

YOUR MONEY SORTED



GOOD DEBT IS IMPORTANT!

By LETITIA WATSON

Send suggestions for topics and requests for info to yourmoney@you.co.za. We may answer your questions in this column but won't reply personally.

You need a credit record to get financing – but it must be a good one!

WHY CREDIT?

Your credit record is one of the building blocks of your financial health. It's hard to get a bond or a student loan for your child if you don't have a credit record that a finance institution can check to see if you pay your debts on time. Your record is also a factor when lending institutions set the interest rate for your loan. A poor credit record makes you a bigger risk and the interest rate will be higher, making your loan more expensive. Prospective employers may also check your credit record.

ESTABLISH A GOOD CREDIT RECORD

The golden rule is that you must be able to afford all your debts and service them regularly. This shows you're a good debtor.

It's also why experts recommend that you should have some kind of credit account, a credit card for example, to create your credit record.

It's important that the credit card is in your own name. It's not good enough if it's in your partner's name; it must be in your name so you can build up your own credit record.

WHAT'S ON IT?

The following information appears on your credit record:

- Your name, ID number, marital status, addresses and contact details.
- Details of your accounts and payment history – good and bad.
- Details of any judgments against you for unpaid debts.
- Every time someone enquires about your credit record these details are entered on your record: the date, the name of the person and – if possible – contact details.

YOUR CREDIT RATING

Credit bureaus give you a credit rating, which is based on your financial history, loans and payment habits in relation to anything from your cellphone account to home and vehicle loans.

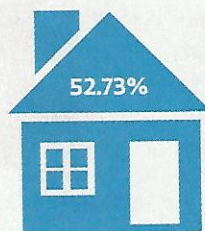
Financial institutions such as banks look at your credit rating to check if you pay your debts on time. Credit bureaus' ratings can vary, for instance Compuscan's are as follows:

- 605 or less = Very high risk
- 606 – 621 = High risk
- 622 – 641 = Average risk
- 642 – 667 = Low risk
- 667 or more = Minimum risk

5 QUESTIONS ABOUT CREDIT RECORDS

- 1** Can an error on my record be corrected? Yes, contact the credit bureau. It has 20 days to investigate your complaint and give you a response.
- 2** Where can I lodge a complaint about a credit bureau? If the credit bureau doesn't give you a satisfactory answer or can't help you, you can contact the credit ombudsman.
- 3** Can my records show fraudulent transactions? Yes, check if accounts have been opened in your name without your consent.
- 4** How can I improve my credit rating? Always pay the full amount you owe every month.
- 5** How much debt should I run up? As little as possible. Try to keep your debt repayments to less than 30 percent of your monthly income.

50% OF DEBT IS FOR PROPERTY



The outstanding consumer credit for the quarter ended June this year was R1,63 trillion. This is nearly one percent more than in the first quarter the year. Most of the debt – 52,73 percent – is for home loans.

SOURCE: NATIONAL CREDIT REGULATOR'S CONSUMER CREDIT MARKET REPORT

TIP! All South Africans are entitled to one free credit record a year from a credit bureau.

GET MORE HELP HERE

- The National Credit Regulator: 0860-627-627, ncr.org.za
- Credit bureaus such as TransUnion, Experian SA and Compuscan
- Credit ombud: 0861-662-837, creditombud.org.za

Procrastination is like a credit card: it's a lot of fun until you get the bill

– BRITISH ACTOR CHRISTOPHER PARKER