

PERSONAL LOAN

Guide to credit scoring

John Lewis
FINANCE

GUIDE TO CREDIT SCORING, CREDIT REFERENCE AND FRAUD PREVENTION AGENCIES

Scoring credit what is it?

Assessing applications for credit

As a responsible lender, we take into account your personal circumstances when opening personal accounts or establishing the appropriate level of credit to grant you. To help us do this, applications may be assessed using a process called credit scoring.

How does credit scoring work?

Credit scoring takes into account information provided directly by you, any information we may hold about you, and any information we may obtain from other organisations. We use information from other organisations, which may include a licensed credit reference agency (CRA) see credit reference agencies section below.

If we decline your application due to information obtained from a CRA or if you ask us, we'll tell you which credit reference agency we searched; but details of how you manage your accounts may be disclosed to all the credit reference agencies. You have a right to apply to the credit reference agencies for a copy of your credit file. They may charge a fee for this information.

More information about how we use credit reference agencies can be found in our Privacy Notice. Information about the credit reference agencies can be found at the following websites:

Call Credit – www.callcredit.co.uk/crain

Equifax – www.equifax.co.uk/crain

Experian – www.experian.co.uk/crain

The credit scoring system allocates points for each piece of relevant information and adds these up to produce a score. When your score reaches a certain level then we'll generally agree to your application. If your score does not reach this level, we may not. Sometimes scores are calculated by a credit reference agency and we may use these in our assessment. The points allocated are based on thorough analysis

of large numbers of repayment histories over many years of providing credit. This statistical analysis enables us to identify characteristics that predict future performance. For example, past analysis shows that individuals who have county court judgements registered in their name have proved to be less likely to meet payments than those without judgements.

Credit scoring produces consistent decisions and is designed to ensure all applicants are treated fairly.

Additionally, we've policy rules to determine whether we'll lend. These reflect our commercial experience and requirements. For example, if we've direct evidence that you have shown poor management of credit products in the past we may decline your application.

Every application to open an account or borrow money involves a certain level of repayment risk for the lender, no matter how reliable or responsible an applicant is. Credit scoring enables us to calculate the level of risk for each applicant based on the information we've obtained. If the level of acceptable risk to us is exceeded, we'll not accept the application. This does not mean that any declined applicant is a bad payer. It simply means that based on the information available to us, we are not prepared to take the risk of opening that account or granting that loan.

Lenders are not obliged to accept an application. Lenders have different lending policies and scoring systems, and so applications to them may be assessed differently. This means that one lender may accept your application but another may not.

If your application is declined, this will not be disclosed to the credit reference agency. However, the CRA will keep a record of the search on your credit file which may be seen by other organisations.

Is credit scoring fair?

We believe that credit scoring is fair and impartial. It does not single out a specific piece of information as the reason for declining an application. We test our credit scoring methods regularly to make sure they continue to be fair and unbiased.

Responsible lending is essential both for the good of applicants and lender. Applicants with county court judgements may find credit difficult to obtain.

What happens if your application is declined?

If we're unable to accept your application, we'll tell you. We'll also tell you the principal reason why we were unable to agree to your request, for example, if you do not pass our credit score we'll tell you.

If we've declined your application you may contact us and ask us to reconsider our decision. We'll usually ask you to provide additional information, which was not available at the time your original application was submitted.

When you apply online for some products, we may be able to provide you with a decision straight away without referring you to a member of our staff. This is called an automated decision. If we decline your application in this way, you will have a right to ask for your application to be reviewed by a member of our staff.

If you wish to ask us to reconsider our decision, please write to us on the address below quoting your application number and provide any additional information you may feel is relevant.

Credit Review Manager
John Lewis Financial Services Limited
PO Box 5139
Coventry CV3 9ER

Credit reference agencies

The bank uses credit reference agencies to help make its lending decisions and identify customers. They do this by compiling and providing public and credit account information.

Public information includes electoral register information supplied to local authorities by householders each autumn. The bank uses this information to help confirm names and addresses. Public information also includes information on County Court Judgements, Scottish Decrees, Bankruptcies, Individual Voluntary Arrangements and Administration Orders.

Credit account information includes data supplied by registered lenders on how customers manage their credit agreements. This allows the bank to check when someone applies for credit, that the person applying has repaid or is repaying other lenders.

When the bank (or any lender) processes an application that may involve credit it searches the database of one or more of the credit reference agencies for information about the applicant at current and previous addresses. The agencies keep a record of all searches and this allows the bank to see when and how many times other lenders have accessed the applicant's credit information.

We may make periodic searches of HSBC Group records, credit reference and fraud prevention agencies to make decisions regarding your account including whether to make credit available or to confirm or extend credit.

