moneyfacts.co.uk
helping you make better financial decisions

Could a £240 bill put you in the red?

Moneyfacts.co.uk
September 9, 2015

Balancing the budget is always a tricky task, and sometimes an unexpected bill can push you out of the black and into debt. But according to research, an average of just £240 could tip the balance away from being in credit, leaving many struggling to make ends meet.

Meeting the bills

The figures from credit provider Sunny revealed that over the last 18 months, over a quarter (28%) of respondents have struggled to meet a bill or financial obligation. A tenth of these said that this was due to a credit card bill, while another 9% cited rent or mortgage payments. Electricity bills and water bills were also listed by respondents as key financial pressures (8% and 7% respectively).

Worryingly, these bills do not have to be sky-high before they cause budgets to crumble under the strain: just 49% of those asked said that they would easily be able to pay an unexpected bill of between £100 and £1,000 because they had that amount accessible in savings. A further 23% said that they could pay it off but with difficulty as they have only some of the sum set aside in savings, while 20% admitted that they would not be able to cover the cost at all.

However, despite the problem of meeting the cost of an unexpected bill, only 20% of those questioned went and approached their provider to negotiate a payment extension or repayment plan. Another alternative could be to turn to credit, but it seems that this is also an option that can be overlooked: 12% of respondents said that all forms of credit were bad while the same percentage admitted that they had very poor knowledge of different forms of credit.

Commenting on the research, John-Paul Savant, CEO of Sunny, said: "The financial balance that must be struck between income and outgoings for most people means that they simply don't have any margin for error. This means an unexpected bill or a small budgeting misstep could have significant consequences." He added that "there can be a long-term cost to a short-term default", which makes it important for consumers to access solutions to help them bridge the gap.

Pay that bill!

If you find that your savings have been emptied and you open an unforeseen bill, then you need to find a way to tackle the issue and get yourself back into the black.

First things first, make sure you talk to your provider straightaway. Taking action immediately means that you can explore all the options available to you, such as a longer repayment term, which, if your provider agrees, could give you some much-needed breathing space.

You may also like to consider taking out a 0% purchase card. These credit cards offer you an interest-free period, which means that you can pay your outstanding bill and then repay the balance on the card without interest adding to the burden. As long as you make sure that the balance is cleared before the interest-free offer expires, you can make the most of a bit of extra time to clear your debt.

If your shortfalls are more substantial, you may want to think about taking out a personal loan: these loans have set repayment plans, so by the end of the term, your debt will be clear. Of course, it must be remembered that personal loan rates are dependent on your credit history, but if you have a good record, this could be a viable option.

Once you are back on an even keel, help prevent the same thing happening again by sticking to a budget and building up an emergency savings fund. Putting away a small amount of money into an easy access account can help you to cover the cost of future surprises without emptying your pockets – check out our easy access savings accounts best buys to find the right account for you.

To read the original article, click here.