

Low Income Families 'Struggling With Finances'

Millions of Britons are targeted by unscrupulous loan lenders, new figures reveal.

December 12, 2007 (FPRC) -- In research carried out by Save the Children, some 2.3 million people who earn a low income are taking out loans from providers who charge annual rates of interest as high as 183 per cent. According to the charity, such parents choose to borrow from doorstep callers in an attempt to reduce pressure on their finances as they are unable to access low cost loans and other forms of credit. However, it was suggested that opting for such borrowing could see people develop even more financial problems in the future, as they can end up paying back £840 on a loan of £500. Overall, it was suggested that more than a million British children are living in severe poverty - which is the equivalent of an adult and two children surviving on just £19 per day.

Research from the firm also indicated that about a third of those households which develop difficulties in paying back loans and other types of credit claim that they are unable to afford to buy decent shoes and clothes. Meanwhile, 25 per cent of those questioned state they struggle to meet the cost of purchasing food while one in five develop problems meeting the cost of heating their homes. Out of all the households living in severe poverty, about three out of four (74 per cent) state they cannot replace worn-out furniture, while over 90 per cent cannot afford to go on holiday.

Commenting on the figures, Jason Strelitz, author of the report, said: "We have found that there are two times in the year when families are most likely to need extra cash - during the summer holidays when children are off school and need extra meals and at Christmas when the heating has to be on all day."

He added: "Doorstep lenders exploit poor families' inability to get credit from more mainstream lenders and they cover their risk in lending to the less well-off by charging punitive interest rates. The core problem is not the companies themselves, but the poverty that forces people to use them."

As a result, the charity advised that the government should supply grants of £100 each to every child which is living in poverty, one in the summer and another in the winter months. In doing so, Mr Strelitz suggested that some 440,000 children could be lifted out of poverty, while many parents may find that they are in a better position to cope with the various demands on their finances such as loan repayments, credit cards and utility bills.

Those families looking to get to grips with their money management difficulties may be advised to seek out a cheap loan from a responsible financial provider, charging a competitive rate of interest. Earlier this year, Chiltern spokesperson Joanne Gill advised that consumers often find that pressure on finances is "particularly pronounced" in the run-up to Christmas. As a result, applying for a cheap personal loan could be one way in which to reduce such strains.

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