the Money Advice Service®

Borrowing money

The **Money Advice Service** is here to help you manage your money better. We provide clear, unbiased advice to help you make informed choices.

About this guide

This guide is for you if you want to borrow money (except to buy a home).

When you read it you will know:

- the different ways you can borrow money
- how they work, and
- the pros and cons of each.

Contents

How borrowing money works

Borrowing money to pay for something, such as furniture, a car or a holiday allows you to get what you want right away. But you will usually have to pay interest on what you borrow, which means you'll pay back more than you actually borrowed. Think carefully whether you can wait for the item or use savings instead.

If you're thinking of borrowing money to buy a home, read about mortgages on our website – moneyadviceservice.org.uk/mortgages.

You usually have to be aged 18 or over to be eligible for any type of borrowing.

See the *Jargon buster* on page 22 for an explanation of some words you may come across when borrowing money.

You can borrow money in various ways. For example you can:

- get a personal loan from a bank or building society
- get an overdraft from your bank or building society
- use a credit card
- use a store card
- take up a finance arrangement, such as hire purchase, or
- get a loan from other lenders.

See page 4 for more information, but be aware there are also other ways to borrow money.

For example, if you want to borrow money to cover the costs of your university education you might find our student borrowing table useful – see *Useful contacts* on page 24.

With all of these you'll usually pay interest on what you borrow, and sometimes there may be other charges.

The costs are likely to vary from lender to lender, so it's important to shop around and make sure you can afford the credit.

For more about borrowing go to our website at moneyadviceservice.org.uk/borrowing and for more about your borrowing rights go to www.direct.gov.uk/consumer.

Where to get help

If you have a question about budgeting, borrowing or any other money matters, call our trained Money Advisers on 0300 500 5000. We provide clear, unbiased advice to help you make informed choices, which means we won't sell you anything.

We also provide advice on being savvy with money to help you save for the future – for example helping you or your children pay for university. Take our new online **health check**. Answer some straightforward questions and get your personal action plan to help you with your money must-do's and longer-term goals – moneyadviceservice.org.uk/healthcheck.

Our service is also available online and face to face.

Key points

- Some ways of borrowing are cheaper than others – read on to find out how you can spot them.
- Don't be tempted by a low introductory rate – check how much you will have to pay overall.
- If you borrow money, you will have to pay it back in the future, usually with interest added.
- Don't borrow for longer than necessary.

Different types of borrowing

There are many ways to borrow money, and different organisations may lend it.

Businesses offering or arranging credit must be licensed by the Office of Fair Trading (OFT) under the Consumer Credit Act 1974. You can check with the OFT if a firm is licensed – see *Useful contacts* on page 24.

Bank overdraft

A bank overdraft is linked to your current account and means that you can take out more money than you have in your account. A bank overdraft can be authorised or unauthorised.

Authorised overdraft – you arrange this with your bank in advance and agree a limit up to which you can borrow. There is no minimum repayment but you will usually be charged interest or other charges.

Unauthorised overdraft – this is where you haven't agreed an overdraft with your bank but have taken out more money than you have in your account, or if you have taken out more than your authorised overdraft's limit. You'll pay extra charges if you do this and these charges can build up quickly.

Costs

You may be charged interest (usually at a rate higher than for personal loans) or fees that may be daily or monthly, or interest and fees. Both are likely to be higher for an unauthorised overdraft. Also, you are usually charged a flat fee for each transaction you make over your authorised limit.

Personal loans

Most banks, building societies and specialist lenders offer personal loans. They can be secured or unsecured.

Secured – the loan is secured against an asset, for example your home or car. This means that if you can't pay back the loan, the lender can sell your asset to get its money back. You may be charged less interest on a secured loan but there may be extra fees.

Unsecured – an unsecured loan doesn't give the lender the same guarantee, but legally you must still pay back the loan. The lender can take court action against you to get its money back, and this could involve substantial costs and affect your credit rating. In exceptional circumstances it could mean you losing your home.

