

## Debt Consolidation: Good For Your Wallet - And Your Credit Score

Debt consolidation has become something of a buzz term in recent years; but despite attracting criticism from some corners - due in no small part to some unscrupulous lending practices by some providers - debt consolidation loans can actually help your financial wellbeing, and rebuild your credit rating.

Some debt consolidation companies have been guilty in the past of charging exorbitant interest rates on relatively modest advances. These companies argue that the rates they charge reflect the element of risk involved in lending to those with a less-than-perfect credit rating. However, despite the stigma now being attached to debt consolidation loans, for many people they can often be the light at the end of the tunnel and an answer to their debt problems.

If you have missed a payment on any of your credit commitments, then it's more than likely your credit report is tarnished. It's a fact that even one blemish on your credit report can have an adverse effect on future credit applications, and can even affect the rate of interest of any credit offered in the future.

Your credit report contains information about your financial situation and wellbeing; it records your borrowing and repayment habits and history, alongside other pertinent information which potential lenders will use to assess your credit worthiness. When you apply for a loan, or other form of credit, the lender can look at your credit report to work out the level of risk associated in lending to you and whether or not you are likely to meet your repayments or default on them down the line. Using the same information, the lender can also decide on the interest rate they are prepared to offer - essentially, the better your credit score, the better the rate you are likely to be offered.

If you have had problems obtaining credit in the past, it's likely that something on your credit report has given a lender cause for concern, and so it is a good idea to regularly check your credit report for any errors or omissions which might impact your ability to obtain credit. For example, your credit report may incorrectly report that you have missed a payment on your credit card bill, or that there is a financial link to your address from a previous occupant. It could also be the case that someone has used your details to fraudulently obtain credit, with no intention of repaying the sum advanced. Unfortunately, this is all too common and many a good credit score has been damaged in this way.

However, if the reason behind a bad credit history is poor financial management in the past, it's really not the end of the world, as there are still some methods available which can help you rebuild your credit history. Firstly, before you apply for any form of credit, get hold of your credit report. In the UK, there are three main credit reporting agencies - Equifax, Experian and Call Credit - each can provide your credit report online, or via post for a small fee. Check over each report and dispute any inaccuracies you find.

Secondly, don't apply for credit you don't need and don't apply to lenders who are likely to turn you down. Each credit application you make will show on your credit report and making too many applications in a short space of time can warn lenders off by suggesting you may already be financially overburdened with credit commitments.

Finally, look into financial products that are specifically offered to people with a poor credit history. There are many [loan](#) companies and some credit card companies who will consider applicants with a poor credit history for debt consolidation, although the rate you're likely to be offered will be higher than those offered on the High Street. Nevertheless, so long as you make your repayments on time, your credit report will begin to improve as you build up a reliable repayment history and show potential lenders that you are responsible when it comes to credit.

### About the Author

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