

Struggling Borrowers Should Get Debt Advice Before Cutting Back



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Financial solutions company Think Money have advised people who are struggling to repay debt to carefully consider how and where they cut back on their spending, following the release of a study showing that millions of people have cut back on insurance in the past 12 months in order to save money.

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The report from Sainsbury's Finance estimated that almost one million (946,000) people have either cancelled or reduced their home contents insurance cover in the past 12 months as a direct result of their financial situation, while over half a million (532,000) have cancelled their life insurance policy for the same reason.

Meanwhile, 432,000 car owners were estimated to have reduced the amount of car insurance they had, while 349,000 people reduced their home buildings insurance and 104,000 reduced their pet insurance.

A debt expert for Think Money said that while cutting back in certain areas could be a good way of saving money in the recession, people should be careful about where they decide to cut costs.

"For example, increasing numbers of people are buying food from 'budget' stores, rather than the 'big' supermarkets they are used to, which can save a lot of money. Likewise, people are buying more second-hand cars, eating out less, etc. - and these are all relatively sensible areas in which to cut back.

"However, when it comes to cutting back on insurance, people are taking a risk. Insurance is there for a reason: it protects against unexpected large bills that can occur at any time. Without it - say, the person's house is flooded - people can find themselves in a far worse financial situation than if they had simply kept their insurance policy, and that brings a real risk of falling into debt."

The Think Money spokesperson added that even cutting back in 'sensible' areas is not the key to financial security, unless people are strict with their finances.

"Setting a strict budget is a very important part of financial management, and that budget must be realistic in terms of how much needs to be put aside for essential costs and how much can be kept back for non-essential spending.

"People should also ensure that if they are freeing up money by cutting back, that money should be put towards their debts rather than non-essential purchases.

The spokesperson said that anyone who finds that cutting back on costs alone is not enough should seek professional debt advice.

"Ideally, anyone who finds themselves struggling to repay debt should speak to a professional debt adviser at the earliest opportunity. A debt adviser can help the borrower to establish the best course of action for reducing their debts - and the sooner this happens, the less difficulty the borrower is likely to face."

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