

## Credit Repair Companies

This fact sheet is for information only. You should get professional advice about your personal situation.

### Main ideas

- Credit repair companies can trap you into big fees without giving you a benefit.
- You can clean up your credit report yourself – for free.
- Free financial counsellors can help you talk with creditors about any errors on your credit report.

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## Risks with using a credit repair company

Credit repair companies advertise they can fix or clean a bad credit report, improve a poor credit score, and remove ‘black marks’ or defaults from credit reports.

But a credit report can only be changed in limited circumstances:

- If information is factually incorrect or misleading – for example, the money was not owed, the debt belonged to a different person, the payment was made on time.
- If the procedure was incorrect – for example, you were not given the correct notices required by law before the listing was made.
- If the debt can be disputed for another reason – for example, the loan was unjust or didn’t follow responsible lending laws.

A default listing cannot be removed just because it has been paid. It can be updated to show

it has been paid.

Credit repair companies usually charge a large upfront fee, with no guarantee of success.

The company will usually not refund the large upfront fee if it turns out they can't change your credit report. They may ask for your bank account details over the phone to start taking their fees immediately, even before they have done anything.

Credit repair companies often don't guarantee they can remove a listing or improve your ability to get credit. You could pay a lot of money for no benefit. Even if a default listing is removed, there may be other reasons you still may not be able to get credit.

Credit repair companies may charge you an extra 'success' payment. Check the fine print in the contract to find out what 'success' actually means. For example, they may charge for any change to your credit report, even if the change is just a minor adjustment to the amount owing. The contract may say the company can only remove 'disputable' listings, but they may not explain what this means before taking your money.

Credit repair companies advertise heavily on television, the internet, and in social media. They might offer free copies of your credit report or free debt consultations or debt agreements. [Read our fact sheet about Debt Agreements.](#)

## **Credit repair companies do not always work in your best interests**

Some credit repair companies will contact creditors on your behalf. But others just give you written guides and expect you to do everything yourself. If you want to do it yourself, you can [follow our free guide in our Credit Reports fact sheet](#). If you need support, talk to a free financial counsellor on the National Debt Helpline on 1800 007 007.

Consider carefully what the credit repair company's plan is to remove your listing. Will they expect you to make payments to clear the debt first? Can you afford those payments, on top of the credit repair company's fees?

Removing a listing does not make the debt automatically disappear. Is there a realistic plan to deal with the debt too?

Some credit repair companies might tell you to file documents in court. But that could mean you end up paying costs orders. Never file court documents without speaking to a lawyer.

## **You can clean up your credit report yourself – for free**

You can get a free copy of your credit report yourself.

You are entitled to a copy every 3 months and any time you are declined credit because of your credit report. Ask each of the 3 major credit reporting agencies:

- [Equifax at www.mycreditfile.com.au](http://www.mycreditfile.com.au)
- [Illion at www.checkyourcredit.com.au](http://www.checkyourcredit.com.au)
- [Experian Australia at www.experian.com.au](http://www.experian.com.au)

Read our Credit Reports fact sheet to understand what is on your credit report and how long it stays there. For example, a default listing stays on your report for 5 years. If it's already been on for a few years, you could simply wait for it to drop off.

If a listing is wrong, contact the creditor first and ask them to change it.

If the listing is correct but you would like it changed, contact your creditor and ask if they will remove the listing if you pay the debt. Get their agreement in writing.

A free financial counsellor or community legal centre can help. Contact the National Debt Helpline on 1800 007 007.

Most creditors who list on your credit report will be members of AFCA, the Energy & Water Ombudsman, or the Telecommunications Industry Ombudsman. These organisations can review disputed credit report listings for free. Time limits apply to raising a complaint, so do not delay.

## **Think carefully before signing up with a credit repair company**

It's your choice if you want to pay someone else to do something for you. But think it through.

- Would it be better to pay down the debt rather than paying a credit repair company? Sometimes lenders and debt collectors may consider removing a listing as part of a debt settlement (get the agreement clearly in writing).
- Can you afford the upfront fee and any ongoing fees? Will this make your financial situation worse?
- What are you paying for? What service is being provided, and what are the chances your defaults will be removed? What does success mean in the fine print?
- Can you afford any payments the credit repair company is expecting you to make towards the debts too?
- Will the debts be settled, or will you need to pay them separately? Removing a listing doesn't automatically get rid of the debt.
- Will it make a difference? If you have 3 default listings and only 1 is removed, it won't make much difference.

When lenders assess a loan application, they look at your credit report, but they also look

closely at whether you can make the repayments. If you are already in financial difficulty, paying to get your credit report changed is unlikely to improve your ability to get a loan.

## **If you have already signed up with a credit repair company**

**Get legal advice** if you're not happy with your credit repair company.

Ask the credit repair company to give you a copy of your contract and any voice recording made when you signed up.

You might be able to argue under the Australian Consumer Law:

- the services were not fit for your purpose
- you were misled or deceived
- the credit repair company acted unconscionably
- the contract terms were unfair.

Possible outcomes include:

- getting out of the contract (release from further payments)
- refund of payments made
- other compensation for loss.

These arguments are complicated and can be hard to establish. **Get legal advice.**

### **How to complain**

Your first step is to complain to the company's [internal dispute resolution department, you can find details on the Australian Financial Complaints Authority website](#).

If you cannot resolve your complaint with the company directly within 30 days, you can [complain to the Australian Financial Complaints Authority](#) through their website or by calling 1800 931 678. AFCA is a free and independent complaints service. [Read our factsheet about Financial Complaints to AFCA](#). Time limits apply.

Get legal advice by calling our Credit & Debt Legal Advice line on 1800 844 949 if you have any questions.

### **Need more help?**

[Read our Credit Report fact sheet](#)

[For a list of other resources, visit our Useful Links page.](#)

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