Costs

With a personal loan you borrow a fixed amount and usually have to pay it back over a set period (the 'term').

The interest rate may stay the same over the term of the loan (a 'fixed rate') or it may go up or down (a ‘variable rate’). You agree how long the loan will last when you first take it out.

Repayments are usually monthly, but they might be weekly. You will normally have to set up a Direct Debit for your repayments. If you miss payments, there will usually be extra charges.

Interest rates and charges vary considerably, so always check the APR (Annual Percentage Rate of charge – see page 11), the total amount payable and any additional charges.

Credit cards

Credit cards allow you to buy goods and services now and pay later. They are different from a debit card (which you get with a bank account) where the money you spend is taken from your current account straight away.

Where can you get a credit card from?

You can apply for a credit card from most banks, specialist credit card companies, some building societies and some high-street stores. The card will carry your card issuer’s (lender’s) name and brand. They will run your account and decide how much you can spend. The card will probably have the Mastercard or Visa symbol as well, although you don’t deal directly with them.

Credit limit

The lender will give you a credit limit based on your credit score – see page 9. This is the maximum you can borrow using the card. If you go over that limit, your card will probably be refused when you try to use it again. Even if your card isn’t refused, you will probably have to pay an extra charge to the lender.

Costs

If you use your credit card to take out money from a cash machine, you will usually have to pay a fee and start paying interest immediately. The interest rate is often higher than for purchases, so this option can be expensive. You may be asked if you would like credit card cheques. Watch out, as the interest rate is likely to be as high as the rate for withdrawing cash, and you have fewer rights than if you pay by card – see *If things go wrong* on page 20.

Every month you will get a statement setting out what you’ve spent. You have to pay at least the minimum payment shown on the statement by the date the lender states. If you don’t, you will usually have to pay a late payment charge. The minimum amount is likely to be a small percentage of the amount you owe.

If you don’t pay the full amount back each month, you will usually be charged interest on the entire balance – not just the amount still left to pay.

If you're paying interest on the balance, making just the minimum repayment on a regular basis will cost you more overall and take you longer to clear the balance. Use our online **credit card calculator** to see how long it may take and how much interest you may have to pay – see moneyadviceservice.org.uk/creditcardcalc.

For more information about credit cards get our **Credit cards** guide – see *Useful contacts* on page 24.

Store cards and in-store finance

Many big stores offer finance deals or store cards.

Store cards are like credit cards. You fill in an application form and are given a spending limit based on your credit score – see page 9. They tend to charge higher rates of interest than most credit cards. And you can usually only use them in that store or group of stores.

In-store finance may be useful to help you pay for expensive furniture or large electrical goods over time. Some may offer 0% interest for a fixed period, but there may be additional charges and overall it can be more expensive than other forms of credit. As always, check the APR and see whether you could get a better deal elsewhere or with another type of borrowing.

Hire purchase (HP)

With an HP agreement, you are hiring goods but with an option to buy once you've paid all the instalments. Until you do, you will not own the goods and you cannot modify or sell them without the lender's permission. You will be responsible for any damage to the goods during the contract period.

The lender can take the goods back if you don't keep up repayments, although it will need a court order if you've paid more than one third of the total cost. If you've paid more than half the total cost – or pay up to that level – you can end the agreement and return the goods at any time. For more information see Directgov's website at www.direct.gov.uk/consumer.

It can be easier to get credit from an HP company than a bank or credit card company, but it's usually a more expensive way to borrow – particularly if you want to buy the goods as the final fee may be high.

Other licensed lenders

Some licensed lenders are willing to give loans to people who can't get credit from mainstream lenders. They often charge a much higher interest rate than banks and building societies because they run a higher risk that some borrowers won't be able to pay back all they owe. There are different types (see below), but together they are usually known as sub-prime lenders.

Credit unions

Credit unions are run by their members for their members. Some credit unions may lend to you as soon as you become a member. Others will lend to you after you have shown them you are able to save regularly. The APR on their loans is capped by law so they often charge lower interest rates than other alternatives. Credit unions may also be able to help you manage your money. See our **Credit unions** guide – see *Useful contacts* on page 24.

