

Credit Reports

A toolkit to help you help your clients

What are credit reports?

Credit reports contain personal information about a person's credit history, including:

- identification and contact information;
- information about a person's liabilities;
- repayment history information (whether the person pays on time or pays late);
- information about any defaults in payments;
- information about applications for credit;
- if the person has any judgments against them for money owed;
- personal insolvency information; and
- other publicly available information relating to the person's credit worthiness

So, what are credit scores?

A credit score or credit rating is a numerical score that credit reporting agencies generate from the information on the person's credit report to rate a person's overall credit worthiness. Different reporting bodies might have different information about you and may calculate your score in different ways. Your credit score changes over time.



Using this toolkit

This toolkit includes information and legal resources (sample letters and fact sheets) that you can use to help your client if they have a problem with their credit report. It also includes an accompanying information resource for you to give to your clients.

If you're helping someone who is worried about their credit report, we want to hear from you. Call our Worker Advice Line.

Call: (03) 9602 3326 or 1800 466 477

E-mail: advice@consumeraction.org.au

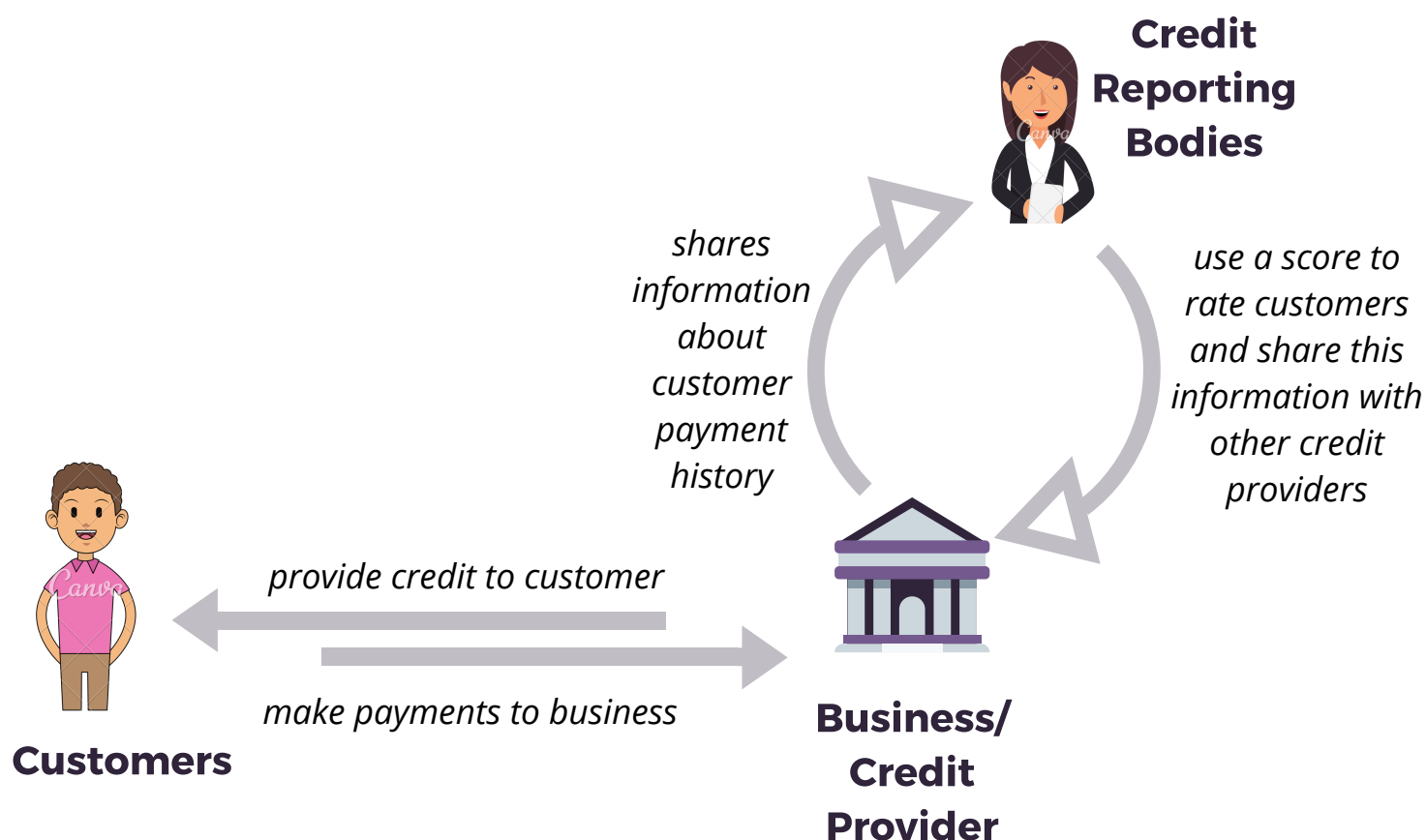
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How are credit reports created?

