

FACILITATOR CHEAT SHEET

Discussion on credit

Why do people use credit?

- To help them through different or expensive life events – e.g. being a student, setting up their own home, getting married, sending a child to university, starting work.
- To help them make ends meet at the end of the month
- To pay for a purchase that they can't afford to make (either in the short, or longer-term)
- For convenience- some people prefer to buy all their stuff on credit card and then pay it off in full every month.
- For security- there are special rules which mean that items costing over £100 and under £30, 000 are also guaranteed by the credit card company.
- To cover emergencies and unexpected events e.g. washing machine breaking
- Can open up opportunities that would otherwise be missed- e.g. chance to go on a holiday or to a concert.

What are the disadvantages of using credit?

- It can be expensive - different interest rates apply and you must be careful to check which one you are getting.
- In the long run, things are most expensive. The £200 sofa may cost £300 by the time you pay it off.
- Unforeseen circumstances may leave you unable to repay your debts, which can lead to repossession of property, bankruptcy and in some instances, imprisonment.
- Taking up loan offers or using cards, in particular, can distance you from the reality of spending and can lead to more borrowing
- It can be very stressful - and can put a strain on your relationships.
- It can be restrictive and impact on your quality of life
- You have to be very careful of who you borrow from - making sure to shop around and get the best deal.

→ It can often be about instant gratification, which makes it hard to see the whole picture and the long term effects.

When is credit good?

Credit doesn't have to be bad. It can allow us to deal with emergencies, or take up opportunities we couldn't otherwise.

The main question is - can you afford to pay it back? Can you even if your circumstances change? And, is whatever you are getting on credit worth the higher cost, once interest is factored in? Or are you better off saving for a year for that sofa, and paying less in the long run?

How can it impact upon relationships?

- Differing attitudes towards credit can cause stress
- Buying on credit still impacts on finances - you have to pay it off
- If one person's situation changes, it can add additional pressure on the other to pay it
- If families find themselves unable to pay credit, it can cause strain
- It can lead to secrecy or lying, if someone finds it hard to admit they have taken credit and now can't pay it back