

Press release

For immediate release

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Households hit over \$101 billion in credit card and personal loan debt

- Credit card and personal loan debt tops over \$101 BILLION
- Personal loans more popular than credit cards
- Household bills top expenses to cover with personal loans: finder.com.au/personal-loans study

February 23, 2015, Sydney, Australia – Australian families suffering from a summer financial 'hangover' should take borrowing decisions seriously, warns one of Australia's biggest comparison websites finder.com.au¹.

The warning follows new research by finder.com.au into household credit card and personal loan debt in Australia.

Borrowing on credit cards and personal loans has hit more than \$101.4 billion combined as at December 2014, according to finder.com.au analysis of the latest Australian Prudential Regulation Authority (APRA) data. It's the highest level of personal loans and credit card debt combined since October 2011 (\$102.7 billion).

The highest level of household credit card and personal loan debt recorded was in May 2008, with over \$112.6 billion.

Personal loans are more popular than credit cards, with \$59.6 billion of personal loan debt held by households compared to \$41.8 billion in credit card debt outstanding.

Personal loan debt has also grown by 2.21 percent over the past year (December 2013-December 2014), while credit card debt has increased by less than 1 percent (0.72 percent).

¹ Experian Hitwise 2013, 2014



The debate over whether to put debt on a credit card or personal loan is a common financial hurdle at this time of year, according to Michelle Hutchison, Money Expert at finder.com.au.

"Australian households are often struggling with expenses at this time of year, following an over-spending period over summer.

"The best way to finance unexpected expenses or unmanageable debt takes careful consideration so that you don't end up struggling even more down the track.

"It really depends on what you need the money for, your credit profile and your ability to pay it back over a set period of time," said Mrs Hutchison.

A study of more than 500 personal loan applications through finder.com.au/personal-loans last month of borrowers looking for bad credit loans found that more than half (53 percent) need the cash to cover bills.

Buying a car followed (21 percent) and 9 percent of borrowers were applying for a loan to fund a holiday through finder.com.au/personal-loans. Rental bonds and medical bills also made the list of the most common reasons these borrowers were applying for a personal loan.

"Borrowing money when you're already struggling can add further financial pressure if you don't compare your options side by side.

"There are pros and cons to all types of financial products so you need to find out how they work and what the best option is for you.

"For instance, credit cards are like an instant line of credit available any time with very low minimum repayments, which means you could end up paying it off over an extremely long period of time. Credit card debt can also be accumulated, while personal loans have a set amount of money borrowed from the start of the loan term, a maximum term and repayments are locked in to pay it off over the set term.

"They are both forms of credit and they both require a monthly repayment. What differs are the features and fees," said Ms Hutchison.

Variable rate personal loans are cheaper on average compared to ongoing credit card purchase rates. Interest rates for variable personal loans are about 12 percent compared to 17 percent for credit cards according to finder.com.au/personal-loans. There are also application and service fees to consider.



However, there are over 100 credit cards offering a balance transfer promotion with no interest for up to 24 months, as well as many cards with no interest on new purchases.

“While there are great credit card deals on offer, they can lure people into spending more than they were planning.

“Personal loans on the other hand are great for those who aren’t disciplined enough to pay back a credit card debt in a short period of time and without accumulating more debt.

“If you can control your spending, you should take advantage of the credit card deals on offer, but if you prefer to borrow a set amount of money at a low interest rate and pay it off in a short period of time, then you should compare personal loan options,” said Mrs Hutchison.

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About finder.com.au:

finder.com.au is one of Australia’s biggest comparison websites and has helped over 4.8 million Australians find better credit cards, home loans, life insurance, shopping deals and more since 2006. finder.com.au compares 250 credit and debit cards from 31 providers, over 300 home loan products, and information from 13 life insurance providers as well as online shopping promo codes, mobile phone plans, travel insurance and more. One Australian every five minutes is using finder.com.au or one of its network sites creditcardfinder.com.au and lifeinsurancefinder.com.au to find better (Source: Google Analytics).

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