

Getting the best deal for YOU

If you do decide you really need to use credit, look at 2 things: **APR** and **length of loan**.

1: APR

APR stands for Annual Percentage Rate. You can use it to compare different credit and loan offers. The APR takes into account not just the interest on the loan but also other charges you have to pay, for example, any arrangement fees. Using APRs to help you compare the cost of credit products simple- a loan with a low APR is cheaper than one with a higher APR (over the same period)

- **The *higher* the APR the *more* you will pay back.**

2: Length of Loan

BUT how much you pay back on credit will also depend on the number of payments you make, and over how long. So for example, a loan at a lower APR, but for 3 years may actually be more expensive than a loan for the same amount at a higher APR but only for 1 year.

- **the *longer* you borrow money for, the *more* you will pay back.**

So the message is **shop around!** just like you would for other things.

For the example of a washing machine on the exercise you have just done, you can see the impact of the APR and length of loan/no. of instalments. You can also see that it is really hard to work out what using an overdraft will cost and that some options are more complicated than others. We haven't put any figures for the *person my friend knows*, this person is a loan shark, this is not a legal form of credit!

	Cost	APR	Loan length	Pay Per week	Pay Per month	Total Interest	Total
Use my savings	£304.99	0.01%	1 year	£ 5.86	£25.41	£ 0.01	£304.98
Budgeting			104				
loan/advance	£304.99	0%	weeks	£2.93	£12.70	£0.00	£304.99
		26.8%		£ 6.55	£28.37	£ 40.41	
Credit Union Loan	£304.99	4.9%	1 year	£6.02	£24.08	£8.02	£345.40
Credit card (Low APR)	£304.99	5.9%	1 year	£ 6.05	£26.24	£ 9.87	£337.11
Store card	£304.99	29.90%	1 year	£ 6.86	£29.72	£ 51.62	£356.61
Credit card (High APR)	£304.99	34.90%	1 year	£ 7.03	£30.47	£ 60.68	£365.67
Payday loan	£304.99	1,509.0%	31 days	N/a	N/a	£ 75.64	£380.63
Bank overdraft (auth)	£304.99	n/a	1 year	£7.00	£30.42	£182.50	£487.49
Wkly pay (social ent)	£345.00	36%	52 weeks	£7.92	£34.31	£66.80	£411.80
Doorstep loan	£304.99	299.3%	52 weeks	£10.80	£46.80	£256.61	£561.60
High St money shop	£304.99	292%	1 year	£ 11.04	£47.84	£269.09	£574.08
Weekly payment store	£490.63	69.90%	156 wks	£ 6.25	£27.08	£484.37	£975.00