

Good payment history vital for credit record

Consumers with clear credit records stand a higher chance of successfully obtaining new vehicle finance.



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WesBank has already noted that along with a valid driving license and minimum income of R6,000 per month, credit applicants should also not currently be under debt review. Additionally, consumers with a history of bad debt management may find that this negatively affects their credit record.

"Currently there are around 9,7 million credit impaired South Africans, this is why The National Credit Act obligates credit providers to do checks, to prevent instances of reckless lending," says Rudolf Mahoney, head of Research at WesBank. "There are best practices that can be followed by both first-time buyers and consumers who are already credit active to improve their credit records."

The National Credit Act requires credit providers to individually assess each credit application, and is not allowed to extend credit to people who cannot afford it. This is deemed as reckless lending by the law, and each bank has sophisticated processes in place to assess an individual's eligibility for credit.

Monthly repayments

Buyers are urged to ensure that they can comfortably afford the monthly repayments for their vehicles before applying for a loan. Consumers can use WesBank's affordability calculators to find out how much of their disposable income will be taken up by a vehicle instalment. It also goes without saying that management of monthly repayments for all kinds of debt is a key factor when banks determine an individual's credit profile. Individuals who miss repayments, or only make partial payments, will be considered risky.

"A good payment history is vital when it comes to your credit record," says Mahoney. "If you always pay on time you are seen as a good borrower. Banks will consider you more trustworthy if you have a good history, allowing you to obtain credit more easily."

Unused facilities

Another consideration for consumers is to not be too credit hungry. Individuals with multiple credit facilities - such as credit cards, loans, clothing and shopping accounts - may hamper their credit records. Even if those facilities remain unused, they have the potential to overburden an individual's budget. Unused credit facilities should be closed or cancelled, as they can negatively affect the amount of credit available for vehicle finance.

"A good credit profile is simply one that shows smart borrowing of money, and timely repayments," says Mahoney. "An individual's credit profile can also be used to determine interest rates - a good credit score is likely to be rewarded with low interest rates, saving a consumer money. A bad credit score will cost a person dearly, by attracting higher interest rates."

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