

Half of credit active women at default

Many South African women are finding themselves in financial trouble because of their love of plastic - their credit cards. This is according to Robyn Farrell, executive head of 1st for Women Insurance. Statistics from the Credit Bureau show that 48.4% of South Africa's credit active women have negative information, such as defaults, on their records.



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"A default means you have failed to make payments as per your agreement. A default is held on the system at the Credit Bureau for two years and can jeopardise your chances of accessing credit elsewhere, such as when you want to get finance for a house or a car. Ideally, you don't want to land up in this position. Or worse still, with a judgement against you. Unfortunately too many consumers are not aware of the consequences of abusing credit," Farrell says.

She stresses that women need to think with their heads and not their hearts when they are shopping. "Creditors' willingness to provide you with credit is no indication of your ability to honour it. You will have to pay that money back. So, you should never buy more than you can afford. Remembering this simple truth can save you from lots of heartache and distress down the line."

Vicious circle

Using and abusing credit is a vicious circle for many South Africans. The quarterly Synoptic Report by Compuscan highlights the increase in credit utilisation and shows an increase in the number of revolving credit facilities in the higher balance categories. The number of revolving loans with a value of R100 000 and over increased by 50% in the fourth quarter of 2012.

There has also been a consistent increase in the number of credit cards and store cards with a limit of between R25,000 and R40,000 and of R40,000 and over.

The number of credit cards with a limit of R5,000 and under has decreased which supports the trend that consumers are applying for higher credit limits due to financial distress. Farrell says it is easy to lose track of what is spent on credit, and when revolving credit to stay afloat, it becomes a precarious cycle. "Take charge now. You must keep an honest account of what you spend, and be realistic about what you can afford to pay back if you dip into your credit," she says.

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