

Debt advisers encourage caution as Britain's disposable incomes shrink



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Industry: [Financial](#)

Press Release Summary: Responding to the news that average bank balances are down by 5% compared with last year, debt solutions company Debt Advisers Direct have warned that there may be tougher times ahead, and advise people to make sure they are protected.

Press Release Body: Responding to the news that average bank balances are down by 5% compared to last year, a spokesperson for debt solutions company **Debt Advisers Direct** said that this is a clear sign that the credit crunch and fast-rising inflation is starting to truly affect consumers.

HSBC reported that average balances of its 8.2million customer accounts had fallen by 5% in the first six months of 2008, as rising costs of living and inflation at a 16-year high puts increasing pressure on consumers' disposable incomes.

The [Debt Advisers Direct](#) spokesperson commented: "This is one of the first clear signs that people are feeling the pressure of the credit crunch, even if 5% is a relatively small figure.

"It's been said many times that the impact of the credit crunch would take a while to filter through, and it would appear that time has come. Prices and living costs have reached the point where they are beginning to have a clear effect on bank balances – and that should be taken as a warning that it's time to act."

The spokesperson continued that while many people may not feel they have been significantly affected by inflation just yet, many leading economists have suggested the worst is yet to come.

"Economists have been predicting a more severe downturn for some time, and while that hasn't happened yet, there are clear signs that the economy as a whole is slowing down," he said. "This is likely to lead to further cuts in disposable incomes, especially with the sharp rises in gas and electricity prices due to come in shortly."

HSBC had also suggested that some of the reduction in disposable incomes might be due to more people transferring money into savings accounts. In reaction to this, the **Debt Advisers Direct** spokesperson commented: "It would be reassuring to think that a large part of the lower disposable incomes is due to savings – and some of it probably is – but research suggests that most people do not save enough money for their future.

"Saving will become increasingly important in the next few months. Just a few hundred pounds put aside can be a useful financial buffer when money gets really tight.

"Of course, there are some people whose income simply does not stretch far enough once all their living costs are taken into consideration – particularly people struggling with debt – and those people are most at risk."

The spokesperson added that for anyone who finds themselves struggling with debt, or thinks they might be about to, it's essential that they seek professional debt advice as soon as possible.

"There are several solutions out there for people who find themselves struggling with debt," he said. "For people with multiple debts who are getting by but want to simplify their finances, a debt consolidation loan could help.

"[Debt consolidation loans](#) involve combining all your existing debts into one, meaning you pay only one lender instead of many, and you may be able to reduce your monthly payments this way. However, you are likely to pay more in the long run if you do reschedule payments.

"Debt consolidation is a good way of freeing up extra funds each month – which could be crucial if the economy does hit hard times."

He continued that even for those with unmanageable debt problems, there is help available. "For more severe debts, a debt management plan or an [IVA \(Individual Voluntary Arrangement\)](#) might be more suitable. Both can reduce your monthly payments in line with what you can afford.

"Before making any decisions, though, you should always contact an expert debt adviser. They will talk you through your situation and decide which debt solution is appropriate for you."

Web Site: <http://www.debtadvisersdirect.co.uk>

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