

Using a secured loan to
repay other loans or debts

This factsheet is designed to help ensure you take all the relevant factors into account when you decide to use a secured loan or mortgage to repay other loans or debts.

When a loan is secured on your home, it will generally offer a lower interest rate than an unsecured loan but the term may be longer so that the total cost may not be less and may, in fact, be more. In addition if, for any reason, you are unable to repay a secured loan, your home may be at risk of repossession. Before making a secured loan, HSBC will consider your ability to repay the loan using its own criteria and policies.

Repaying secured loans or debts

Unless you are increasing the amount of your monthly payments or are moving from a fixed rate of interest to a variable rate, you are not incurring any greater risk if you transfer one or more secured loans to another secured loan of the same amount.

Repaying unsecured loans or debts

As a responsible lender HSBC asks that you consider the additional risks you are taking before deciding to move unsecured loans or debts to a secured basis.

If you decide to go ahead, you must ensure you can afford the monthly payments (it is essential to make sure you can afford the monthly payments both now and in the future should interest rates rise), budget for all your outgoings and keep to your budget from the outset. If things do start to go wrong, you should always seek help as early as possible.

There are a number of options you could consider before taking a secured loan to repay other loans or debts. For example:

- if you are experiencing any financial difficulty, you should contact any companies (including HSBC) you owe money to as soon as possible. They'll appreciate you taking responsibility and will usually try to help. If you don't get in touch and ignore your problems they may think you don't care. They may also be unable to help if your difficulties may have escalated too far and could take legal action to recover their money. This could mean you may not be able to get credit in the future. The more open and responsible you are about the problems and causes, the more they may be able to help you. This includes taking responsibility for the financial difficulties that you may be facing. Never ignore post from your creditors.
- using an unsecured loan to consolidate debts, taking care to ensure that the monthly payments are and will remain affordable.

General guidance

Taking a new secured loan may enable you to extend the period that you repay your debts over and may also reduce the amount of your monthly payments.

Weigh up the convenience of combining a number of existing debts or loans into one monthly payment and the benefit of having reduced monthly payments, against the total overall cost over the term of the borrowing.

Whatever route you decide you should always consider:

- taking any available protection so that the repayment of your loan remains covered in the unexpected event of

redundancy, accident, sickness or death. You would need to be eligible for any protection policy and terms and conditions would apply.

- the impact of rates increasing and taking advice on the best interest rate option to help make your monthly payments affordable. The monthly payments could be considerably different if interest rates change. Where available, you could opt for a fixed interest rate if you are at all concerned that any increase in your monthly payments could cause financial hardship in the future. It is always possible however that interest rates could go down after you have fixed your interest rate.

There are often other costs involved in arranging your secured loan, these could include a booking fee, the cost of a valuation and legal costs. If you have already received a Mortgage Illustration or Offer Document you should refer to this to understand any costs applicable to your mortgage.

Payment difficulties

If you have been experiencing payment difficulties please ask us for a copy of our guide 'Putting your Finances in Order' which is available from all our branches. Alternatively you can call our Financial Guidance Team on 0345 850 0622.

Below are some useful organisations that provide advice and information to those experiencing financial difficulties.

StepChange Debt Charity – offer free advice on money and debt problems – telephone 0800 138 1111 or online at www.StepChange.org

Citizens Advice Bureau – help people resolve their money and debt problems by providing free, independent and confidential advice. You can find your local Bureau in the telephone directory or by going to www.citizensadvice.org.uk

National Debt Line – can give free information to people living in England, Scotland and Wales – telephone 0808 808 4000 or online at www.nationaldebtline.co.uk

The Money Charity – provides information and guidance for people with debt or money worries – telephone 0207 062 8933 or online at www.themoneycharity.org.uk

The Money Advice Service – provides free printed guides on a variety of money matters – telephone 0300 500 5000 or www.moneyadvice.service.org.uk

Our credit facilities are subject to status and our mortgages are subject to security. With a mortgage or other secured loan, a charge will be taken over property. Written quotations are available by calling 0800 494 999 (textphone 03456 010 750). Lines are open from 8am to 10pm every day (except for Christmas Day, Boxing Day and New Year's Day). To help us continually improve our service and in the interests of security, we may monitor and/or record your communications with us.

Think carefully before securing other debts against your home.

Your home may be repossessed if you do not keep up repayments on your mortgage.

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Issued by HSBC Bank plc.

Customer Information: PO Box 6201, Coventry CV3 9HW | PO Box 14, St Helier, Jersey JE4 8NJ | PO Box 31, St Peter Port, Guernsey GY1 3AT | PO Box 20, Douglas, Isle of Man IM99 1AU.

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