Community Development Finance Institutions (CDFIs)

CDFIs are independent organisations which aim to help people who have trouble getting finance from usual sources such as banks and building societies. You may find a local CDFI that can help you manage your money and lend to you on the Community Development Finance Association's website at www.cdfa.org.uk.

Growth Fund lenders

Some credit unions and CDFIs offer affordable loans using money made available from the government's Growth Fund. This may help you if you're on a low income. You can find a local Growth Fund lender on the Department for Work and Pensions' website – see *Useful contacts* on page 24.

Doorstep lenders (also known as home credit)

Money lent to you by 'doorstep lenders' (who collect repayments in the home) can be expensive. If you do consider taking out a loan from them, then as well as checking the APR you should:

- ask to see confirmation that they are licensed by the OFT. If they aren't licensed, they are operating illegally, so don't use them
- be clear about the amount you are borrowing, how much you must pay back and for how long you will be making repayments
- ask how much in total the loan is going to cost you, and
- make sure you understand what will happen if you can't keep up the repayments.

By law, lenders can't call on you uninvited at your home to offer cash loans – if they do, report this to your local trading standards service.

Payday loans

Payday, or paycheque, loans are short-term loans that you get in return for your pay cheque or proof of your income. They are basically cash advances on the salary you're expecting and are available online and on the high street.

But watch out as they charge high interest rates and other charges. Interest rates higher than 1,000% APR (see page 11) are common, so if you are late paying, the cost of borrowing even a small amount can get very high, very quickly. If you have no alternative to a payday loan, don't borrow for a day longer than you really need.

Avoid illegal lenders (also known as loan sharks)

Loan sharks are unlicensed lenders. They operate illegally and will lend you money when nobody else will, but:

- their interest rates will be very high and you may find it difficult to keep up the repayments
- you may be forced to get a second loan to pay off the first, causing your debts to spiral out of control, and
- they may use violence or intimidation to collect debts.

Avoid borrowing money from unlicensed lenders and report any that approach you – see Directgov's website at www.direct.gov.uk/stoploansharks or call the helpline – see *Useful contacts* for regional contact details.

Call the police if you've already taken out a loan with one and are being threatened. You are not breaking the law by borrowing from a loan shark and you cannot be legally made to pay back the loan.

Key points

- Make sure any overdraft is arranged in advance with your bank, otherwise the costs could be very high.
- Ask yourself whether a credit card is the best way for you to borrow money. A personal loan may be cheaper.
- Make sure you at least make the minimum payment shown on your credit card statement, but remember you'll usually pay interest on the full balance.
- It may be a good idea to set up a Direct Debit to help avoid late payment charges.
- Always check the APR and the total amount payable – see page 11.

Key things to think about

Before deciding to borrow money, make sure you'll be able to afford the repayments.

You can use our **budget planner** at moneyadviceservice.org.uk/budget to help you check your income against your outgoings to see what you would have left at the end of each month to pay back your borrowings.

If your outgoings exceed or are already close to your income, think very carefully about whether you can really afford to borrow more.

Also consider whether you will still be able to pay back your loans and credit cards if, for example, interest rates go up or you lose your job.

Use our **loan calculator** to work out what your repayments will be – see moneyadviceservice.org.uk/loancalc.

Applying for credit

Before you enter into a credit agreement, the lender must give you a Pre-contract Credit Information form. This lists the main features and costs of the credit being offered and includes things like:

- the APR (see page 11)
- the interest rate
- fees and charges
- the amount you can borrow and for how long
- the amount and timing of instalments
- the total amount you will have to repay.

You will also usually be given a copy of the full terms and conditions. If not, you can ask for this or for a draft credit agreement.

By law, you have the right to cancel within 14 days after signing the agreement or (if later) after you've been given a copy of the agreement. You will have to pay back what you've borrowed and any interest. You still have to pay for any goods or services you bought with the credit unless you have separate rights – see www.direct.gov.uk/consumer.

