

Christmas Has 'Extraordinary Impact' On Finances

Concerns about the turmoil witnessed in the financial markets is to see many Britons attempt to rein in their spending in the build-up to Christmas, a new set of figures indicates.

November 29, 2007 (FPRC) -- In a study carried out by Cornhill Direct, just under a third (30 per cent) of consumers state that they are going to spend less money during this festive season as a result of the recent credit squeeze. Following the event, a number of financial providers have increased the rates of interest attached to their loans and other borrowing products, in addition to withdrawing a number of offers.

Pointing to research conducted during last Christmas, the insurance company revealed that the typical person spent some £2,114 during the yuletide period, a fall of 4.1 per cent from the £2,200 recorded in 2005. Overall, the largest area of spending was on presents, where an average amount of £1,059 was spent relatives, friends, work colleagues and other people, with a low cost loan one possible way of funding such spending. Meanwhile, £445.21 and £193.66 was spent on festive food and Christmas parties respectively. Further research from the firm also revealed that just over £34 was splashed out on wrapping paper last year and £92 on new outfits.

Meanwhile, about one in three Britons claim that they go into the red every Christmas, whether this is via overdrafts, loans, credit cards or other means. Furthermore, financial problems appear to be even more pronounced for the ten per cent of these consumers who state that they are still making repayments on debts 12 months after overspending during the festive season. And as a result of events such as the Northern Rock collapse, the global credit crunch and the base rate of interest staying at 5.75 per cent, the firm suggested that spending could be set to fall even further this Christmas.

Commenting on the study, Simon Coughlin, a spokesperson for Cornhill Direct, said: "It seems extraordinary that one day in the calendar can have such an impact on people's finances." However, he warned that unless homeowners take sufficient security precautions with their property and ensure that they amend their insurance policies, many may come under even more monetary pressure. Pointing to official crime statistics, Mr Coughlin stated that levels of domestic burglary rise during the winter months. As a result, he reported the need for people to be "even more security conscious than usual", as the cost replacing items that have been stolen during Christmas could impact on their ability to make home loan and mortgage repayments.

Consequently, both those looking to reduce pressure on their spending in the run-up to Christmas and people replacing stolen items may wish to consider a low cost loan as a means of helping them to get to grips with their money. For the former, using a loan as a means of debt consolidation could leave borrowers with more disposable income, while for the latter a low rate loan may provide an effective means in which to fund purchases. Applying for a loan may also be particularly helpful for those concerned how they will manage finances as the festive season approaches. Earlier in November, research by Nationwide showed that just 14 per cent of people saw this month as an ideal time to make a large purchase, with a loan one way in which to help with spending.

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