

## **Student Credit Cards Could Have Serious Effect on Graduate Debt, Say Gregory Pennington**

*Debt management company Gregory Pennington say the recent report on student credit card debt reflects the growing problem of student debt in the UK.*

September 9, 2008 (FPRC) -- Responding to a report suggesting that 37% of students rely on credit cards as an additional source of finance, debt management company Gregory Pennington ([www.gregorypennington.com](http://www.gregorypennington.com)) commented that this echoes the growing problem of student debt in the UK.

The report from Halifax building society follows an NUS (National Union of Students) poll suggesting the average student is likely to leave university with debts of £17,500.

A spokesperson for Gregory Pennington said: 'It's worrying that so many students are choosing credit cards as an option for extending their finances, although on the other hand, it has to be accepted that fast-rising costs of living may play a part.

'Credit cards typically should only be used for emergency purchases, or other purchases that can be repaid quickly. Most credit cards carry a high interest rate, so failing to repay on time means those debts grow far more quickly than other forms of credit.

'Students typically only have a very low income, with disposable income often minimal – so the temptation to make purchases on credit cards is probably best avoided. Repaying credit card debts could prove difficult on such a low income, and the high interest means that the debt can grow very quickly.'

The Gregory Pennington spokesperson said that credit card debts make up a small part of what is a much wider problem with student debt in the UK.

'Ever since the Government stopped paying for tuition fees, many would-be students have had a choice to make: become a student and land up in debt, or go straight into work.

'Student loan debts are not necessarily the problem, since they allow repayments in small amounts over a long period of time. The real issue is the pressing need for students to raise extra finances on top of their student loans, which often takes place through overdrafts and other forms of credit.

'But when money is tight in the first place, many students find these 'extra' debts impossible to pay off on time. The problem only gets worse if it is left until graduation – many graduates can find their income reduced for several years because they are repaying the debts they incurred on top of their student loans.'

The Gregory Pennington spokesperson went on to say that students are best advised to avoid additional credit wherever possible. 'Student loans should cover all costs, since that is what they are designed to do. If not, many banks offer student accounts with interest-free overdrafts, which is good in the short term, but remember that this will have to be repaid once you have graduated, so we advise students to consider how they plan to do that.

'Credit cards should be seen as a last resort for students, unless they are absolutely positive they can pay back the balance each month. If that doesn't happen, there's a very real risk of getting into unmanageable debt, and it can happen more quickly than you might think.'

The spokesperson also urged anyone who is concerned that they may struggle to repay their debts to seek expert debt advice as soon as possible. 'Even if your qualifications get you a good salary, graduate debt can still be a burden,' she said. 'The longer they are left, the bigger they are likely to grow, so it's essential to put a stop to that as soon as possible.'

'Some debt solutions are only available if you have a steady income, but if you're in trouble, it's still worth getting in touch with a debt adviser for some valuable, free advice on managing your debts. Once you graduate and go into work, though, you should get back in touch to discuss whether any alternative options are more appropriate.'

'For smaller debts, a debt management plan is a good way of coming to an agreement with your creditors on how best to repay your debts. For multiple debts, a debt consolidation loan can reduce your monthly payments and simplify your finances – but bear in mind you are likely to repay the debt over a longer period of time.'

'There are also debt solutions available for more serious debts, such as an IVA (Individual Voluntary Arrangement) for debts of around £15,000 or higher. If you're unsure, contact a debt adviser for more information.'

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### **Keywords**

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