Credit scoring

When you apply to borrow money, the lender will usually credit score your application. This helps them decide whether to accept your application and, where relevant, helps set your credit limit and interest rate.

Credit scoring means giving points according to the information you give the lender on your application form, and the information on your credit report (held by a credit reference agency – see page 10).

Credit scoring helps the lender to predict how big a risk they are taking by lending you money.

Each lender has their own scoring system, but generally you'll score more points if you have a good credit history by paying back other borrowing on time. Other borrowing can count against you though if it suggests you may have difficulties in paying back more borrowing.

If you're not on the electoral roll (voters' list), the lender might refuse your application. This is because lenders use it to confirm your name and address.

Credit reference agencies

If you're an adult living in the UK, it's almost certain your name and details are held in the files of the three main credit reference agencies: Experian Ltd, Equifax plc and Callcredit plc – see *Useful contacts* on page 24.

When you apply to borrow money, lenders may ask one of these agencies for a copy of your credit report. This will give them:

- public record information about you, such as electoral-roll details, any court judgments or records of bankruptcy against you
- credit account information, such as whether you're up to date with your payments, plus details of any agreements you've had in the past six years, and
- credit checks that other companies have made – several applications in a short time may look like you're overstretched, or possibly a victim of fraud.

Seeing your credit report

It's your legal right to see your credit report and to correct anything that you can prove is wrong. You can get a complete report for £2, known as a statutory report, online or by post. Other services may cost more. Checking your own credit report does not harm your credit score. There may also be things you can do to improve your report, for example, by correcting anything that is wrong or by adding a short note to explain if past borrowing problems were due to special circumstances.

If there's something wrong on your credit report, you can contact the lender or the credit reference agency. If you contact the credit reference agency, they will normally need to contact the lender and ask them to investigate your complaint. So it may be quicker to write directly to the lender yourself. This will also save you having to write to each of the agencies that hold the information you think is wrong. If you're not satisfied with their response, you may be able to take your complaint to the Financial Ombudsman Service – see *Useful contacts* on page 24.

If you're turned down

Lenders won't go into detail about how their credit scoring systems work, but they must tell you if information on your credit report was a reason for turning you down. You can ask them to tell you the main reason.

If the company refuses your application because of credit scoring, you have the right to ask them to review your application 'manually'. This means that a person (called an underwriter) will reconsider your application. It may help if you can send them other information to support your case. This could include bank statements, which show your income and spending, and other regular bills you have paid on time such as Council Tax.

If the company refuses your application because of information in your credit report, their notice of rejection must include the contact details of the credit reference agency that gave the information in your credit report.

What is APR?

APR stands for annual percentage rate of charge. This is a standard way of showing the costs of borrowing, and allows you to compare products to help you work out which is the cheapest. The APR will vary from company to company and between products. The APR works best when comparing similar types and amounts of credit over similar periods.

The APR includes important factors such as:

- the interest rate
- how you must pay back the loan, such as the length of the loan agreement (known as the 'term'), when you should make the repayments and the amount of each repayment
- other fees or charges.

All lenders have to tell you what their APR is before you sign an agreement and in pre-contract credit information, except for overdrafts.

Generally, the lower the APR, the better the deal, so if you are thinking of borrowing money, shop around.

Where an APR is shown in advertising, this must be a ‘representative’ APR and more than half of new customers should get this rate or better. Check whether the rate you’re offered differs from the advertised rate and check again before you sign the credit agreement. The rate may be higher if you have a poor credit history.

But don’t just look at the APR. It doesn’t include all the costs associated with a credit agreement – see page 13.

Also look at the total amount payable – and check that you can afford the repayments.

Other things to consider

As well as the APR, there are other things you should consider before deciding whether a loan is right for you.

The length of the loan agreement

You may be considering two loans that have the same APR but run for different lengths of time. The APR is a yearly rate so you will end up paying back more on the loan that runs for longer, because you will be paying interest for longer.

