



creditsafe

UK Scorecard Guide

Overview

Each year, hundreds of millions of business decisions are based on data insight from Creditsafe. Our credit scores and limits are used by companies of all sizes within multiple industries to make fast and informed decisions, automate workflows and guide strategic direction.

We are proud to be the world's most used provider of commercial credit reports and make it our highest priority to deliver accurate data and highly predictive scores to our customers across the globe. As a result, we have invested millions of pounds in enhancing the scorecards across the Creditsafe Group, including the UK Scorecard.

We are extremely pleased to share with you the outcome of the UK Scorecard enhancement, which accurately predicts more business failures than ever before, whilst simultaneously granting more businesses a creditworthy score.



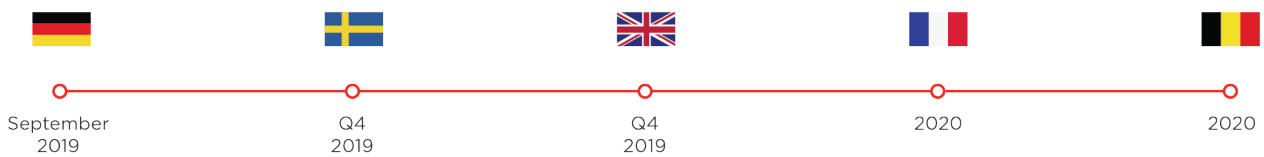


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International Road Map

Across the Creditsafe Group, we are planning and implementing new scorecards for the following countries:



What is a Scorecard?





Creditsafe Scorecards are a series of highly predictive algorithms created by our world-leading in-house Analytics Team. Using advanced statistical techniques, the team evaluate over 5 million rows of validated data from over 8,000 trusted sources globally. Each economic region within our group has its own bespoke scorecard built to accurately reflect the local characteristics and trends of the region.

For each country's scorecard, the team looked at companies within the country that have failed over the last 12 months and assessed the commonalities within these failures. Of the hundreds of variables evaluated, only those which are statistically indicative of failure or stability are compiled together to create the scorecard.

The scorecard is then applied to the current business population of that country and continually assesses each company as any changes occur in their circumstance. A Probability of Default (PD) for each business is determined by the scorecard which, in turn, assigns the corresponding score between 1 and 100, or A-D for its international score.



The Creditsafe Score Bandings

	71-100	Very low risk
	51-70	Low risk
	30-50	Moderate risk
	1-29	High risk

Segmentation of the UK business population

Companies come in many different shapes and sizes, from your local independent coffee shop to a supermarket giant. Understandably, these businesses will present a different set of characteristics when they are heading into difficulty and have a strong likelihood of failure.

The segmentation aims to define a set of sub-populations that, when modelled individually and combined, rank risk more effectively than a single model on the overall population in each country.

The main base for segmentation of the UK population is the size and legal classification of the company, in accordance with Companies House definitions.

Limited company scorecards

- 1 Newly incorporated companies
- 2 Micro companies
- 3 Small companies
- 4 Medium companies
- 5 Large companies
- 6 Public limited companies

Non-limited company scorecard

- 1 Non-limited companies

Why update the Scorecard?



Early indicators of risk or opportunity are a critical asset to the longevity and growth of any business. Yet, many early indicators vary over time; with constant changes to economic, social and political climates, some of the indicators that are predictive of failure today are likely to change.

Creditsafe continually enhance our scorecards to reflect current risk factors that have emerged within local economies. Assessing the entire business population, we have refined the indicators that commonly hold for commercial stability, and what is predictive of a company heading into difficulty.

Our new, more robust scorecard strengthens our ability to continually assess the predictability of variables and adapt the model in line with economic changes.



How the UK business landscape is changing

The last few years have seen significant shifts in the UK economy. Among the factors that have produced change and challenges for business have been global trends (including the continuing rise of developing economies, and now the increasing trade friction between the globe's two largest economies, America and China); the declining and often unstable value of the pound; and of course, the broader economic uncertainty engendered by Brexit.

The way we do business in the UK and the World has changed and continues to change. Our new scorecard reflects that. Through the scorecard, businesses will now have the information at their fingertips to make decisions in an instant.

