

Consolidation Loans Advised For Those Struggling With Credit Card Costs

Those owing money on credit cards should look to combine their debts into a single loan, an industry expert has recommended.

August 7, 2007 (FPRC) -- According to Adrian Kidd, spokesperson for Mint Financial Services, opting for a debt consolidation loan could be a more competitive option for borrowers who are trying to pack debts previously run up on a number of plastic cards. He added that those who choose to get such a loan are also set to be liable to pay a much lower annual percentage rate (APR) of interest than their card-using peers. After their zero per cent introductory offers are over, the average APR on a credit card is reported to be 17.9 per cent, more than twice the typical amount than "decent" cheap loans currently attract.

He said: "It's a good thing to put in all in one lump sum because it protects your credit score as long as you maintain the payment and also allows you to pay off the capital. At least with a loan you are given the time and you know that within five or seven years it will be gone, whereas just paying the interest every month without clearing the balance is a fairly suffocating process. It's good to get it all into one deal."

Meanwhile, Mr Kidd recommended that as soon they are granted a loan, people should "cut their credit cards up". This way, the financial expert claimed that consumers will be able to avoid the temptation of running up debts on the plastic again and prevent developing difficulties with their finances once more within a few years' time. He suggested that those people who do not get rid of their cards "never really make any progress" as they may look to fund a summer holiday or spending over the festive period through finance.

The firm's representative added that Britons who look to consistently switch cards in an attempt to remain on zero per cent deals could actually be damaging their financial history. By changing suppliers every six to 12 months, Mr Kidd suggested that lenders could actually impair prospective consumers' future access to borrowing as "it can take its toll on your credit score". He also pointed out: "Sometimes you can actually be turned down for a mortgage based on that."

Earlier this year, a study carried out by Mintel showed that consumers are underestimating how much money they owe. According to the market research organisation, the average borrower claims to have unsecured debts of £5,251. However, the firm cites Bank of England research indicating that the typical Briton is some £10,300 in arrears. Although those who have taken out secured loans are reported to have a more accurate idea of what they owe, Mintel suggested that the results still indicate that consumers "are wildly underestimating" their monetary standings. Senior finance analyst Toby Clark claimed that as "it is a lot easier to keep an eye on a single mortgage, than it is to juggle a couple of credit cards, a personal loan, a car loan and maybe even an overdraft as well", more needs to be done to improve the country's financial education.

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