

Time to sort out your finances

It started on the fringes with the failure of smaller sub-prime lenders but the problem is now spreading to mainstream banking. Following the recent news of major US investment bank Bear Stern's dramatic emergency rescue, the growing transatlantic credit crisis is threatening to spiral out of control and cause significant disruption to the UK economy.

This latest development should serve as a big wake-up call to many UK consumers, who need to seriously assess how the credit squeeze will affect their personal finances. Confidence in the UK economy had already taken a knock following the near-demise of the Northern Rock, and the latest news out of America can only shake that further.

Now would be an ideal time for many people - especially those with a high proportion of debt - to take stock and honestly assess their financial situation. As the cost of credit could spiral at worst, or will be more difficult to obtain at best, it is particularly important that those already heavily indebted resist the temptation to take on any extra debt.

For many they need to force a radical change to their 'buy now, pay later' mentality if they are to avoid serious financial difficulty in the future. It is also a good time for those worried about the future to review their credit report and take control.

If you are worried about the future you may wish to get a copy of your credit report. Being in possession of your credit report allows you to see what information lenders have recorded against you and how much credit you have outstanding.

You can also check that all information held on your credit record is accurate, including electoral roll information and details displayed in the legal judgements section. Also, if you are no longer financially associated with a person or persons listed in the financial associations section, then notify the credit reference agency as soon as possible.

Everyone can now [get a credit report online](#) - some agencies even provide them free of charge - so it's certainly a lot more convenient, not to mention cheaper, than the alternative way of obtaining a credit report: sending £2 in the post and waiting for the report to come back.

If you need to improve your credit rating, then close credit card accounts that you do not use; they will all be listed on your credit report. Lenders tot up the potential amount of credit available to an applicant when they make a risk assessment and ultimately a decision on whether to lend to that individual. So, the more open and unused credit cards that you have, the more potential debt you can also incur.

Unfortunately, there is no crystal ball allowing us to tell the global financial future, but by taking control of your own finances now and cutting out any unnecessary expenditure, at least you can potentially safeguard yourself against your own financial hell.

About the Author

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