

Guidance notes for service personnel when applying for unsecured credit

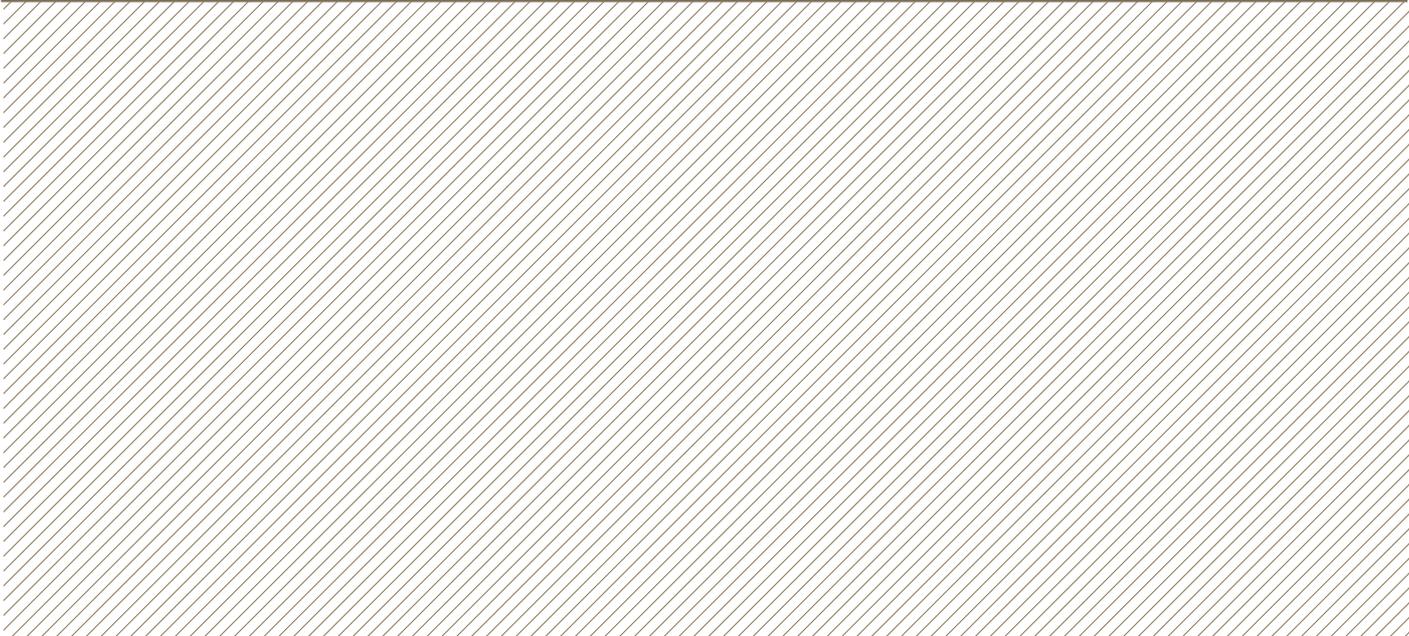
This document applies to all aspects of unsecured credit such as credit cards, overdrafts, motor finance and other unsecured loans.



MINISTRY OF DEFENCE



THE
UKCARDS
ASSOCIATION



Key Principles

Members of The British Bankers' Association, The Finance & Leasing Association and The UK Cards Association have agreed to the following key principles when considering lending to service personnel:

‘Those who serve with the armed forces should not be disadvantaged because of their occupation.

Applications for credit will be treated fairly and consistently with civilian counterparts and will not be automatically rejected purely on the basis of a British Forces Post Office (BFPO) address.’

1 What lenders take into consideration when deciding to lend

When you apply for credit - for example, a credit card, store card or a personal loan - lenders will ask you for information about your circumstances so they can assess your application. Information that lenders usually check includes:

- ID – proof of your name;
- Address – showing where you live and how long you have lived there;
- Credit history – the lender may carry out checks with a credit reference agency, which will show how you have managed any other financial commitments.

2 Top tips for improving your credit application

If you are serving in the armed forces, it is sometimes difficult to check the above information when you apply for credit. This is because you are likely to have moved around a lot, or your BFPO address might not always be recognised by a lender's systems. To improve your credit application you should also:

- Provide as much information as you can to the lender, including that you are in the armed forces, your address, any postcode and salary. If you have a letter from your Commanding Officer, this might also be useful. Have this information ready when you apply;
- Be prepared to give the lender a contact telephone number in case they need to check any details with you as part of your application;
- Make sure you are registered to vote in the UK, as lenders will check the Electoral Register when considering credit applications. If you are living at home or at your parents' address when you are not posted overseas, you may want to give the lender this address as well;
- Ensure you keep up to date with your repayments on any other financial commitments you may have, such as mobile phone bills, credit card repayments and any other loans, as lenders will check how you have managed your finances in the past;
- Consider setting up direct debits to make these payments every month if you are posted overseas

3 Top tips for choosing your lender

There are a range of financial institutions that offer credit. When you are thinking about which one to approach, you should take into consideration the following:

- If you already have a relationship with a financial organisation, such as a current account with your bank, you might want to apply for credit with them as they will know you and your financial situation, which will allow them to better assess the risk in lending to you;
- Whichever lender you approach, ask them upfront if they have any special procedures when dealing with applications from people in the armed forces.

4 Top tips for applying in person, or over the phone

Where it is possible, apply for credit in a branch, or over the phone. If you are already posted overseas and want to apply for credit from a UK based lender, you may still want to apply by telephone, as you can explain your circumstances in full to the lender.

Telling the lender as much as possible about your circumstances will give your application a better chance of succeeding.

