumers with impaired credit records	47%
Average accounts per consumer	3,5
Enquiries made to credit bureaus for consumers seeking credit (April-June 2010)	12,2 million
Disputes with credit bureaus resolved in favour of the complainant	73%

workable repayment plan before them. Make sure it's realistic in terms of your own finances. And make sure you stick to it, or else attorneys

indicate that you didn't honour a particular debt obligation or that someone took legal action against you to collect the debt," says TransUnion. "These will significantly lower your credit score and not even payment of the debt will immediately undo that damage."

"If you seek the help of an attorney to resolve the issue, there are set fee tariffs which the attorneys must follow, so it's imperative that you ask before and during consultation what you're being charged," cautions Neethling.

Once the issue's resolved and you've got proof that the judgment's been rescinded, you can take this to the credit bureau and it will update your credit record.

"Approach your creditors the moment you realise your finances are going off the rails. Talk to them before the matter's handed over – it saves money, your reputation, your creditworthiness and a lot of self-esteem," says Neethling. **DAI**

## I was blacklisted...

Steven\* returned to SA in 2010 after 11 years overseas to find he'd been blacklisted. "It related to something I was completely unaware of at the time. As I was overseas, I didn't receive any notification and with penalties and interest, a small amount had escalated to a lot of money. I got some help from a CA, who looked into it for me and contacted the creditor. It took about six months, but when they understood that it was an honest mistake, they wrote off the penalties and interest and I just had to pay the original amount. Then they gave me a letter to say it was settled, which the courts stamped, and I took that to the credit bureau.

### MY ADVICE IS:

- Check your credit record regularly, especially if you've moved around a bit.
- Act quickly if you find something – little bills can quickly accumulate into frightening amounts.
- Talk to your creditor and make a plan to settle as soon as you can."

\* NOT HIS REAL NAME

## WHAT TO DO IF YOU HAVE A BAD CREDIT RATING

"Until the National Credit Act was implemented, an individual with a bad record factually had no recourse," says Neethling. "Even if they made arrangements to pay off the debt which was listed, there was no way they could compel the creditor to remove the bad credit record." Here's what you can do:

**1** **GET YOUR RECORD:** "If you have negative information on your credit report, it's important to obtain a copy of your report," says Beetar. "Determine exactly what the negative information is, as this will affect how long

they won't be able to view the disputed information during this investigation period. Should the information on your record prove to be incorrect or unsubstantiated, it will be removed immediately," says Beetar.

**3** **TALK TO YOUR CREDITOR:** "This is vital," says Neethling. "Speak directly to a decision-maker at the creditor who can make decisions. If legal action hasn't yet been instituted against you, you'll probably only face interest on the extended period of repayment."

**4** **AGREE ON A REALISTIC PAYMENT PLAN:** "Put a well-considered and

will be called in and you'll lose not only your self-respect, but a lot of your credibility. This stigma will impact all areas of your life."

If the situation's escalated to this point, things become more complicated. "Bankruptcies and judgments on your credit report are items of public record which

## USEFUL CONTACTS

TransUnion – 0861 482 482, [www.mytransunion.co.za](http://www.mytransunion.co.za)  
Experian – 0861 105 665, [www.creditexpert.co.za](http://www.creditexpert.co.za)  
National Credit Regulator: [www.ncr.org.za](http://www.ncr.org.za)