

Credit card debt

A recent survey shows an increase in the number of UK consumers running up debts on their credit cards.

1 What's your attitude to paying off your credit card bill each month? Mark it on the line below and compare your answer with a partner.

I always pay all of it off immediately. ←—————→ I never pay all of it off.

2 Read the article quickly. Where on the line above are over two million credit card holders in the UK?

3 Read the article again and discuss your reactions to it with a partner.

Are we a 'live now – pay later' society?

Two thousand adults in the UK were recently surveyed by an accountancy firm about their level of debt. The results appear to indicate that we now live in a 'credit card culture'. The survey found that many people regularly take out loans or use credit cards to pay their household bills. Previously, it was more common for people to take out loans to buy expensive items such as white goods or cars.

Out of the 2,000 adults surveyed, 16% said that they had substantial debts of between £10,000 and £40,000. Eighty-four per cent said they hoped to pay off their debts within five years. Seven per cent even planned to take the drastic step of selling their home or remortgaging it to clear their borrowings.

Credit cards are now more popular than ever, with a total of 58 million cards in issue in 2002, and banks seem willing to lend ever larger sums to customers at tempting rates of interest. Most credit cards have low introductory rates, but does this encourage people to overspend?

Credit-hungry UK consumers borrowed £48 billion in 1995. In 2002, that figure rose to £117 billion. According to research, 2.3 million consumers not only find it difficult to pay off the interest on their account each month, but always have an outstanding balance.

Britons now owe more than £25 billion on their credit cards. The rise in borrowing is worrying some economists, who believe that UK consumers will create a debt mountain which they cannot repay, especially if interest rates rise. They are highly critical of the new 'live now – pay later' attitude.

4 Find words or phrases in the article which mean:

- a washing machines, fridges and other kitchen equipment (paragraph 1)
- b extreme or radical measure (paragraph 2)
- c attractive (paragraph 3)
- d amount of money remaining in your account, still to be paid (paragraph 4)
- e a large amount of money owed (paragraph 5)

5 Discuss the following questions in small groups and report your ideas to the class.

- a Do you agree with the economists in the article that debt is harmful?
- b Do you think that the same problem described in the article exists in your country?
- c How often do you use your credit card and what kind of purchases do you tend to use it for?
- d Would you take out a loan for a holiday?
- e Do you have a 'live now – pay later' attitude?