

FACTSHEET

Borrowing

If you are thinking about borrowing always ask yourself if you really need to borrow.

If the answer is yes, make sure you understand how much you have to pay back. Borrowing money always comes at a cost. The cost will depend on your personal circumstances, the amount you want to borrow and for how long.

The cost of borrowing is measured by annual percentage rate or APR. The higher the APR, the more expensive it is to borrow.

CREDIT UNIONS

Credit unions are licensed non-profit financial organisations that are set up by members with something in common to benefit their community. They aim to help you take control of your money by encouraging you to save what you and can borrow only what you can afford to repay.

You can find your nearest credit union by visiting www.findyourcreditunion.co.uk or calling 0800 015 3060.

Typical APR will not be more than 2% interest per month on loans (26.8% APR).

BANK LOANS

These are often small loans arranged by licensed companies who often visit you at home on a weekly basis to collect your repayments (although other options are available). The interest rate for these loans are high.

Typically APR can be as high as 272%

PAYDAY LENDERS

Payday loans allow you to borrow small amounts of money for as little as a week or a month, but with very high interest rates, costing you far more than you might expect. Payday loans are often arranged over the internet and involve very few checks on whether you can actually afford repayments.

Repayment is usually directly from your bank account. If you fall behind with payments, the charges are very high and they will take these from your account as well. You won't have control over what they take and when they take it. This can leave you short of money in the longer term and lead to you falling deeper into debt. **The average lender charges £25 interest on every £100 borrowed.** Although these loans are easy to get, they are a very expensive form of borrowing.

Typical APR is 1,737%.

LOAN SHARKS

Never us loan sharks

Loan sharks are unlicensed moneylenders. They operate illegally and will lend money often when nobody else will. However, the interest rate will be extortionate with no upper limit and you are likely to find it impossible to keep up the repayments.

They will then intimidate and threaten you.

If you know of a loan shark who is operating in your area, please contact the illegal money lending team on 0300 555 2222. Your details will be kept strictly confidential.

Money worries?

Don't know where to turn for help?

If you have debt or money problems, taking out further debt is often not the solution.

You should call our **Money Advice Team** to talk about your problems. They may be able to offer a solution to your debt problems.

This is a free service so call us on 0345 60 20 540 and ask to speak to a money advisor.

FREE
confidential
ADVICE

Information within this should not be taken as financial advice - correct at time of producing. June 2021.