

Career Development Loan Applications Still Credit Checked

Taking out a Career Development loan still requires the same credit checks to be carried out...

July 24, 2007 (FPRC) -- Britons looking to take out a loan for the purpose of career development will find themselves judged in the same way as if applying for personal loans at a bank, a spokesperson for the Co-operative Bank has said.

Career development loans can be used to help people acquire new job skills, training, qualifications or experience integral to them getting a new job or even launching a new career, according to the Directgov website, yet Andy Hammerton from Co-operative Bank has ruled out any suspicion that it is easier to get a career development loan than a personal loan when it comes down to the matter of credit history.

"If they [an applicant] had a very, very poor credit history then we wouldn't accept them just because it's a career development loan, they still have to be credit scored. We have to be a responsible lender," Mr Hammerton said. "A credit score in the past is usually a good indication of what's going to happen in the future, so if somebody's been a poor credit risk previously, just because they're taking a course doesn't necessarily mean they're going to be a sound credit risk in the future. They need to have a reasonable credit record."

The Co-operative Bank is just one of the lenders offering career development loans, according to the government website, with the Royal Bank of Scotland (RBS) and Barclays also providing these specialist credit options. Such loans range anywhere from £300 to £8,000 and cover a maximum of three years of learning.

Also highlighted by Mr Hammerton was that a career development loan was not the route to take for consumers looking for the cheapest loans on the market, with personal loans providing a much more likely route to cheap credit for British borrowers. He said that due to the personal loans sector being "a very competitive market at the moment", there were "cheaper" loans available than the career development-specific ones.

However, if competition is the driving force behind loan costs, it is unlikely that the cost of career development loans is going to fall in the near future. As the spokesperson noted, there are only three "players" in the market, with RBS, Barclays and the Co-operative Bank having not been joined by any newer entrants. "There's nowhere near the competition that you see in the [personal] loan market," Mr Hammerton added, although he did suggest that loans could be found "for six per cent, seven per cent" if you were looking to pay the loan back quickly.

In May this year, Moneysupermarket.com said that loans were at their cheapest rate for four years, with the company's head of loans, Tim Moss, going further by saying that cheap loans had "never been so cheap". This was calculated on the difference between the base rate of interest, set by the Bank of England's monetary policy committee, and the interest rate on the cheapest loan. Mr Moss added that profit margins for the providers of such financial products were "narrower than ever".

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