

Credit Conditions And Debt Consolidation Options



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Commenting on the Q3 2009 Credit Conditions Survey from the Bank of England, [Debt Advisers Direct](#) noted that the ongoing credit crunch was still restricting access to credit - and therefore to the debt consolidation loans that could help many people stay in better control of their finances. Nonetheless, the debt specialists stressed that there were other debt solutions available, and that borrowers struggling to clear their debts should talk to an expert adviser and explore their options.

"The latest Credit Conditions Survey revealed that UK lenders, on average, anticipate further reductions in unsecured credit over the final quarter of 2009," said a spokesperson for Debt Advisers Direct.

"As for secured credit, they expect 'some increase' in overall credit availability over the next three months - so they clearly don't anticipate any changes that would really alter the state of the market at the moment.

"For many of the people currently 'juggling' multiple debts, this is a pity, as it means they can't access the debt consolidation loan that could simplify their finances and reduce the monthly cost of servicing their debt.

"Equally important, debt consolidation loans can help people make their payments on time, avoiding the charges, legal problems and damage to their credit rating that can come with making payments late (or not at all). This isn't 'just' because a debt consolidation loan can reduce the actual size of monthly payments. It can also make those payments far easier to organise and - perhaps more important - budget for, on a monthly basis."

Even so, a debt consolidation loan is by no means the only approach to debt. In many cases, it's not even the most appropriate one - people whose debts have become truly unmanageable should not even attempt to consolidate

them with a loan, as this would be unlikely to make enough of a difference to their finances.

People who've lost control of their debts should discuss their situation with a professional debt adviser, who can take them through their alternatives and make sure they understand the pros and cons of every potential approach.

"For some," the Debt Advisers Direct spokesperson continued, "a debt management plan can be the best way forward. It's an informal (not legally binding) agreement with their unsecured lenders, often arranged by a professional debt management company. The aim is to reduce the individual's monthly repayments to a level they can afford - once they've taken their essential expenditure into account - giving them an affordable, realistic way to clear their unsecured debts without 'eating into' the funds they need to stay on top of their mortgage/rent, utility bills, food bills, etc.

"Similar in some respects but legally binding, an IVA (Individual Voluntary Arrangement) is a form of insolvency which is often viewed as preferable to bankruptcy. An IVA also involves lower, affordable monthly payments, but is only appropriate for people who cannot afford to repay their debts within a realistic timeframe. If they can uphold their side of the deal and repay an agreed amount of their debt, their creditors will actually write off the outstanding debt once the IVA has come to a successful conclusion."

These aren't the only debt solutions available, but the two examples given here show some of the potential benefits of talking to a debt adviser and exploring all the available options.

"Given that debt problems invariably get worse, not better, when they're left unaddressed, there really is no reason for people to keep on struggling with their debts alone, rather than seeking the professional debt advice that could reduce the burden of their debts - and help them put their debts behind them once and for all."

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