You should also think about how long you wish to commit yourself to paying back the loan – would you feel comfortable having the debt hanging over you for a long period of time?

Will you have to replace whatever you’re buying before you pay all the loan back?

Can you afford the repayments?

The APR gives you information on the cost of a loan, but it doesn’t tell you about the repayments. With most loans you will have monthly repayments, others weekly. And with some you don’t pay until the end of the loan, when you will be required to pay off the whole loan in one lump sum.

Think carefully about when you will have to make repayments and whether you can afford to do so.

Your payments may vary if the interest rate charged on your loan varies (called a ‘variable interest rate’). You should check if the loan you want has a variable interest rate and whether you can afford the repayments if the interest rate rises.

Also think about the cost of any insurance you buy to protect your repayments – see page 14. You don’t have to buy the insurance offered by the lender. You can shop around for this, and may be able to get a better deal from an independent insurer. You may decide that you don’t need insurance at all. If you do buy insurance, check the policy details carefully and check what you will actually be covered for and if there are any exceptions.

Other charges

The APR does not include costs you may have to pay if things go wrong, such as charges for late or missed payments. Neither does it include balance transfer fees or cash withdrawals on a credit card, or charges for paying off a loan early. You should consider these charges carefully.

Shopping around

If you can afford to borrow, shop around to find the best deal for you. You can use a credit broker to help you shop around and arrange a loan. But check if they'll charge for this. By law, if the broker has found a loan for you but you do not take it within six months, the maximum they can charge you is £5. You are entitled to a refund of any fees over this amount. Check the broker's refund policy in their terms and conditions before you use one.

You can shop around by using comparison websites that let you compare products from different companies. If you're looking for a loan from a home credit lender or a credit union, you can use **Lenders Compared**, an independent comparison website – see www.lenderscompared.org.uk.

Be careful not to apply for credit until you have decided on the best deal. Applying for several credit products within a short period can damage your credit score. Ask the lender to make a 'quotation search' instead of a 'credit application search'. Lenders know that quotation searches do not represent actual credit applications, so they shouldn't harm your credit score.

Online adverts

Online adverts for credit may seem like a quick and easy option. Some offer to give you a decision in minutes and to put the money in your bank account within hours. Others let you apply for a loan by text message, which they promise to credit to your bank account within minutes. They may claim to be able to lend to you when other lenders won't.

However, they may be a very expensive choice. Make sure you check the APR and the total amount payable.

Incentives

Incentives are things like introductory rates, loyalty points or free gifts that a lender may offer for taking out credit. These can be good value for money and you should consider them as well as the APR – but don't make a decision based on the incentive alone.

Insurance – protecting your loan repayments

When you take out any kind of loan, it's very important that you make all the repayments in full and on time.

If you don't, you could end up paying more in interest and charges, and the lender could take enforcement action against you which could include court proceedings. It could also affect your credit rating.

You can buy insurance to protect you if you can't make the repayments, for example if you become ill or lose your job. The most common types of insurance are listed below.

For more information about types of insurance read our **Insurance** guide or go to our website – see *Useful contacts* on page 24.

Payment protection insurance (PPI)

PPI is also called accident, sickness and unemployment insurance (ASU). This will pay the monthly repayments (or part of them) on your loan or credit card for a fixed period – usually 12 or 24 months – if you can't work because of illness or redundancy.

This insurance is optional, and you don't have to buy it from the lender or credit broker, so shop around for the best deal.

Check the policy summary to make sure you know when the policy will or won't pay out.

You can compare PPI by using our online **comparison tables** – see moneyadviceservice.org.uk/tables.

There is a variation on this called short-term income protection insurance. This is similar except it pays out a sum linked to your income or another pre-set amount rather than a sum linked to a loan repayment. You can decide whether to use the payout to repay a loan.

Income protection (or Permanent Health Insurance – PHI)

This replaces part of your income if you can't work for a long time because of illness or disability.

It continues to pay out until you can return to some kind of paid work or reach retirement, whichever is sooner.

