

Poor credit scores put 20.2m adults at risk of paying extra £693 interest on credit card balances

[TotallyMoney](#), the credit app which helps everyone move their finances forward, has calculated the cost of a poor credit score for those with interest-bearing credit card balances:

- For a credit card balance of £2,472, those with a poor credit score could be paying an extra £58 p/m (£693 p/a) in interest when compared to those with a good credit score*
- A 75 point credit score increase could move a subprime borrower's credit score into the prime score band, resulting in an average saving of £55 p/m (£544 p/a)
- People are paying interest on 54% of credit card balances, a 7% growth in the past 12 months**
- TotallyMoney and PwC calculate that 7.4m UK adults already hold a near prime card†

This research, carried out by Moneycomms on behalf of TotallyMoney, calculates average monthly and yearly interest charges for prime, near-prime and subprime customers for balances ranging from £1,000 to £7,500.

A good credit score: it's in your best interest

With Brits paying interest on 54% of credit cards, those with a less-than perfect credit score or no credit history could be paying considerably more for their borrowing. Worryingly, the number of adults with no credit history at all has grown by 29% in the last six years†.

Poor credit scores and thin credit files can not only lead to customers being handed higher APRs on their borrowing, but they're also likely to have access to fewer products, receive lower credit limits and be subject to shorter introductory offers. Additionally, they may end up paying more for other products too — seeing higher car insurance premiums, being forced onto more expensive prepayment energy meters, and finding themselves limited to pay-as-you-go SIM deals.

As inflation is expected to hit 11% in 2022, rising prices could mean that the average UK household would have to pay an extra £2,500 in 2022/23 to buy the same goods and services as in 2021/22†.

These added financial pressures may put more people at risk of missing payments or increasing their credit account utilisation which may lead to further credit score harm.

Additional YouGov research, commissioned by TotallyMoney found 51% of adults would have difficulty covering an unexpected bill of £500‡. That suggests that saving money by cutting interest on existing credit agreements could be a real difference to people's finances.

Alastair Douglas, CEO of TotallyMoney comments:

“1 in 5 adults had their personal income impacted by the pandemic and do not expect it to recover in the next two years†. To make things even more difficult, inflation is now at a 40 year high, and the cost of household bills and everyday essentials is continuing to rise.

“With an extra £0.8 billion borrowed on credit cards in March and an annual growth rate of 10.8%§, figures suggest that consumers are turning to credit for help.

“When it comes to credit, a good score can give you access to the best offers, meaning you’ll pay less for what you borrow. Those savings can be put towards paying off existing debts quicker, or to help navigate the increased cost of living. Checking your credit report is free and doesn't affect your score. So I'd urge everyone to do so.

“Anybody struggling to keep up with repayments should contact their lender and seek assistance at the earliest opportunity. It may seem daunting at first but it could help you avoid defaulting on a repayment which can leave a mark on your credit report for years to come.

“At [TotallyMoney](#) we're on a mission to help everyone move their finances forward. One way we're doing this is by providing customers with their free, live credit report and score, putting them in control of their own financial data and providing them with all the information they need to gain financial momentum. Since joining TotallyMoney, over 50% of our free credit report customers have seen a score increase within 12 monthsll.”

Andrew Hagger, Personal Finance Expert from [Moneycomms.co.uk](#) said:

“It's inevitable that some consumers will face a chronic financial squeeze this year, leading to late or missed payments on their financial commitments.

“As a result, credit records will be damaged and mean far higher interest rates if customers look for personal loans or credit cards in the future.

“The cost of having a poor credit record will come as a big shock when people realise that they're no longer eligible for best buy card offers and suddenly face credit card rates of 30% or 40% APR if they apply for new plastic.”

TotallyMoney's top five tips to credit score improvement:

By improving your credit score you can unlock the most competitive offers and the best rates, saving you money and helping you move your finances forward.

1. **Check your report:** Firstly check your credit report. It's free to do and you can make sure that all the information available to lenders is correct and up to date. If you spot an error you can raise a dispute.
2. **Get on the electoral register:** Having your name on the electoral register can help lenders check your address and identity. Plus, if you've been at the same address for a while it can make you appear to be more settled and stable.
3. **Credit building cards:** These are designed to help build your credit score and improve your chances of qualifying for the most competitive deals. Check your eligibility before you apply. This can help you avoid being rejected which can act as a reg flag to other lenders.
4. **Manage payments:** To get a good credit score it's important to show that you're able to manage credit accounts. This means using never missing payments, and if possible you should always try to pay more than the minimum.
5. **Credit utilisation:** Try to use less than 25% of your available credit across each of your accounts. This can indicate to lenders that you're not too reliant on it and that you are in control of your finances.

Interest calculations

Monthly interest charges

	Prime	Prime	Prime	Near Prime	Near Prime	Sub Prime
TransUni on Credit score band	575-710			501-575		426-500
Balance	21.90%	24.90%	27.90%	29.90%	33.90%	49.90%
£1,000	£18.25	£20.75	£23.25	£24.92	£28.25	£41.58
£2,000	£36.50	£41.50	£46.50	£49.83	£56.50	£83.16
£2,472	£45.11	£51.29	£57.47	£61.60	£69.83	£102.79
£3,000	£54.75	£62.25	£69.75	£74.75	£84.75	£124.75
£4,000	£73.00	£83.00	£93.00	£99.67		
£5,000	£91.25	£103.75	£116.25	£124.58		
£7,500	£136.88	£155.67	£174.41	£186.92		

Calculations by Moneycomms.co.uk 4 May 2022

Annual interest charges

Score band	Prime	Prime	Prime	Near Prime	Near Prime	Sub Prime
	575-710			501-575		426-500
Balance	21.90%	24.90%	27.90%	29.90%	33.90%	49.90%
£1,000	£219	£249	£279	£299	£339	£499
£2,000	£438	£498	£558	£598	£678	£998
£2,472	£541	£616	£690	£739	£838	£1,234
£3,000	£657	£747	£837	£897	£1,017	£1,497
£4,000	£876	£996	£1,116	£1,196		
£5,000	£1,095	£1,245	£1,395	£1,495		
£7,500	£1,643	£1,868	£2,093	£2,243		

Calculations by Moneycomms.co.uk May 2022

Sources

* [Moneycomms.co.uk](https://www.moneycomms.co.uk) research commissioned by TotallyMoney. (May 2022)

£2,472 is the average carried balance on cards with no promo rate for TotallyMoney customers (May 2022)

** [UK Finance Card Spending Update](#) (May 2022)

† [Overlooked and financially under-served](#) PwC research commissioned by TotallyMoney (May 2022)

‡ YouGov research commissioned by TotallyMoney (April 2022). Nationally representative sample 2,441 adults.

§ [Bank of England – Money and Credit](#) (May 2022)

|| TotallyMoney data (May 2022)

About TotallyMoney

TotallyMoney is the credit app on a mission to help everyone move their finances forward.

With over four million customers and a focus on the [one in three UK adults financially under-served by the credit industry](#), TotallyMoney believes people's financial data should work for them, and not against them. Its service provides a free live credit report and score to help customers understand their financial position, and personalised recommendations so they can start creating financial momentum.

[TotallyMoney](#) works closely with leading lenders, to ensure eligible customers are matched with the right products, underpinned by its robust data, product and tech capabilities.

TotallyMoney is regulated by the Financial Conduct Authority (FCA).