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FOR IMMEDIATE RELEASE

Credit society not quite hocked up to the hilt

CANSTAR CANNEX releases *personal loan star ratings* report today.

Personal debt levels seem to be coming off the boil, with Australians owing significantly less than they did a year ago.

Taking mortgages out of the equation, as these apply to only one-third of the population, leading research and ratings group, CANSTAR CANNEX estimates the amount owing on personal loans to be 20% less than last year.

“This suggests that the credit crisis we are now emerging from has had the effect of people delaying their spending on big items, while actively paying down debt,” CANSTAR CANNEX financial analyst, Joshua Zenas said.

“Credit has also been that little bit harder to get during the financial downturn with many institutions tightening access to loans.”

Credit cards, on the other hand, seem to be picking up the slack, with CANSTAR CANNEX figures showing the amount owing is now 2.3% more than it was 12 months ago.

“Credit cards are probably absorbing more day-to-day and small purchase debt but, of course, a lot of the time people don’t realise how much debt they are racking up with small, impulse buys,” Mr Zenas said.

“All of a sudden, the realisation can hit you that you owe, say, \$8,000 on one credit card and \$4,000 on another and this is where many turn to a personal loan to get on top of their finances.”

“After all, debt is only good if you can pay it off.”

Releasing its *personal loan star ratings* report today, CANSTAR CANNEX points out the pros and cons of various payment methods available for big-ticket items including credit cards, store finance, personal loans and home loan redraw.

According to CANSTAR CANNEX, each method of payment has its own pros and cons.

Credit cards are the main competition faced by personal loans but credit cards are for disciplined spenders. For many people it’s a little too easy to spend way too much on impulse with a credit card.

Store finance, used by large retailers to help customers buy whitegoods or homewares now and pay later, is a powerful drawcard, particularly for impulse purchases. However, if you don't pay up in full before the end of the promotion, you can expect to be liable for punishing effective interest rates of 29% or more.

Personal loans are a more measured, planned product typically used to finance goods or services a consumer has been wanting to buy for a while. This could be a car, holiday or any number of things.

Home loan redraw is another option for projects like renovations. Be mindful though that you may not put extra dollars into the mortgage to cover the redraw amount. In effect, it's more likely that you will just lengthen the life of your home loan.

"Look at the size of the debt you are going into and be honest with yourself about how diligently you will pay back that debt. This will put you in a better position to choose the best credit avenue for you," Mr Zenas said.

In its *personal loan star ratings* report, CANSTAR CANNEX evaluated 400 personal loans, comprising car loans, as well as secured and unsecured personal loans. The report awards five stars to those products offering outstanding value through a mix of the best rates and features.

Consumers can download this report on www.canstarcannex.com.au and go directly to the personal loan type that suits them.

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About CANSTAR CANNEX:

Founded in 1992, CANSTAR CANNEX Pty Limited is Australia and New Zealand's premier researcher of retail finance information for over 350 institutions such as Banks, Building Societies, Credit Unions, Finance Companies, Brokers, Mortgage Originators, Life Companies and finance related Internet Portals.

CANSTAR CANNEX customers use the extensive database for competitor analysis as well as a means of disseminating their product range. This information is also distributed to print and electronic media for publication and to Agents, Accountants, Brokers and Internet Portals for use in advising their clients.

What are the CANSTAR CANNEX star ratings?

CANSTAR CANNEX researches, compares and rates the suite of banking and insurance products listed below. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR CANNEX website at www.canstarcannex.com.au if you would like to view the latest star ratings reports of interest.

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Credit cards
Deposit accounts
Direct life insurance
Health insurance
Home & Contents
Home loans



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