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THE SUNDAY TIMES

Spotless credit score but no loan

Anna Mikhailova Published: 22 September 2013

BORROWERS with near-perfect credit scores are being refused mortgages as lenders apply ever stricter criteria to loan applications.

The housing market is showing signs of recovery and mortgage lending is rebounding, but brokers are reporting an anecdotal rise in clients with credit scores of 999 out of 1,000 being rejected.

Advisers tell those looking for mortgages to check their credit scores with companies such as Experian and Equifax before applying, to avoid such surprise rejections.

This may not solve the problem, however, as some high street lenders rely on their own calculations rather than credit scores. Most banks do not disclose their scoring criteria, so second-guessing them is difficult. Aaron Strutt of Trinity Financial, the broker, confirmed the trend, saying that in the past six months they had seen an increase in clients with high credit scores being rejected.

Brokers warn that harsher criteria applies to interest-only applications or those from borrowers with small deposits.

Last week Ian Gray of largemortgageloans.com, the broker, saw an application by a couple, both of whom had 999 scores on Experian and no financial issues, fall through.

In justifying turning the couple down for a £390,000 interest-only loan, Virgin Money said: "We do not base lending decisions on credit reference agencies alone. Affordability and, for an interest-only application such as this, the repayment vehicle, are also key considerations." They subsequently secured a deal with Santander.

Ray Boulger of John Charcol, the broker, said a client with a 999 score on Experian had been rejected for a loan split between interest-only and capital repayment with Santander, only to be accepted later by the same bank for a capital repayment mortgage.

Gray said: "It goes to show that if you're declined by one bank, don't give up. However, it is also important not to go around the houses too much because all those inquiries on your credit record can have an adverse effect on future applications."

Santander declined to comment on the specific case. It said it used income and expenditure information and its own risk policy, in tandem with credit scoring.

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