

# My-Debt: Consolidation Loan FAQ's

- **What is debt consolidation?**
  - It's a way of paying off all your existing debts by taking out a new loan or remortgage that's big enough to pay them all off in one go.
- **Why would I want to consolidate my debts?**
  - Consolidation can increase your disposable income by reducing your monthly repayments. It can also make your life a lot simpler. The more debts you have, the harder it is to keep track of them – and making payments late (or missing them altogether) can affect your credit rating and lead to charges, higher interest rates, or even legal problems.
- **How can debt consolidation lower my monthly payments?**
  - First, you can arrange to pay back the debt over a longer period of time. Since you're paying it back more slowly, each monthly payment will be lower. However, since you'll owe money for longer, you'll be paying interest for longer, and that could mean you'll end up paying more in the long run.
  - Second, many unsecured debts (especially store cards and credit cards) come with high interest rates. If you can find a consolidation loan with a lower interest rate, this can also reduce your monthly payments, depending on how quickly you're paying off the consolidation loan
- **Do I have to be a homeowner to consolidate my debts?**
  - No. You can take out an unsecured consolidation loan if you don't own any property, or if you don't wish to borrow against it.
  - However, as with all kinds of loans, an unsecured consolidation loan will often come with a higher interest rate than a secured loan. In other words, you'll be less likely to find a consolidation loan with a really good interest rate – but you can still reduce your monthly payments by arranging to pay back the debt over a longer period of time.
- **Are there any drawbacks to debt consolidation?**
  - Consolidation can end up costing you more in the long run.
  - It also allows you to run up new debts, as you're paying off your credit cards, store cards, overdrafts, personal loans, etc. If you're not sure you have the willpower (and the finances) to avoid doing this, you should think very carefully about consolidating your debts. [Click here for more on the pros & cons of debt consolidation.](#)