

Expert Says Credit Card Firms Can Only Lend So Much

Commenting on recent research suggesting that 18,000 people are refused credit daily, a spokesperson for financial advice resource Fool has said that there are limits on the amount that banks can loan in a tightened economic environment.

May 7, 2008 (FPRC) -- According to David Kuo, head of personal finance at the firm, today's banks are operating in a more cautious economic environment and as a result are more reluctant to lend. unsecured credit was identified as an area of financial backing particularly constricted by the global uncertainty concerning economic stability. He added that while most banks do want to issue credit cards, there is a limited amount of money to lend. His comments came in response to figures published by Moneyexpert recently suggesting that one in fourteen consumers who had applied for credit in the past six months had been refused - a total of 3.24 million people throughout the UK.

Offering advice to those looking to obtain a loan or credit, Mr Kuo commented that it was important to assess objectively whether a loan is likely to be successful, with likely causes of rejection such as poor credit history or high levels of personal debt identified as an important factor to consider when making applications.

"Quite often you will know why you've been turned for a credit card and the answers are quite straightforward. [It could be] because you have excess amounts of debt compared to your income; that you have previously defaulted on credit card payments and maybe you have defaulted on payments other than your credit card bills," he explained.

He added that it is important to find ways of repaying the debt before making a credit card application, with credit reports noted to be a valuable tool in assessing the health of personal finances and the likelihood of being accepted for a credit card. For those who are struggling with debt and have a poor credit history, a bad credit loan may be of assistance in helping to take control of personal finances, providing the liquidity to begin making regular payments towards debts and improve credit ratings.

Advising those looking to make an application, he stated that it is beneficial to think about personal finance from the perspective of the lender, with poor repayment history and large levels of personal debt said to be particular areas of concern for financiers. If this sort of examination is not made prior to an application, it is more likely that people will receive a refusal and damage their credit rating further.

Concluding, Mr Kuo commented: "People need to be very mindful of because every time you are turned down for a credit card application it counts against you on your credit reference. If people are going to be applying for a credit card then they need to make sure that they are almost certainly going to get it before they apply for it."

Elsewhere, it has been revealed recently by financial services firm moneysupermarket that a growing number of Britons are racking up increasing debts in pursuance of lifestyle habits that are difficult to afford. According to the group, more than 2.7 million people are using cheap loans to cover the costs of "keeping up appearances".

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