

Credit Expert Says Consumers Unsure Of Debt Levels

New research from credit reference agency CreditExpert has suggested that while many people claim to have a sound understanding about their personal level of debt, there are a large number of consumers who are failing to realise the true extent of their debt obligations.

June 7, 2008 (FPRC) -- A recent survey carried out by the group found that while 96 per cent of respondents believed they had a good understanding of their finances, only around one in four (26 per cent) could accurately detail how much they owed to personal loan providers. A further one in ten admitted to having no idea whatsoever how much debt they were in. The study also showed that one in five (20 per cent) of consumers only carried out financial planning exercises once every six months or less.

Commenting on the figures, Jim Hodgkins, managing director for CreditExpert, said: "It's alarming to see that while almost the entire UK population think they are on top of their finances, many aren't. Keeping track of your commitments and planning for the future are always important and in addition to checking bank and credit card statements, you also need to regularly check that your credit report is accurate and up-to-date."

The study also illustrated a lack of understanding of the annual percentage rate (APR) on items such as credit cards, overdrafts or personal loans. Of those interviewed, more than a third (36 per cent) admitted to being unsure of what APR was. Furthermore, 48 per cent of those questioned said that they could not recall the APR on their credit cards.

Research by CreditExpert also suggested that understanding of personal finances was particularly lacking among younger generations. Nearly a quarter (23 per cent) of consumers aged between 18 and 34 said they were bad at organising their money commitments, while almost one in five (18 per cent) said that they had no savings. Among older generations, 13 per cent said that they had no money put aside for the future.

When it came to arranging a personal loan, the study showed that 23 per cent of people believed they would currently be turned down if they were to apply for a loan of 1,000 pounds. A further 42 per cent said that they would expect to be refused a loan of 10,000 pounds, while two thirds (66 per cent) said they would be unable get a secured loan of 30,000 pounds.

Mr Hodgkins concluded by suggesting that a lack of understanding of individual financial circumstances and loan eligibility could have a significant impact on people's ability to obtain lending in the future.

"This could lead to disappointment when people are planning to get a loan or change existing credit arrangements. Having a better understanding of your credit report could make the difference between being refused credit or being offered credit with a higher APR," he said.

In addition to examining financial circumstances, consumers have recently been advised of the importance of making sure possessions were covered against loss. A study by Halifax Home Insurance published last month suggested that there was as much as 52 billion pounds of jewellery

held in homes around the country.

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