

# The Burden of Debt

Contributed by Grant Marwick

Over recent years personal debt in the UK has exploded. Since 1997 the total debt including mortgages was in the region of £940 million. Approximately 18% of that figure is unsecured credit, accounting for about £8000 per household.

This is a staggering amount of money. With interest rates being raised several times last year, the strain of maintaining our debt is taking its toll. Sources reveal that the UK's debt "has increased every single month without fail since April 1993".

As it has been relatively cheap to borrow money over that last few years it has been very easy to get access to money. Interest rates are widely predicted to rise further adding even more to the current £5 billion we are paying every month in interest.

According to the FSA (Financial Services Authority) one pound in every 10 we spend is borrowed money. It's very easy to shop around for good rates when borrowing money. Most of us still buy our financial products on the high street and the big Financial Institutions base the price of their products on what they think is the maximum borrowers are prepared to pay.

With the internet people are able to shop around for much better rates and this is driving the average price of borrowing money down. This does pose a catch 22 situation as the cheaper the cost of borrowing becomes the more people will feel they can borrow more. This does breed a nation of people that are living beyond their means. Debt can be very dangerous as you are effectively borrowing from your future to pay for today.

The wage rate is not growing in line with rising debts so somewhere along the line something has got to give. This may be in the form of the slightest interest rate rise which may be the straw on the proverbial camels back. One could associate it with a brick that is attached to an elastic band. You can gently pull and pull and nothing will happen, sooner or later the brick will finally budge and most of us will be walking around with a black eye.

If you do find yourself in debt then don't despair it's not the end of the world. As long as you face up to the fact that your financial position needs a makeover then you are on the right path. The first thing to do is gather all your credit statements and get an exact figure of what you owe in total and what those monthly payments add up to. You need to be clear in your mind what you earn and what you owe. This sounds simple but you can't service your credit if your repayments are more than what you earn. If you find yourself in this position you need to consolidate all your loans into the lowest rate you can find. This will bring down your monthly payments and hopefully be more manageable.

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If you need help on doing this then contact the National Debtline on (Freephone) 0808 808 4000 or the Consumer Credit Counselling Service on (Freephone) 0800 138 1111. These numbers are for UK residents only.

Grant Marwick is a freelance writer and owner of <http://www.only-credit-cards.co.uk> where you will find advice and more articles on Low interest Credit Cards and Bad Credit Credit Cards