

Borrowers 'Should Be Ready To Switch For A Cheaper Loan'

British borrowers could save over £1 billion in interest by switching to a more competitively-priced personal loan, new research indicates.

January 26, 2008 (FPRC) -- In findings by uSwitch.com, it was revealed that by transferring expensive borrowing to cheap loans mid-term, consumers could be a total of £1.25 billion better off. According to the price comparison website, those who opt to move a loan of £8,000 repayable over a five-year period to one of the best offers on the market could save up to £180. It was also suggested that in shifting from an average loan charging an annual percentage rate (APR) of 10.9 per cent to a best-buy loan at 6.5 per cent, an estimated £830 in interest could be saved.

Commenting on the figures, Mike Naylor, personal finance expert at uSwitch.com, said: "In such a volatile unsecured personal loan market, five years is a long time to stick with the same provider as rates fluctuate constantly." He pointed out during the last six months of 2007 more than 30 financial providers increased rates on their loan products by an average APR of one per cent. However, following the decision by the Bank of England's monetary policy committee to cut the base rate in December, the finance expert claimed that eight "major lenders", including Sainsbury's, Barclays and Alliance & Leicester have reduced the amount of interest attached to their loans.

Mr Naylor stated that such moves could mark the start of an increasing availability of cheap loans. "With more base rate decreases predicted over the next 12 months it's possible that we may see other providers following this example and offer more competitive deals than those available last year," he reported.

However, the findings indicated that although significant savings are available many consumers are unwilling to switch to cheap loans. An estimated 2.5 million borrowers claim they would not change to a different provider as they think it will not prove to be very worthwhile. Six per cent, meanwhile, are not aware that they can transfer their loan balance. A further 1.6 million people state that moving is too much hassle. Despite such apprehensions, it was revealed that a quarter of loan providers allow consumers to transfer borrowing without any charges, while two-thirds apply just one month's interest - about £39.

And although more than half (60 per cent) of Britons have changed their credit card provider doing the same for loans, Mr Naylor stated, "is not a practice that consumers are familiar or comfortable with", although in reality it can be quick and often save borrowers money.

The uSwitch.com expert declared: "While they still can, consumers should give loan providers the wake-up call they need and move their business elsewhere if better deals become available. Whilst consumers continue to display this level of apathy, loan providers will rub their hands together with glee and continue to profit from the not so tarty loan customers."

The price comparison website went on to suggest that with utility bill prices and fuel costs increasing, in addition to decreasing house values, borrowers should be conscious that "every penny counts". It was also claimed that levels of disposable income at their lowest for a decade.

Mr Naylor also advised those looking to get a cheap loan to take the time to make use of a price

comparison website to make sure that they can the best deal possible. In addition, he stated that prospective borrowers should not automatically opt to borrow from the firm providing their account and that online loans are often more competitive than those offered over the counter in banks and building societies.

Those looking to access a low-rate loan may also be advised to check whether payment protection insurance (PPI) is automatically included when they look at deals offered. Last year a study by Which? Money revealed that over half of personal loan lenders added PPI into their costs even though getting such cover is not necessary. Editor of the publication Martyn Hocking claimed that if borrowers do want this protection they should ask for it to be removed.

In turn this could lower monthly repayments, thus providing a cheaper loan.

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Contact Information

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