

Debt Consolidation Loans Are ‘Effective’

Applying for a debt consolidation loan can be a useful means for people to get their finances back on track, an industry expert has suggested.

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According to Iain Wrenshall, director of Debt Help UK, taking out a debt consolidation loan can help borrowers get out of the red effectively. In doing so, consumers can meet a number of demands on their spending quickly by merging them into a single low-rate monthly repayment. Resulting from this people may well discover that they have more disposable income. The director stated that the first few weeks of a year often see an increase in the numbers of people looking to get to grips with their spending as various financial difficulties come to “a head” after the Christmas period.

He said: “Generally speaking, a consolidation loan is acceptable if you are going to consolidate several expensive credit card bills or loans to a better interest rate and therefore a lower monthly commitment and where you are confident that the loan repayments are affordable.”

Mr Wrenshall added: “A consolidation loan can be very effective, because under the right circumstances it can lower your expenditure and make your borrowings cheaper, making them more affordable. It can also offer financial structure, allowing people that would otherwise struggle with several different commitments to maintain those commitments with a single - and possibly lower - payment.”

The Debt Help UK director went on to predict that there will be a “steady growth in the volume of insolvencies” over the course of this year, as more people look to bankruptcy and individual voluntary agreements to get their money management under control. However, consumers may discover that applying for a debt consolidation loan is a more effective means of help with finance. By getting this type of assistance they could be able to avoid the damage to their credit file that filing for bankruptcy may entail. Thus a consolidation loan might help borrowers to access cheap loans and other types of competitively-priced credit in later life with greater ease.

In addition, he put forward that 2008 will see “significant instances where people will be coming to the end of their fixed-term mortgage agreement”. Mr Wrenshall claimed that, following a time of low interest rates, the series of rises actioned by the Bank of England over the past 18 months will see consumers’ monthly repayments rise as their mortgage deal expires. In turn, it was stated that this will place more pressure on their budgets, which may impact upon their ability to meet other demands on spending such as credit cards, loans, household bills and overdrafts. For such people, a cheap consolidation loan may prove particularly useful.

Meanwhile, he claimed that the recent credit crunch has seen the withdrawal of a number of specialist mortgage products developed especially for those experiencing financial difficulties, by using the equity in their property as a means of debt consolidation. Thus, consumers who are concerned about their capacity to manage their money over the course of 2008 could be advised to act sooner rather than later and apply for a debt consolidation loan as soon as possible.

This type of loan could prove to be of particular benefit, not just by easing consumers’ financial

pressures but also by helping them in the workplace. In November, Tony Urwin, occupational psychologist and general manager for Bupa Psychological Services and Bupa Wellness, reported that increasing numbers of Britons are developing problems in meeting the various constraints on their spending such as household bills, store cards, loans and overdrafts. He went on to suggest people who are struggling with their finances often feel pressurised and unable to cope, symptoms which are then transferred into the workplace where they may become short-tempered and are unmotivated. In turn, applying for a debt consolidation loan may help borrowers to get spending under control and alleviate stress.

All About UK Loans providing you with breaking debt consolidation loans news.

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