

How to Get a Personal Loan with Bad Credit

Getting a personal loan with a poor credit rating is tough. Your chances of obtaining a loan are quite low as compared to someone with an excellent credit rating. However, that is not the end of the world. If you have a bad credit rating, there are **a number of alternative options available** to you.

How to find out if you have a poor credit rating?

You can find out your credit score by using **any online service** that offers personal credit ratings. If you don't have a credit history, you will still be treated as a risk. That's because lenders do not know whether you reliably return the money you owe.

You can have a bad rating for a number of reasons:

- You went bankrupt at some point in the past
- You were late with payments
- You missed debt installments
- You made several credit applications within a short span of time
- You have an IVA (Individual Voluntary Arrangement) or a CCJ (County Court Judgement)

Applying with a poor credit rating

Having a bad credit rating doesn't mean you can't apply for a personal loan. You have every right to file a personal loan application, but your **options may be limited**. You can use an **online comparison tool** to see which service suits you. You'll need to enter the desired amount you want to borrow, the repayment time period, and the purpose of the loan. The tool will then give you a range of options you can choose from.

Do pay attention, however, that the advertised rate is not necessarily the rate you will pay. That rate is reserved for the **top 51% of successful applicants only**. The remaining applicants pay a higher interest rate.

What are the alternatives?

If your loan application gets rejected or you think you cannot afford the interest rate on a loan, you can look at alternatives. For instance, **secured loans can be an option as they have a low interest rate**. However, the catch is that you have to **put some assets up, like your property, as collateral**.

It must be mentioned here that secured loans are often considered **riskier** than unsecured loans because in cases of default, the **bank can seize your property**.

There is also the option of obtaining a **guarantor loan**. In this case, someone with a good credit rating takes over the risk of repaying the debt should you be unable to pay it back.

How to improve your chances of getting a loan application accepted?

To improve your chances of obtaining a personal loan, simply **start working on your credit score**. Some companies offer special credit cards to improve credit scores. You should use the card as often as you can and repay the loan without incurring any interest payment. This way, you can improve your credit rating over time.

Here are some other ways to improve your credit score:

- Pay your bills on time
- Ensure you're registered on the electoral roll (so lenders can verify your address easily)
- Use less than 30% of your available credit limit

What to do after a loan application is rejected?

If your application is rejected, take the time to consider your options. Reapplying immediately to another lender will get recorded against your name. When lenders see repeated requests, it **raises a red flag** signaling that the borrower is finding it hard to obtain a loan from other companies.

The best way is to **start improving your credit score** as soon as you can and **look for alternative ways of funding** until you can get your credit score back to an acceptable level.