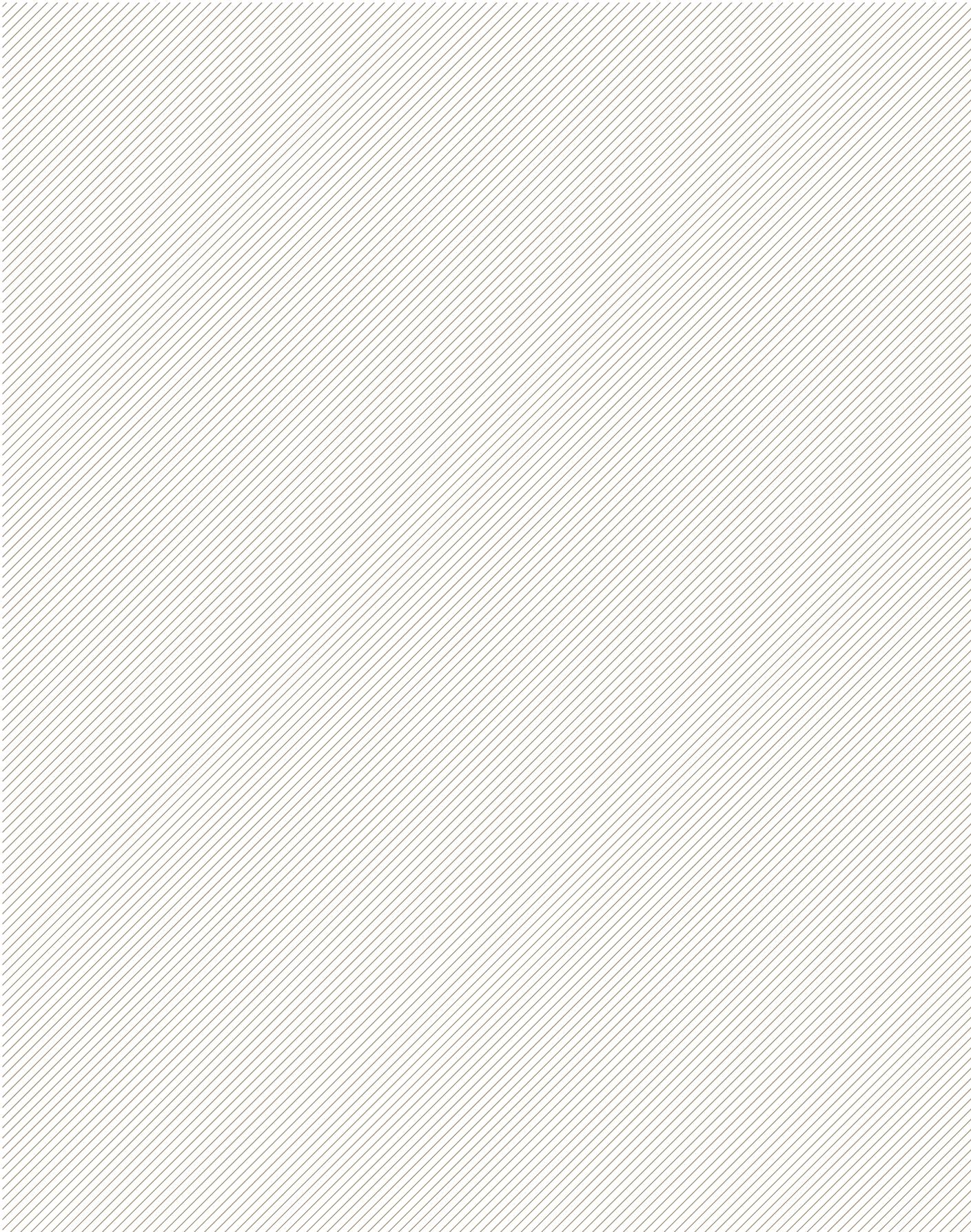
- If you are applying for credit at a branch, or over the telephone, tell them straight away that you are serving in the armed forces, so they can refer you to any specialist staff who deal with such applications if necessary;
- Check with the lender if there is any particular information you may have to provide because you are in the armed forces, for example your personal identification number, a MoD Statement of Identity, or a letter from your Commanding Officer.

5 Top tips for applying online

- If you wish to apply for credit on-line, find out first if the lender's systems are able to recognise BFPO addresses. The majority of on-line lenders provide either a telephone number or contact point for raising queries in connection with credit applications;
- If they do recognise BFPO addresses, you are likely to be able to proceed with your application on-line. If they do not, you might have to call the lender;
- Some internet-based lenders advertise the fact that they can help armed services personnel to find loans – you may find this helpful;
- If possible, try to make sure that the company you are dealing with has a recognised consumer credit licence (from the Office of Fair Trading) and gives you all the information you need about the credit product you are applying for, including interest rates.

6 Top tips for after you have applied for credit

- If you have not taken out credit before, you may be given a low credit limit and/or a higher interest rate than you expected. This is normal for people with little or no credit history, as the lender does not have sufficient evidence which shows how well you can manage credit. If you pay off the amount you have borrowed on time, this will help you to build-up a good credit record;
- Some lenders may ask you to nominate someone they can speak to about your account while you are away on active service. This could be a friend or a relative who you would agree to the lender making contact with where necessary;
- If a lender declines your credit application, you can ask them why it was turned down. You can also ask them to look again at your application – sometimes a person may be able to make the decision to lend where an automated process was unable to make exceptions;
- Make sure you explain all your circumstances when asking the lender to reconsider your application, and provide whatever extra information they request;
- If you feel you have been treated unfairly by the lender, you have the right to make a complaint. If you remain unsatisfied with the lender's response, you can complain to the Financial Ombudsman Service. This is a free and independent settler of complaints between consumers and financial service providers (www.financial-ombudsman.org.uk).



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