

HELP! – DEBTS, REPOSSESSIONS, IVAs & BANKRUPTCY

A debt is a sum of money owed from one person or institution to another person or institution and can be split into unsecured and secured debt.

Typically “unsecured” debts involve smaller amounts of money and consist of credit card debts, bank overdrafts and small loans for which you have not been asked to put up any security. The lender (bank, credit card company or other financial institution) cannot seize any of the borrower’s possessions if the balance remains unpaid. However, they may engage the services of a collection agency or even a lawyer to recover the debt through the Courts.

Secured debt is money loaned against “collateral”, which is usually a tangible asset such as your home or car. A legal charge is created over the asset. Examples of secured loans include mortgages or a car finance agreement. If the borrower doesn’t keep up to date with the loan repayments, thus breaching the terms of the loan agreement, the lender can take possession of the asset and sell it in order to recover the loan amount outstanding.

You may have heard of consolidation loans whereby several debts are combined into one loan with a view to reducing the annual percentage rate or the amount you have to pay back each month, usually by extending the repayment period. As well as reduced monthly payments, it is easier to make one payment each month than try to keep track of several payments to various lenders. However, as the period over which you repay the loan is longer, you are likely to repay more over the term of the loan as a result of the interest charges.

Consolidation loans can be unsecured or secured, depending on the sum borrowed. Remember that if your consolidation loan is secured, you risk the loss of property used as security if you cannot keep up repayments.

Before taking out a consolidation loan, it may therefore be sensible to think about how you got into debt in the first place and see if you can change your spending habits. It may not be wise to take on more debt to repay existing debts.

You could draw up a monthly budget and check whether or not you have the funds to meet the monthly repayments due under the terms of the consolidation loan.

You may wish to concentrate on clearing one credit card balance at a time whilst maintaining the minimum payments to any other unsecured debts if your finances are tight. When a particular credit card is clear, don’t cut it up. Return the card to the issuing financial institution and ask them to cancel your account.

If you really start to struggle to meet the repayments of your unsecured borrowing, the lender may agree to you paying a reduced amount each month.

Talk to Chamberlain & Co now for more information regarding Consolidation Loans, or the best options available to you.



Chat live



Request a call back



Email us