

## Tips To Improve Your Business Credit Score

By Paul Surtees

### **Improve your company credit score and secure better deals for your business from lenders and suppliers.**

Building a strong company credit score has many advantages. Not only can it help you to source finance at competitive rates, but it can also help your business to secure more favourable payment terms with suppliers.

If you've had problems in the past with business credit then you may find that your credit score has been negatively affected, but the good news is that there's plenty of steps you can take to help get things back on track.

Read on to learn more about what you can do to help improve your company credit score.

### **NO NEWS IS NOT GOOD NEWS**

Although it may seem like a company without any history of borrowing has to be a good thing, it's a common misconception that can be a real headache for businesses further down the line.

Credit is offered based on the risk you present to each lender and if you've never taken on [business finance](#) in the past then it suddenly becomes very difficult for them to make an accurate assessment of your financial management.

Of course, other factors such as your turnover and assets will be taken into account when you make an application for credit, however your status as an unknown quantity to lenders could hold you back from the best rates available.

The same goes for suppliers who will want to carry out their own credit checks when you open a trading account with them. By being able to show that you have a reliable history of managing credit, you'll be able to negotiate more favourable rates and potentially a higher credit limit.

It's very important to ensure that all credit accounts you hold with suppliers and lenders are being reported to the relevant credit reference agencies. The more positive feedback on your credit history, the stronger your credit profile will be.

## **MAINTAIN A POSITIVE WORKING CAPITAL**

At the end of the day, any offer of credit is subject to you being able to show that you have the means to repay what you borrow in a timely fashion. If your income outweighs your liabilities then this positive cash flow will significantly help to boost your credentials.

The problem here is usually faced by start ups. On average it takes around 20 – 24 months for a company to file their first set of accounts which means that any lenders assessing your risk in the meantime will have almost zero trading history to base their lending decision on.

Monthly management accounts and financial projections can be used to support your credit applications during this initial period. There are even certain credit reference agencies who will attach these management accounts to your credit file, giving lenders an indicator as to where your business finances currently stand.

## **RESPONSIBLY MANAGE YOUR EXISTING CREDIT**

It may seem obvious to some, but nothing will help improve your business credit score more than responsibly managing your existing credit streams.

From credit cards and loans to supplier credit accounts and hire purchase agreements, making prompt payments towards your existing debts is the easiest way to give your score a boost. Each time a payment is made, these third parties will update your company credit file to reflect the responsible management of your account.

If you already have a company credit card in place for instance, don't be tempted to close it down thinking that this will help improve your score. Keeping your existing company credit cards open and in balance will continue to provide positive feedback on your credit history, irrespective of whether you're spending on it every month or not.

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