A Free Guide From ImproveMyCreditScore.UK

Common Credit Myths Debunked

Myth 1: Checking your own credit report hurts your score.

Fact: Checking your own credit report is considered a "soft inquiry" and does not affect your credit score. You can check your credit report as often as you like without any negative impact.

Myth 2: Closing old accounts will improve your score.

Fact: Closing old accounts can actually hurt your score. It reduces the average age of your credit accounts and can decrease your overall available credit, which can increase your credit utilization ratio.

Myth 3: You need to carry a balance to build credit.

Fact: Carrying a balance is not necessary to build credit. Paying off your balance in full each month demonstrates responsible credit use and helps avoid interest charges.

Myth 4: Paying off a debt removes it from your credit report.

Fact: Paying off a debt doesn't remove it from your credit report. The account will still appear on your report, but it will be updated to show that it has been paid off. Negative information can remain on your report for up to seven years.

Myth 5: Your income affects your credit score.

Fact: Your income is not included in your credit report and does not directly affect your credit score. However, income can influence your ability to manage debt and make timely payments.

Myth 6: Using a debit card helps build credit.

Fact: Debit card usage does not affect your credit score because debit card activity is not reported to the credit bureaus. Only credit accounts, such as credit cards and loans, impact your credit score.

Myth 7: Checking your credit score too often will lower it.

Fact: Checking your own credit score is a soft inquiry and does not impact your score. However, multiple hard inquiries from applying for new credit can lower your score.

Myth 8: All debts are weighed equally in your credit score.

Fact: Different types of debt can affect your score differently. For example, credit card debt (revolving debt) and mortgage debt (installment debt) are treated differently in credit scoring models.

Myth 9: You only have one credit score.

Fact: You have multiple credit scores because there are different credit scoring models (like FICO and VantageScore) and each credit bureau (Equifax, Experian, and TransUnion) may have slightly different information.

Myth 10: Credit counseling will hurt your credit score.

Fact: Seeking help from a credit counseling agency does not hurt your credit score. However, enrolling in a debt management plan (DMP) might have an indirect effect if it requires closing accounts.

Myth 11: Divorce affects your credit score.

Fact: Divorce itself does not impact your credit score. However, if joint accounts are not managed properly during the separation, missed payments or increased debt can negatively affect your score.

Myth 12: Employers can see your credit score.

Fact: Employers cannot see your credit score. They can request a modified version of your credit report with your permission, but it will not include your score.

Myth 13: Settling a debt is just as good as paying it in full.

Fact: Settling a debt for less than what you owe can still negatively impact your credit score. It's better than not paying at all, but paying in full is more beneficial to your score.

Myth 14: Once you pay off a negative account, it's removed from your report.

Fact: Paying off a negative account (like a collection) updates the status but does not remove the account from your credit report. It will stay on your report for up to seven years from the date of the first delinquency.

Myth 15: Bankruptcy will clear all your debts from your credit report.

Fact: Bankruptcy does not erase all debts from your credit report. Certain types of debt, like student loans and tax liens, might not be discharged and can remain on your report.