Financial associations – how your data is used

For an application which may involve borrowing, your credit reference agency records may be cross checked with others who are financially linked to you because of other joint financial commitments. This is known as a financial association and this process enables lenders to form an accurate view of the existing financial commitments of customers.

Where a joint personal application is made a new financial association will be created and registered with the credit reference agency, if this does not already exist.

You should be aware that where you have a financial association, information relating to the associates may be taken into account in applications which may involve credit. This means, where one person applies for a loan, their credit history together with that of existing or previous partners with whom they have a financial relationship may be associated and taken into account when assessing their application.

Any association will continue until one of you successfully files a 'disassociation' at the credit reference agency.

For more information about financial associations for business account applications, please contact the CRAs directly.

If you apply for a product or service with another person and they are not present, you are declaring that you are entitled to disclose information about your fellow applicant and you should discuss this with them, and share this information with them before submitting the application.

Disassociation

If you believe you have been treated as 'financially associated' due to a previous joint financial commitment but that your records should no longer be associated, then you can register this 'disassociation' by contacting and gaining agreement through the credit reference agencies.

Please see section on 'Fair Processing Notice for Data Sharing with Fraud Prevention Agencies' for more information.

Crime prevention, debt recovery and fraud prevention agencies

To prevent crime, to verify your identity and to recover debt, we may exchange information (both within the UK and, where appropriate, overseas) with other members of the HSBC Group, and, where appropriate, debt recovery agencies, fraud prevention agencies and other organisations including other lenders.

If you provide false or inaccurate information and fraud is identified, details will be passed to fraud prevention agencies.

Please see section on 'Fair Processing Notice for Data Sharing with Fraud Prevention Agencies' for more information.

Law enforcement agencies may access and use this information.

We and other organisations may also access and use this information to prevent fraud and money laundering, for example, when:

- Checking details on applications for credit and credit related or other facilities
- Managing credit and credit related accounts or facilities

- Recovering debt
- Checking details on proposals and claims for all types of insurance
- Checking details of job applicants and employees.

We and other organisations may access and use from other countries the information recorded by fraud prevention agencies.

Fair Processing Notice for Data Sharing with Fraud Prevention Agencies

Before we provide services, goods or financing to you, we undertake checks for the purposes of preventing fraud and money laundering, and to verify your identity. These checks require us to process personal data about you.

The personal data you have provided, we have collected from you, or we have received from third parties will be used to prevent fraud and money laundering, and to verify your identity.

Details of the personal information that will be processed, for example: name, address, date of birth, address, contact details, financial information, employment details, device identifiers including IP address and vehicle details

We and fraud prevention agencies may also enable law enforcement agencies to access and use your personal data to detect, investigate and prevent crime.

We process your personal data on the basis that we have a legitimate interest in preventing fraud and money laundering, and to verify identity, in order to protect our business and to comply with laws that apply to us. Such processing is also a contractual requirement of the services or financing you have requested.

Fraud prevention agencies can hold your personal data for different periods of time, and if you are considered to pose a fraud or money laundering risk, your data can be held for up to six years.

AUTOMATED DECISIONS

As part of the processing of your personal data, decisions may be made by automated means. This means we may automatically decide that you pose a fraud or money laundering risk or if our processing reveals your behaviour to be consistent with that of known fraudsters or money launderers; or is inconsistent with your previous submissions; or you appear to have deliberately hidden your true identity. You have rights in relation to automated decision making: if you want to know more please contact us using the details provided.

CONSEQUENCES OF PROCESSING

If we, or a fraud prevention agency, determine that you pose a fraud or money laundering risk, we may refuse to provide the services and financing you have requested, or to employ you, or we may stop providing existing services to you.

A record of any fraud or money laundering risk will be retained by the fraud prevention agencies, and may result in others refusing to provide services, financing or employment to you. If you have any questions about this, please contact us on the details provided.

DATA TRANSFERS

Whenever fraud prevention agencies transfer your personal data outside of the European Economic Area, they impose contractual obligations on the recipients of that data to protect your personal data to the standard required in the European Economic Area. They may also require the recipient to subscribe to 'international frameworks' intended to enable secure data sharing.

YOUR RIGHTS

Your personal data is protected by legal rights, which include your rights to object to our processing of your personal data; request that your personal data is erased or corrected; request access to your personal data.

For more information or to exercise your data protection rights, please contact us using the contact details provided.

You also have a right to complain to the Information Commissioner's Office which regulates the processing of personal data.

Contacts/phone numbers

Please call us on **0345 266 1390** if you want further details of the relevant credit reference and fraud prevention agencies that we use. Lines are open Monday to Saturday 9am to 6pm except Public Holidays. To help us continually improve our service and in the interests of security, we may monitor and/or record your telephone calls with us.

Please contact the fraud prevention agencies directly if you require a copy of any information they may hold about you.