Businesses that allow customers to borrow money or to pay for goods and services at a later time are known as credit providers. Credit reporting bodies create credit scores and credit reports based on information that credit providers have shared with them about individual customers and their payment history. When making a decision about whether to provide credit to a new customer, credit providers can access the person's credit score to assess how risky it would be for them to do so.



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Everything you need to know about credit reporting

What kind of information can go on a credit report?

✓ Personal details

- Including name, address, sex, employment and driver's license number

✓ Credit applications

- Details of any joint application for credit
- Records of credit applications made
- Details of current loans

✓ Defaults

- Payments that are 60 days overdue; **and**
- Customer has received written notice of overdue payment; **and**
- Statute of limitations does not apply to recovery of the overdue payment

✓ Repayment history information

- Repayment of consumer credit
- Whether consumer has met monthly payment obligations
- Monthly repayments dates
- If the consumer makes a late payment, the date the payment was made

✓ New arrangement information

- A statement that the terms or conditions of an original consumer credit contract have been varied because the consumer is in default
- In circumstances where the creditor has disclosed information about the default to a credit reporting body

✓ Court judgments

- Information about a court judgement that relates to credit given to the person

✓ Bankruptcy or Part IX Debt Agreement

- Where a person has entered into bankruptcy or a debt agreement

✓ Clearout Listings (Serious Credit Infringements)

- E.g. obtaining credit fraudulently
- E.g. where a credit provider has been unsuccessful in locating a person and can reasonably say that they believe that the customer has decided not to pay.

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How long can information remain on a credit report

Defaults - 5 years from the day the credit reporting body collects the information

Repayment history information - 2 years starting from the date the monthly credit repayment was due

Court judgments - 5 years from the date of judgment

Part IX Debt Agreements - 5 years from the date of the debt agreement, or 2 years from the date the debt agreement is terminated or declared void, **or** when all the obligations are discharged and the debt agreement ends - whichever ends later.

Bankruptcy - 5 years from the date the person becomes bankrupt or 2 years from the date the bankruptcy ends, whichever ends later.

New arrangement information - 2 years from default



Who can access a person's credit report?

- **Credit providers**
e.g. banks, building societies, credit unions, retail companies that issue credit cards, payday lenders, energy and water companies, telecoms, toll road and public transport operators, retail businesses that supply goods or services and allow you to defer payment for 7 days or more
- **Credit reporting agencies**
- **Mortgage insurers**
- **Trade insurers**

Who can share information that will go on a credit report?

Only credit providers who are members of a recognised external dispute resolution scheme or prescribed by the regulations.

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Credit Reports

Helping your client with credit reporting problems

Step 1:

Avoid credit repair companies!



Many credit repair companies offer to clean a person's credit report. But the truth is that your client is probably better off without them. Often, they don't succeed and the client ends up paying hundreds of dollars for something they could have done themselves with the help of a financial counsellor. Cleaning a credit report takes a bit of work, but depending on the circumstances, there might be some listings that your client is entitled to have removed. Your client can get **free advice** about this from a financial counsellor.

Step 2:

Get a free copy of your credit report.

Your client can get one free credit report from each of the credit reporting bodies every 12 months. Find out more in our ***How do I get a free copy of my credit report?*** legal resource.



WARNING: If your client requests their credit report, their current contact details will become available to any lenders, creditors or debt collectors who check their report.



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Step 3: Check for mistakes.

If any of the information on the credit report is inaccurate, out-of-date, incomplete, irrelevant or misleading, your client has a right to obtain a correction - free of charge. If you find any of the following mistakes, advise the credit reporting body of the mistake in writing. (Refer to our **Removing a Listing** sample letter.)



The debt should never have been listed.

