

FACILITATOR CHEAT SHEET AND HANDOUT

Myths about credit quiz

Here are the answers to read out during the quiz and handout at the end.

1. Is APR the only thing that affects the cost of borrowing? **NO**

The length of time you have to pay back is also a factor (remember the TV game!)

2. For a loan to be legal, do you need you a contract telling you what you owe and the terms of repayment? **YES**

You should be provided with a credit agreement from a lender, which sets out your terms and conditions. One sign that someone is a loan shark is a lack of this paperwork. If they won't provide the paperwork, avoid the loan!

3. Is paying for a bill in instalments (over several months) always better than if you pay upfront? **NO**

For certain products, such as insurance, pay monthly options can, in fact, be credit agreements and these can be costly. Either pay the whole bill upfront or, if you can not afford to do that, check the APR being charged on the pay monthly option and see if you can get a better deal on credit elsewhere to pay the full bill. If you do use another form of credit, make sure you budget for the full repayments to clear the sum borrowed within the year.

4. Are payday loan companies (such as Wonga) and doorstep lenders (such as Provident) loan sharks? **NO**

Payday and doorstep may seem very expensive but they have licences from the FCA so they are allowed to charge interest. There are now some caps on what payday lenders can charge but such loans can still be very costly. Whatever the cost and whilst people may call them loan sharks, companies with an FCA licence are legal.

5. Does a lender have to notify you if it wants to change the amount you owe or the APR? **YES**

This is all part of your credit agreement. If you don't have a credit agreement or the lender changes the amount you owe or the interest repayments without you being notified, they are probably a loan shark.

MADE OF MONEY

SESSION 2: Credit

6. If you are running a bit short of money, is using your bank overdraft is always the cheapest option? **NO**

A bank overdraft is a form of credit so check the terms of your overdraft with your bank. Some banks will have a set charge per day, some will charge interest on the overdrawn amount, and some charge an account fee for a larger overdraft limit but the charges may not represent good value. The cost of your overdraft will depend very much on your own circumstances and the charging policy of your bank. Consider what other options you might have.

7. Is it illegal to borrow from a loan shark? **NO**

They are breaking the law and you are a victim. Report them to the illegal money lending team to stop other people also getting stung. The handout at the end of this quiz will tell you how. You won't be prosecuted.

8. Do you have to wait until you are 18 to borrow money? **YES**

It is illegal to lend to anyone in the UK under 18. However, if you are over 14 but under 18, you can enter into a credit or hire purchase agreement if an adult acts as your guarantor.

9. If you owe money to a loan shark do you need to clear the loan before you can ask for help? **NO**

You should report them as soon as possible. The handout at the end of this quiz will tell you how.

10. Must you have a good credit history in order to borrow money? **NO**

If your credit history is poor you still have legal options even if it means a high APR. If you need credit you could try borrowing from your local credit union.