Penny Explains

Key Stage 4 · Years 10 and 11 | Borrowing and credit | About 45 minutes



Credit scores and borrowing wisely

How lenders decide, and how to compare the real cost of a loan

Name _____ Class _____ Date _____ Score: / 41

I can...

- [ ] I can explain what a credit report is and who keeps it.
- [ ] I can say what helps and what harms a credit score.
- [ ] I can compare loans using APR and the total amount repayable.

Key words

Credit report: a record of how you have managed borrowing and bills.

Credit score: a number that sums up your credit report. Each agency and lender works out its own.

Secured loan: tied to something you own, such as a home, which the lender can take if you do not repay. An unsecured loan is not.

Loan shark: an illegal lender, not authorised by the Financial Conduct Authority (FCA).

1 Credit report basics

4 points

Circle one letter for each question.

a) Which three companies are the UK's main credit reference agencies?

(A) HMRC, the FCA and the Treasury
(B) Experian, Equifax and TransUnion
(C) Ofcom, Ofgem and Ofsted
(D) NS&I, the DVLA and the Royal Mint

b) What is a credit report?

(A) A record of how you handle credit
(B) A list of everything you buy
(C) A statement of your bank balance
(D) A bill sent to you by a lender

c) From what age can you take out a credit card or a loan in the UK?

(A) 16
(B) 17
(C) 18
(D) 21

d) Jordan is 18 and has never borrowed. Why might a lender turn him down?

(A) He is too young to borrow legally
(B) People with no debts cannot borrow
(C) Lenders only lend to homeowners
(D) He has very little credit history

2 Help, hurt or no change?

9 points

What does each of these usually do to a credit score? Write each one in the right box.



Penny says: Pay and savings are not on your credit report, but a lender may still ask about them to check you can afford the loan.

Paying every bill on time | How much you have in savings | How much you earn | Registering to vote at your address | Checking your own credit report | Missing a repayment | Going over your credit limit | Applying for lots of credit in a few weeks | Using only a small part of your credit limit

Usually helps	Usually hurts	Does not change the score

3 Odd one out

4 points

Circle the odd one out in each row. Say why.

Experian | HMRC | Equifax | TransUnion

Why? _____

Personal loan | Credit card | Mortgage | Overdraft

Why? _____

4 Jordan compares three loans

12 points

Jordan, 18, needs **£3,000** for a used car to get to his new job. Three lenders make him an offer. Work out the **total repayable** (monthly payment × number of months) and the **total interest** (total repayable – £3,000). You may use a calculator.



Penny says: APR lets you compare the **rate**. Total repayable shows the **real cost**. Check both.

	Loan A	Loan B	Loan C
APR	8%	8%	20%
Length of loan	36 months	60 months	36 months
Monthly payment	£93.62	£60.43	£109.02
Total repayable	_____	_____	_____
Total interest	_____	_____	_____

a) Loans A and B have the same APR. Why does Loan B cost more in total? 2 marks

b) Loans A and C last the same time. How much more interest does Loan C charge? 2 marks

c) Which loan has the lowest monthly payment? Which costs the least overall? 2 marks

5 Fact or myth?

3 points

Circle True or False.

You have one single credit score that every lender uses.	True	False
Any business that lends money to the public must be authorised by the FCA.	True	False
The loan with the lowest monthly payment is always the cheapest overall.	True	False

6 Spot the loan shark

5 points

Before Jordan has chosen a loan, this message arrives from a number he does not know.



Penny says: Loan sharks break the law. Borrowers do not. Citizens Advice gives free help.

Unknown number · 07700 900143

Hi Jordan, heard u need cash for a car. I can lend u **£3,000 TODAY**. No credit check, no forms, no questions.

Just pay me **£150 every week** till I say we're square. Cash only.

I'll hold on to ur bank card till then. Keep this between us yeah? U wouldn't want trouble at home.

Write 5 warning signs that this is an illegal lender.

1. _____
2. _____
3. _____
4. _____
5. _____

7 What would you do?

4 points

Read the story, then answer the questions.



After rent and bills, Jordan has about **£160 a month** spare. Loan A would cost £93.62 a month. His friend says: **"Take Loan B, it's only £60 a month. Or wait six months and save a bigger deposit, so you borrow less."**

a) Which option would you choose in Jordan's place, and why? Use at least one number from activity 4. 4 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

From the age of 18 you can check your own credit report for free. Talk with someone at home about one habit that builds a good record, such as paying a phone bill on time every month.

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Worked examples, not real offers. Education, not financial advice.