All products have a waiting period before they will start to pay out. The longer you agree you'll wait, the lower your premiums. So it's important to find out first what income you could get from your employer and other insurance you may already have if you were to become ill or disabled. Before buying this insurance, think about:

- whether you really need it, especially if your repayments are small
- what the conditions are – eg you may not be able to claim for any illness that you were already suffering from when you took out the policy, and
- whether you can cancel it at any time.

Life insurance

This pays out a lump sum when you die which your family can use to pay off any outstanding debts.

Paying back borrowing early

You can save money by paying back all or part of your borrowing early. This is because the interest you're paying is usually more than the interest you'll get on your savings. Charges may apply, so check the credit agreement and ask the lender for a 'settlement statement' showing how much you will be charged if you repay early. You can ask for this in person, or over the phone or in writing. If you want to pay back only part of the loan, the lender doesn't have to give you a statement in advance. But they must tell you how the partial repayment has affected the length of the loan and the regular payments.

Key points

- Check your credit report and correct it if anything is wrong.
- Use the APR to help you shop around and compare deals – but also look at the total amount payable.
- Check the agreement to see whether the interest included in the APR is variable or fixed.
- Check whether there are any charges not included in the APR.
- Consider insurance to protect your loan repayments if things go wrong, but bear in mind the restrictions.
- Save money by paying back all or part of your borrowing early if you can.

Before taking out a loan or credit agreement:

Check you can afford to make the repayments on what you borrow now and if things change. Read the agreement carefully and use our **loan calculator** to work out what your repayments will be – see moneyadviceservice.org.uk/loancalc.

Check you use the APR to compare the overall cost of the loan. But also look closely at the total amount payable, the interest rate and the charges, including those for missed and late payments.

Check whether you want insurance to cover your repayments. If you do take it out, make sure you know when it will or won't pay out by checking the policy summary.

Check you understand the Pre-contract Credit Information form and the credit agreement – if something isn't clear, ask questions and don't sign until you're satisfied that it's right for you.

Your questions answered

Question

I'm being turned down for credit – where can I get a loan from?

Answer

You may find that banks are reluctant to lend money at the moment so you may be turned down for credit. There are other ways to borrow money, some more expensive than others – see pages 6-7.

Remember to check your credit report carefully and to improve it if you can – see page 10.

Find out what state help may be available to you in the form of benefits, tax credits or loans – see *Useful contacts* on page 24.

Question

Should I take out insurance in case I can't pay back what I owe?

Answer

First, make sure you don't already have insurance that will cover you for the same thing, for example through the benefits offered by your employer or another policy that you have taken out.

If you don't already have cover, think about whether you could manage the repayments anyway. There are different types of insurance that you might use to cover loan repayments – see page 14.

Question

I've heard about consolidating debts into a single loan – is this a cheaper way to borrow?

Answer

This is known as debt consolidation and involves moving all your loans into a single loan, often with a lower interest rate and lower monthly payments. Although it may sound like a good idea, watch out because:

- the new loan may last for a longer period so you may end up paying more overall
- there may be extra fees and charges for setting up the loan and repaying the old loans, and
- if you own your home, the new loan could be secured against it, so you could lose your home if you can't keep up the repayments.

Question

What about roll-over loans – are they worth considering?

Answer

Some lenders may offer to 'roll over' the loan. This means extending the length of time you have to repay it – for example, by paying off interest but delaying capital repayment for another month.

This means paying interest over a longer period of time, and there may be additional fees or charges, so it can get expensive. This also applies to refinancing – where the amount of credit is increased or the terms of repayment are amended.

Think carefully before extending credit over a longer period than you intended as it may make if more difficult to repay.

Next steps

Step 1	Think about whether you really need the item in question and then decide which type of borrowing is right for you. Different methods suit different people and situations.
Step 2	Use the APR to help you shop around and compare deals. Remember, the APR works best as a way of comparing the cost of loans that are similar (for example loans that run for the same length of time).
Step 3	Make sure you can afford the repayments now and if things change. Use our **loan calculator** on moneyadviceservice.org.uk/loancalc to work out what the repayments will be. If you get into difficulties, tell your lender as soon as possible.
Step 4	Make sure you read the Pre-contract Credit Information form and the credit agreement. If there is anything you don't understand, make sure you ask the lender to explain.

