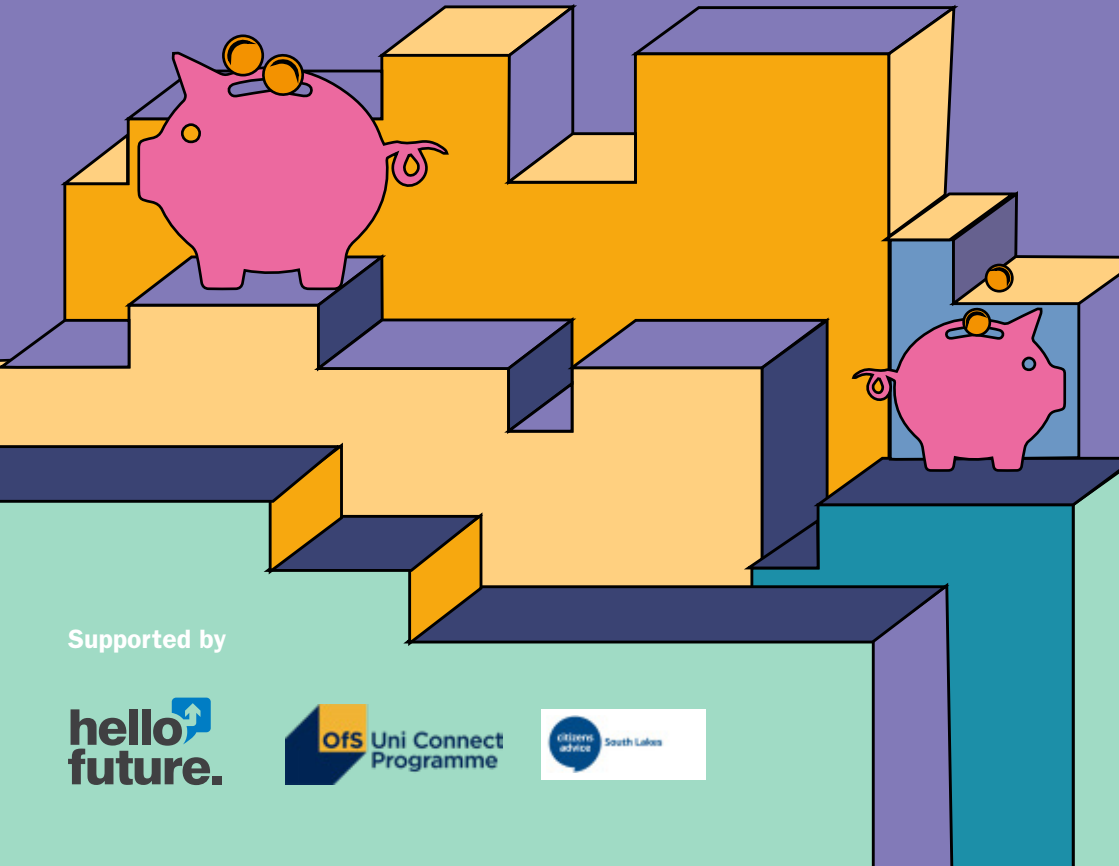


THE PIGGY BANK

DEBT AND BORROWING

www.thepiggybank.org.uk



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3 DEBT AND BORROWING

Borrowing money can be an expensive way to pay for something, because you will have to pay interest on your loan – meaning you will pay more for it.

JARGON BUSTER

Money matters are full of jargon – it can be confusing, but it's important you know what these terms mean.

ANNUAL PERCENTAGE RATE (APR)

You see this on the bottom of bank/Wonga style adverts. It means the average yearly cost of borrowing, includes interest, fees and other account running costs.

The higher the number, the more it will cost you!

INTEREST

A charge for the use of borrowed money.

CREDIT LIMIT

The maximum amount of money you can borrow.

For a full A-Z list of bank terms visit:
www.helpwithmybank.gov/glossary/index-glossary.html

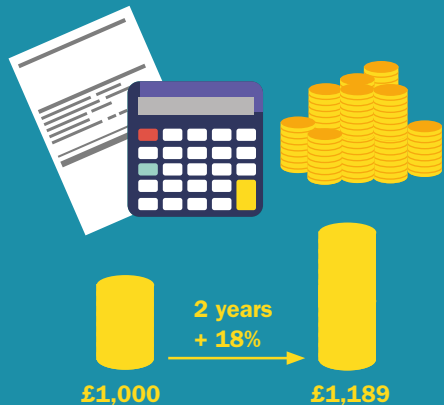
CREDIT RATINGS

Your credit rating is used to help lenders decide whether to lend you money, how much to let you borrow and, in some cases, how much interest to charge you. If your credit rating isn't in the best shape there are things you can do to build it up again and fix any problems.

