

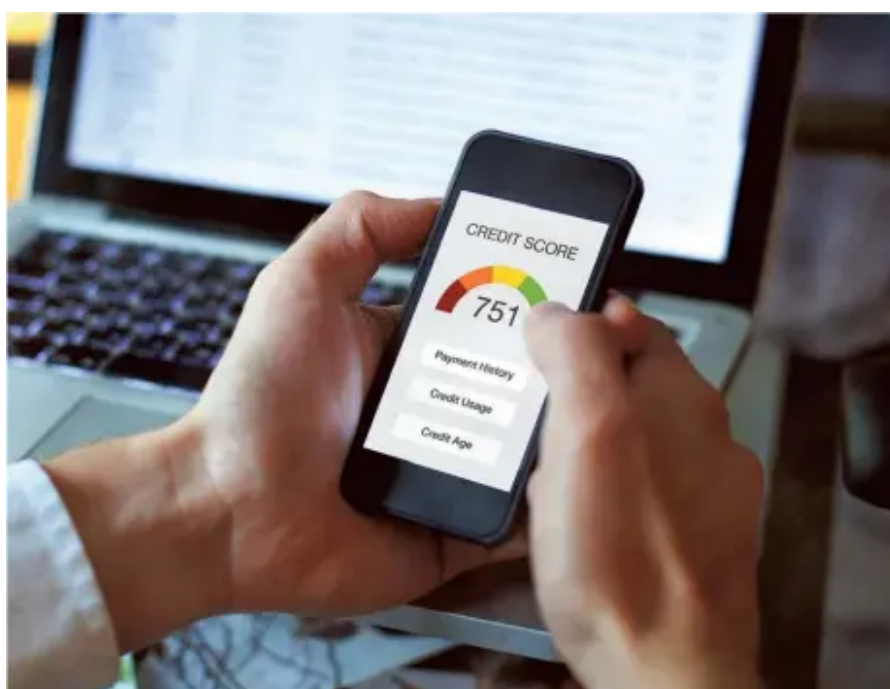
- Credit cards / Credit / Consumer credit

Key benefits of regularly tracking your credit score

When one applies for any loan or a credit card, lenders check the individual's credit score and report, to gauge the creditworthiness and risk associated with providing them any type of credit

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credit score is a numeric value that represents how an individual has handled credit in the past.



Based on one's credit behaviour, which includes factors such as timely repayment of EMIs and credit-card bills and number and frequency of credit enquiries made, each individual's credit score is calculated by credit bureaus. This credit score is updated by the bureaus each month.

When one applies for any kind of loan or a credit card, lenders check the individual's credit score and report, to gauge the creditworthiness and risk associated with providing them any type of credit.

A healthy credit score usually enables one to have a wider choice of offers to choose from and get the best offer available.

Regular tracking

Along with displaying good credit behaviour, a crucial aspect behind maintaining a healthy credit score is regular tracking and taking timely action.

A common misconception related to credit score is checking it often leads to a dip in the score. One needs to note checking your own credit score directly through the bureau or a credit-score platform, is called a soft enquiry and has zero impact on one's credit score,

regardless of how many times you check your score. In fact, soft enquiries are not mentioned in your credit report.

It is only when one applies for credit, and lenders request your credit report from a credit bureau to check your credit history, it is mentioned in the credit report.

This is called a hard enquiry. Frequent hard enquiries within a short space of time may have a negative impact on your credit score.

Why track?

Building and then maintaining a healthy credit score consistently is key to one's financial health as it can help in easy access to credit in time of need and to fulfill crucial life-goals like home purchase, for which usually a home loan is required by most.

Here, regular monitoring of one's credit score and report is key, because it helps in the following issues.

Credit awareness

Once one starts tracking their credit report regularly, it leads to deep awareness around good credit behaviour such as paying EMIs and credit card bills on time, not making too many enquiries too often, not displaying any signs of over-dependence of credit etc.

Those who have had a poor credit history, leading to damaged credit and a poor score, can, through regular tracking, understand factors that might be impacting one's score and take corrective actions to repair the damage. It usually takes a considerable time to improve one's credit score, and hence, regular tracking and monitoring the progress is crucial for those with average or poor credit score.

Credit behaviour

Tracking leads to good credit behaviour, which over a period of time results in a healthy credit score. A strong credit score leads to several benefits, including higher eligibility and wider choice of lenders and offers.

Many lenders also offer lower interest rates on home loans and personal loans to applicants having higher credit scores.

A high credit score also helps one take advantage of pre-approved offers, which enables easy access to credit, usually with minimum or zero documentation and seamless and quick processes.

Spot, rectify errors

One's credit report at times can have some errors, which can lead to an adverse impact on the credit score. The errors can be errors or a result of fraudulent activities such as someone using your PAN to open a loan account.

Rectify error

In both cases, one needs to immediately raise a grievance with the credit bureau and get the error rectified. Checking credit report once every 2-3 months would help detect any errors in the report.

Monitoring of credit score has been made easy and seamless by credit bureaus and free credit score digital platforms. In fact, many free credit-score platforms, via partnerships

with credit bureaus, enable comparison of score across bureaus and ease of monthly tracking.

(The writer is Chief Product Officer, Paisabazaar)

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