If things go wrong

If something goes wrong, for example you think you have been wrongly charged for something, contact your lender and ask them to put things right.

If you're not satisfied with their response, you may be able to take your complaint to the Financial Ombudsman Service. The lender will give you the details of the complaints procedure.

Problems with goods or services bought on credit

Sometimes, as well as the supplier, your lender is responsible for your purchase. So if the goods are not delivered or are faulty or not as described, then you can make a claim from the lender if you used:

- a credit card (but not a credit card cheque)
- a store card, or
- a loan arranged by the supplier to buy its product.

This could be useful if, say, the supplier goes bust or is based overseas.

The law (Section 75 of the Consumer Credit Act 1974) gives you this protection but there are exceptions to when you can claim. For example, the lender is only liable if the cash price of the goods or services you pay (or part-pay) for is over £100 and no more than £30,000.

You have different rights if you have a hire purchase agreement or your purchase costs more than £30,000 – see the Directgov website at www.direct.gov.uk/consumer or call Consumer Direct (or Consumer Line if you live in Northern Ireland) – see *Useful contacts* on page 24.

If the matter is not resolved to your satisfaction, you may be able to take your complaint to the Financial Ombudsman Service.

For more information, get our **Making a complaint** guide – see *Useful contacts* on page 24.

If your lender goes out of business

If your lender goes out of business the loan may be bought by another lender, so you must continue to make repayments. This is especially important if your loan is secured on your home, as stopping payments may cause you to lose your home.

Can't keep up your repayments?

If you get into difficulties and can't make your repayments, talk to your lender. No matter how bad things may seem, you can get free and expert help. Several organisations can help you find out where you stand and your legal rights. They may also arrange for a debt adviser to deal with your lenders on your behalf, to suggest a way forward – see *Useful contacts* on page 24.

Identity theft

If you think you are a victim of identity theft, get a copy of your credit report from the following credit reference agencies: Experian Ltd, Equifax plc and Callcredit plc – see *Useful contacts* on page 24.

If you find something on your report about organisations you do not normally deal with, contact them immediately to find out why they are on your report. If you alert one of the credit agencies to fraud, all three will offer to help you sort it out.

For more about protecting yourself, see the **Personal Information toolkit** on the Information Commissioner's website – see www.ico.gov.uk.

Jargon buster

Some key words and phrases explained.

APR

Annual Percentage Rate of charge – this shows the overall cost of a loan, taking into account the term, interest rate and other costs.

Balance (outstanding)

Any money you owe on your credit card or loan.

Card issuer

The bank, building society or store whose name is on your card.

Chip and PIN

Credit, debit and store cards carry a special 'chip' for security and you must enter a PIN (personal identification number) when you use the card, which only you know.

Credit limit

The maximum amount you may borrow through spending on a credit or store card. If you go over this limit, your card may be refused and you are also likely to have to pay extra charges.

Credit scoring

The system your lender uses to decide whether to lend you money, and to set your credit limit.

Direct Debit

Regular payments taken directly from your bank account on an agreed date, for example to pay for your gas or electricity. You arrange this with your supplier and give them your bank details.

Interest

The charge that lenders make when you borrow their money.

Interest-free period

The time between when you buy something on a credit card and the date when you must pay your monthly bill. The length of the interest-free period will be shown in the Pre-contract Credit Information form and on your monthly statement.

Introductory rate

An interest rate that applies for a limited period when you first take out a credit card or loan.

Minimum payment

The minimum amount you must pay each month to keep to the terms of the agreement.

Overdraft/overdrawn

If you spend more money than you have in your account, you will go overdrawn (also called being in debit or having a debit balance).

