

# Soft credit check vs. hard credit check: Understanding the impact on your credit score

Blog

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Credit checks are essential in finance, they can impact major financial decisions such as loan approvals or lease agreements. Understanding soft and hard credit checks is crucial for maintaining a strong credit score and making financial choices. In this blog, we will discover why credit checks are vital for maintaining a good credit score and understand the difference between a soft and hard credit check in order to navigate pre-approvals and protect your credit score from hard enquiries. We will conclude with our advice for maintaining responsible and smart usage to keep a strong credit score.

### **What is a credit check, and why does it matter?**

A credit check is an enquiry into your credit report, typically conducted by lenders, landlords or employers to assess your creditworthiness. It matters because your credit score, derived from the information in your credit report, influences the terms you're offered for loans, credit cards and other financial products. It reflects your financial responsibility and ability to manage debt.

### **What is the difference between a soft credit check and a hard credit check?**

Soft credit checks are enquiries that don't impact your credit score and are often used for pre-approval purposes, background checks, or by companies for promotional offers. Hard credit checks occur when you apply for credit and can slightly lower your credit score. They're typically associated with loan applications, credit card approvals and mortgage requests. Understanding when each type of enquiry is used is crucial for managing your credit effectively.

### **How to use soft checks for pre-approval without affecting your credit score?**

To check your credit without risking your score, consider using online pre-qualification forms offered by lenders or banks. This will give you an idea of what credit you might be eligible for, without affecting your score. You could also explore credit monitoring services that offer pre-qualification tools, they let you view credit options without impacting your score.

### **How can you prepare for hard credit checks when applying for credit?**

Before you apply for credit, it's smart to be prepared for hard credit checks. Start by giving your credit report a thorough check to confirm all the details are correct. It's also a good idea to lower any existing debt you might have, this can help improve your credit score. Be cautious about opening multiple accounts in a short timeframe, as this could make lenders wary. Take the time to research different lenders or credit card companies to understand what they're looking for in applicants. Only apply for credit when you're sure you meet their criteria, this will save you time and hassle in the long run.

### **How can I manage my credit score?**

Effectively managing your credit score is a balance of responsible financial habits and staying informed. To [improve your credit score](#), ensure you pay your bills on time, maintain low credit card balances, and avoid opening unnecessary accounts. Additionally, diversifying your credit mix with

different types of credit, such as credit cards, loans and potentially a mortgage, can strengthen your score. Don't forget to keep an eye on your credit score regularly. Free credit monitoring services or annual free credit reports from major agencies (For example: [Equifax](#), [Experian](#) and [TransUnion](#)) are valuable tools to help you stay on track and make informed decisions about your finances.

Understanding the difference between soft and hard credit checks is vital for managing your finances effectively. By using pre-approval tools wisely and preparing for hard enquiries, you can protect your credit score and make informed decisions. Responsible credit management and staying informed are crucial for financial success in the future.

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