Think carefully before taking on more debt

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The Debt Advisory Centre has advised would-be borrowers to look carefully at how they've fared with their debts over the past 12 months, so they can decide how best to deal with their borrowing now.

The comments follow research from MoneySupermarket.com, which revealed that in the wake of the financial crisis, a third of people in the UK are less likely to use credit products.

However, of the thirty-four million people in Britain who currently use some kind of credit product, 10% are more likely to borrow since the downturn. Of these people, 65% said they have needed to borrow more in the past few years, 17% are using credit rather than turning to their savings and 11% say they're taking advantage of lower rates.

In light of this, looking back on how you've dealt with your debts over the past year should help you decide whether borrowing money really is a good idea in today's climate - or whether you need to focus on improving your finances first.

A spokesperson for the Debt Advisory Centre commented: "Borrowing some extra cash, whether on a credit card, overdraft or other line of credit, is always something of a risk, and in the current climate, it's more important than ever to be sure you're on track with your money.

"Looking back can be an excellent way to start planning ahead. With this in mind, it's important to consider how you've managed with your debts in the past year. Reviewing your debts and asking yourself a few questions should help you better plan your finances for the next 12 months.

"How much debt do you currently have? Is it a manageable amount that you'll be able to clear in the foreseeable future - or have you still got a long way to go before you've repaid everything in full? Reviewing last year's bank statements can help you understand where you stood with your debts at this point a year ago, and exactly how things have changed since then.

"If you feel you've made good progress with your debts and are generally managing your finances well, you may decide that borrowing some extra money is a reasonable way to cover the cost of some new clothes for work, or your kids' back-to-school costs.

"On the other hand, if your finances are not so good, saving up over the next few months could give you a way of affording expenses like these without borrowing. You could boost your savings pot by making cutbacks - e.g. by switching to a cheaper gas provider or reducing your food shopping bills - or boosting your income, perhaps by working some overtime. It's all a question of what works for you.

"Some people, though, will find that they're really struggling with their debts. If this is the case, taking on further credit should obviously be avoided - but getting some professional debt help and advice could help you find a way of putting your debts behind you. There are various debt solutions available - and no matter how big or small the problem is, there could be one that's right for you.

"For example, even if you have a large amount of unsecured debt that you can't realistically hope to repay in a reasonable timeframe, an IVA [Individual Voluntary Arrangement] could help you repay what you can afford over 5 years - and write off any outstanding debt that you can't pay off on successful completion. An IVA will, however, affect your credit rating for six years.

"A good debt adviser can discuss your options with you and help you find the best solution for your situation."

-ENDS-

Notes to Editors

The Debt Advisory Centre offers expert debt advice, as well as a range of debt solutions for people facing financial difficulties.

For more information, visit the Debt Advisory Centre website at www.debtadvisorycentre.co.ukl.

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