

# Be wary of agreements

**THERE** are no easy answers to a ballooning credit card debt but a leading industry player has warned consumers to be wary of entering debt agreements.

Roger Mendelson, chief executive of debt recovery firm Prushka, said users should be aware that agreements should be treated as a last resort because they often contained hidden costs and can be a fast track to bankruptcy.

He said the agreements look enticing because they involve paying as low as 50¢ in the dollar but in his experience around 90 per cent of agreements failed.

With hidden costs and a tough repayment schedule, any breach is an act of bankruptcy. In these instances, the original debt returns with added charges and a poor credit record, putting future borrowing capacity at risk.

With Australia's credit card debt now higher than home loan debt at \$38 billion, Roger suggested those in credit card trouble try to set up a repayment proposal they can meet directly with their card issuer.

Alternatively, they can transfer the balance to a lower interest rate card, consolidate the debt on to a mortgage or switch to a debit card.

Of course, no strategy beats the tried and true but financially disciplined policy of paying off credit card balances every month without fail.