

## Most Personal Loans "To Buy Cars"

*The majority of personal loan customers use their borrowings to fund the purchase of a vehicle, new figures have indicated.*

July 2, 2007 (FPRC) -- According to research carried out by Alliance & Leicester, one in four (25 per cent) consumers use a personal loan to buy a second-hand car, with 12 per cent borrowing the money to help them purchase a brand new vehicle. Meanwhile, some three per cent of respondents took out a loan to fund the acquisition of a motorbike or caravan.

Commenting on the figures, Richard Al-Dabbagh, senior personal loans manager for Alliance & Leicester claimed that it "isn't too surprising" that "a lot of people" are looking to use personal loans to fund such purchases. He argued that many forecourt finance deals are uncompetitive with an average annual percentage rate (APR) of about 20 per cent, compared to loans from other providers which offer a typical APR of around six per cent.

"A little more surprising, perhaps, is that a small but growing number of people are getting a personal loan to purchase a caravan. These might be an eco-minded few, but it seems an increasing number of people are turning their backs on airport queues, train delays and other negative holiday certainties," he added.

Meanwhile, using a personal loan as a means of debt consolidation was reported to be the second most popular use of the product among those surveyed. According to the financial services firm, 34 per cent of borrowers are looking to reorganise their finances by converting debts accrued from various forms of borrowing, such as credit and store cards, into a single monthly repayment.

Those living in London and the rest of the south-east of England were reported to have a higher than average take-up of personal loans for debt consolidation purposes, with 36 per cent borrowing for this reason. Whereas consumers in the north-west are said to be the most likely to borrow money to help pay for a "holiday of a lifetime".

The study also showed that some one in five of borrowers (20 per cent) surveyed use loans to carry out home improvements. However, this proportion rose to 23 per cent for people living in Scotland.

For funding a wedding, people in Northern Ireland were found to be most likely in the country to look towards a personal loan. Meanwhile, figures released by moneysupermarket.com earlier this month revealed that 15 per cent of potential brides and grooms plan to take out a personal loan to fund their big day. About 41 per cent of couples intend to use credit cards to finance their wedding.

Earlier today, a study released by the Consumer Credit Counselling Service indicated that personal loans account for 56.4 per cent of debts owed by Britons aged between 18 and 24, in comparison to 39.9 per cent of 40 to 59-year-olds. Overall, young people were reported to be in an average debt of £12,790, with credit card and overdraft use responsible for some 28.5 and 7.3 per cent of borrowing respectively.

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