

# Guide to Credit Scoring, Credit Reference and Fraud Prevention Agencies

## **Assessing applications for credit**

As a responsible lender, we take into account your personal and/or business circumstances when opening personal accounts or establishing the appropriate level of credit to grant you. To help us do this, applications may be assessed using a process called credit scoring.

## **How does credit scoring work?**

Credit scoring takes into account information provided directly by you, any information we may hold about you and any information we may obtain from another organisation. Where we use information from other organisations, which may include a licensed Credit Reference Agency (see Credit Reference Agencies on page 2). We will tell you who they are upon request.

The credit scoring system allocates points for each piece of relevant information and adds these up to produce a score. When your score reaches a certain level, we will generally agree to your application. If your score does not reach this level, we may not. Sometimes scores are calculated by a Credit Reference Agency and we may use these in our assessment.

The points allocated are based on thorough analysis of large numbers of repayment histories over many years of providing credit.

This statistical analysis enables us to identify characteristics that predict future performance. For example, individuals who have County Court Judgements registered in their name have proved to be less likely to meet payments than those without judgements.

Credit scoring produces consistent decisions and is designed to ensure all applicants are treated fairly.

Additionally, we have policy rules to determine whether we will lend. These reflect our commercial experience and requirements. For example, if we have direct evidence that you have shown poor management of credit products in the past, we may decline your application.

Every application to open an account or borrow money involves a certain level of repayment risk for the lender, no matter how reliable or responsible an applicant is. Credit scoring enables us to calculate the level of risk for each applicant based on the information we have obtained. If the level of acceptable risk to us is exceeded, we will not accept the application.

This does not mean that any declined applicant is a bad payer. It simply means that, based on the information available to us, we are not prepared to take the risk of opening the account or granting that loan.

Lenders are not obliged to accept an application.

Lenders have different lending policies and scoring systems, and so applications to them may be assessed differently. This means that one lender may accept your application but another may not.

If your application is declined, this will not be disclosed to the Credit Reference Agency.

### **Is credit scoring fair?**

We believe that credit scoring is fair and impartial. It does not single out a specific piece of information as the reason for declining an application. We test our credit scoring methods regularly to make sure they continue to be fair and unbiased.

Responsible lending is essential both for the good of applicants and the lender. The Financial Conduct Authority regulates credit and considers credit scoring to be an aid to responsible lending.

Applicants with County Court Judgements may find credit difficult to obtain.

### **What happens if your application is declined?**

If we are unable to accept your application, we will tell you. If you are unhappy with this decision, you should write to:

The Manager  
HSBC Expat  
PO Box 39  
HSBC House  
Ridgeway Street  
Douglas  
Isle of Man  
IM99 1BU

### **Credit Reference Agencies**

The bank uses Credit Reference Agencies to help make its lending decisions and identify customers. They do this by compiling and providing public and credit account information.

Public information includes information for the Electoral Register, or similar if a non-UK resident. The bank uses this information to help confirm names and addresses. Public information also includes information on County Court Judgements, Scottish decrees, bankruptcies, Individual Voluntary Arrangements and Administration Orders.

Credit account information includes data supplied by registered lenders on how customers manage their

credit agreements. This allows the bank to check when someone applies for credit that the person applying has repaid or is repaying other lenders.

When the bank (or any lender) processes an application that may involve credit, it searches the Credit Reference Agency database for information about the applicant at current and previous addresses. The agency keeps a record of all searches and this allows the bank to see when and how many times other lenders have accessed the applicant's credit information.

We may make periodic searches of HSBC Group records, Credit Reference and Fraud Prevention Agencies to make decisions regarding your account, including whether to make credit available or to confirm or extend credit.

### **Financial associations – how your data is used**

For an application which may involve borrowing, your Credit Reference Agency records may be cross checked with others who are financially linked to you because of other joint financial commitments. This is known as a financial association, and this process enables lenders to form an accurate view of the existing financial commitments of customers.

Where a personal application is made, a new financial association will be created and registered with the Credit Reference Agency, if this does not already exist.

You should be aware that, where you have a financial association, information relating to the associates may be taken into account in applications which may involve credit. This means, where one person applies for a loan, their credit history, together with that of existing or previous partners with whom they have a financial relationship, may be associated and taken into account when assessing their application.

Any association will continue until one of you successfully file a disassociation at the Credit Reference Agency.

Financial associations are not created for business account applications.

If you apply for a product or service with another person and they are not present, you are declaring that you are entitled to disclose information about your fellow applicant and you authorise us to search, associate and/or record information at Credit Reference Agencies about you and your fellow applicant.

### **Disassociation**

If you believe you have been treated as 'financially associated' due to a previous joint financial commitment, but that your records should no longer be associated, you can register this disassociation by contacting and gaining agreement through the Credit Reference Agencies. Details of the Credit Reference Agencies we use are available on request.

### **Crime prevention, debt recovery and fraud prevention agencies**

To prevent crime, to verify your identity and to recover debt, we may exchange information (both within the Channel Islands, Isle of Man and inside or outside the European Economic Area) with other members of the HSBC Group and, where appropriate, Debt Recovery Agencies, Fraud Prevention Agencies and other organisations, including other lenders.

If you provide false or inaccurate information, and fraud is identified, details will be passed to Fraud Prevention Agencies.

Law enforcement agencies may access and use this information.

We and other organisations may also access and use this information to prevent fraud and money laundering, for example when:

- ▶ Checking details on applications for credit and credit card related or other facilities;
- ▶ Managing credit and credit related accounts or facilities;
- ▶ Recovering debt;
- ▶ Checking details on proposals and claims for all types of insurance; and
- ▶ Checking details of job applicants and employees

We and other organisations may access and use from other countries the information recorded by Fraud Prevention Agencies.

A copy of information held about you at a Credit Reference Agency is available to you directly from the agency. The agency will charge a small fee for this information.

Please contact the Fraud Prevention Agencies directly if you require a copy of any information they may hold about you.

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