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Most Australians Don't Know Their Credit Score

Most Australians Don't Know Their Credit Score TLK partners financial planner Matthew Mousa has voiced his concern over figures suggesting that only one in three Australians know their credit score. And, according to Mousa, the worst part is that of the two out of three that don't, many don't understand what it is, why they should know it or are too scared to find out.

Complicating the issue still further, according to Mousa, is that a large number do not even realise what the score means as far as dealing with financial institutions goes, especially when applying for financing or loans.

Why a Credit Score is Important "It's not the only factor taken into account, but for those looking to finance a house or a car, or open a credit card, their credit score may play a role in whether they succeed or fail," Mousa said. He added that the higher the score is on the measured bracket between zero and 1200, the better. It could bolster the chances of success when looking for credit, or a home or car loan. And it doesn't stop there. Opening accounts with communication and utility providers as well as retail businesses may also be affected by the score.

Credit scores are not like straight A's on a school report which results in prizes for achievement. But although Australian financial institutions are not as quick to do so as those in the US; a top score may provide a better deal with lower interest rates and monthly payments resulting in significant savings in the long term. And on the flip side, Mousa warns a low credit score could not only result in a declined loan application but also cause the credit score to drop still further, increasing the difficulty in applying for loans elsewhere. But the good news, he says, is that credit scores can be changed.

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How to Up Credit Scores and Improve Reports Mousa dismisses the urban legend that checking the score regularly might lower it. Instead, he recommends that it is checked regularly to keep up to date on where it stands. Australians also have the right to access their credit report, on which the score is based, once a year free of charge. This lets them make any necessary changes necessary, like correcting any incorrect information on the report, or adjusting how they service their debt.

The list of must-do actions to push up the score includes prioritising the biggest loans, but not at the expense of other monthly loan or account repayments. All, both big and small, must be repaid with the required amount, and it must be done on time. Paying more is even better, as bringing down the outstanding balance will reduce your debt to credit ratio, a plus as far as credit ratings are concerned.

What to Do When There's No Score Those without a credit score can build a credit history by opening a credit card and making the necessary payments regularly. However, opening too many can be read as showing an over-dependence on debt and will almost certainly knock the score down a notch or two.

Mousa said it was strange that most Australians seemed to know little about dealing with credit and its scores because many rely on credit. The country's close on 25 million inhabitants (2018) has nearly 16 million credit cards in circulation and 37.5 million debit cards. And one in three Australian home-owners have mortgages.

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