

# 5 Your CIBIL Score and its implications for your FPO

Emmanuel Murray and Naushad Rajwani

**If you or your FPO has ever applied for a loan to any financial institution, you must have come across a term called 'CIBIL score' or 'Credit score.' So, what is Credit Score and why is it important?**

Every one of us, individual or organization who has taken a loan at some point in time must have come across terms like 'CIBIL score' or 'Credit score'. A credit score is a 3 digit score out of 900 conveying your credit worthiness. Credit report which accompanies your credit score will have a track of your repayment performance. The Financial Institutions (lender) must report your repayment details to certain agencies. These agencies that do the tracking of whether you are repaying the loan and in a timely manner are called Credit Information Companies (CIC) and based on your repayment record and some other factors you or your organization are given a Credit Score.

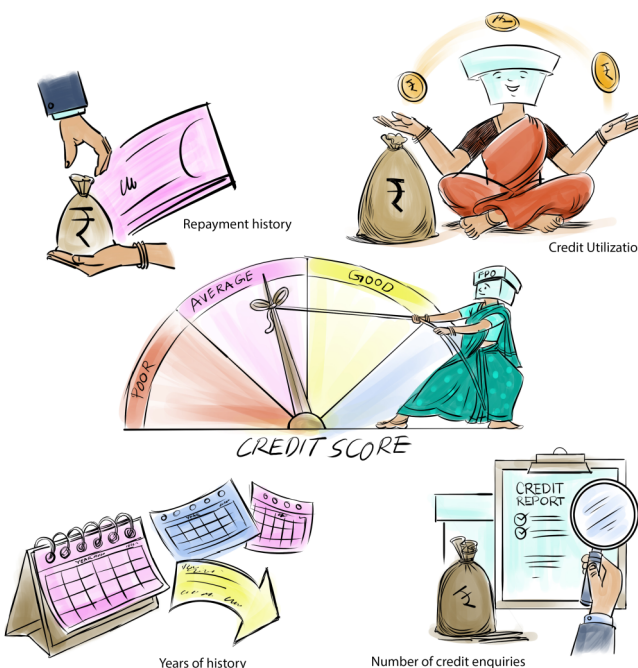
**Is CIBIL Score the same as Credit Score? If not, what is the difference?**

There are four Credit Information Companies, but the oldest and best known of them is CIBIL, and therefore Credit Score is also known as CIBIL Score. The other Credit Information Companies are; Equifax, CRIF and Experian.

All 4 Credit Information Companies release their own credit score for each individual and company on a monthly basis.

**Your credit Score is arrived at based on the following factors**

1. Repayment history
2. Credit Utilization
3. Years of history
4. Number of credit enquiries



## Learning Alert

*Credit Scores are dynamic and released on a monthly basis*



apmas

## How to access your credit report and credit score?

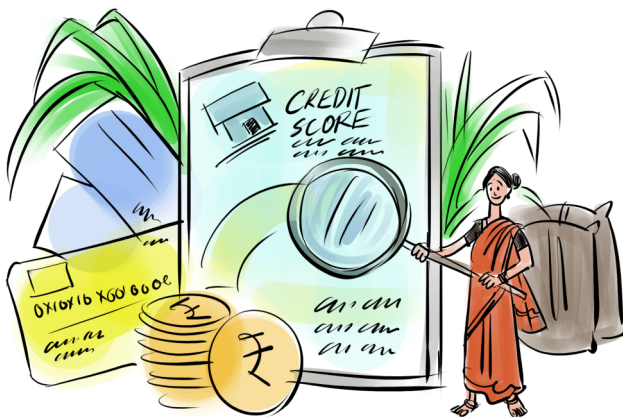
Most of the CICs offer access to download one free credit report in a year upon sign up/ log in while you can also purchase subscriptions of CICs to download multiple credit reports and track your credit report. Few of the CICs also offer tips and advisory to improve your credit score. Moreover, there are other platforms and apps to check credit score numerous times for free.

Some of the free platforms and apps are Google Pay (CIBIL), PayTm (Equifax), PhonePe, Paisabazaar, Wishfin, etc. However, these apps and platforms also offers credit lines (loans) and credit cards thus leading to a risk of exposure of your mobile number to calls and messages from banks and NBFCs for loan and credit card offers. Most of the banks also have tie-ups with one or more CIC that lets you check your credit score from their banking app.



### Learning Alert

*Credit Scores can be got for free from some platforms. But you have to be careful regarding risk of making your mobile number public !*



## What information does a Credit report contain and is it sensitive?

A credit report of any individual or company typically contains basic details of the individual or the company such as PAN, email address, residential address, date of birth etc. along with loan details such as type of credit facility, sanction amount, date of sanction, current outstanding, repayment delays, and status for each credit facility.

Owing to the critical information present in the credit report, it is a sensitive document and thus it is advisable to not share your credit report with anyone, except trusted financial institution.

## What do you need to check in your Credit Report and what to do in case of discrepancy?

Check all the information mentioned in your credit report for correctness and currentness. In case you find any inaccuracies, it should be immediately brought to the attention of the CIC by raising a 'dispute' on its official website. Typically, these disputes (complaints) take over a month to be resolved, and therefore it is advisable to raise a dispute as soon as possible. Else that may be a good excuse for a bank/lender to deny your FPO a loan. One way to hasten the process is to ask your bank to help resolve the issue, that can yield quicker results.

## What to do if a Director in your FPO has a low Credit Score?

A credit score of less than 650 is considered low, while a score between 650 to 750 is considered fair. And like it or not, a low credit score cannot be increased overnight. If your score is low, it is best to step down as a Director so it does not affect the borrowing capacity of the FPO. You may work on improving your credit score meanwhile by following below mentioned approaches:

- 1) Review your credit report and keep track of changes every month
- 2) Ensure timely payments of EMIs of existing loans
- 3) Utilize less than 30% of your available credit limit
- 4) Limit applying for new credit card/ unsecured loan
- 5) Apply for small, secured loan (e.g., gold loan) which can be easily repaid in few months
- 6) Deal with delinquencies in the older loans

## What if a person has no Credit Score

The absence of a credit record and therefore not having a credit score should not in general have any impact for the FPO to borrow a loan.



### Learning Alert

*Review and monitor your Credit score ! To improve your score, have financial discipline. No credit score may sometime prove to be a blessing !*

## Word of Caution

Remember, the FPO borrowing may show up in your Credit Score if you are a guarantor. And if the FPO delays or defaults on repaying the borrowings they made, it can affect your Credit Score and your ability to borrow as well. Therefore, make sure your FPO does not default on payment of its loans.

Now that you know about Credit Score, you have greater responsibility to see that your credit score is good.

\*Caspian Impact Investments (Caspian Debt)

---

**More practical example of CCL will be delt in future publications....  
Please do feel free to write to us in case any clarifications are needed.....**