If you answer **no** to any of the following:

- Was the debt more than \$150?
- Was the debt more than 60 days overdue?
- Did they send you a written warning not more than 90 days before the listing was made?
- Has the debt been listed by a business that is a member of an Ombudsman or, alternatively, a Court?



The listing is inaccurate.

If you answer **yes** to any of the following:

- Was the listing inaccurate, out of date, incomplete, irrelevant or misleading?



The debt or court judgment is too old.

If you answer **yes** to any of the following:

- For *secured debts* (e.g. car loan or home loan): Was the last payment or last time you acknowledged the debt more than 15 years ago?
- For *unsecured debts* (e.g. personal loan or credit card): Was the last payment or last time you acknowledged the debt more than 6 years ago?
- For *matters that have been to court*: Was the judgment made more than 15 years ago?



The debt has been listed for too long.

If you answer **yes** to any of the following:

- For a *court judgment*: Was the judgment listed more than 5 years ago?
- For a *debt*: Was the debt listed more than 5 years ago?

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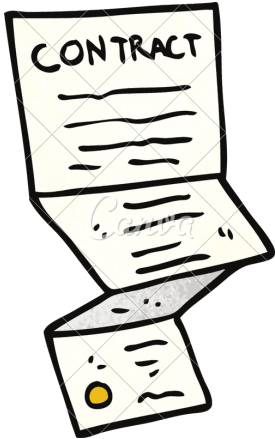
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Step 4: Review the contract.

Even if there has been no mistake on the credit report, if you can prove that there was a problem with the contract itself, you might be able to remove the listing.

Was your client pressured into the contract? Was the contract one they could clearly never afford? Was the information they were given inaccurate or misleading? Give us a call to figure out if there was a problem with the contract.

Step 5: Negotiate with the business.

If all else fails, you can attempt to negotiate a settlement with the credit provider who made the listing and, as part of the settlement, require that the listing be removed. Note that if your client has already paid, you can request that the business remove the listing but they are not obliged to.



Step 6: Complain to the Ombudsman.

If the business refuses to correct a mistake on your client's credit file, without good reason or sufficient evidence, you can complain to the ombudsman scheme to which the credit reporting body or credit provider is a member.

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Have a question about consumer or credit law, and are based in Victoria? Need someone to brainstorm strategy with or test your ideas on? Or, maybe, you just want to check that you're heading in the right direction and that all your information is up-to-date.

Whatever the case, our lawyers would love to hear from you and have a chat about your client's case. We can answer any questions you have about the law, work through your client's options with you and leave you with some practical suggestions.