The credit score of a business can be affected by multiple things. Some of them are impossible for a business to control – such as instability and change in the global and UK economy. Other factors that can shape a credit score include the movement of directors in a business, the debt levels that small businesses have, and even the Standard Industrial Classification (SIC) codes of businesses. SIC codes are used to classify the business activities of the company. Companies in the UK and other government bodies use the codes to identify what a company does and to sort them into their correct business categories – and a company's credit score can be affected by this. Business owners will know their VAT number, their invoice payment dates and company registration number, however, most business owners will not know their SIC code.

As business intelligence experts, we get asked all the time, "What can I do to improve my score?". There is no one clear answer as we take a multitude of factors into account.

A key concern for many small business owners is ensuring that they are complying with all relevant rules and regulations. We are seeing more companies filing accounts as a micro-entity which means that a higher proportion of companies than ever before are filing less and less information about their business.

The impact of a business disclosing less information is that it can become increasingly difficult for credit reference agencies to give accurate scores and limits.

With our new scorecard, we have been able to score companies more accurately. For example, many of those companies which previously had a lower score due to limited information, will now be granted a credit limit for the first time thanks to the strength of our new model and greater data availability. Additionally, GDPR legislation means that sole traders now have to opt-in for agencies like us to hold the information. As a consequence, more regular checks are made on us as a Credit Reference Agency to make sure we are compliant; this, in turn, means we are continually keeping the sole trader information as up-to-date as possible.

If you haven't given some of these factors much thought, you could be hurting your business credit score without even realising. It's worth thinking about, because – unlike, for example, a potential China-US trade war, these are things that you control.

The broader economic context that any business operates in is out of its control – and perhaps particularly so at the moment. But knowing and understanding how company credit scoring works is something that can be controlled, and it can and will help you get access to further credit for your business.



The power of Creditsafe UK's new Scorecard

We understand the impact that confidence can have on the growth of a business. Whether it be the confidence to seize new opportunities, or to turn those down that could in the long run harm your business. Rarely are decisions so black and white.

Our mission has always been to clarify business credit decision by giving you the knowledge and foresight to make confident and effective decisions. Thanks to our industry-leading Analytics Team, Creditsafe's UK scorecard consistently predicts the highest number of insolvencies.

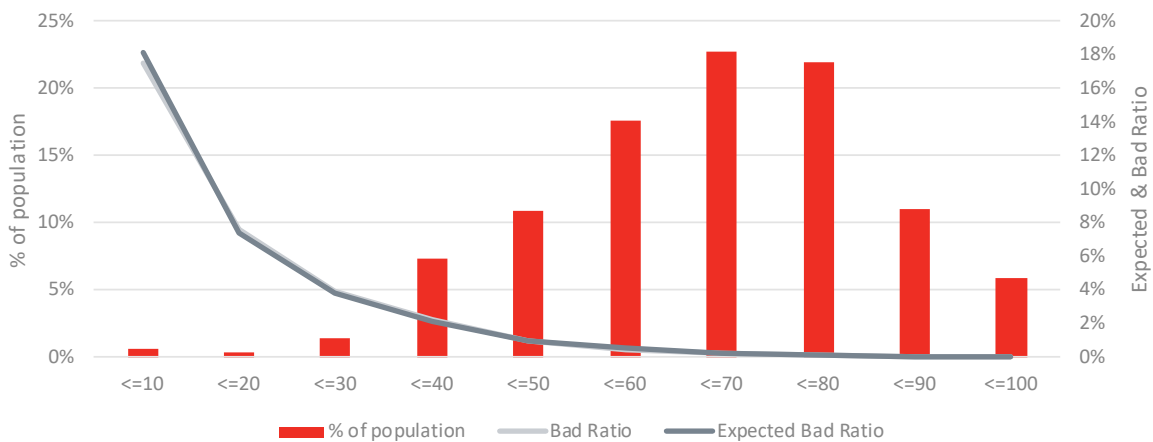
With the inclusion of new data sets and further scrutiny of relationships between variables, the new scorecard can more intelligently assess the stability of a business, even when information is limited. Consequently, fewer companies will fall into the high risk banding, but without impacting the scorecard's overall predictability.

For non-limited companies and small businesses, many of which had too little information to generate a score previously, the new scorecard better assesses their circumstance to grant them a more realistic score and credit limit.

Overall, we have achieved a more representative assessment of risk across the entire population. With this, we have reserved the lowest risk bandings for companies with a lower probability of default than before.

