

Overspending 'Could Lead To A Bad Credit Rating'

Britons could be placing increased financial pressure on themselves in an attempt to keep up with the Joneses, it has been reported.

August 18, 2007 (FPRC) -- In research carried out by CreditExpert, about one in five people (19 per cent) admit to overspending due to peer pressure. And by attempting to show off to family and friends through purchasing luxurious items such as designer clothes and flash cars, a total of 45 billion pounds is being spent just to keep up with the lifestyle of those around them. Meanwhile, the average consumer was reported to be spending 5,874 pounds beyond their means every year.

Findings also revealed that 37 per cent of Britons overspend for fear of not fitting in with those around them, as 48 per cent of respondents feel pressured into splashing out more money on presents for loved ones than they had originally intended. In addition the study indicated that men are overspending on their cars by 1,964 pounds per year, with women shelling out an extra 1,068 pounds. Just over a third (38 per cent) were also shown to be spending more than they would have liked on presents for their work colleagues.

However, managing director Jim Hodgkins claimed that such a lack of control over their finances could see consumers damage their credit rating and cut off their access to competitive borrowing in the future. Consequently, this in turn may lead them to take out a bad credit loan.

He said: "It's staggering to see how much we're overspending just to keep up with our peers. While it's great to be generous at the bar or on a date, we should be spending because we want to and not because we feel pressured. Spending beyond your means because of peer pressure can result in mounting debts which could lead to a bad credit rating and, unfortunately, if your credit rating is unattractive to lenders, they will be less inclined to offer you credit - which means you could then miss out on the new car or flat you've fallen in love with."

The research, which surveyed some 1,450 Britons, showed that young people are the mostly likely to give in to purchasing peer pressure. An estimated 41 per cent of those aged between 18 and 24 claim that they spend money so as to maintain a certain lifestyle, in comparison to the national average of 19 per cent. Just under two-thirds (59 per cent) of consumers in this age bracket say that a desire to not 'miss out' was the reason for spending beyond their means.

Meanwhile, people living in London could be facing the most pressure on their day-to-day finances as a quarter of those living in the capital claim to have spent more cash than they had intended to because of social pressures. On the other hand, some 14 per cent of consumers from Scotland and the north-east of England were reported to have spent money when they did not want to.

However, James Jones, consumer affairs manager for Experian, recently suggested that those taking out bad credit personal loans in a bid to reorganise their outgoings should get a copy of their financial history. By doing so he claimed consumers can check for any discrepancies in their file and identify where a change in their circumstances has previously affected their ability to pay off debts - with this possibly helping to determine what rate of interest loan providers decide to set.

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