

# Top ten credit tips

Keep debt under control



**Using a credit card, instant credit in a shop, catalogue shopping, using a store card – when it comes down to it you're borrowing money. If you're going to use credit these ten tips will help you to borrow safely.**



## Prepare yourself

- 1. Can you afford it?** Before you commit yourself make sure you can really afford the repayments – don't be talked into borrowing more than you want to.
- 2. Shop around for credit.** The first thing you're offered may not be the best deal. There are many types of credit and numerous rates on bank loans, credit cards, hire purchase agreements and so on. Don't pay more than you need to.
- 3. Read the forms before you sign.** If you don't understand them get help from a trading standards office or Citizens' Advice Bureau. Once you sign you can't change your mind unless you had verbal negotiations with the business and the agreement is signed away from the business premises for example, in your home.

## How much will it cost?

- 4. Check exactly how much you'll pay back** including interest and charges, is it good value?

Use this table to see how much you will actually pay back (to the nearest pound) when you take out credit and repay in equal monthly instalments. Find the APR on the left hand side and follow it across to the number of years of the loan. For example if you borrow £1000 at an APR of 25% for 5 years you'll pay back £1675 (that's an extra £675 in interest). This table assumes that the only charges in the agreement is interest. If there were to be other charges you would need advice.

TYPICAL APR	1 year
5%	£1,027
10%	£1,053
15%	£1,078
20%	£1,102
25%	£1,126
30%	£1,149

The Annual Percentage Rate o

**5. Compare the APRs.** This is the easiest way to compare similar credit products – so if you’re looking at cash loans, for instance, consider ones with the lowest APR. You should next check the terms of the proposed agreements, including the small print. There may be other payments (for example, a secured loan may entail additional legal costs associated with removing the charge when the loan is repaid or you may be required to enter into a payment protection insurance agreement etc.) However, although the APR is a good comparator, there are other issues to be borne in mind when comparing credit cards. Our Leaflet *What type of plastic?* provides more guidance.

**6. Watch out for other charges** such as brokers or arrangement fees.

**7. Look at the length of the loan** not just the monthly payment. Sometimes, the longer the loan period, the more interest you could end up paying back.

**8. Watch out for optional extras.** Sometimes payment protection insurance is included when you haven’t asked for it. You don’t have to take this up and it may not cover you if you’re self-employed or on a short term contract.




## Be aware

**9. If you use your home as security** for a loan and you don’t keep up repayments you could lose it.

**10. If you act as a guarantor** for someone else’s loan you will have to repay the debt if they don’t.

## on a £1000 loan

LENGTH OF LOAN				
3 years	5 years	10 years	15 years	20 years
£1,077	£1,129	£1,266	£1,413	£1,569
£1,154	£1,262	£1,557	£1,887	£2,248
£1,231	£1,398	£1,867	£2,404	£2,995
£1,308	£1,536	£2,191	£2,947	£3,773
£1,385	£1,675	£2,523	£3,502	£4,557
£1,461	£1,815	£2,860	£4,058	£5,333

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**For further information**

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