

Understanding the story behind the credit score

By Claire Askham, Head of Mortgage Sales, Buckinghamshire Building Society

For many mortgage customers, the last few years have left a mark.

Higher household bills, increased borrowing costs and pressure on disposable income have meant that even borrowers who had previously maintained a clean credit record may have experienced the occasional bump along the way.

A missed payment. A period of increased credit use. An old default that has been dealt with. Perhaps a short spell where finances simply became more stretched than usual.

The challenge is that a credit report records what happened, but it doesn't necessarily explain why it happened... or tell us where that borrower is today.

For brokers, that distinction can be incredibly important.

Looking beyond the score

Technology has transformed the mortgage market, making many parts of the application process quicker and more efficient. But there are cases where an automated decision can only tell part of the story.

Two borrowers could have similar entries on their credit files but very different circumstances behind them.

One may have experienced a temporary reduction in household income before returning to a stable financial position. Another may have encountered unexpected expenditure and relied on credit for a short period. Someone else may have historic adverse credit from several years ago but has since rebuilt their finances and maintained commitments successfully.

The credit event matters, of course. But so does everything that has happened since.

That is why manual underwriting can be particularly valuable for clients who don't quite fit standard lending criteria.

It gives an underwriter the opportunity to consider the wider application: the circumstances surrounding previous difficulties, how the customer has conducted their finances since, their current affordability and whether the overall case makes sense.

The space between prime and adverse

One of the interesting areas for brokers is the growing number of customers who don't necessarily see themselves as having 'adverse credit'.

They may have a relatively small or historic issue and otherwise consider their finances to be in good shape.

For these borrowers, discovering that an application doesn't meet a mainstream lender's criteria can come as a surprise.

It is also where a broker can add considerable value.

Understanding which lenders will consider different types of historic credit issues – and, importantly, which will look at the circumstances behind them – can open conversations that might otherwise end with a computer saying no.

At Buckinghamshire Building Society, our approach is based around understanding that there can be different stages in a customer's credit journey.

Our Credit Revive range is aimed at borrowers with lighter historic adverse or isolated credit blips who may fall outside standard criteria.

Our Credit Restore range goes further, supporting customers who have experienced more significant credit issues in the past but have taken steps to rebuild their financial position.

The common thread across both is that we manually underwrite our cases.

We want to understand the application rather than rely solely on a credit score to make the decision.

Ask what happened next

When discussing a client's credit history, one of the most useful questions may not be "What happened?" but "What happened next?"

Has the issue been resolved? Has the borrower returned to making payments as expected? Has their income or financial position changed? Was it an isolated event or part of a wider pattern?

Those details can help build a much clearer picture of the customer standing in front of you today.

They can also help brokers package cases effectively.

Where there is something unusual on a credit file, providing the context at the outset can help an underwriter understand the circumstances and assess the application more efficiently.

It is one of the reasons conversations between brokers, lender account managers and underwriters remain so valuable in the specialist market.

Turning a 'no' into another conversation

There will always be applications that aren't suitable, and responsible lending has to remain at the heart of every decision.

But a decline from one lender does not automatically mean the end of a client's mortgage journey.

Sometimes it simply means the case needs a different conversation.

For brokers, knowing where to have that conversation can make a real difference – particularly for customers who may already assume their previous financial difficulties have closed the door on their plans.

The specialist market gives advisers the opportunity to look again, understand the circumstances and find out whether there is another route forward.

Because while a credit file is an important part of any mortgage application, it is still only one part.

The credit report tells you what happened. The conversation tells you the rest of the story.