Guide to Credit Scores

Debt is cheap, but you're going to need a good credit rating to get it.

The basics

So it's a catch 22 situation. You need a good credit file to get a mortgage approved. To get that, you need to demonstrate you're a reliable borrower who can pay back debt on time. To do that, you need to have a history of borrowing and in order to get approval for credit yes, you've guessed it you need to have a good credit file!

These days we all have to play the credit game. We'll give you six tips to pimp your credit score – it may be easier than you think.

CHECK OUT YOUR CREDIT RATING TODAY USING EXPERIAN, EQUIFAX OR NODDLE

Your credit score

A credit score is a magic number that is used by lenders to assess how reliable you are as a borrower. The idea is that it indicates your likelihood of paying back debt on time, which lenders want you to do. It works on the basis (rightly or wrongly) that what has happened in your past is likely to happen in the future – so if you have shown a proven track record of responsible borrowing, lenders will feel you're a safe pair of hands and are more likely to approve you for credit.

Each lender will put together its own credit score for you behind closed doors. Each lender will score you differently based broadly on three criteria: past dealings with you (if any), application information AND your credit file. This might all seem very secretive and furtive, but the good news is that you CAN see your credit file by registering with a credit reference service like Experian, Equifax and Noddle. Noddle's is free. With Experian and Equifax you can sign up to a 30-day free trial.

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Boring Money tips

1. If you haven't already, get on the electoral register with your current address – it takes about 20 minutes and you can do it online.

2. Pay bills on time or ahead of schedule, even if it's just your broadband or mobile contracts, and it will help to bump up your credit score over time.

3. The trick is to get on the radar; lenders need to know you can pay back debt on time. You've got to convince a lender to let you take on manageable debt that you can easily handle and will show that you can pay back debt on time. The two most common (and sensible) ways to do this are through a credit card or an unsecured loan.

4. If you choose a credit card, make sure you don't keep a high balance on there, as lenders may view it as excessive and get twitchy about your ability to repay. Avoid sticking to minimum repayments as this can prolong the amount of time it takes to pay off your credit card, making it more expensive in the long run. Try and diarise repayments or set up an automated way to pay them off.

5. Only apply for products when you really need them; applying for more than four forms of credit a year can do your rating harm. And once you have got what you needed from your credit card, don't keep it lingering on; close out-of-date credit cards and make sure you cancel old agreements.

6. Divorced or separated from your partner? One last thing; make sure you sever your financial relationships for good (regardless of whether you're on good terms or not!) and close your joint account, as the credit history of any spouse still attached to your joint account will affect your credit rating too.

CONSIDER SETTING UP DIRECT DEBITS SO BILLS ARE PAID ON TIME

GONE YOUR SEPARATE WAYS... MAKE SURE ANY JOINT ACCOUNTS WITH AN EX ARE CLOSED

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