



Lines open Mon - Fri 10am - 6pm

0808 801 0338

Free to call from all landlines and mobiles

Credit and Borrowing

Most people have to borrow money at some point in their lives. As long as you borrow a manageable amount of money, that you can afford to pay back over a reasonable period of time then borrowing money can benefit you in the long run. You can borrow money on a credit card, a store card or by taking out a personal loan.

What should I know about credit and borrowing?

The main things to consider when getting a credit or store card/loan are:

- Interest Rates and APR
- Late fees
- Over limit fees
- Annual fees
- PPI (Payment Protection Insurance)

Interest

- Charging interest is how financial organisations make their money.
- If you do not pay off the full amount that you have borrowed within a certain period of time (normally 28 days), the credit card company/loan company will charge you a fee for borrowing the money, and this is called interest.
- The amount of interest that you have to pay differs can differ between credit cards and loans.
- The only real way to avoid paying any interest on a credit card at all is to pay your balance in full each month, on time.

APR (Annual Percentage Rate)

- The amount of interest that you will pay will be determined by the APR of the credit card or loan.
- Annual Percentage Rates (APR) will determine the amount of interest you pay. Generally, the lower the APR the better the deal for you. So shop around!

Late payment fees

If you have agreed to pay back all the money you borrowed by a set date and you do not pay, then you could be charged a late payment fee.



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Over limit fees

An over-the-limit fee is the money you have to pay when you go over your agreed credit limit through purchases, fees, or finance charges.

Payment Protection Insurance

Payment protection insurance, sometimes called “loan protection”, covers your loan or debt repayments if you are unable to pay because of an illness, or you have lost your job. Make sure you know whether you are being charged this or not.

Annual fees

This is a fee you pay every year for your credit card. Not all credit card companies have this, so check before you sign up.

Tips when borrowing money

- Always use any credit/store cards sensibly.
- If you can't afford to repay then don't borrow. Credit is not “free money”!
- Think about your options. Could you pay cash? Do you really need this item?
- Always read the small print! Check your monthly statement.
- Be aware that store card interest rates tend to be much higher than a normal credit card.
- Store cards can only be used in the retailers specified.

Credit Card Fraud

This is when someone uses your card or credit card details to buy things without your permission. Credit card fraud is a big problem and is big business for criminals. Make sure you protect your money by:

- Always keeping your credit card safe
- Not keeping your pin number with your card
- Trying to keep all your receipts from credit card transactions and checking them off your monthly bank statement.

For more information on Credit/store Cards and Borrowing now and in the future please go online to the *Extra* website

www.youngscotextra.org. Alternatively you can call our freephone InfoLine on 0808 801 0338.

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