Does checking your credit score help or hurt?

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January is filled with resolutions to start the new year off right, from exercise and diet to financial health. One area that may often be overlooked is checking your credit score, and according to new research, there may be a reason for that.

A new study sought to identify root causes for information avoidance, particularly around consumer finance matters. It found that when individuals receive negative information about their financial health, they are less likely to want additional information.

The study, to be published in the latest issue of the INFORMS journal *Marketing Science* is titled "Can Facing the Truth Improve Outcomes? Effects of Information in Consumer Finance." It is authored by Jessica Fong of the University of Michigan and Megan Hunter of Boston College.

The researchers looked at a consumer financial tracking website where consumers receive free credit reports when they log on each month. The study found that 38% of the users did not return after receiving their first credit report.

"We wanted to find out why those users did not return," says Fong. "So, we decided to focus our research and answer two questions: What drives an individual's demand for information? And, how does information affect outcomes?"

Hunter adds, "We found that the larger the user's perceived drop in credit score, the less likely they were to view their updated credit report in the future. Those who received information on a declining credit score represented the majority of those who did not check their credit score again."

To answer their second research question on the impact of information on outcomes, the authors used A/B analysis of emails that were sent to individuals about their credit scores.

"On average, users who had declining credit scores prior to checking their credit report experienced a 23-point decrease in credit score after viewing their updated report, whereas users who had non-declining credit scores experienced a nine-point increase in their credit score after viewing their updated report," says Fong.

The researchers also analyzed the outcomes for individuals who did not check their credit scores again.

"It's interesting that one of our findings is that avoiding information may actually be helpful to some users in increasing their credit score," says Hunter. "Avoidance of repeat exposure to a negative score may better allow them to concentrate on solutions and improvement."

The researchers said that their study results suggest that consumer finance firms that target only those with decreasing credit scores with retention emails may trigger more individuals to leave their platforms. A better approach may be to direct emails to all users or users with increasing scores.

More information: Jessica Fong et al, Can Facing the Truth Improve Outcomes? Effects of Information in Consumer Finance, *Marketing Science* (2021). DOI: 10.1287/mksc.2021.1298

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