

Debt Consolidation Loans Described As A Welcome Lifeline

Taking out a debt consolidation loan can be helpful for those consumers who are struggling with numerous constraints on their finances, one industry expert has stated.

April 2, 2008 (FPRC) -- David Kuo, head of personal finance at Fool, claims that by applying for a loan as a means of debt consolidation people may find that they are able to merge the various demands placed on their money by unifying them into a single monthly repayment.

In getting a debt consolidation loan, borrowers could well discover that they are able to meet spending commitments such as credit and store cards, utility bills and any existing loans that they have taken out into one affordable monthly repayment. This may leave them with more disposable income at the end of each month.

However, despite the potential financial benefits that debt consolidation loans can bring, the personal finance expert advised prospective borrowers to be careful with their loan and to avoid going further into the red.

He said: "Rolling up several expensive debts into one affordable monthly payment can make sense if you are faced with a myriad of claims on your money. But a study by Fool showed that three out of five people who take out consolidation loans then go on to run up further debts. So while consolidation loans can be a welcome lifeline, you need great discipline to stop it from being a noose around your neck."

Pointing to a recent piece of research by the personal finance publication, Mr Kuo also revealed that four out of ten Britons have applied for a loan for the purposes of consolidating their level of indebtedness. Meanwhile, one out of eight people were indicated as borrowed to pay for a wedding, with about the same proportion also looking to credit to help finance the purchase of a holiday home. Overall, the average consumer applying for a loan was shown to take out 7,000 pounds.

Meanwhile, those considering taking out a loan were advised to take the flexibility with which they will be able to make repayments into account when choosing a product. Mr Kuo recommended that borrowers should attempt to get a loan that allows them to make early repayments, so helping to reduce the overall cost of their loan. In addition, he claimed that people should compare loans on the total amount of money which is repayable instead of the annual percentage rate which is charged.

For those consumers who find that they are struggling with managing their money, taking out a debt consolidation loan may prove to be of assistance. By selecting this type of loan borrowers could discover that they can merge numerous demands on their spending into a single low-cost monthly repayment. However, ahead of making an application for a loan it may be advisable for consumers to ensure that they have a good credit rating. Last month moneysupermarket claimed that the current "must-have accessory" is a glowing financial report.

By making sure that such a document presents them in the best light - and that any errors are rectified quickly - it is possible that consumers could improve their chances of securing cheap loans.

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