

Store Card Treats ‘Can Turn Out To Be Tricky’

With Halloween approaching apace and the festive season hot on its tail, Nationwide has been investigating whether store cards are good for treats or an industry trick on UK consumers.

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The Nationwide building society has suggested that, while up-front offers may be tempting, store card providers often include nasty catches which can see buyers paying far more for their goods and services than they initially intended. According to the firm, “bewitching” introductory offers such as ten per cent off at the point of purchase are often no more than a mask for high interest rates. Indeed, it is possible that for substantial spending such as that required in the run-up to Christmas, consumers might be better off investigating low rate loans.

Nationwide adds that planning ahead can really help consumers to avoid getting into a situation where they owe significant sums. Store card users who pay off their balance each month are more likely to avoid high costs in the long run as they will avoid accruing interest on their borrowing. However, it stresses, anyone unsure about whether they could make payments would be better looking elsewhere for a lending source, such as to providers of low cost loans.

Jeremy Wood, divisional director at Nationwide, said: “Although store card introductory offers look great at face value, borrowers who are unable to clear their balances each month could find that they are paying over the odds.”

The firm adds that, at their worst, store cards can as much as double the amount of interest payable on borrowing - hardly one of the best loans available. Chief culprits for such high interest borrowing include Miss Selfridge, Burton and Dorothy Perkins, all of which charge interest at an annual percentage rate of 29 per cent.

Such warnings may be of particular value to young people experiencing trouble with debt - especially given recent warnings from the Office of Fair Trading. In the build-up to its Young Consumers of the Year awards, the consumer protection body states that 18 to 24-year-olds owe an average of 12,790 pounds on credit cards, overdrafts, personal loans, store cards and catalogue debt among other borrowing. The office focused on research conducted by the Credit Counselling Service which indicated that store cards and catalogue buying were more likely to be embraced by young people than their older counterparts. However, in contrast, older people were more likely to have spending accrued on credit cards.

And recent research from NatWest indicated that young people might jump at the chance to gain better control of their spending and money management. The personal finance institution found that young people between 11 and 18 were worried about their lack of understanding of money matters such as why they should spend time seeking the best loans. However, external sources look more reliable to the demographic, since 51 per cent of 14 to 16-year-olds do not consider advice from their parents sufficiently well informed or up-to-date to be useful.

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