Secured

When a loan is 'secured' on an asset – for example your home or car – it means that if you can't pay back the loan, the lender can sell your asset to get its money back.

Standing orders

A regular payment to someone that you can arrange to be made direct from your bank account. You arrange this with your bank.

Sub-prime lender

Sub-prime lenders specialise in offering loans or mortgages to people with poor credit ratings.

Variable interest

An interest rate that can change according to circumstances. For example, if the Bank of England bank rate changes, the loan interest rate will probably change.

Useful contacts

Money Advice Service

For advice based on your own circumstances or to order other guides

Money Advice Line: 0300 500 5000
Typetalk: 1800 1 0300 500 5000

Calls should cost no more than 01 or 02 UK-wide calls, and are included in inclusive mobile and landline minutes. To help us maintain and improve our service, we may record or monitor calls.

Other Money Advice Service guides

- Credit unions
- Making your budget work for you
- Making a complaint

For more titles, call us or go to **moneyadviceservice.org.uk/publications**

On our Money Advice Service website you can find the following tools:

- a **health check**
- a **budget planner**
- a **credit card calculator**
- a **loan calculator**
- a **student borrowing table**

Go to **moneyadviceservice.org.uk/tools**

Call rates to the following organisations may vary – check with your telephone provider.

OFT Consumer Credit Register

To check a lender/broker is licensed.

0845 722 4499
www.oft.gov.uk/consumercreditregister

For information about your rights

Citizens Advice Consumer Service (UK except Northern Ireland)

0845 404 0506
www.direct.gov.uk/consumer

Consumer Line (Northern Ireland)

0300 123 6262
www.consumerline.org

To find a loan

Department for Work and Pensions – Growth Fund lenders

www.dwp.gov.uk/other-specialists/the-growth-fund

Community Development Finance Association

To find a CDFI.
www.cdfa.org.uk

Lenders Compared

To compare home credit.
www.lenderscompared.org.uk

Credit reference agencies

Callcredit plc

0870 060 1414
www.callcredit.co.uk

Experian Limited

0844 481 8000
www.experian.co.uk

Equifax plc

0844 335 0550
www.equifax.co.uk

Complaints

Financial Ombudsman Service

0800 023 4567 and 0300 123 9123
www.financial-ombudsman.org.uk

To report loan sharks

Directgov – Stop Loan Sharks

0300 555 2222 – England
0300 123 3311 – Wales
0141 2876 655 – Scotland
www.direct.gov.uk/stoploansharks

Debt help

Consumer Credit Counselling Service (CCCS)

For tailored advice and offers some types of formal repayment plan.
0800 138 1111 (Mon-Fri 8-8 and Sat 9-2)
www.debtremedy.cccs.co.uk

National Debtline (England, Scotland & Wales)

For tailored self-help advice.
0808 808 4000 (Mon-Fri 9-9, Sat 9.30-1)
www.mymoneysteps.org

Payplan

For tailored advice and some types of formal repayment plan.
0800 716 239 (Mon-Fri 8-9)

Citizens Advice Bureau

Online and face-to face help, including factsheets and template letters.
www.adviceguide.org.uk

Beat the recession (Northern Ireland)

Talk with an adviser online (Mon-Sat).
www.beattherecession.me

Business Debtline (England, Scotland & Wales)

For tailored self-help advice and some types of formal repayment plan.
0800 197 6026 (Mon-Fri 9-5)

Directories for face-to-face debt advice agencies

www.adviceuk.org.uk/local (all UK)
www.capuk.org (all UK)
www.moneyadvicescotland.org.uk (Scotland)
www.debtaction-ni-net/#Debthelp (Northern Ireland)

To report a misleading promotion for loans

Trading Standards

Look in the Phone Book under 'Trading Standards'.
www.tradingstandards.gov.uk

the Money Advice Service®

This guide is part of our everyday money series.

Other titles in this series include:

- Credit cards
- Making the most of your money
- Your bank account

All our guides are available from:

Our website
moneyadviceservice.org.uk

Money Advice Line
0300 500 5000

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