



A Growing Concern For SMEs

Business owners need to protect their business credit score.

Just like your personal credit score, businesses also have a credit score. Less well known to the general public, your business credit score is a number between 0 and 1200 and represents how trustworthy your business is. Institutions, such as banks/lenders, vendors and suppliers, use this number to decide whether they will lend money to your business, let you open a line of credit or supply you with a credit card.

Similar to your personal credit score, but not the same, your business credit score relates to any loans, debts or financial transactions made by your business and measures the ability of your business to repay its debts.

So in essence, your business credit score can provide you with a sense of the financial position of your business. Typically in Australia, your credit score is negatively impacted each time you check it through a lender or bank.

As part of our lending process, we investigate your business credit score to substantiate your borrowing liability before submitting your finance application to an appropriate lender. In doing so, we see many reports every week and observe the common

mistake of business owners applying for online finance, sometimes up to 10 or more enquiries, searching in a panic for a financial fix for their business.

What they haven't realised is that by enquiring with more than one lender ends up in having a negative impact on their business's credit score.

Did you know – A whopping 93% of businesses have never accessed their business credit score¹?

You may be like many of our business clients who, when they first come to us for help with business financing, don't know that there is even such a thing as a business credit score.

So naturally you may ask – 'What information is on your business credit file?'

Your business credit score is calculated using information on your credit file such as:

- How long your business has been in operation
- Company details including entity name and company structure
- How many and the type of credit enquiries your business has made



- Commercial credit information including any defaults, judgements or court writs
- Director information including defaults, court judgements and bankruptcies
- Information on public record
- and more.

Credit reporting bureaus make available reports that detail this information together with your credit score that lenders may utilise in their assessment of your loan application.

The higher your number the better your score and the more likely you will be able to borrow money. A low credit score may prevent you from being able to borrow.

As with personal credit scores, defaults, late or missed payments can contribute to a lower score - as can how many times you may have applied to various lenders.

How to get your credit score

Business credit scores are available through credit reporting bureaus such as Equifax, Experian and Illion. We can help you understand your report and step you through any actions needed. Sometimes there are discrepancies in the report which can be rectified with the reporting bureau.

We have helped many business clients improve their credit score but...

The best approach is prevention.

The good news is there are ways to ensure you achieve a good credit score. Contact us for our tip sheet on **8 Ways To Maintain A Good Business Credit Score.**

After you have read our tips, let's chat. We can share all we know about good credit reports and how you can secure finance for your business needs.

Your business credit score is a critical factor in securing business finance. While you may not need access to funding right now, being well informed and taking proactive action will set you up for success in the future and avoid difficulty in addressing unwanted events long after they have occurred.

It can work for you as well.

Avoid potential payment delays with your new customers. You can request company credit checks on your business customers giving you information on their credit score, payment history and more. That might help you with your decision to take on a new business client or not!

More importantly, if you are having cashflow problems and can't pay your bills on time, please speak to us **URGENTLY** before it gets out of hand.

We may need you to apply for finance now.

Sources:

¹ Finder/MYOB, OnDeck, The one number your business doesn't know: <https://www.finder.com.au/business-credit-score>

Contact us to read
**'8 Ways To Maintain A
Good Business Credit
Score'**

