

MONEY TODAY

BANK OF ENGLAND
BASE RATE

4.50% ▶

MONEY TODAY - CONTACT JONATHAN RENNIE ON 0141 302 6186

The experts' guide to beating a life of debt

ONE in five people owes more than £10,000 on credit cards, and many struggle to meet minimum repayments.

Insolvency specialist Derek Simpson of financial advisers French Duncan and Derek Pollard of Moneyquest tell how to end the burden.

1 The golden rule is if 25% of your income is being spent servicing unsecured loans then you are now in trouble.

2 Stay calm. You need a clear focus to deal with the situation. Panicking leads to rash decisions.

3 The first port of call should be the Citizens' Advice Bureau or an equivalent organisation that offers free support.

4 The person you are in the most debt to doesn't have to be the person you pay back first. Look at who is charging you the most interest.

5 The difference between the price you paid for your home and its current value is not cash in your pocket to spend - prices could always drop.

6 If you are trying to reduce it, then you need to restructure your debt.

7 Look at the rates of your mortgage and your credit cards. Are there more competitive rates? If so, switch to a different lender and use savings to reduce the debt.



■ There are ways to end nightmare of debt. Picture posed by model

8 Move balances on store charge cards to a bank's card. Storecards are great if they offer incentives and you can clear the balance each month, but if not, charges of 20% are average.

9 Consolidation is a good tool. For instance consider a fixed term loan that clears the debt but gives you an extra few hundred

pounds to subsidise your lifestyle and still works out less than current repayments.

10 If you can absorb the debt by remortgaging, then do so.

11 People often take out a loan to clear their credit card debt, then spend on the cards again. If you clear a card, cancel it.

12 Don't bury your head in the sand. If you ignore it then debt will not go away. Write down incomes and out-goings and prioritise. Pay the mortgage, council tax, heat and light and for food, then work with what's left.

13 Don't run away from debtors. If you don't contact them, then they are likely to bring in debt collecting agencies.

14 However, agencies are expensive - and if another solution can be found, lenders are likely to listen.

15 Finally, cut up the cards - without them, you will have to stop spending.

OUR SPECIALISTS



■ Derek Pollard advises calling in agencies that offer free help



■ Derek Simpson agrees ignoring debt won't make it go away