The Debt Cycle – Are You Coping With Your Debts?

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Christmas is for many, one of the favourite times of year. A chance to spend time with family and loved ones, to watch classic TV and movies and just relax. But for many people in the UK, this is sadly not how they experience the festive period.

The debt cycle has become more and more common for UK households, with latest figures from the FCA revealing that there is £200bn of unsecured consumer credit in the UK, with 8.3m households experiencing debt problems (Money Advice Service).

This cycle is amplified at Christmas when many people over stretch to buy that must have gadget, latest toy or feel under pressure to create that 'perfect' day - they over spend, only to be left with the stark realisation that when 1st Jan arrives and all the direct debits are taken, there will likely not be enough money in the bank to pay these.

They end up attempting to pay off Christmas debt, and then spend again for summer holidays. And by the time Christmas comes round again, the debt again mounts up.

Alan Harty, CEO of debt solutions specialists Richmond Oaks based in Glasgow, remembers a sad call last Christmas:

"I will never forget the call I made last Christmas - it was about 3pm on Christmas day and a dad had emailed us to say he could no longer cope with his debt. He had over-spent, borrowed and fallen deeper into debt, all for one day of the year. He had finished his Christmas lunch, the presents were all opened and reality hit.

I was able to reassure him that there were a range of solutions to help, and by January we were able to provide him with a solution that met his needs.

He phoned me a few weeks later to thank me for giving him his life back and for being able to sleep again."

For more and more of the customers that contact Richmond Oaks, debt issues are not the only problem - stress and a range of mental health issues are often also present. Many don't realise that being in debt, constantly worrying about how to afford to live and feed family, not sleeping and being anxious, can all contribute to ill mental and physical health.

This is an area in which Richmond Oaks have been actively researching, Alan explains further:

"The connection between debt and mental health is well documented. We have been working with a researcher to uncover as much insight and analysis as we can on just how much debt impacts individuals and families. This is in part based on response to feedback from a huge number of our existing clients, and we want to understand much more so that we can signpost our customers to get the best support should they need it.

Our current live research project focuses on the many associations between debt and mental health and we will be publishing our findings in the New Year and rolling out training to our debt advisers so that they are even better equipped to deal with these customer issues when they arise."

It's important to realise when financial situations may be getting out of control. Here are five signs that you may not be managing

- **You begin to dread pay day** – this used to be an exciting day of the month where your bank account was topped up, you finally bought that special gift you promised a loved one or you were able to book that meal out you'd been looking forward to all month. But now, there isn't enough money left to do these things.
- **Little or no disposable income at the end of each month** – when we are paid, there is a period of time (especially if it's before 1st of the month, when many of our direct debits come off) where we feel like 'pay day millionaires'. But reality can often strike on the 1st, once all the bills, rent or mortgage, car payment, council tax (and many others) are deducted. If you find that you have very little disposable income left over (cash left once all of your commitments are paid) and you can't pay for basics (food, travel etc) and are struggling to live day to day, then you need to get

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- **Applying for loans / borrowing from family or friends** – do you find yourself considering pay day loans, new credit cards (perhaps at a very high interest rate) or consistently borrowing from your loved ones? This cycle can't last – the more you borrow, the more you owe and paying existing debts (and interest) by borrowing can't last. It's a toxic debt cycle.
- **Making late payments** – do you find yourself being constantly late making monthly card payments (even paying the minimum payment), cancelling direct debits and getting letters demanding payments? This pattern of behaviour is very common when debts are beginning to become a serious issue.
- **Stressful/sleepless nights** – we have been conducting research in to the links between debt and mental health – the results are staggering. When worry, anxiety and stress begin to take over and all you can think about is how you are going to afford to live, it's time to reach out for help. If you find yourself struggling to get a good night's sleep, this can make an already stressful situation worse – extra fatigue on top of worry is not a combination that can last.

If you are experiencing any of the above issues, get in touch today and we will be happy to help solve your debt issues. You can call us, email us or if you want to, live chat with one of our team – whichever suits you.

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