Our goal has been to open the way for even more opportunities, whilst also continuing to offer the greatest protection from bad debt. This offers you a choice; maintain your existing credit score cut-off point and accept even more business, or raise your cut-off point and keep the same level of business. Either way, the new scorecard enables your business to have even more control over the risks you take.

SCORE DISTRIBUTION





What is the definition of failure?

The Creditsafe score predicts the likelihood of a business failing over a 12 month period. Creditsafe considers the following criteria to be the definition of failure:

- » In Receivership / Liquidation
- » Administrator Appointed
- » Appointment of Liquidator
- » Meeting of Creditors
- » In Liquidation
- » In Administration
- » In Receivership / Administration
- » Administrative Receiver Appointed
- » Administration Order
- » Company is liquidated or is wound-up



The Probability of Default behind each score

What is the Probability of Default?

The Probability of Default (PD) is the anticipated likelihood of company default within the next 12 months in a percentage format. It will ultimately tell you exactly how stable any company is and more importantly, what the associated risk of trading with it is. We calculate the PD for each company individually based on their combination of characteristics.

To make the PD easy to read at a glance, we convert it into a simple score, which runs from 1 (highest risk) to 100 (lowest risk). It is important to note that the score itself is not a percentile score where the company database population is forced into certain positions to achieve a desired distribution. The score will still be created from the PD, yet there will be a range of PDs relating to each score.

The development of the new scorecard has resulted in the production of a new PD table which you can see on p.12. Below is a condensed table showing the PD range for each risk band from A to D.

Band	Min PD	Max PD	Min Score	Max Score	% of pop	Bad Ratio
A	0,01%	0,18%	71	100	36,2%	0,10%
B	0,19%	0,74%	51	70	39,5%	0,37%
C	0,75%	3,00%	30	50	20,5%	1,44%
D	3,01%	99,99%	1	29	3,8%	9,17%



Why is the Probability of Default important?

The Probability of Default will ultimately tell you exactly how stable any company is and more importantly what the associated risk of trading with it is.

The development of the new model and the new PD table means that it would be wrong to compare scores on a like-for-like basis. The underlying statistics have changed, the scoring model has changed and as a result, the meaning of the scores from 1 to 100 has changed.

This may result in a company receiving a lower score than previous on the 1-100 scale but the associated risk of this company defaulting will be lower. Therefore, a company's score can drop from 70 to 60 but for its credit limit to increase at the same time because the associated risks with the company are lower. It is important to note that this does not mean that all company scores will drop, as some companies will be scored higher than previously. However where score drops are noticed, the changes in PDs need to be referenced.



