

Debt Management Could Help With Unmanageable Credit Card Debt



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Responding to a new report suggesting that there are more than 200,000 'secret credit cards' in the UK - cards that are kept hidden from the holder's partner - financial solutions company Think Money has advised consumers that while credit cards can be a useful means of funding purchases, borrowers should be careful to ensure that they can make their repayments in order to avoid debt problems in the future.

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Research from Halifax Credit Cards showed that people in the UK hide an estimated 217,000 credit cards from their partners. Reasons for doing this included buying items the card holder did not want their partners to know about, hiding existing debt from partners, or simply having emergency funds available.

According to credit card trade association APACS, there are 30.2 million credit card holders in the UK. Total credit card spending in 2008 was £126.2 billion.

Melanie Taylor, Head of Corporate Relations for Think Money, said that while there is nothing specifically wrong with having a 'secret' credit card, card holders should ensure they are hiding it for the right reasons - and not in order to hide problem debts.

"It boils down to the same principle as having any credit card. Credit cards can be a very useful source of additional finances, as well as a 'safety net' against any unexpected costs. Used correctly, credit cards should not cause the consumer any problems.

"However, it's when the borrower starts delaying their repayments - paying only the minimum - that the problems can start.

"The trouble with credit card debt is that the interest is a lot higher than on many other forms of credit. If the borrower does not repay the full credit card balance at the end of the month, then the interest that accumulates on the remaining balance may be a lot higher than a lower-interest alternative, such as an authorised overdraft.

"Over time, the interest can begin to 'snowball', and it can become increasingly difficult to repay the remaining balance. It may not be long before the debt becomes unmanageable - which is why it's important to get debt advice at the first sign of difficulty."

Mrs Taylor added that the relatively low minimum repayment on credit cards means that some people can take a long time to clear the debt.

"Unlike personal loans, which carry fixed regular repayment terms, credit cards only require a minimum repayment each month. This makes it very easy to delay repaying the full balance, which is how problems start for many borrowers.

"In general, we advise people to avoid making large purchases on credit cards unless they can be absolutely sure that they can afford to repay the debt in the near future."

Mrs Taylor said that anyone who does find themselves struggling to repay their credit card debt should not hesitate to seek professional debt advice.

"Because the interest will only continue to grow, finding the right debt solution is vital for anyone who can no longer afford to repay their credit card debt.

"One such debt solution is a debt management plan, which is an informal arrangement with the lender that can allow the borrower to repay their debt at a more manageable pace. It is often also possible to negotiate a freeze or reduction in interest, which could be especially helpful for repaying credit card debt.

"However, borrowers should always consider all options available to them. A professional debt adviser can recommend the best debt solution for the borrower's individual circumstances."

Resources for editors:

Think Money homepage: <http://www.thinkmoney.com/>

Debt page: <http://www.thinkmoney.com/debt/>

Debt management page: <http://www.thinkmoney.com/debt/debt-management/>

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