

DEBT QUIZ

ANSWER SHEET

1) The average household debt in the UK (excluding mortgages) is:

- a) £1,297
- b) £3,462
- c) £7,042
- d) £7,880

2) Bailiffs are allowed to force their way into your house the first time they visit

TRUE

FALSE

But once they have been in your house, they can force entry a second time- so DON'T LET THEM IN!

3) What percentage of children save at least a quarter of their pocket money?

- a) 9%
- b) 33%
- c) 57%
- d) 79%

4) If you owe money you will have a "black mark" on your credit file

TRUE

FALSE

There are no such thing as 'black marks' – just a rating about how good a credit risk you are. It is up to the lenders to decide whether they want to lend to you based on this.

5) What is the *average* cost of bringing up a child from birth to 18?

- a) 59,000
- b) 87,000
- c) 178,000 (£178,398 from birth to age 18)
- d) 213,000

6) Charitable grants can be used to pay off utility debts

TRUE

FALSE

SESSION 4: Debt

Charis grants (01733 421 021) administer these for a number of utility companies. We have also produced an energy pack available to trained facilitators.

7) In the UK you have to pay for debt advice and debt management plans

TRUE

FALSE

8) How long do you think it would take to pay off a credit card debt of £1,000 if you only made the minimum payment each month?

- a) 33 months
- b) 8 years
- c) 15 years
- d) 20 years (actually 20 years 5 months)**

Cheat sheet for question 8

This question is based on a Capital one card for *people with bad credit/building credit*. As at April 2015 the APR this card used was 34.9% with a minimum repayment of the greater of 1% of the outstanding balance plus the interest on the balance or £5.

So for month one the opening balance is £1,000. 1% of this is £10 and the interest is £29.08. The minimum repayment is £39.08 BUT £29.08 of that covers the interest and so the opening balance for month 2 is £990. This is why the amount takes so long to repay.

Using the www.moneysavingexpert.com minimum repayment check the total interest cost is shown to be £2,279 on a £1,000 debt!

Last update 22/12/16

Sources 8) own spreadsheet/Moneysavingexpert calculator 1) The money charity December 2016 money statistics 3) Halifax pocket money survey June 2016 5) research by LV, Liverpool Victoria Friendly society in Jan 2016, note this research is used to sell life insurance!