

PRESS RELEASE

Southern Cross Financial

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New Year turning points: Too many Kiwis burying their heads in the sand when it comes to debt

Credit card debt is again expected to cause hardship for many Kiwis this summer as the higher monthly payments now start coming through on the increased card spending, which was used by many to fund the holiday and Christmas season.

Southern Cross Financial CEO, Luke Jackson, said today that late January and February traditionally sees an upsurge in debt consolidation loan applications to the non-bank lender, and much of it is credit card related.

“Credit Card providers currently enjoy less extensive regulation under the Credit Contracts and Consumer Finance Act than other forms of consumer finance. This means the debt can often climb unfettered, and as long as the minimum payments are being made the borrower’s expanding debt position could go unchecked.

“Traditionally people get into trouble because they ignore debt – literally just close their eyes to it and hope it will go away – and it is particularly easy to do that with credit card debt.

“Part of the problem is that as well as the Christmas and holiday season, this time of year can herald big turning points for many New Zealanders. Job changes, redundancies and relationship break-ups all add to the pressure, but people just go on spending or living off their credit card, without adjusting their behaviour to their new circumstances.”

Mr Jackson said people who found themselves in changing circumstances, or contemplating taking on more credit card debt should be cautious. In the experience of Southern Cross Financial, many Kiwis have one of three approaches to their debt troubles:

- The ‘eternal optimist’ who always believes a turnaround is just around the corner;
- The ‘procrastinator’ who knows something has to be done, just not now; and
- The ‘ostrich’ who buries his head in the sand and just hopes it will all go away.

“Lenders are usually willing to come to an arrangement – a collection agency and other types of legal action are often a last resort. But Kiwis don’t talk to their lender for a variety of reasons. Either they don’t know they can or they don’t know what to say, or they’re embarrassed.

“This might not have occurred to many, but talking to a mortgage broker about ways to fund yourself out of debt is actually a good idea because they have extensive experience in this area, and are familiar with other types of providers that can help, such as Southern Cross Financial.”

Five tips to consider when confronting out of control debt include:

1. Talk to a financial advisor about debt consolidation using your property as security
2. Plan ahead and build repayments into your budget when on interest free deals
3. Always pay more than the minimum payment so you can reduce the debt
4. Reduce credit cards limits to suit your budget
5. If financial difficulties arise, talk to your lender about coming to an arrangement that you can manage or a financial advisor about restructuring the debt

“Mostly it’s about taking action. Your debt position doesn’t need to be overwhelming, although it often requires a conscious plan – debt doesn’t go away by itself.” Mr Jackson said.

For more information visit <http://scfl.co.nz> or contact your financial advisor