

MADE OF MONEY

SESSION 2: Credit

Getting the best credit 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. This is how much you are charged to borrow money, worked out as a percentage of the total amount, if you paid it back in a year. 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 the TV on the exercise you have just done, you can see the impact of the APR and length of loan/no. of instalments:

	Cost	APR	Loan length	Pay Per week	Pay Per month	Total Interest	Total
Saving	£379.99	0.0%	1 year	£ 7.31	£31.67	£ 0.00	£379.99
Credit card (Low APR)	£379.99	16.9%	1 year	£ 7.99	£34.64	£ 35.68	£415.67
Bank loan	£379.99	18.9%	1 year	£ 8.08	£35.00	£ 40.02	£420.01
Credit Union Loan	£379.99	19.75%	1 year	£ 8.11	£35.15	£ 41.87	£421.86
Store card	£379.99	29.9%	1 year	£ 8.54	£37.03	£ 64.32	£444.31
Credit card (High APR)	£379.99	34.94%	1 year	£ 8.76	£37.97	£ 75.69	£455.68
Payday loan	£379.99	1,509.0%	30 days	N/a	N/a	£ 91.20	£471.19
High St money shop	£379.99	151.6%	52 weeks	£ 11.63	£50.40	£224.77	£604.76
Doorstep loan	£379.99	272.2%	52 weeks	£ 13.30	£57.63	£311.59	£691.60
Weekly payment store	£568.96	64.7%	3 years	£ 7.00	£30.33	£523.04	£1,092.00