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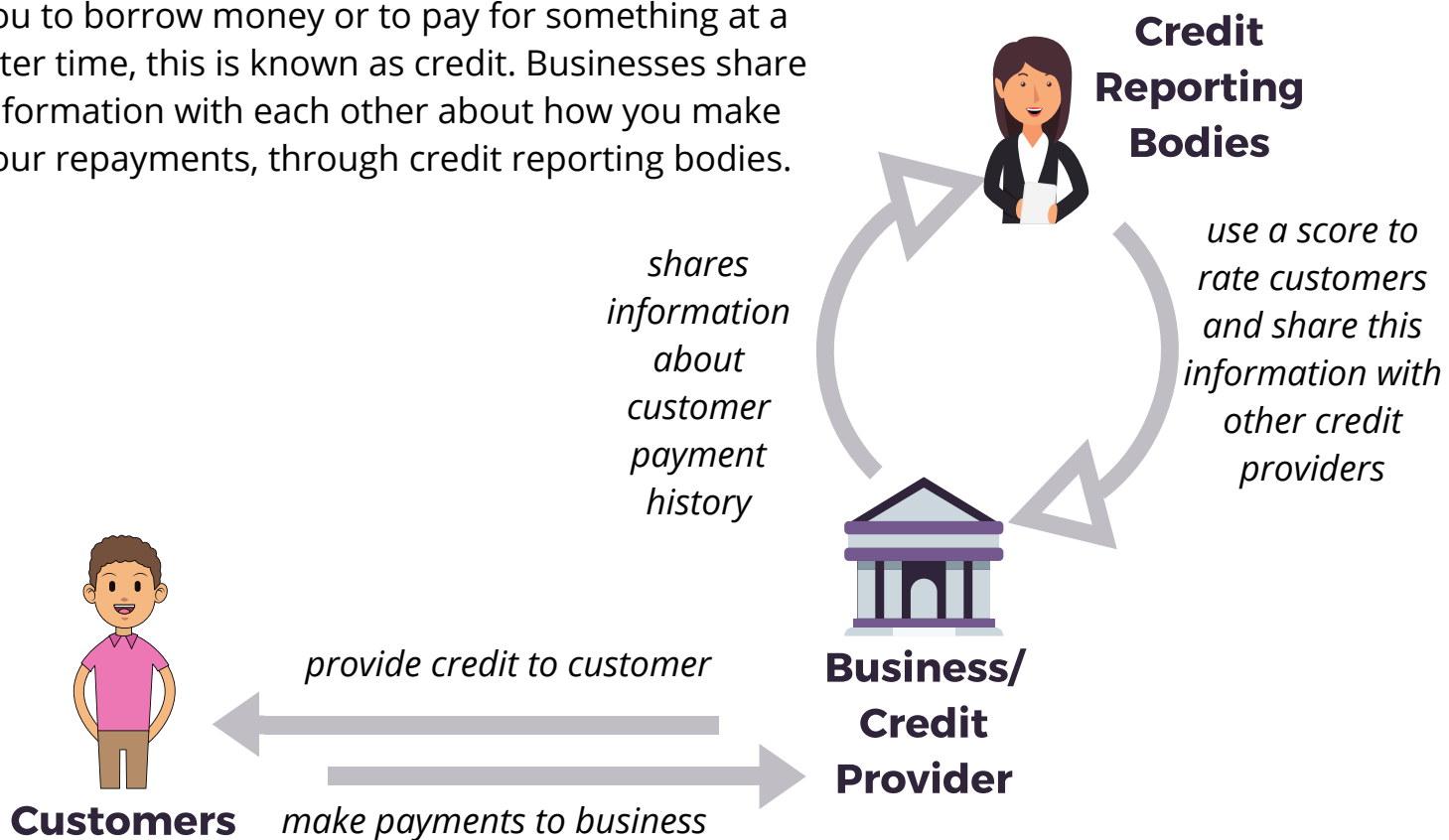


Credit Reports

What you need to know

How credit reporting affects you

Under credit reporting laws, when a business allows you to borrow money or to pay for something at a later time, this is known as credit. Businesses share information with each other about how you make your repayments, through credit reporting bodies.



Using the information that businesses give them, credit reporting bodies create credit reports with information about your credit and repayment history. When businesses need to make a decision about whether to provide credit to you, they can look at your credit report to help them make a decision.

Some businesses threaten to list a default on your credit report when they are not allowed to. A business that has provided you with credit is not allowed to list a default on your credit report unless it is a member of an external dispute resolution body or Ombudsman.

If you want more information or advice about credit reports, give us a call.

To speak to a financial counsellor, call 1800 007 007 from 9:30 am to 4:30 pm, Monday to Friday.

You can also call our advice line to speak to a lawyer at (03) 9629 6300 or 1800 466 477 from 10 am to 1 pm, Monday to Friday.

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If you are worried about your credit score, here are some things to keep in mind.

Avoid credit repair companies!

Many credit repair companies will offer to "clean" your credit report. But the truth is that you are probably better off without them. Often, they don't succeed and you end up paying hundreds of dollars for something a financial counsellor can help you with for free. Cleaning a credit report takes a bit of work, but depending on the circumstances, there might be some listings that you can have removed. **A financial counsellor can do this for you at no cost.** Get in touch with us!

Check your credit report for mistakes.

If you want to "clean" your credit report, start by looking for mistakes! Sometimes, information on credit reports is inaccurate, incomplete, irrelevant or misleading. Some information might still be listed beyond the period of time that is allowed. If this happens, you have the right to obtain a correction - free of charge. A financial counsellor can help you check your credit report for mistakes and, if there are any, they can help you submit a letter to the credit reporting body to get it fixed. Call us for **free advice and assistance**.

Get a copy of your credit report for free.

You can get a **free copy** of your credit report from *each* of the credit reporting bodies once every 12 months. Find out more in our ***How do I get a free copy of my credit report?*** legal resource or speak to a financial counsellor to help you with this.



WARNING: If you request a copy of your credit report, your current contact details will become available to any lenders, creditors or debt collectors who check your report.

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