

Successful Credit Applications can depend on a Good Credit History

When applying for credit, most businesses are aware that they will need show the bank they have the ability to repay the credit they are seeking– but did you know that one of the most important considerations for a bank can be your **credit history**?

Your credit history is a record of your borrowings and repayment practices. For most banks a poor track record can lead to a swift refusal. And it's not just the credit history of the business: for sole traders, the banks will review the borrowers personal credit history, and for limited companies, the banks may also look at the personal accounts of the owners and directors. From the bank's perspective, your personal handling of credit can be a good indicator of your likeliness to repay a business loan.

In Ireland, banks are obliged to check the Central Credit Register, a national database of information on consumer and business loans for loan applications over €2000. Banks will use the borrowers' credit report to help them when making decisions about loans and loan applications. (It's important to note that the bank makes the lending decision, not the credit register or credit agency)

If you are applying for a loan, it is a good idea to check your credit history before you apply. It can help you spot any missed payments or mistakes in your credit report. You can check out your credit history (personal and business) on the Central Credit Register which can be done free of charge any time. The CCR website (centralcreditregister.ie) provides guidance on how to do so, and what to do if there are errors on your report.

In addition to the external CCR record, your bank will take into consideration its internal records – or how you operate your business current account. Late payments, unpaid direct debits or bounced cheques can be signs of business distress, so make sure you pay your bills on time and have sufficient funds available to meet your commitments and direct debits. If you have an overdraft, you will also need to ensure it stays within its limit and is in credit for at least 30 days a year, which is normally part of the terms and conditions attaching to overdraft facilities.

A good track record of debt repayment, and a well operated current account provide comfort to banks and can help ensure your business gets the credit it needs to grow and develop – now is not the time for borrowers to ignore debt obligations, even if the level of the debt appears small or insignificant.

And remember, if you are refused business credit by your bank, Credit Review can help. For more information on our independent appeals process, visit creditreview.ie or call 087-1217244

The Credit Review Office was set up by the Minister for Finance to provide an independent review process for SME's who have credit facilities refused, reduced or withdrawn by their bank (AIB, BOI, PTSB and Ulster). Through its work with businesses and banks, the Credit Review Office sees at first hand the reasons why business owners are refused credit by banks.