

## Consolidation Loans:

### Putting all your credit debts into one loan

If you have enough money left over after paying your priority creditors and your essential expenses, you could think about taking out a loan to pay off your non-priority debts. This is called a **consolidation loan**. You can use a consolidation loan to pay off things like credit card debts and loans.

It's usually **not** a good idea to borrow more money to repay your existing debts as this can make things worse and cost more in the long-run. Many creditors ask for the new loan to be secured against your home if you own it. This means you could lose your home if you don't keep up the payments.

However, if you can afford the repayments, have stable finances and are good at controlling your spending, this could be an option for you.

If you are thinking of borrowing to pay off your debts:

- make sure you have enough money left in your budget to afford the repayments
- check you can afford the repayments for the whole life of the loan
- shop around for the best deals
- don't borrow more than you need
- if you get a consolidation loan to pay off your credit card loan, **make sure you close the credit card account and don't use your card anymore.**

If you do take out a consolidation loan, be careful you don't end up with more debt than you started with. Make sure you don't borrow from a loan shark (someone who lends money without a license. This is illegal). You can report loan sharks on a confidential helpline at: 0300 555 2222.

Always get advice from an independent financial adviser before signing a new loan agreement. Make sure that the financial adviser is regulated by the Financial Services Authority (FSA). You can check this by looking on the FSA website at [www.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk).

Or contact Haringey CAB on 0844 826 9715 for confidential and impartial advice on how to deal with **all** your debts.

Or check out [www.adviceguide.org.uk](http://www.adviceguide.org.uk) which is available from Citizens Advice national.