

Paperweight Perspective

When ignorance is not bliss



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Ignorance is bliss, the saying goes. During the pandemic, for example, some people found the relentless

media hype and daily onslaught of negative news reports too much to bear, opting to just switch off the stream and wait for the storm to pass. Fair dos. What you don't know about can't hurt you, the thinking goes.

But when it comes to personal finances, ignorance is certainly not bliss. Not having a handle on incomings and outgoings, mortgages and credit cards, bills and debts is not an enviable place to be. You can put things off for a week, two, maybe a couple of months – but eventually it all comes a head.

Early on in my role running Paperweight's North East outpost we discovered a pattern among some people looking to get onto the housing ladder. One of our caseworkers, a mortgage broker by profession, reported that many

people were lacking knowledge around credit ratings, that all-important number used by everyone from banks and lenders to energy and mobile phone companies to determine the health of your finances – and by extension their willingness to do business with you.

Credit rating agencies look at each person's financial health based on a wide range of factors, including how long you've lived at your current address, how much debt you have, and the length of time you've held current accounts. The result is a score, usually out of 1000. The higher your score, the more likely you are to be accepted for the financial product you're applying for. The lower your score

– well, it's not much fun. Because when you apply for a mobile phone contract, for example, the company carry out a check on your credit file to determine if they want you as a customer. Ditto for energy companies, car insurance, credit cards and mortgage firms.

A healthy credit rating reflects a healthy financial picture, which means a good customer who'll pay his/her bills. A bad credit rating tells the company that you're not someone worth working with, and you'll likely be declined from accessing financial products. Some things really negatively impact your credit rating, such as missing a payment on your mortgage or credit card, so avoid that at all costs.

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Our caseworker met some people, who, looking to purchase their first home, had been blissfully unaware of the importance of building up and maintaining a healthy credit rating, and now faced a long and arduous journey. They were extremely limited in their choice of lenders and stood to lose the chance to purchase their first home.

Recognising the need, we wrote and Paperweight published a 6-part informational series of top tips, each week sharing a nugget of information in the community Advertiser on how to build and maintain a healthy credit rating and responsibly manage this crucial and non-negotiable aspect of personal finance. Because it's simply not something to be ignorant about!

For more information on credit ratings search moneysavingexpert.com's Credit Club.

Paperweight's Gateshead branch is run in conjunction with the Jewish Community Council of Gateshead.

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