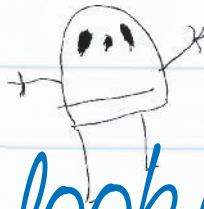
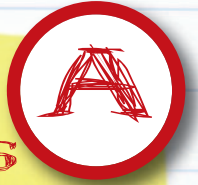


Buy now;  
pay later - a look at  
borrowing and credit



THIS  
TAKEAWAY IS  
ALL ABOUT WAYS  
OF BORROWING  
MONEY

Keep it safe in your  
folder



## WHAT IS CREDIT?

Credit is renting money. It is not money you own, you borrow it to use temporarily. The interest you pay is the rent. The rate of interest and the amount of interest you pay for credit (renting money) will depend on the type of credit that you want and for how long a period you want it over. The problem is that it will affect your future standard of living because you will have to repay the money you borrow from your future wages or salary.



MEENA'S  
TOP TIP

## POINT-OF-SALE CREDIT

This is the credit given to you when you buy something in a shop and you are asked if you want to pay by instalments. It was once called hire purchase; some stores now refer to it as 'finance'. The shop arranges a loan for you. Because this is done quickly and fewer checks are made, the lender's risk is greater so the rate of interest (called the APR) is much higher. You might be offered 0% interest for say 6 months but if you don't pay the full amount before the end of the interest-free period, you will then have to pay a lot of interest.

You saw me on  
the video.

Make sure you can pay  
back whatever you intend to  
borrow. It comes back to the old  
chestnut - budgeting. Plan your  
finances. If you  
think you're not  
going to be able to  
afford it - don't  
borrow it.

You're just  
storing up  
trouble for  
yourself in  
the future.

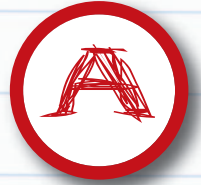


## WHAT IS APR?

It stands for **Annual Percentage Rate** and it represents the rate of interest you are paying when you repay the money you have borrowed. In general, the higher the APR, the more money you will pay back in interest.

Continued on next sheet

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



## LOAN SHARKS

These people can be dangerous. They operate outside the law, charge very high rates of interest and can turn violent if you don't make the repayments.

## SECURED AND UNSECURED LOANS

Secured loans are cheaper but you risk losing your home if you can't keep up the repayments. However, there are times when they are not cheaper as secured loans are often the last refuge of marginal borrowers.

## CREDIT CARDS AND STORE CARDS

When you use a credit card, you are spending the credit card company's money and they are going to want it back with interest. The longer you take to pay it back, the more interest you will pay. Store cards have a high APR, people who use them and don't follow the terms & conditions can end up owing a lot more than they spent. More on these later in the module.



## CREDIT UNIONS

You learnt about credit unions in the last module. Not only do they provide you with a safe place to put your savings, they also give low cost loans. You will remember that they are a kind of 'club' or 'people's bank'.

Members save into one common fund that pays them interest and then when they have been saving for a few months, they can borrow at a relatively low APR. However they will need to save for a time before they can borrow.

You can find out more about credit unions from the Association of British Credit Unions Ltd, website [www.abcul.org](http://www.abcul.org)

## LICENSED MONEYLENDERS

Loans from these people have the highest APRs.

## PAWNBROKERS

These people give you money for your personal belongings. If you don't pay it back within a certain time, your property becomes theirs.