

African Bank Ltd press release

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### **A consolidation loan can help you change your relationship with debt**

February may be the month of love but it is far from moonlight dinners and roses for thousands of over-indebted South Africans, says African Bank.

“There is no doubt that thousands of consumers are drowning in debt,” says Neil Thompson, Head of Product and Customer Value Proposition at *African Bank*. “Debt is the leading cause of financial stress and if not managed properly it can have long-term repercussions.

“Many people have an unhealthy relationship with their finances, viewing their salary as a means to an end and debt as a ball and chain around their neck. A [debt consolidation loan](#) can change this.”

But what is debt consolidation and how do you apply for a debt consolidation loan?

*Thompson* explains that it is a loan you apply for at a bank which you use to combine some of your debt (store cards, credit cards, etc.) and then you only pay one amount back on this loan to the bank.

“The biggest benefit therefore is that you have one monthly repayment amount to the bank instead of several individual payment amounts to various creditors.

“If you think about all your creditors, they each come with their own terms, monthly fees and interest rates - the fine print many people neglect to read when they sign up for credit. It is these fees and interest rates which force consumers into paying debt off for months upon months and gaining little traction in the actual repayment of the debt.

“A debt consolidation loan turns several loan payments into one cost-effective payment. And, you can usually save some money because one monthly repayment at a favourable interest rate is more affordable than several payments with varying interest rates.

“Many people have also benefited from an improved credit score. The reason for this is because they only have one loan repayment they are less likely to miss payments, and this improves their credit score.”

*Thompson* warns however that despite a consolidation loan being a good way to manage debt, managing this loan still requires discipline.

“Continue to work within a budget and live within your means. My advice is don’t take out additional credit while you are paying the loan off. Use your consolidation loan as a stepping stone to a better financial future.”

He adds that an important thing to remember before signing on the dotted line is interest rates. Always compare interest rates and scrutinise the payment terms. At African Bank you can get a single consolidation loan for up to R250 000 with the option to combine up to five loans into one.

The bank will look into your affordability as part of the application process. This includes things like your income, current debit orders and monthly expenses on things like school fees, bond, transport and food.

“With careful consideration of your personal financial situation and by doing your homework upfront, you may find personal loan consolidation to be the answer to financial peace of mind this year,” *Thompson* says.

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