

# 3 things you should know about pre-employment credit checks

By Susan Johnston

If you've been unemployed for any length of time and struggled to pay your bills as a result, then those missed payments or defaults would likely appear on your credit report. But could those negative marks prevent you from landing your next job?

Some employers check job applicants' credit reports as part of their pre-employment background check, but the practice isn't universal. The Society for Human Resources Management (SHRM) found in a [2012 survey](#) that roughly a third of U.S. employers surveyed conduct credit checks on *some* employees and 13 per cent conduct credit checks on all employees.

Experts say pre-employment credit checks are less common in Canada. However, if you're applying for a job with the federal government of Canada, you should know that credit checks are now mandatory for all levels of security clearance as a result of the [Standard on Security Screening](#) that came into force in October 2014.

"Security screening is a fundamental practice that establishes and maintains a foundation of trust within government, between government and Canadians, and between Canada and other countries," Lisa Murphy, media relations, Treasury Board of Canada Secretariat for the government of Canada, said in emailed answer to questions. "The overall assessment of reliability considers an individual's trustworthiness in protecting government assets, information and facilities."



Whether you're applying for a public or private sector job, here's what you should know about pre-employment credit checks.

## 1. Employers must get your permission first.

Employers -- whether a government entity or private company -- must get your written consent before they check your credit. If an employer requests permission to view your credit report and that raises concerns, Henry Goldbeck, president of Goldbeck Recruiting in Vancouver, suggests asking your hiring contact what they are looking for in a credit report.

If they're concerned about defaults or multiple late payments and you missed a single payment a few years ago, you may have nothing to worry about. But if the issues are more serious, Goldbeck says it's better to address them proactively than wait for the employer to bring it up.

"If you know that the report will have negative information the employer may just decline to move forward with your hire and not give you the opportunity to present your case," he said in an emailed answer to questions. "Or they may believe that you were hiding something which puts you on the defensive when you are presenting your case."

Murphy said those applying for security clearance with the government would get the chance to respond to negative information on a credit report before a hiring decision is made.

### **2. Pre-employment credit checks don't lower your credit score.**

Hard inquiries on your credit report (for instance, when you apply for an auto loan or a mortgage) temporarily lower your credit score, but pre-employment credit checks do not.

"Credit checks conducted for the purpose of security screening are masked so that a negative effect does not occur on the individual's credit bureau file," Murphy said.

### **3. Credit checks are only one aspect of the hiring process.**

Fortunately, credit checks are only one factor that prospective employers consider.

"This is one part of a comprehensive assessment of information collected to determine reliability and trustworthiness," Murphy said. The fact that an employer is requesting a credit check could even be a positive indicator.

"Usually they are doing the credit check as one of the final hiring steps, which means they have decided they want to hire you," Goldbeck said.

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