

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 sign at home or at some other non-business premises.

How much will it cost?

- 4. Check exactly how much you'll pay back** including interest and charges, is it good value?
- 5. Compare the APRs.** This is the easiest way to compare similar credit products – so if you're looking at credit cards, for instance, go for the one with the lowest APR. Usually the lower the APR the less you pay in interest. Sometimes a low APR is only offered for a short period.
- 6. Watch out for other charges** such as broker's or arrangement fees.
- 7. Look at the length of the loan** not just the monthly payment. The longer the loan period, the more interest you'll pay 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.

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).

on a £1000 loan

APR	LENGTH OF LOAN					
	1 year	3 years	5 years	10 years	15 years	20 years
5%	£1,027	£1,077	£1,129	£1,266	£1,413	£1,569
10%	£1,053	£1,154	£1,262	£1,557	£1,887	£2,248
15%	£1,078	£1,231	£1,398	£1,867	£2,404	£2,995
20%	£1,102	£1,308	£1,536	£2,191	£2,947	£3,773
25%	£1,126	£1,385	£1,675	£2,523	£3,502	£4,557
30%	£1,149	£1,461	£1,815	£2,860	£4,058	£5,333

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

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For further information

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