Glossary

Bankruptcy: When a person does not have enough money to pay their debts and cannot get more credit to borrow, they can file for bankruptcy. This may involve selling items off and making monthly payments to your creditors until you are discharged from your debt. The process may take over a year or more and you must pay a trustee to administer the process.

Collections: Agencies that go after people who have not paid their debts and try to get the money back for the lender

Credit bureau: A company that gathers information about you as a borrower and provides reports about your credit-worthiness

Credit check: A request to a credit bureau for a report about your credit worthiness

Credit limit: The amount of credit you have available to you. Your credit limit is shown on your credit card statement.

Credit rating: In a credit report, each of your accounts gets a rating. For instance, if you have a credit card and a car loan, you get ratings for each of these. The rating is a number from 0 to 9. A rating of 1 means you pay your bills on time and follow the terms of your credit agreement. A rating of 9 means you did not pay a debt and the account has been sent to collections.

Credit score: A score between 300 and 900 that credit bureaus use to rate the information in your credit report. Credit bureaus use a mathematical formula based on many factors to arrive at your credit score.

Creditor: Someone to whom you owe money

Credit worthy: Having a good credit ‘track record’. This makes it easier to get access to credit at lower interest rates.

Identity theft: When someone steals information about you and uses it to buy things or get cash in your name

Instalment credit: The kind of credit where you receive an amount of money all at once and then pay back in regular instalment payments until the balance is zero, such as a car loan

Not Sufficient Funds: (NSF for short.) What the bank calls a cheque that you write when there is not enough money in your account to cover it. This results in a penalty fee.

Open credit: The kind of credit where you get a bill in the mail monthly, such as a phone bill, and you are expected to pay it in full

Revolving credit: The kind of credit where you are given a limit up to which you can spend, such as a credit card.