Debt solutions can help borrowers cope with shrinking disposable income

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Press Release Summary: Recent figures about shrinking disposable incomes underline the need to cut back on spending and seek debt advice when necessary, says financial solutions company ThinkMoney.com

Press Release Body: Following a survey from comparison site **uSwitch** showing that disposable income had dropped for the first time since 1997, financial solutions company**ThinkMoney.com** has stressed the need for consumers to cut back on their spending and, when necessary, seek expert debt help or advice.

Released at the end of August, the report related that UK households are £2,500 worse off this year than in 2007 – that the average disposable income had shrunk by 15% in just 12 months.

In theory, **'Disposable income'** means money that's available for discretionary spending – the part of a household's income that's left after paying for taxes, social contributions, mortgage / rent, fuel, food, transport, education, etc.

"Disposable income, therefore, must cover everything else, from socialising to buying magazines, computer games and so on: basically, the things that people actually like to spend money on," said a spokesperson for **ThinkMoney.com**. "But the word 'disposable' can be misleading. The average household disposable income may be £14,520 (28.4% of gross total income), but how many households have £280 per week to spend in whatever way they see fit?"

"Figures from the Bank of England show that around 230 billion pounds of the UK's 'personal debt mountain' is not secured on dwellings. Payments to unsecured debts (credit cards, personal loans, overdrafts, etc.) come out of a household's disposable income, but they're nonetheless essential – the consequences of non-payment may not be as serious as missing mortgage payments, but borrowers are still legally obliged to make them."

The good news for borrowers is that such payments may, in certain circumstances, be negotiable. With the right debt solution, they could reduce the interest rates they're paying, or even arrange for some of their debt to be written off. They may also, if they can't make their repayments, be able to reduce the amount they're paying each month – something which this survey indicates may be particularly appealing right now: "Anyone who was devoting a large part of their disposable income to unsecured debt repayments a year ago is likely to be facing serious problems today, and looking for a way to reduce their expenditure as soon as possible.

"The first thing to do, of course, is take a good look at their spending and identify areas where they could cut back. In many cases, though, this isn't enough – and this is where a professional debt solution can give them a chance to regain control of their finances.

"Most unsecured creditors would rather renegotiate the repayment terms than try to force the borrower to stick to the original repayment plan when this clearly isn't an option. Many people ask a debt management organisation to talk to their creditors on their behalf, negotiating a more realistic repayment programme – with lower monthly payments, for example, frozen interest and/or waived charges."

Should debt management not be an option, there are other debt solutions, such as debt consolidation loans, debt consolidation mortgages and IVAs (Individual Voluntary Arrangements). "Everyone's different, and there's no 'one-size-fits-all' debt solution. The important thing is to talk to a professional debt adviser before making any firm decisions."

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