

Using a secured loan to repay other loans or debts

This factsheet is designed to help ensure you take all the relevant factors into account when you decide to use a secured loan or mortgage to repay other loans or debts. It provides information which may be useful, but this should not be taken as advice.

When a mortgage or loan is secured on your home, it will generally offer a lower interest rate than an unsecured loan. The term (or time by when you have to repay the loan) may be longer though, so the total cost of your borrowing may be more. In addition if, for any reason, you are unable to repay a mortgage or secured loan, your home may be at risk of repossession.¹

¹Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.

Before taking a secured loan or mortgage, HSBC will consider if you can repay the loan, and if it will be affordable for you, by using its own criteria and policies.

Repaying secured loans or debts

If you are considering transferring one or more secured loans to another secured loan or mortgage, your financial or legal advisor will discuss what benefits and other implications there may be for you.

Repaying unsecured loans or debts

As a responsible lender HSBC asks that you consider the additional risks you are taking before deciding to move unsecured loans or debts to a secured basis.

Before deciding to go ahead, you must ensure that you can afford the monthly payments (it is essential to make sure you can afford the monthly payments both now and in the future should interest rates rise). You should budget for all your outgoings and keep to your budget from the outset. If things do start to go wrong, you should always seek help as early as possible.

There are a number of options you could consider before taking a mortgage or secured loan to repay other loans or debts. For example:

- if you are experiencing any financial difficulty, you should contact companies (including HSBC) you owe money to as soon as possible. They'll appreciate you taking responsibility and will usually try to help. If you don't get in touch and ignore your problems, they may think you don't care and may be unable to help if your difficulties have escalated too far for you. If you are in arrears with the companies you owe money to, this could mean you may have difficulty getting credit in the future. They may be able to take legal action to recover their money. The more open and responsible you are about the problems and causes, the more they may be able to help you. This includes taking responsibility for the financial difficulties that you may be facing. Never ignore post from your creditors
- you could consider using an unsecured loan to consolidate debts, taking care to ensure that the monthly payments are and will remain affordable

General guidance

Taking a new secured loan or mortgage may enable you to extend the period that you repay your debts over and may also reduce the amount of your monthly payments.

Weigh up the convenience of combining a number of existing debts or loans into one monthly payment and the benefit of having reduced monthly payments, against the total overall cost over the term of the borrowing.

Whatever route you decide you should always consider:

- if you need to take independent financial or legal advice and if you think you do, to obtain such advice
- taking any available protection so that the repayment of your loan remains covered in the unexpected event of redundancy, accident, sickness or death. You would need to be eligible for any protection policy and terms and conditions would apply

- the impact of rates increasing and taking advice on the best interest rate option to help make your monthly payments affordable. The monthly payments could be considerably different if interest rates change. Where available, you could opt for a fixed interest rate if you are at all concerned that any increase in your monthly payments could cause financial hardship in the future. It is always possible however that interest rates could go down after you have fixed your interest rate

There are often other costs involved in arranging your mortgage or secured loan, these could include a product fee (sometimes called an arrangement or booking fee), the cost of the valuation, and legal costs. If you have already received an Illustration or Offer Document you should refer to this to understand any costs applicable to your mortgage.

Payment difficulties

If you have been experiencing payment difficulties please ask us for a copy of our guide 'Putting your Finances in Order' which is available from all our branches. Please also see the section on money worries at [hsbc.co.uk/help/money-worries/](https://www.hsbc.co.uk/help/money-worries/). Alternatively you can call our Financial Guidance Team on 0345 850 0622.

Here are some useful organisations that provide advice and information to those experiencing financial difficulties.

StepChange Debt Charity – offer free advice on money and debt problems – telephone 0800 138 1111 or online at [StepChange.org](https://www.stepchange.org).

Citizens Advice Bureau – help people resolve their money and debt problems by providing free, independent and confidential advice. You can find your local Bureau in the telephone directory or by going to [citizensadvice.org.uk](https://www.citizensadvice.org.uk).

National Debt Line – can give free information to people living in England, Scotland and Wales – telephone 0808 808 4000 or online at [nationaldebtline.org](https://www.nationaldebtline.org).

The Money Charity – provides information and guidance for people with debt or money worries – telephone 0207 062 8933 or [themoneycharity.org.uk](https://www.themoneycharity.org.uk).

MoneyHelper – provides free printed guides on a variety of money matters – telephone 0800 138 777 or [moneyhelper.org.uk](https://www.moneyhelper.org.uk).

Our credit facilities are subject to status, our mortgages are subject to status and security. With a mortgage or other secured loan, a charge will be taken over property. Written quotations are available by calling 0800 169 6333. To help us continually improve our service and in the interests of security, we may monitor and/or record your communications with us.

Accessibility

If you need any of this information in a different format, please let us know. **This includes large print, braille, or audio.** You can speak to us using the live chat on our website, visiting one of our branches, or by giving us a call.

There are also lots of other options available to help you communicate with us. Some of these are provided by third parties who are responsible for the service. These include a Text Relay Service and a British Sign Language (BSL) Video Relay Service. To find out more please get in touch. You can also visit: [hsbc.co.uk/accessibility](https://www.hsbc.co.uk/accessibility) or: [hsbc.co.uk/contact](https://www.hsbc.co.uk/contact).

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