



What is a credit score?

KS4 Ages 14-16 ⌚ 3 min read

A credit score is a number that represents how trustworthy you are as a borrower. Lenders use it to decide whether to lend you money, and at what interest rate. The higher your score, the better the deals you're offered. The lower your score, the more you'll pay to borrow — or the more likely you are to be refused entirely.

Imagine you're new to a town and want to borrow a lawnmower from a neighbour. If you're new, they don't know if you'll return it. But if they could look up your history — "oh, she's borrowed from 12 people over 10 years and always returned things promptly" — they'd say yes immediately. A credit score is that reputation system, but for money. It summarises your entire financial history into a number so a stranger (the lender) can make a quick, data-driven decision about whether to trust you.

What affects your score?

Payment history is the biggest factor. Do you pay bills on time? Late or missed payments hurt significantly. **Credit utilisation** — how much of your available credit you're using — matters too. Using 90% of your credit limit looks risky; using 20% looks responsible. **Length of credit history** helps — older accounts show a longer track record. **New credit applications** can temporarily lower your score, because applying for lots of credit at once suggests financial desperation.

Who calculates it?

In the UK, three main credit reference agencies — Experian, Equifax, and TransUnion — collect data from lenders and calculate scores. Each uses slightly different scales and methods, so your score can vary between them. Lenders typically check one or more of these agencies when you apply for credit. You have a legal right to see your credit report for free.

How do you improve it?

Pay everything on time. Stay on the electoral roll (being registered to vote is used to verify your identity and address). Don't apply for lots of credit at once. Don't close old credit accounts unnecessarily. Keep credit card balances well below the limit. Time

helps too — a thin credit history is itself a problem; you improve it by using credit responsibly over years.