For more information go to:

www.moneyadviceservice.org.uk

TOP TIP Always work out how much interest you will pay, and how long it will take you to pay off the money before you borrow money. Visit: www.moneyadviceservice.org.uk/en/tools/loan-calculator



For example, if you borrowed **£1,000** with an APR of **18%** (the average a bank charges), it would take **2 years** to pay back (if you paid **£50** a month) and you would pay **£1,189** (**£189** in interest).

Online providers charge over 1,000% APR – which can lead to huge debt and paying much more than you need to!

THE DIFFERENT BORROWING TYPES INCLUDE:



1 CREDIT UNIONS (AVERAGE APR 20%)

Credit unions are not-for-profit organisations which operate as financial co-operatives and offer services such as saving accounts and affordable loans to their members.

In a credit union, members pool their savings to lend to one another and may also help to run the credit union. The small amount of interest raised by loans pays for the running of the credit union and any surplus may be paid out as a dividend to members who have savings.

For more information visit:

Cumbria:
www.creditunions.co.uk/england-1/cumbria

National:
www.moneyadvice.service.org.uk/en/articles/credit-unions

2 DEBIT, CREDIT & STORE CARDS (AVERAGE APR 20%)

Debit Cards are linked to a bank account, usually a current account. When you are 18 or over banks may offer you an overdraft (a way of borrowing money on your current account).

Credit Cards are designed for short-term borrowing, but they can quickly and easily get you into a lot of debt. Some companies offer new customers no interest for a certain amount of time but this could increase substantially later on.

You have a spending limit, but companies often increase this without your permission, which increases the temptation to spend more!

Store Cards often come with special offers, for example, 'sign up for a card now and get 10% off your shopping'. However, interest of over 10% is often charged, so it still works out a more expensive option. Often, stores charge more than 25% APR.



3 ONLINE COMPANIES (AVERAGE APR OVER 1000%)

Online payday loan companies like Wonga and QuickQuid offer short term loans with very high interest rates (e.g. Quick Quid's APR is 1300%).

The higher the APR (interest & annual charge of a loan) the higher the overall cost.

BORROWING TYPES CONTINUE:

4 LOAN SHARKS

(APR OVER 131,000% HAS BEEN SEEN)

With an estimated 310,000 households in the UK borrowing from unlicensed lenders (or loan sharks as they are more commonly known), illegal money lending is a problem across the country. Anyone who operates a money lending business without a licence or permission from the Financial Conduct Authority is acting illegally. The England Illegal Money Lending Team are cracking down on unlicensed lenders who...

- Rarely offer paperwork so those who borrow from them are kept in the dark about how much they still owe.
- Add additional amounts to the debt so the borrowers struggle to repay.
- Take items as security. These items could even include passports and bank cards.
- Resort to extreme methods to reclaim their debts. This could mean threats, intimidation, violence or worse.

Loan sharks are not a community service and should **never be used** under any circumstances. Many loan sharks start out as a friend to their borrower but quickly change.

If you have borrowed from an unlicensed lender you have not broken the law, they have. Seek advice as soon as possible and report the loan shark.




One victim spoke out, "I couldn't afford to pay my bills and the rent as I had to pay the loan shark so life was getting pretty desperate. He said, 'Pay me don't feed the children.' The kids have been subjected to a hostel and attended five schools. It nearly cost me my marriage."



REPORT A LOAN SHARK:

 Call the 24/7 confidential hotline:
0300 555 2222

 Text 'loan shark + your message' to:
60003

 E-mail:
reportaloanshark@stoploansharks.gov.uk

 Log-on to:
www.direct.gov.uk/stoploansharks



DEBT MANAGEMENT

What to do if you can't pay the bills?

If you have a problem with debt, it's important not to panic but don't ignore it either – it won't go away.

TO DEAL WITH A DEBT PROBLEM, YOU WILL NEED TO:

- Sort out how much money you owe
- Work out which are the most urgent debts you need to pay off
- Work out if you've got any money to pay your debts off and, if so, how much
- Deal with the most urgent debts as a matter of priority
- Look at your options for dealing with the less urgent debts and work out how to pay them off
- Contact your creditors and make arrangements to pay back what you owe



PRIORITY DEBTS INCLUDE:

- Mortgage or rent
- Gas and electricity arrears
- Council tax
- Court fines
- Maintenance payable to an ex-partner or children
- Income tax or vat
- TV licence
- Tax credit overpayments

GAMBLING

One of the most common results of a gambling problem is debt, and yet debt is also used by many gamblers as a reason for their continued gambling.

GamCare is the leading national provider of information, advice, support and free counselling for the prevention and treatment of problem gambling. Services are confidential, non-judgemental and expert.

For more information visit:
www.gamcare.org.uk

SUPPORT AVAILABLE

Contact your local Citizens Advice
See page 19 for local websites, or go to their national website and input your postcode to find the nearest centres to where you live:
www.citizensadvice.org.uk

OTHER USEFUL WEBSITES:

www.moneyadvice.service.org.uk/en/categories/debt-and-borrowing
www.nationaldebtline.org
www.stepchange.org/how-we-help/money-advice

www.thepiggybank.org.uk



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