Credit crunch affects debt consolidation options

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Press Release Summary: One year after the start of the credit crunch, it's more important than ever that consumers consider their options before taking out any new credit, say debt consolidation experts DebtAdvisersDirect.co.uk

Press Release Body: Commenting on recent changes to the credit market, debt consolidation experts **DebtAdvisersDirect.com** reminded consumers in debt of the need to think carefully about the lending options open to them. In particular, they stressed the importance of calculating the long-term impact, not just the short-term appeal, of various types of credit on offer.

"As with any financial issue," a DebtAdvisersDirect.co.uk spokesperson remarked, *"it's imperative to research the different options thoroughly before making any firm decisions. The pros and cons of each debt solution might not be immediately obvious, so it's highly inadvisable for anyone to commit themselves without consulting an expert beforehand."*

In recent history, the availability of credit has led many to see debt consolidation loans as a good way of regaining control of their finances. However, the credit crunch has – by definition – restricted the number of ways in which consumers can consolidate their debts.

A recent press release by comparison site **uSwitch** provides some figures: over the last year, the overall amount issued in unsecured loans has dropped by £283 million per quarter, while gross credit card lending has grown by an average of £179 million per quarter.

"This is a disturbing trend," the Debt Advisers Direct spokesperson continued. *"People clearly need access to credit, whether they're using it to consolidate their debts or to finance new projects and purchases. Yet the way*

in which they access that credit can make an enormous difference to their financial stability.

"One reason people turn to their credit cards is the sheer simplicity – rather than arranging a new loan, they can simply access the credit that's already available on their credit card. However, the high interest rates that come with some cards can rapidly turn relatively small debts into much larger ones.

"At the same time, the low monthly repayments that most credit cards require (another factor which might add to the perceived desirability of borrowing in this way) can also have a dramatic impact on a borrower's long-term finances – any online calculator can easily demonstrate the advantages of repaying a debt as fast as realistically possible, whether it's a credit card debt, a debt consolidation loan, or any other kind of credit."

In the **uSwitch** press release, **Simeon Linstead,** head of personal finance at**uSwitch.com**, stated *"…it seems consumers are turning to credit card providers for extra cash. Whilst it's good news that people can still access extra money if they need it, this is not a sustainable solution for the problem."*

For many, a professional debt consolidation loan would be a much more appropriate way to bring their finances in order. Often coming with much lower interest rates than credit cards, loans can also offer the peace of mind that comes with fixed monthly payments over a specified repayment term.

"Even in the midst of the credit crunch," the **Debt Advisers Direct** spokesperson concluded, *"debt consolidation loans are still very much available. Whatever their debt problems, many borrowers still stand a good chance of getting the debt consolidation loan they need – as long as they approach a lender who specialises in helping people in their situation."*

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