

Title:

Why an Alternative to Debt Consolidation Cannot Compete

Word Count:

840

Summary:

The article presents forceful arguments to show how debt consolidation, as a method of debt settlement, is the best available method in the UK. The methodology used by the loan providers to settle debts through debt consolidation loans has also been explained in a detailed manner.

Keywords:

Loans UK,secured loans,unsecured loans,debt consolidation loans

Article Body:

Watching your financial condition worsen, there will be many to offer you a word of advice along with their sympathy. The courses of action suggested will number as much as the number of sympathisers. This confuses the individual rather than offering recourse. In the following article, assertive arguments have been presented to show how debt consolidation, as a method of debt settlement, is the best available method in the UK. The methodology used by the loan providers to settle debts has also been explained in a detailed manner.

Debt consolidation is a credit agreement through which the borrower receives a loan for a fixed period or revolving credit in the form of flexible loan. Except for a credit arrangement that has been taken for the purchase of a particular item, the borrower can use any of the loans and mortgages available to consolidate debts. These include the following:

- Unsecured loan.
- Debt consolidation mortgage that involves taking an advance from the existing mortgage lender.
- Debt consolidation through remortgage that involves change of the mortgage lender.
- Debt consolidation loans.

When consolidating debts on account of loans and mortgages, debt consolidation will not be much advantageous. This is because the lender will surely repossess the item upon which the secured loan or mortgage had been secured. However, where unsecured loans form a majority of the debts, there is still a hope for

rescue. A debt consolidation service provider plays an important role in this.

This does not undermine the role of the individual himself. The debtor can effectively counter the debts, provided he has time enough to expend on the debt consolidation process. This is where most borrowers lack. Thus, the task is passed on to the debt consolidation loan provider in the UK. Debt consolidation agency has the necessary expertise to deal with debt situations. Not only do these agencies help in the successful settlement of the debts, but also create savings for the debtor. More information on this function will be provided when we deal with the negotiation function of debt consolidation agencies.

Though the modus operandi of debt consolidation loan providers differs, it will have the following basic stages:

- Debt listing
- Creating a financial statement
- Deciding the amount of loan to be taken
- Negotiating settlement

Debt listing

Debt listing is the process by which the borrower lists down all the debts that he has incurred and that are remaining for fulfilment. Though a simple task, it attains dangerous proportions if not performed carefully. This is specially when all debts, whether big or small are not considered for settlement. Debts, which you would not have ever thought to become problematic, become so. The correct method of listing debts will be to note every debt on a particular date, the amount remaining unpaid on it, and the interest that it carries.

Creating a financial statement

The next stage is the creation of a financial statement. You would think what is the need for a financial statement when your finances are going in dumps. Preparation of a financial statement shows how much will a debtor be able to bear the burden of his debts. This is in sync with the principle that one must look into personal resources first before resorting to debt consolidation. If necessary, the services of an independent financial advisor be taken to compute the part of the income that can be pledged to debt settlement. The decision on the amount of loan or mortgage for debt consolidation thus hinges on the financial statement.

Decision on the amount of loan for debt consolidation

The proper measure of loan for the purpose of debt consolidation will be

ascertained by deducting from the total debts, the value of help from personal resources. Borrowers however draw an amount larger than the debts so as to be used for other purposes like home improvements. Interest charged on debt consolidation loans is lesser. Cheap finance will be available through this method. Lenders do not restrict the use of debt consolidation loan for purposes other than debt consolidation. Debt consolidation agencies can further decrease the amount needed for settlement by negotiating the payments thus.

Negotiation of settlement

Proper negotiation on the part of the debt settlement agency is their USP (unique selling point). Borrower could have easily repaid the debts unpaid to the creditors. He engages the services of the debt consolidation agency because they can negotiate the payments well. Tactics like luring, compelling, etc are employed to bring down the repayable bill. Negotiation is a skill, and skill sets differ. So, when choosing a particular agency for debt consolidation loan, make a proper study of what the debt settlement agency can do for you. Consult with friends and relatives before making the lender choice. This function makes debt consolidation loans distinct from the other loans and mortgages available for the purpose. Only this method allows the borrower to gain from the expertise of the loan provider.

You would have been convinced by now that debt consolidation results into maximum benefits and the least of drawbacks.