A new Probability of Default table

Score	Min PD	Max PD	Band	Score	Min PD	Max PD	Band
100	> 0.000%	<= 0.024%	A	50	> 0.719%	<= 0.770%	C
99	> 0.024%	<= 0.026%		49	> 0.770%	<= 0.825%	
98	> 0.026%	<= 0.028%		48	> 0.825%	<= 0.884%	
97	> 0.028%	<= 0.030%		47	> 0.884%	<= 0.947%	
96	> 0.030%	<= 0.032%		46	> 0.947%	<= 1.014%	
95	> 0.032%	<= 0.034%		45	> 1.014%	<= 1.086%	
94	> 0.034%	<= 0.037%		44	> 1.086%	<= 1.163%	
93	> 0.037%	<= 0.039%		43	> 1.163%	<= 1.246%	
92	> 0.039%	<= 0.042%		42	> 1.246%	<= 1.334%	
91	> 0.042%	<= 0.045%		41	> 1.334%	<= 1.428%	
90	> 0.045%	<= 0.049%		40	> 1.428%	<= 1.529%	
89	> 0.049%	<= 0.052%		39	> 1.529%	<= 1.637%	
88	> 0.052%	<= 0.056%		38	> 1.637%	<= 1.752%	
87	> 0.056%	<= 0.060%		37	> 1.752%	<= 1.876%	
86	> 0.060%	<= 0.064%		36	> 1.876%	<= 2.008%	
85	> 0.064%	<= 0.069%		35	> 2.008%	<= 2.149%	
84	> 0.069%	<= 0.073%		34	> 2.149%	<= 2.299%	
83	> 0.073%	<= 0.079%		33	> 2.299%	<= 2.460%	
82	> 0.079%	<= 0.084%		32	> 2.460%	<= 2.632%	
81	> 0.084%	<= 0.090%		31	> 2.632%	<= 2.816%	
80	> 0.090%	<= 0.097%	30	> 2.816%	<= 3.012%		
79	> 0.097%	<= 0.104%	29	> 3.012%	<= 3.221%		
78	> 0.104%	<= 0.111%	28	> 3.221%	<= 3.445%		
77	> 0.111%	<= 0.119%	27	> 3.445%	<= 3.683%		
76	> 0.119%	<= 0.128%	26	> 3.683%	<= 3.937%		
75	> 0.128%	<= 0.137%	25	> 3.937%	<= 4.207%		
74	> 0.137%	<= 0.147%	24	> 4.207%	<= 4.496%		
73	> 0.147%	<= 0.157%	23	> 4.496%	<= 4.803%		
72	> 0.157%	<= 0.169%	22	> 4.803%	<= 5.130%		
71	> 0.169%	<= 0.181%	21	> 5.130%	<= 5.478%		
70	> 0.181%	<= 0.194%	20	> 5.478%	<= 5.848%		
69	> 0.194%	<= 0.208%	19	> 5.848%	<= 6.241%		
68	> 0.208%	<= 0.222%	18	> 6.241%	<= 6.660%		
67	> 0.222%	<= 0.238%	17	> 6.660%	<= 7.104%		
66	> 0.238%	<= 0.255%	16	> 7.104%	<= 7.575%		
65	> 0.255%	<= 0.274%	15	> 7.575%	<= 8.075%		
64	> 0.274%	<= 0.293%	14	> 8.075%	<= 8.604%		
63	> 0.293%	<= 0.314%	13	> 8.604%	<= 9.165%		
62	> 0.314%	<= 0.337%	12	> 9.165%	<= 9.759%		
61	> 0.337%	<= 0.361%	11	> 9.759%	<= 10.387%		
60	> 0.361%	<= 0.387%	10	> 10.387%	<= 11.050%		
59	> 0.387%	<= 0.414%	9	> 11.050%	<= 11.750%		
58	> 0.414%	<= 0.444%	8	> 11.750%	<= 12.488%		
57	> 0.444%	<= 0.476%	7	> 12.488%	<= 13.265%		
56	> 0.476%	<= 0.510%	6	> 13.265%	<= 14.083%		
55	> 0.510%	<= 0.546%	5	> 14.083%	<= 14.943%		
54	> 0.546%	<= 0.585%	4	> 14.943%	<= 15.845%		
53	> 0.585%	<= 0.627%	3	> 15.845%	<= 16.792%		
52	> 0.627%	<= 0.671%	2	> 16.792%	<= 17.782%		
51	> 0.671%	<= 0.719%	1	> 17.782%	<= 99.999%		



Monitoring customers

Although the new credit scores will not be officially launched on our website until later this year, for customers who are monitoring large numbers of companies, we can provide you with a report detailing their old scores, new scores and any credit limit changes. Please speak to your account manager to request your report.

Please be aware that all scores are subject to change by the launch date. The score shared with you will be accurate as of the date requested and the businesses' circumstance at that time.



Book a consultation with a Creditsafe expert

A scorecard change can impact every business differently and we are on hand to help you navigate any adjustments.

Our Account Managers are happy to provide additional resources and information. If you foresee a large impact on your business, it may be possible to arrange an on-site visit.

Book a call or consultation with your account manager on [02920 886 500](tel:02920886500) to find out more about the services we offer.





FAQs & Support

We are here to support you with any questions you may have during this period and have set up a number of online and offline resources to help.

Scorecard Webpage

You can find details of our scorecard along with any new announcements and resources on our dedicated webpage:

<https://www.creditsafe.com/gb/en/scorecard.html>

Business Support

You can also reach out to our Support Centre to ask an individual question directly. Our team is available from Monday - Friday 9am – 5pm via phone, email or online.

 02920 886 500

 help@creditsafeuk.com

 [help.creditsafeuk.com](https://www.creditsafe.com)

Creditsafe Help Hub

You can find answers to scorecard FAQs on the Creditsafe Help Hub. Visit the Help Hub at: help.creditsafeuk.com Search for your question in the search box, or visit our dedicated Scorecard page within the FAQs tab from the home page.

Choose to 'Submit a Ticket' from the top right hand corner to compose your question. Once submitted it will be directed to the most appropriate department for a response.

Get in touch

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