

Quarter Of Teenagers ‘Would Fund Big Purchase With Loan’

Teenagers prefer loans and credit to make large purchases...

November 6, 2007 (FPRC) -- Almost a quarter of teenagers (24 per cent) would use personal loans or similar credit system to make large purchases, such as a car or a house, according to the latest research from the Nationwide Building Society. The building society conducted the study into young people and their finances ahead of the launch of a book about ways to manage money - *The Teenager's Guide to Money* - which is sponsored by Nationwide.

According to the research, two-thirds of teenagers do not feel they have a good knowledge of finance, with half of them using the internet to find out information about certain financial issues that they do not understand fully. Just over a third (38 per cent) would turn to their school for information, with the majority (83 per cent) using their parents or guardians as a knowledge source.

“We are in danger of seeing the young people of today grow up without the confidence or understanding to make informed decisions about their money and plan for their financial future,” said Stuart Bernau, executive director of Nationwide. “The government has been working hard to provide every young person in the UK with a solid financial education. Following the publication of the Leitch report earlier this year, skills have been placed firmly on the agenda.”

Despite this, Mr Bernau has said that many teenagers will miss the opportunity of financial education in school and will therefore face a “complicated and perhaps daunting” situation when it comes to dealing with their own finances, which could include credit such as a personal loan.

One in five teenagers do not consider debt as a bad thing, Nationwide found. Around a third of these (32 per cent) stated the reason for this was that “everyone is in debt these days”. This could suggest that teenagers of today will take on more cheap loans or quick loans in the future, something Nationwide is keen to ensure they do only once fully aware of how to manage them.

“We want the next generation of homebuyers and investors to use credit to their advantage and make the most of their savings. Through financial education we can equip today's teenagers to make the most of their money,” Mr Bernau said, again emphasising the need for the nation's young people to be taught responsible ways to look after and manage their personal finances.

Almost half of those surveyed (46 per cent) did not know what an overdraft was, knowledge that is often crucial for those heading off to university. Another issue facing university candidates is what student bank account to choose, with an indicator of how the current generation of teenagers will act illustrated by the fact that 19 per cent chose their current bank account on what gifts or incentives were provided.

Last month, research from Halifax revealed that 11 per cent of parents were looking to take out a personal loan in order to support their child through university. Ten per cent were found to be considering the remortgage of their property to pay for their offspring's studies.

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