

Borrowing and what it costs

Borrowed money always comes with a price tag

Name _____ Class _____ Date _____ Score: / 41

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.	True	False
You can take out a loan or a credit card at any age.	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

Answer: _____

b) How much would Jordan pay back altogether?

Working

Answer: _____

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

Working

Answer: _____

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

Working

Answer: _____

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	_____	_____
Loan B: QuickCash Loans	£32	24	_____	_____

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

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

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

5 Before you borrow: what matters most?

3 points

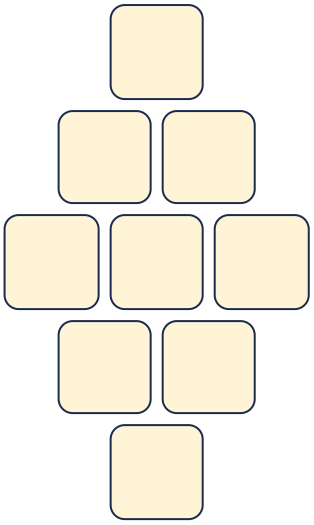
Put each letter in the diamond: most important at the top, least at the bottom.



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?

Most important



Least important

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

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

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

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

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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