

Think...before you borrow

Keep debt under control



Keep DEBT under control

That sinking feeling

We all sometimes end up spending far more than we ever meant to.

Getting credit might look fast, easy and good value – but paying it off can be slow, painful and costly.

There are lots of times when borrowing money does make sense, but there are so many different types of loans and interest rates that it's hard to work out the best deal.

If you are thinking of borrowing money, this leaflet is here to offer some basic and impartial advice. Phone numbers and website addresses are on the back if you'd like more help or information.

Before you borrow

- **Be tough!**

Work out how much you really spend every month – and how much you have left over to pay back money you borrow. There's a useful OFT budget sheet to help you do this.

Call us for a copy – or you can download it from our website.

- **Don't pay more than you need to**

The best credit deals charge the lowest APR (annual percentage rate). All lenders must tell you what their APR is – so it's worth shopping around for the best offer.

- **The OFT's APR table**

In our leaflet *Top ten credit tips* this will show you how much you'll be paying back on the different rates.

- **The sales are coming up**

Could you hang on for a few weeks and buy what you need more cheaply then?

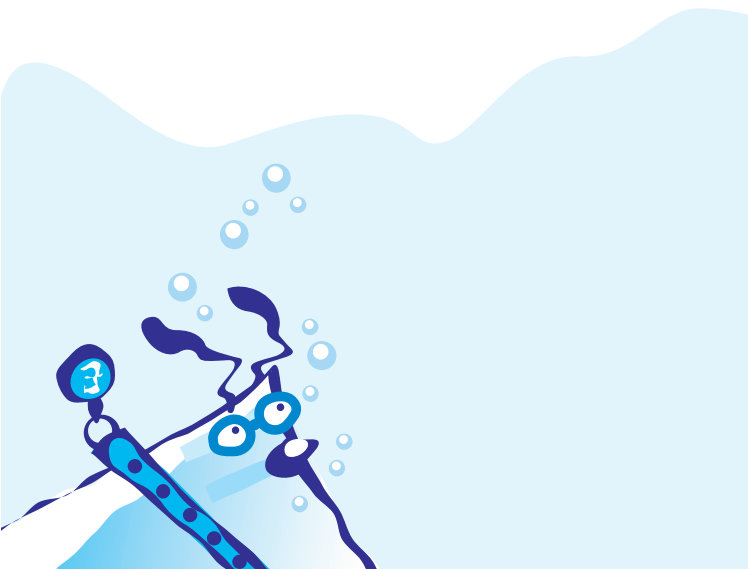
The unexpected pitch

- **It's easy to get carried away**

Sales pitches, special offers and store card deals are all designed to get us to part with our money – preferably there and then – but by standing back, we can see if we're buying something we really want and like.

- **Think carefully**

Before you put your home up as security for any loan. If you got ill or lost your job you could risk losing your home as well.



If you do borrow

There are many different ways to borrow money. Check out the different options to find the one that's best suited to you.

- **Credit cards** – find the cheapest rate and try to clear the balance during the interest-free period.
- **Overdrafts** – remember that if you go over your limit the bank will charge you a lot more than the interest rate you agreed when you took out your overdraft.
- **Instant credit** – or 'buy now pay later' is tempting at first glance. But don't just look at the monthly payments – compare the offer's APR against other lenders, to see how much you're really paying.
- **Interest free credit** – again can be an attractive offer. But check the small print. If you're late with a payment or don't finish making all the payments in time, some deals charge you interest on the whole amount you've borrowed. It's also a good idea to keep records that show when your payments have been made in case the trader claims otherwise. Also check the shop isn't marking-up the goods to compensate for the 'free' credit offer – you might be able to buy cheaper elsewhere.



- **Doorstep credit and catalogues** – convenient and easy – but they can be expensive. Your weekly repayments might look affordable, but if the APR is high then you're paying more than you need to. Do compare catalogue prices with other shops before you order.
- **Credit unions** – work for some people. You save with them for a set time and you can usually borrow two or three times what you've saved.

The Association of British Credit Unions, on 0161 832 3694, can tell you where your nearest one is operating. Or look at their website at www.abcul.org

If you've borrowed too much

It's an awful feeling but try not to panic – many of us get into debt at different times in our lives. The important thing is to recognise that there is a problem – and then get free help and advice from the professionals who can:

- talk to the people you owe money
- agree future payments that you can afford
- help you sort out the priority debts (such as your rent or mortgage, fuel bills, council tax or maintenance) and organise your money for the future.

Any of the following organisations can help you in the strictest confidence and will not charge you:

- **your local trading standards office** or **Citizens Advice Bureau** (you'll find their number in the phone book)

- **independent advice agencies through the Federation of Information and Advice Centres (FIAC)** on 020 7489 1800
- **the National Debtline** has a 24-hour answering service on 0808 808 4000
- **Consumer Credit Counselling Service** on 0800 1381111
- **Direct Debit Line** on 01323 481111

The OFT's budget planner can help you work out your monthly budget while the APR (annual percentage rate) table in our leaflet *Top ten credit tips* shows how much you'd be repaying at the different rates. Both of these can be downloaded from our website at

www.oft.gov.uk To get copies sent to you write to OFT, PO Box 366, Hayes, Middlesex UB3 1XB or email us at oft@eclogistics.co.uk You can order by phone – but please note that calls are charged at the national rate – 0870 60 60 321.

For further information

Tel 08457 224499 www.oft.gov.uk
or www.tradingstandards.gov.uk



FACT

The average debt per credit card was £717 by the end of 1999 – a rise of 50 per cent over the last four years.*

FACT

Nearly half the people who take out credit in shops, hadn't planned to do so when they left home.**

FACT

You could pay back £130 for every £100 you borrow (example for APR of 20 per cent repaid by 36 equal monthly instalments).

* Mintel Market report – May 2000

** Mintel Market report – Jan 2000

The Annual Percentage Rate of Charge (APR) is an expression of the total charge for credit for each year of a credit agreement.

- Consumer tips
- Consumer know how
- Consumer credit

This information is available in other formats and other languages on request. Please ring 0870 60 60 321 for details.

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