



DEBT COUNSELLING

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A private sector bank has offered to transfer my credit card balance to theirs. Does this make sense? Would there be any catch here?

On credit cards, bank's major income is from customers who opt for revolving credit, since the interest charged on its dues is quite high, sometimes exceeding 40 per cent a year.

Banks try to offer balance transfer facility to customers of other banks to increase their profitable clientele. It makes sense to avail this only if the rate offered by the new bank is lower — on current dues and future purchases. Please read the fine print carefully.

The downside to this is that the combined credit

limit of the two cards for the customer increases, thereby increasing the possibility of the usage of more credit and getting deeper into a debt trap.

Recently, my home loan application got rejected due to a poor credit history. I had settled all previous dues, but the previous bank hadn't updated its record. And, the bank is not responding to follow-ups. Will this loan rejection mar my credit history?

You have been right in approaching your bank to get the records updated. Please take it in writing that they will do it at the earliest. Then give a copy of this to the credit bureau for them to follow up with the bank as well.

Usually, records are updated once a month by banks with credit bureaus. You may have to give them that much time. Generally, the credit bureau records capture the number of fresh loan applications and not their rejection.

So, your credit history is unlikely to get impacted due to this rejection.

However, delayed repayments in your records will have a negative impact on a fresh loan sanction.

I have not been able to repay my home loan dues for the past two months. I have been warned that my house can be seized. I won't be able to regulate my payments for another six months. Should I sell my house in the open market for some gains, too? Or, should I let the bank auction it? Will they reimburse me any price received in excess of the loan?

Two months delay in servicing your home loan does not warrant seizure and auction of your house, but another six months of non-payment may lead to it. You should meet the manager of the bank, explain your position and try to reschedule your equated monthly instalments to a manageable level. Also, explore taking a small personal loan to pay these. Selling the house should be the last resort, as one may not get the best price in case of a distress sale.

If the bank auctions the property, it is bound to reimburse you any excess amount over the dues.

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