

# Common Misconceptions About Credit Scores

Credit scores are still something of a mystery to most people, and it's easy to get caught up in a whirlwind of misinformation. Here are some common misconceptions about credit scores.

**Most people's credit scores** remain something of a mystery to them, and it's easy to get caught up in a whirlwind of misinformation. So if you're unclear about where that all-important credit score comes from, let Craig Tebbutt, chief strategy and innovation officer at consumer credit reporting company Equifax, debunk some myths and demystify **the truth about credit scores**.



## **Credit score and credit report are different words for the same thing.**

You often hear these two terms used interchangeably, but they are completely different. A credit score is a number calculated using information from your detailed credit report. This is the report that lenders use to determine whether you can afford a new credit card, loan, or mortgage.

Also, remember that there is no such thing as a universal credit score. Different credit reference agencies may have different scoring systems – so the resulting numbers may not be the same.

*' Scores are a useful metric, but we always encourage people to look at the full details of their credit report rather than relying solely on the score, ' says Tebbutt.*

## **Your "Partner's" Credit Score Affects Your Personal Credit Score**

The good news is that both you and your significant other have separate credit scores. So if one of you has 'ostrich tendencies' when it comes to debt, it won't affect the other's credit report or credit score.

But that's not the whole picture. For example, if you both apply for a mortgage or car financing, creditors will check both of your credit reports.

*' When you two apply for a finance agreement together, your significant other becomes your financial partner. That can affect your ability to get credit if their score - or yours - is low ,'* explains Tebbutt.



### **Being on the voter roll will affect your credit score.**

This is true. Even if you don't care about politics, being on the voter roll will give you an advantage when it comes to your credit score.

*' This is important because it allows lenders to easily confirm that you are trustworthy and that the details you provide are accurate ,'* says Tebbutt. *' Registering your address on the electoral roll every time you move will give them peace of mind and keep your credit report as accurate as possible .'*

### **Your credit score will be affected if you constantly check your credit file.**

This is as mythical as the blue unicorn. *' We encourage people to check their credit profile regularly—ideally monthly,'* says Tebbutt. *' Doing so will not impact your credit score .'*

Tebbutt says people often check their credit reports when a major life change is coming up, but checking more regularly can help you spot errors or flag problems.

*" You may see a credit agreement you know nothing about or a company you have never dealt with, this could indicate a scam or someone taking out credit in your name ."*

### **Having a credit card has a negative impact on your credit score.**

Credit cards sometimes get a bad rap for encouraging people to spend more than they can afford, but in terms of credit scores, they can be an asset when used carefully.

*' Lenders want to understand how you behave with credit and if you can afford it, which is why using credit — as long as you repay it on time — can help improve your credit score, '* says Tebbutt .

Of course, late payments will also be noted on your credit report and can lower your credit score. Lenders may also see a warning sign if you apply for multiple lines of credit in a short period of time.

Tebbutt recommends keeping your credit utilization ratio below 25%, but ideally paying off your balance in full each month.



## **Income does not affect credit score**

Yes. How much money you make doesn't directly affect your credit score. It's not even listed on your credit report. Instead, your credit score is based on your credit history – how you manage and repay your debt.

However, income does play a role when lenders are calculating whether you can afford to repay your debt. They may request this information at the same time as looking at your credit report to see how well you've handled debt in the past.

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