

Borrowing and what it costs

Borrowed money always comes with a price tag

Answers and teaching notes

For the teacher

- **Aim:** Pupils understand that borrowing has a cost, use the total repaid to compare loans, and recognise buy now, pay later as borrowing. Debt is discussed without blame.
- **Curriculum links:** Financial Education Planning Framework, ages 11 to 14: managing risks and emotions associated with money (borrowing, debt and its consequences) and becoming a critical consumer (comparing financial products). Maths: percentages of amounts, multiplying and dividing money. PSHE: economic wellbeing. Citizenship: credit and debt, managing risk.
- **Watch first:** the Penny Explains video "What is borrowing?" at pennyexplains.com.
- **Starter:** Ask: have you ever lent a friend £1 and not got it back? How did it feel? Why might a lender charge extra for lending?
- **Support:** Give 10% of £600 = £60. Pupils can use calculators for activities 2 and 3.
- **Stretch:** Loan B costs £168 to borrow £600 for two years. Ask: is a longer loan always worse? When might smaller monthly payments be the sensible choice?
- **Keep it kind:** most adults borrow at some point. **Sums:** real loans are repaid bit by bit, so real interest sums are harder than activity 2. **Ages:** loans, credit cards and buy now, pay later are for over-18s. Buy now, pay later has been regulated by the Financial Conduct Authority since 15 July 2026.
- **Total:** 41 points. Suggested answers are shown in red; accept any answer that is well reasoned.

I can...

- ☐ I can explain why borrowing means paying back more than you borrowed.
- ☐ I can compare two loans by working out the total repaid.
- ☐ I can spot the signs that a debt is manageable or becoming a problem.

Key words

Lender: whoever lends the money.

Interest: the extra you pay for borrowing.

APR: the yearly cost of borrowing, as a percentage.

Debt: money that you owe.

1 True or false?

5 points

Circle True or False.

When you borrow money, you usually pay back more than you borrowed.	**True**	False
For the same loan, a lower APR means cheaper borrowing.	**True**	False
Buy now, pay later is not really borrowing. **It is borrowing: you owe the money until every payment is made.**	True	**False**
You can take out a loan or a credit card at any age. **You must be 18 or over.**	True	**False**
Missing a repayment can lead to extra charges.	**True**	False

2 The price of a loan

8 points

Jordan, 18, needs **£600** for a laptop for his apprenticeship. Show your working.



Penny says: To keep the sums simple, each loan here lasts one year and the interest is worked out once on the whole £600.

a) A lender charges 10% interest for the year. How much interest is that?

Working

10% of £600 = £600 ÷ 10 = £60

Answer: £60

b) How much would Jordan pay back altogether?

Working

£600 + £60 = £660

Answer: £660

c) He pays it back in 12 equal monthly payments. How much is each one?

Working

£660 ÷ 12 = £55

Check: 12 × £55 = £660

Answer: £55

d) Another lender charges 30% for the year. How much would Jordan pay back altogether?

Working

10% = £60, so 30% = £180

£600 + £180 = £780

Answer: £780

3 Which loan costs less?

8 points

Two lenders will each lend Jordan **£600**. Fill in the table, then answer the questions.



Penny says: The smallest monthly payment is not always the cheapest loan.

Lender	Monthly payment	Number of payments	Total repaid	Cost of borrowing
Loan A: Riverbank Credit Union	£54	12	£648	£48
Loan B: QuickCash Loans	£32	24	£768	£168

a) Which loan costs less overall, and by how much? 2 marks

Loan A, by £120 (£768 – £648, or £168 – £48).

b) Why might someone still choose Loan B? 2 marks

The monthly payments are smaller, so they are easier to fit into a tight budget. The trade-off is paying for twice as long and £120 more in total.

4 Manageable, or becoming a problem?

6 points

Write each sign in the right box.

Afraid to open the letters | Knows how much is owed | Missing repayments | Repayments fit the budget | Has a plan and an end date | Borrowing to pay other debts

Signs a debt is manageable	Signs a debt is becoming a problem
Repayments fit the budget	Borrowing to pay other debts
Knows how much is owed	Missing repayments
Has a plan and an end date	Afraid to open the letters

5 Before you borrow: what matters most?

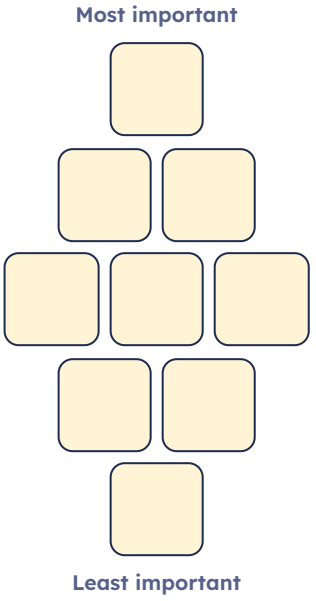
3 points

Put each letter in the diamond: most important at the top, least at the bottom.



Penny says: If borrowing ever becomes a worry, free help is there: StepChange, National Debtline, Citizens Advice and MoneyHelper.

- **A** How much will I pay back in total?
- **B** Can I afford the payments every month?
- **C** Do I need this now, or could I save up?
- **D** What is the APR?
- **E** What happens if I miss a payment?
- **F** How long will I be paying it back?
- **G** Is the lender properly regulated?
- **H** Could I borrow a smaller amount?
- **I** How fast can I get the money?



Which question did you put at the top, and why?

No single right answer. Strong answers put affordability, total cost or 'do I need it?' near the top, and speed (I) near the bottom. Look for a clear reason.

6 Unscramble the borrowing words

6 points

The letters are mixed up. Use the clue to work out each word.

T I T N S R E E	The extra you pay for borrowing	I N T E R E S T
E E R N D L	Whoever you borrow from	L E N D E R
E R Y P A	To pay money back	R E P A Y
D G E B T U	A plan for your money	B U D G E T
T B E D	Money that you owe	D E B T
A L N O	Money you borrow and pay back	L O A N

7 What would you do?

5 points

Read the story, then answer the questions.

Jordan's sister Mia, 18, sees trainers for **£90**. At the online checkout a button says: **Pay in 3. No interest. £30 today, £30 next month, £30 the month after.** Mia has **£35** in her account and earns about **£50** a month from her weekend job.

a) Is 'Pay in 3' a kind of borrowing? Explain. 2 marks

Yes. Mia gets the trainers now but still owes £60 (£90 – £30). She has borrowed that money until the last payment is made.

b) What would you do if you were Mia, and why? 3 marks

No single right answer. She can afford the first £30, but the next two payments take £30 of her £50 each month, and a missed payment can mean late fees. She could wait two months and save up, pick a cheaper pair, or go ahead if she is sure of her income. Look for a reason based on what she can afford.

8 Before you go

One thing I learned today

One question I still have

How sure do I feel?

Not yet · Getting there · Got it

Take it home

Look for an advert for a loan, a credit card or a phone on a monthly plan. Can you find the **APR** or the **total amount payable** in the small print?

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