

Rise Recorded In Personal Loan Costs

Consumers are finding that numerous avenues of borrowing are becoming increasingly expensive, new research shows.

April 28, 2008 (FPRC) -- During the current period of strain on the financial markets, Moneyfacts reveals that it is not just mortgage products which are getting to be evermore costly as financial services firm tighten their application criteria, withdraw their most favourable deals and increase interest and fee charges. The same is also happening to personal loans. Research carried out by the personal finance publication revealed that since the start of 2008 over half of those money lenders which offer such loans have changed their rates.

Those providers which have increased their rates were shown to include Black Horse. At the start of this year the firm charged 16.9 per cent in interest on a 1,000 pound loan repayable over a 12-month period. However, interest now stands at 27.9 per cent, causing the overall repayment to be made to increase by 52 pounds and 68 pence. Meanwhile, interest on a 7,500 pound loan from the same supplier paid over five years has gone up from 11.9 per cent to 16.9 per cent during the space of four months.

Loans of more expensive amounts were also shown to have increased. For those borrowing 25,000 pounds from NatWest during a five-year period, the average monthly repayment has gone from 497 pounds and eight pence to 514 pounds, as the interest charged has gone up to 8.9 per cent. Over the duration of the loan, the increase means that an extra 1,015 pounds and 20 pence in repayments will have to be made. Meanwhile, loans of this amount were also indicated as rising for those offered by Northern Bank and the Royal Bank of Scotland.

Following on from facing increased costs when making repayments on personal loans, it may also be likely that borrowers come under additional strain to meet other demands on their spending in areas such as credit cards, household bills and mortgage payments.

The personal finance publication stated: "It's not only mortgage rates that continue to increase, so too have the rates and monthly repayments on personal loans. In the last two weeks alone we have seen Barclaycard (+0.50 per cent), Lombard Direct (+1.0 per cent), the AA (+0.10 per cent), NatWest (+2.50 per cent) and Tesco Personal Finance (+0.6 per cent) all push selected rates upwards. On top of this Barclaycard has pulled the one time best buy product offered through its Masterloan brand."

As such, those looking to take out a cheap loan were urged to take the time to shop around for a competitive deal and avoid assuming that their bank will automatically provide them with the best offer possible. Meanwhile, borrowers were advised that the typical rate a loan is advertised at may not be the one they actually receive. In addition, it was claimed that taking out payment protection insurance from a loan provider can be "very expensive" and that should consumers wish to protect their repayments they should take out cover from an independent supplier.

For Britons who are struggling with their finances, taking out a cheap loan as a means of debt consolidation could be advisable. After securing a low-rate loan, consumers might find that they are able to merge numerous financial constraints into a single affordable monthly repayment. A debt

consolidation loan could prove to be particularly effective for a number of homeowners after a recent Defaqto study showed that loading above the bank base rate on tracker mortgages has increased over recent months to currently stand at 1.16 per cent. Meanwhile, the number of such financial products available has dropped to 452, down from the 591 recorded last summer.

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Contact Information

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