

# Curb the cost of bad credit

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It's Black Friday this month and that means it's tempting to spend on seemingly great discounts. But bear in mind that overspending and buying on credit could harm your credit score, and this could impact your financial future. Bradd Bendall, BetterBond head of sales, has the following advice to help you maintain a healthy credit score.



## 1. Pay in full and on time.

Even if the overdue amount is small, it can have a significant impact on your credit score. "Banks will be cautious about lending to you if there are even the slightest arrears against your name. Always make sure you pay at least the minimum amount on your credit card or accounts, and do so on time. Whenever you are able to, pay in a little more than the minimum amount as this will result in savings on interest and help you pay off that debt sooner," Bendall advises.

## 2. Don't think that debt is always a bad thing.

Well-managed credit could count in your favour when you apply for big-ticket loans like a bond to buy a home. "Having different accounts or cards, which are kept in good standing over time, proves to the banks that you can manage your finances responsibly," explains Bendall. A mix of credit can count in your favour. However, beware of applying for multiple types of credit at once, for example opening a clothing account when you're also securing vehicle finance to buy a car. Each time you apply for credit, it is noted on your credit report, and multiple queries within a short space of time can lower your credit score.

## 3. Budget, and stick to it.

This applies to your finances overall – not only in relation to Black Friday. If you are thinking of buying a home, BetterBond online calculators can give you a good indication of how much you can afford to spend on monthly bond repayments.



Bradd Bendall, BetterBond head of sales

“Remember that interest rates can fluctuate, so don’t buy at the upper limit of your affordability range. Always allow some wiggle room as we all know that life happens!” says Bendall. If the prime interest rate is kept unchanged at 11.75% this month when the Reserve Bank Monetary Policy Committee meets for the final time this year, South African households will have to keep watching their budgets. “We hope that rates will start coming down soon, but geopolitical tensions and inflationary pressures raise the probability of lower rates only coming our way later in 2024. The good news for buyers who can invest in property at current rates, is that they’ll be in a strong position when rates come down,” says Bendall.

#### 4. Make smart choices.

If you are lucky enough to get a 13th cheque or a year-end bonus, consider putting that towards paying off your debt instead of spending on Black Friday. Paying even a little extra into your credit card or store accounts, or putting that money into your home loan, could shorten your loan repayment period and help you save on interest.

#### 5. Know your credit score.

Keep an eye on your credit report so that you are aware of negative scores and you can dispute anything that looks unusual. There are a number of credit bureaus in South Africa that can help you obtain a breakdown of past and present accounts, and query or clarify your information. Then you can seek professional advice to improve your credit score and raise your credit rating if it needs a bit of work. A good credit score demonstrates your financial responsibility and shows financial institutions that you can repay your debt. This makes you a good candidate for loans in future.

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