

The Solution Loans Guide to Personal Loans

[Personal loans are unsecured loans](#) that do not require the borrower to put up a form of security - be it a house or vehicle or jewellery - as a guarantee for the lender. So they differ from homeowner loans, logbook loans and other forms of secured lending. There is also no requirement for a third party to act as a guarantor. The lender bases a decision on whether a borrower will be able to repay the loan by assessing the applicant's creditworthiness, income and their other financial commitments.

They can offer a borrower an affordable option to pay for a car or a holiday in a flexible way with repayment schedules which can range from one to 10 years. Most people who successfully apply for a personal loan are able to borrow between £1,000 and £25,000 and there are lenders who have financial products for non-homeowners & tenants as well as homeowners. Interest rates are lower than for other forms of finance and there are now personal loans available for borrowers with less-than-perfect credit.

Personal loans are available from a wide range of lenders and applicants are not restricted to the traditional High Street banks when looking at this type of finance.

How personal loans work

There are probably more unsecured loan products on the market than any other type of loan with each lender having different acceptance criteria, different repayment schedules and different interest rates. In general, however, the more that you borrow, the lower the APR you are likely to pay but this will depend upon your financial circumstances (including credit record) and the length of the repayment schedule. If you have a good credit history, then it's likely that you'll be able to access personal loans with the lowest interest rates.

However, there are increasing numbers of loans available to people with less-than-perfect credit histories and interest rates on these compare favourably with other forms of lending - particularly credit and store cards.

Most personal loans are offered with fixed rates meaning that you'll know up front exactly how much you'll have to repay and what the monthly repayments will be for the term of the loan. This can be particularly useful if you need to be able to budget well in advance to suit your lifestyle. The APRs offered vary according to changes in the bank rate but once you've been accepted, the interest rate won't change.

This guide does not constitute financial advice. If you need financial advice please speak to a qualified financial advisor.

For all your financial needs check out our website – Solution-Loans.co.uk

Why should I apply for a personal loan?

An [unsecured loan could be the right sort of finance](#) for you if you're looking to borrow a fairly substantial amount, not end up paying a very large amount in interest charges and want to know exactly how much you'll be repaying over the term of the loan. Personal loans are frequently used to fund home improvements, car purchases, holidays and even to consolidate other debts.

What are the downsides?

While not having to provide security in the form of a home or vehicle for a personal loan and despite there being a wider range of them on offer, there are still fewer unsecured loans available to applicants with poor credit histories than secured or guarantor loans. You're also likely to have to pay a higher interest rate than with a secured or guarantor loan and the amount that any applicant will be able to borrow - irrespective of credit history - will be less than with a secured loan. Repayment schedules are also shorter although you can still choose to repay over timescales as long as 10 years.

If you're considering an unsecured loan, bear in mind that if you find yourself in a position to repay the loan early, you could face early repayment fees, although you could reduce your interest charges significantly.

Although these loans are not secured against property, lenders can still pursue a defaulting borrower's assets through the courts.

Conclusion

Personal loans provide access to safe forms of finance for large numbers of borrowers who do not want the risk of securing their loan with their house or other possessions. They also mean that any equity you've built up in your house is preserved should you get into difficulty. Tenants as well as homeowners are accepted for many personal loans. Personal loans also provide cheaper forms of longer-term finance than credit or store cards and are generally lower cost than overdrafts over the long term.

For the online version of this guide visit www.solution-loans.co.uk/personal-loans/guide

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