# Credit search vs credit scoring

## By Chris Blewitt, Head of Mortgage Distribution, Darlington Building Society

The terms credit score and credit check are often used interchangeably by consumers, many of whom assume they mean the same thing. Yet understanding the key differences between a credit check and a credit score, as well as how they are used by mortgage lenders, is essential, particularly given the current challenges around affordability.

Borrowers have faced a tough time in recent years with higher interest rates, rising living costs and stagnant wages putting the squeeze on household finances.

This has led to some consumers accumulating debt or experiencing minor credit blips, which may have impacted on their credit score rating. In some cases, it may even result in a rejection by the mortgage lender.

This can present challenges for mortgage brokers as it is not always clear why an applicant may have been refused a mortgage. In some cases, the borrower themselves may also be unaware why they have been turned away by a lender.

Often, the applicant's credit score may not actually be that bad, and the reason they were refused a mortgage is simply because their credit score falls below a lender's preferred score for potential borrowers.

This is because some lenders use a credit scoring system between 0-999 to determine a borrowers' suitability for lending, with the best score being 999. This can be impacted if there is no, or little outstanding credit and in cases where that credit hasn't been paid on time, for example, the score will drop.

Lenders using a credit scoring system to determine borrower suitability for example, will also have a preferred score for potential borrowers, which means that if the client's credit score is lower than this benchmark, they may not be successful in their mortgage application.

This means that if a lender has a credit scoring criteria of over 700, anyone applying for a mortgage with a credit score lower than 700 will be rejected straight away, even if there is nothing inherently wrong with their credit profile.

In contrast, lenders that use a credit checking approach to underwriting, like Darlington Building Society, will take a more detailed look into a client's credit history, including information regarding past and present loans, credit and defaults to determine their suitability as a borrower.

Not only does this allow the lender to determine why the applicant has the credit score they do, it also helps them to understand the story behind that credit score and make an informed decision about their suitability as a borrower.

This can be a particularly beneficial approach in cases where the applicant has a minor credit blip for example, as well as in situations where the borrower may in fact, not have much credit history at all.

Someone that hasn't been in the country very long for example, would have a very limited credit score profile, given that it is based on outstanding commitments and paying these commitments on time over a long period of time.

The same is true for a younger person that may have only recently been old enough to borrow money and does not have a long and detailed history of borrowing on credit cards, for example.

These groups of people often struggle to get lending from banks and building societies that credit score as they have a ratio of acceptance. However, lenders that credit search are not bothered about the score number, but more about the activity of how any lending they have is maintained.

Given the current struggles around affordability facing many borrowers, understanding which lenders credit check versus those that credit score could make all the difference when trying to secure a mortgage for your client.

While there will always be cases where an applicant may not actually be creditworthy, in the situations mentioned above, a lender that credit checks rather than credit scores could make all the difference as to whether or not a client's mortgage application is actually successful.

Discover how Darlington Building Society can support your mortgage needs today. Visit our website at https://www.darlington.co.uk/

For further information, or to arrange an interview, please contact the Press Office at press@darlington.co.uk

## Notes to Editors:

Darlington Building Society's available products can be found here; www.darlington.co.uk/darlington-intermediaries/products/

## About Darlington Intermediaries

Darlington Intermediaries is Darlington Building Society's engagement service with brokers across England, Scotland and Wales.

The Society had assets of £923m at 31 December 2023 (£833m at 31 December 2022), securing its place among the top 20 largest building societies in the UK. The Society's head office is in Darlington, where it has been based since 1856.

An award-winning lender, The Society was named *Building Society of the Year* at the 2024 MoneyAge Mortgage Awards, and *Best Building Society* at the 2024 British Bank Awards (as voted for by consumers).

More information can be found on the Darlington Intermediaries website: Intermediaries - Darlington Building Society

## Making a difference to the local community

Each year Darlington Building Society makes a tangible difference to its local communities by donating 5% of its profits to a variety of local and regional charities and good causes. Since launch, the *5% Pledge* has donated more than £818,000 to help combat poverty, isolation, inequality and climate change, whilst promoting health and wellbeing, and stronger communities

To further support this action, the Society's *Local 5* campaign enables all nine branches, plus head office, to partner with up to 50 charities.

## Company information

Darlington Intermediaries, Darlington Building Society, Sentinel House, Morton Road, Darlington, DL1 4PT.

Darlington Building Society is a member of the Building Societies Association.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, under registration number 205 895.