



credit challenge

a short quiz



some challenging questions

UK average figures	how well do you know yourself?
1. What is the average household debt in the UK (including mortgages)? a) £25,632 b) £57,915 c) £64,325	Our total Household debt stands at £.....
2. What is the average individual consumer borrowing (credit cards, store cards, motor and retail finance deals, overdrafts and unsecured personal loans) in the UK? a) £2,674 b) £6,569 c) £4,573	My current debt on credit cards, store cards, motor and retail finance deals, overdrafts and unsecured personal loans (not including mortgages) is £..... I know roughly what figure will be at the end of my bank statement YES / NO (circle correct answer)
3. How many plastic cards does the average person in the UK have? a) 2 b) 4 c) 7	We currently have plastic cards in our family.
4. How many people will be declared insolvent or bankrupt today in the UK? a) 391 b) 57 c) 1,207	My personal debt grew last year by approximately £.....
5. What percentage of credit card balances incur interest every month in the UK? a) 40.5% b) 67.0 % c) 77.6%	The last time I incurred interest on my credit card balance was in
6. The average Credit Card interest (APR) rate is? a) 9.75% b) 18.50% c) 29.93%	My current credit card interest rate is %
7. The average university graduate who started in 2008 will leave university with a debt of? a) £14,161 b) £10,862 c) £21,200	If you have a son or daughter or are yourself at university then how much debt do you expect at graduation £.....
8. The average new mortgage in the UK is for? a) £108,333 b) £150,500 c) £174,000	My outstanding mortgage balance is £.....
9. The average wedding in the UK costs? a) £21,090 b) £12,500 c) £24,475	I plan to spend an extra £..... at Christmas (If unsure try our Christmas Challenge.)
10. When you pay by credit card you usually spend more. This is estimated at an increased spending of? a) 25% b) 17% c) 34%	I spent approximately £..... on my credit cards last month and expect to spend £..... on my credit cards this month.

UK average figure **answers** can be found on page 4



using credit wisely

Credit cards, interest free credit, car finance deals, store cards, in-store credit, hire purchase, bank loans, 'buy now pay later' deals and some catalogue shopping – they're all ways of borrowing money. If you need to take out credit what type of credit will suit you best and give you the best deal?

Credit is a product like anything else you buy so you'll get the best deal by shopping around and comparing what lenders are offering. The best deal depends on how much you want to borrow and how long you want to borrow for. Think about the complete cost of the deal. There are lots of options and you need to find out which is the best for you by comparing them. Get the answers to these questions before you sign to make sure that the deal is what you want. If you can't answer the questions it's probably better to look elsewhere.

what does APR mean?

The APR (annual percentage rate) is the easiest way to compare similar credit products. Usually the lower the APR is, the less you pay. The APR is based on the interest rate and certain charges. But there may be other charges not included in the APR – so find out what these are before you sign.

get the answers to these questions before you sign	things to think about when you have the answers
1. How much will the credit cost you compared with other similar deals?	Compare the APRs. Usually the lower it is, the less you pay. But there may be other charges not included in the APR, so find out what these are. You need to be sure how much you are paying in total.
2. Is your home being used as security?	Be careful. Before using your home as security for a loan. If you don't keep up repayments on the loan, you could lose it.
3. Is it the best deal and interest rate you can get?	Buying credit is like buying anything else – you shop around for the goods so do the same for the credit. The credit offered to you when you buy may not be the best deal.
4. Do you fully understand the credit agreement form you're about to sign?	Don't be pressured into signing a deal at the till – if you don't understand it, take it away and get advice. Remember you can't change your mind if you sign in the shop.
5. Will the interest rate stay the same?	Ask if the interest rate is fixed or will change. Find out if the rate offered is an introductory rate.
6. Are there extra charges if you repay the debt early?	Some lenders charge an extra fee for arranging the loan or if you pay a loan off early.

get the answers to these questions before you sign	things to think about when you have the answers
7. What happens if you miss a payment?	There are often penalty fees if you miss a payment which can greatly increase how much you will have to pay back.
8. What do you have to pay each month and for how long?	It's important to look at how long you'll pay back as well as how much. For example £20 each month may be affordable but if it's for 10 years you're paying back a lot more than if it's for two years.
9. What's the total amount that you will pay back?	The longer the period of the loan the more you'll pay back. That's why it's important to pay off as much as you can each month on a credit card – the longer you take to pay back the more it will cost you.
10. Can you take the credit agreement away to consider at your leisure?	A credit agreement is a legal document – you need to read it carefully before you sign. Read the small print.
11. Check if there any optional extras included and whether you need them.	e.g. payment protection insurance cover. Check if it covers you if for example, you are self-employed or on a fixed term contract
12. Can you afford the repayments?	Do a personal budget before you take out credit. Budget sheets can be downloaded free at http://www.creditaction.org.uk/advice.htm

points to ponder

- ➔ Finding it too tempting having the plastic with you when you're out shopping? Leave the credit card at home and only use it to buy items that you have planned in advance.
- ➔ Why do you need the credit? If it is to consolidate existing debts or if you regularly pay for everyday items on credit, consult an independent specialist before taking out further credit.
- ➔ If you have any financial worries then telephone for help. The Consumer Credit Counselling Service offer a free, independent, confidential helpline: freephone 0800 027 4995 or visit their web site at www.cccs.co.uk.

Statistics answers: 1) b; 2) c; 3) b; 4) a; 5) b; 6) b; 7) c; 8) b; 9) a; 10) c;

(Based on the latest figures available on 1 July 2010. Debt facts and figures are available monthly on the Credit Action web site at <http://www.creditaction.org.uk/debtstats.htm>)

This material is for general information only and does not constitute any form of advice. You should not rely on this information to make (or refrain from making) any decisions. Always obtain independent, professional advice for your own particular situation.