

Personal Loan from a Bank or Building Society

- Your loan can be secured against an asset (i.e. your home or an expensive item) or unsecured loan
- The interest rate usually fixed
- You might not get the interest rate advertised, especially if you have poor credit rating
- You can choose the period to repay your loan over
- You have a 14-day cooling-off period to cancel your loan. If you do, you have up to 30 days to repay the money (potentially with added interest and fees)

Overdraft

- An overdraft lets you borrow money through your current account
- Often used for short-term borrowing or emergencies the amount you can borrow is generally lower than other types of loans.
- There are two types of overdrafts - authorised (arranged beforehand) and unauthorised (borrowing without permission)
- Interest on all overdrafts is charged at a single annual interest rate (APR) - usually between 19% to 40%.
- You must be at least 18 to get an overdraft and need to pass the credit checks

Store Card

A store card provides you with credit to use in a specified store or group of stores.

- Not the same as store-branded credit cards or loyalty cards.
- You can use store cards to buy items on credit and repay over an agreed period of time (usually with interest)
- Interest rates can be higher compared to credit cards although some offer interest free periods.
- You must be at least 18 to get a store card and need to pass the credit checks

Credit Card

- A credit card allows you to buy goods or services on credit up to an agreed amount (usually between a few hundred to a few thousand pounds).
- The interest rate is often lower than store cards but more than personal loans, depending on your credit rating and credit card usage.
- You will need to at least make the minimum payment each month which is set by the credit card provider
- If you pay off the amount you borrowed in within a specified period, you won't pay any interest on what you've borrowed
- If you withdraw cash on your credit card, you'll usually be charged a fee plus a daily interest from the day you withdraw.
- You must be at least 18 to get a store card and need to pass the credit checks

Credit Union

- Credit unions are community finance organisations run by and for their members
- An authorised credit union is regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).
- This isn't a type of loan but a place you can go to borrow from that doesn't base their decision to lend on your credit rating
- Each credit union is independent and will be able to offer you different types of loans

Home Credit or Doorstep Lender

- When an authorised and regulated agent comes to your door and offers you a cash loan or credit
- The limits on the loans are typically up to £1,000 in cash and repayment is usually made weekly at your door.
- Interest rates are often higher than a bank loan, credit card or other types of loans.
- You don't usually require a good credit rating to be accepted for a doorstep loan
- Doorstep lenders who aren't authorised by the Financial Conduct Authority are loan sharks and should not be used

Loan Sharks – Unlicensed Money Lender

- Loan sharks are illegal lenders and should not be used
- The interest rates are higher than any other type of legal lending
- A loan shark may harass or threaten you for repayments
- You might be pressured into borrowing more money
- Signs of a loan shark include lack of paperwork, preference to lending through cash, refusing to give you information about the loan, taking your possessions for security and resulting in intimidation or violence to get you to repay.
- You report loan sharks to the Stop Loan Sharks team by calling 0300 555 2222 or visit their website

Payday Loan - Short-term, small loans you can apply for where you can get the money almost instantly.

- These are loans intended to be borrowed and repaid within a short period of time
- The amount you can borrow is small compared to a personal loan
- You typically repay back the loan in full with interest and charges each week or month until the end of your loan term.
- Interest rates are usually high and they can be much more expensive than other types of credit.
- The cost of payday loans is capped by law under rules made by the Financial Conduct Authority (FCA).
- You need to be at least 18 to apply and you don't usually need a good credit rating to be accepted

Catalogue

- Catalogue credit is a way of buying goods with payments being spread over weekly or monthly instalments.
- You can buy items outright, buy items in a way similar to a store card, and you can have a budget account where you pay a fixed amount each month or you may have the option of Buy Now Pay Later.
- Catalogue credit can sometimes be interest-free if you pay within a set period
- The interest rate on catalogue loans is usually similar to store cards
- You need to be at least 18 to apply and you may need to pass a credit check to be accepted for a catalogue loan

Hire Purchase

- It is different from other types of borrowing because you don't own the goods until you have paid in full.
- Under an HP agreement, you hire the goods and then pay an agreed amount by instalments.
- While you are still making payments, you aren't allowed to sell or dispose of the goods without the lender's permission. If you do, you'll be committing a criminal offence.
- The lender may be able to repossess (take back) the goods if you fall behind with payments.

Conditional Sale

- A conditional sale is similar to a hire purchase, except with the added condition that you must purchase the goods at the end
- The goods don't belong to you until you've paid the final instalment
- The lender may be able to repossess (take back) the goods if you fall behind with payments.

Government Budgeting Loans – If you are receiving certain benefits

- May be eligible if you have been on certain benefits for 6 months
- No interest, you only pay back the amount you borrowed
- Restrictions on what you can use the money for
- Amount will be dependent on your personal circumstances