



Ministry
of Defence

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.

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.'

When you're borrowing money, it's important to understand how much the different options cost and how they work. You also need to know how

those costs vary depending on how long you want to borrow the money for and when you're expected to pay it back.

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. If you are serving overseas you should include, in full, your BFPO address - including postcode and unit number.
- Credit history - the lender may carry out checks with a credit reference agency, which will show how you have managed any other financial commitments and help them decide as to whether your application should go ahead.

2. Top tips for improving your credit application

If you are serving in the Armed Forces, it is sometimes difficult to build up a credit history or 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:

- Provide as much information as you can to the lender, making sure you provide complete and accurate details to avoid unnecessary queries. Say that you are in the Armed Forces, give your full postal address including postcode, BFPO address and relevant unit number if you are serving overseas 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 and email address 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.

- Regardless of whether you are serving in the UK or overseas, 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 to ensure they are not overlooked, particularly if you are posted overseas. Missing payments or making late payments will impact your credit rating.
- Manage your levels of existing debt efficiently. Banks and credit card companies may be nervous about lending you more if you have high levels of existing debt. This is because it could indicate that you are financially over-stretched.
- If you are serving overseas, it can sometimes be difficult to build up a credit history, particularly if you have been out of the UK for a long time. This may mean the lender does not have sufficient evidence to determine whether your application should be taken forward. To help, provide evidence of any loans taken out whilst you have been overseas, evidence of the existence and use of a UK credit card, or statements or bills from transactions overseas, including overseas credit cards.
- Satisfy yourself that information held about you is correct. It is worth checking your credit report to make sure that it does not contain incorrect details that could inhibit your ability to get credit. You can obtain a copy of your credit report from the credit reference agencies Equifax, Experian and Callcredit. If there are any inaccuracies you can get them changed.
- In the case of motor finance where the partner/spouse will predominately be using the vehicle, it may help to make a joint application.

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, either when serving overseas, or returning to the UK, you should take into consideration the following:

- If you already have a relationship with a financial institution, 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.
- You may want to use an independent comparison site. This service will ask you a series of questions about the type of loan you're looking for. It will then perform a search of the loans market to give you a list of those that suit your personal circumstances. Different loan companies cater for different types of customer, so shopping around can save you money in interest payments.

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, or returning to the UK, 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 better 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.
- High street banks, building societies and indeed some loan companies have branches throughout the country. Some have branches overseas, so you can usually speak to someone in person about your loan. Banks and building societies may offer the option of banking online as well as in person.

5. Top tips for applying online

- If you wish to apply for credit online, find out first if the lender's systems are able to recognise BFPO addresses. The majority of online 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 online. If they do not, you might have to call the lender.
- Some internet based lenders advertise the fact that they can help Armed Forces 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 (OFT)) and gives you all the information you need about the credit product you are applying for, including interest rates. NOTE: this will change to the Financial Conduct Authority (FCA) from April 2014, when the OFT will cease to exist and the FCA will take over the regulation of consumer credit.

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 commonly the case 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 make the required payments 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, or before your return to the UK. 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. If it was denied because of information on your credit report, you can request a copy of that report from the credit reference agency. Once received, you can dispute any inaccurate

information that may have caused your application to be denied. You can also ask the lender to look again at your application and review any further supporting information you can provide. Sometimes a person may be able to make the decision to lend where an automated process was unable to make exceptions. Remember though that there can be no guarantee that the decision will be reversed.

- 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

7. Further information

For further information about applying for unsecured credit, have a look at the MoneyForce website. This website has been designed specifically for the Armed Forces community to help you make the most of your money and avoid financial difficulty:

www.moneyforce.org.uk

The Money Advice Service (MAS) also has very useful information on budget planning, getting credit for the first time, deciding on the best type of credit and checking credit reports:

www.moneyadvice.org.uk



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