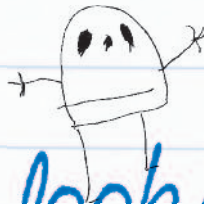
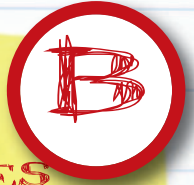


Buy now;  
pay later - a look at  
borrowing and credit



**THIS TAKEAWAY GIVES SOME FINAL WORDS ABOUT CREDIT AND BORROWING**

Keep it safe in your folder



## MORE ABOUT APR

In a recent survey 83% of people said that APR is the most important thing they take into account when borrowing, but only 41% knew what it was. It is a way of comparing different rates. It is a complicated concept and it is not quite accurate to say that if you borrow £100 at 13% APR for the year then you will be paying back £113 but that is the general idea. Credit card companies put insurance fees, arrangement fees and other things into the APR, but it still means that the higher the APR, the more interest you will be paying.

## YOUR RESPONSIBILITY, OR ELSE...

Banks expect you to repay loan instalments on time and the responsibility is all yours. If you don't make the payment, you will be charged a penalty and it's not cheap.

The Terms and Conditions (small print) will explain what happens if you should miss a payment. If you do this and get in touch with the bank quickly, they may waive the fee; but you will have to act promptly!

Continued on next sheet

You saw me on the video.

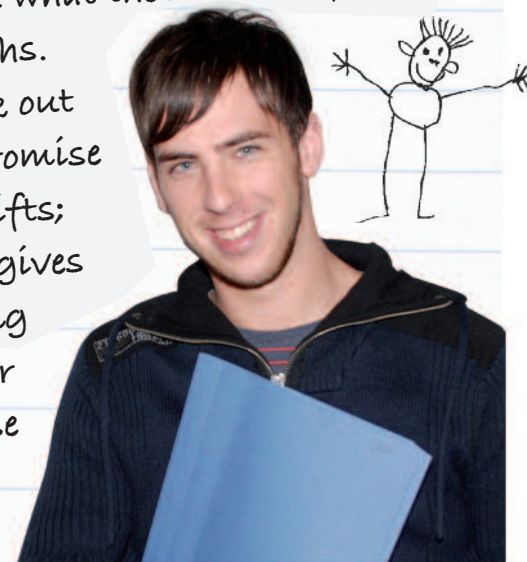
Look. I've learnt how not to use a credit card. Don't just pay the minimum monthly repayment. It'll take you ages to pay off what

you owe and you'll end up paying a lot more. Don't be fooled into

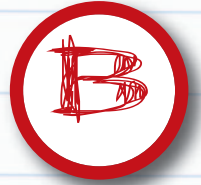
thinking that if you use a credit card cheque, you won't get charged interest; you will. Don't be tempted to get a credit card that says 0% APR for six months; just check out what the APR is after that six months.

And look out for the promise of free gifts; nobody gives anything away for free these days!

**JOSH'S TOP TIP**



# Buy now; pay later - a look at borrowing and credit



## GOOD NEWS ABOUT CREDIT CARDS

Using a credit card for transactions in the UK for over £100 provides you with an automatic insurance policy should the supplier you are dealing with go bust or disappear, or the goods turn out to be faulty.

This is because under Section 75 of the Consumer Credit Act the credit card company has equal liability with the supplier but this is only applicable for UK purchases and they must be for over £100.

## WHO, ME? - CREDIT REFERENCE AGENCIES

Credit reference agencies hold information about most adults in the UK. When you are 18, you will be added to the books. They hold information that will help banks etc. decide whether to lend people money. The information includes

- Your address
- Any court orders against you for not paying debt (County Court Judgements)
- If you have been bankrupt
- A history of how you managed your current and past credit agreements, particularly if you have defaulted
- Any recent applications you have made for credit

Most of the information comes from the lenders although they must ask you before they look at your credit report and before they share information about you with other companies.

## WHAT'S THE SCORE?

A lender will calculate your credit score based on the information from your application form and the credit reference agency. This will help them decide whether to give you a loan or credit and on what terms, e.g. over what period and at what rate of interest.

The lenders will be looking for your ability to repay and a history of repaying on time. The application form will require you to state how long you have lived at your current address and how long you have been with your current employer. This indicates how settled you are. If your score is right, you'll get the loan.

LENDER 1  
STUDENT 0



## CRUCIAL QUESTIONS TO ASK WHEN CONSIDERING A LOAN

- Do I really need what I want?
- Should I save for it rather than get a loan?
- Will the item outlive the length of the loan?
- What can I honestly afford to pay?
- Will I be able to keep to the commitment?
- What are the risks involved?
- Is my borrowing going to be manageable?