

### Doorstep Lender

**How it works** - A type of personal loan when someone comes to your house to arrange the loan and collect the repayments.

**Advantages** – Can usually lend smaller amounts to people with poor credit histories. Many people find weekly doorstep repayments very convenient.

**Disadvantages** – Rates of interest are very high and it can be intimidating having someone come round to your house.

### Pawn Broker

**How it works** – You offer the pawn broker an item of value and they will loan you money. They keep the item whilst you pay off the debt.

**Advantages** – Instant access to a cash loan.

**Disadvantages** - Interest on the loans is high and if you cannot repay, the pawn broker will keep the item and sell it to cover your debt.

### Store Cards

**How it works** – You can use your card to buy goods in a particular shop. You then owe the money and have to pay it back every month.

**Advantages** – You can choose how much to pay back every month though there is a minimum amount.

**Disadvantages** – The interest rates are high and it can end up costing a lot of money if you take a long time to pay the money back. You will be credit checked before you are given a card.

### Pay Day Loan

**How it works** – A company agrees to lend you money till you get paid. They will take a cheque or debit card details and take the money out of your bank account.

**Advantages** – They will usually pay money into your bank the same day, even with a poor credit history.

**Disadvantages** – These loans work out a very expensive way to borrow money. Many people find that they cannot afford to pay the loan off out of their next pay cheque and end up having further loans, pushing them even further into debt.

### Loan Shark - Illegal Money Lender

**How it works** – A private individual, who doesn't have a consumer credit licence, will offer to lend you money.

**Advantages** – None this type of lending is illegal and potentially dangerous.

**Disadvantages** – Massive amount of interest are often added on. Threats and physical violence are often used to collect money if you can't keep up with payments.

If you know of an illegal money lender, call the loan shark unit confidentially on 0300 555 2222. What the loan shark is doing is illegal, and if convicted then no one has to repay any more money to them



# Borrowing Money.

Companies that lend you money make a profit from lending you the money by charging interest, and sometimes other charges too.

#### **Ask yourself:**

Have I shopped around to get the best deal?  
Am I borrowing as cheaply as possible?  
Can I afford the monthly repayments?  
What could happen if things go wrong?

#### **Can You Afford to Borrow?**

It's a good idea to make a budget to look at what you are spending every week or month and see how much you have left over to repay a loan. If you can't afford to pay back the money you have borrowed you are likely to be getting into debt.

If you are in debt, get some free confidential advice before you borrow any money. Contact

#### **Kirklees Citizens Advice and Law Centre**

1&3 Brook Street,  
Huddersfield  
HD1 1EB  
0344 848 7970

#### **Shops and Catalogues offering Credit**

**How it works** – Catalogues and certain shops will offer you credit on the things you buy.

**Advantages** – You get the item immediately. They will often lend to people with a poor or no credit record.

**Disadvantages** - The interest rates are high. The items are usually overpriced. Missing any repayments can result in further charges.

#### **Credit Cards**

**How it works** – You can use your card to buy goods or to get cash from cash machines.

**Advantages** – You can buy things or get cash when you want. You can choose how much to pay back every month though there is a minimum amount to pay.

**Disadvantages** – They can be quite an expensive way to borrow money if you don't pay off the full amount every month. You will have to pass a credit check before being given a card.

#### **Credit Union**

**How it works** – A Credit Union is a community savings and loan co-operative. They offer low cost loans to people who have been saving with them for 12 weeks or more.

**Advantages** - You can often get a low cost personal loan even if you are on a low income.

**Disadvantages** – To get the best rates of interest on a loan, you will need to save for 12 weeks before taking out the loan.

#### **Budgeting Loan**

**How it works** If you are in receipt of certain benefits you can apply for a budgeting loan of between £100 and £812 depending on your circumstances.

**Advantages** – Very good value. A small amount is taken out of your benefits every week to repay a Budgeting Loan. Not credit checked.

**Disadvantages** – Budgeting Loans are awarded on a case by case basis. Only people on certain welfare benefits are able to get one.

#### **Bank Overdrafts**

**How it works** – If you have a current account at a bank then you can ask to borrow more money than you have in the account.

**Advantages** – An authorised overdraft is often quick to arrange and you can usually pay it back as you choose.

**Disadvantages** – Not the cheapest way to borrow money. With an unauthorised overdraft, any money you pay in to the bank will be used to pay this back automatically.

#### **Personal Loan**

**How it works** – You borrow a fixed amount and usually pay it back with fixed payments over an agreed period of time.

**Advantages** – There can be good rates of interest available. You know how much you will be paying and for how long.

**Disadvantages** – Missed payments can result in charges. You will usually be credit checked before being offered a personal loan.

#### **Log Book Loan**

**How it works** – You give a company the registration document for your car and they will lend you money.

**Advantages** – People with poor credit histories can access money quickly.

**Disadvantages** – These are very expensive loans and if you do not keep up repayments, you will probably lose your car. You need to own your car outright and it must be fairly new.