

Credit

'Buying on credit' can be an expensive way to shop. On top of the cash price you may have to pay interest, fees and charges. You may think that credit will be the answer to your money problems, but unless you are particularly disciplined it may be better to avoid credit cards and other credit agreements altogether.

Credit agreements can be arranged through banks, stores, credit card companies or finance companies and may come in a variety of forms: overdrafts, hire purchase, credit cards, charge cards and store cards, to name but a few.

What should you consider before entering into a credit agreement?

- Do you really want this item or loan?
- Can you save up the money - or use savings and pay the cash price?
- Can you afford it?
- Will you have enough cash at the end of the month to cover the repayments and any emergencies?
- Will you be able to keep up the payments for months or years?
- Can you find extra cash if interest rates go up?

The Credit Agreement

Always ask for a written quotation and read the credit agreement. If you are not sure what the agreement means or how much you will be charged, seek advice. Always get a written copy of your agreement. Keep it safe, as you might need it if a problem occurs. Make sure you keep records/receipts of any payments and keep copies of any correspondence between you and the creditor.

How much will credit cost?

If you decide to apply for credit, find out how much the total repayment will be. Look at the "APR" (Annual Percentage Rate of charge) and check for any additional fees or charges. You can make comparisons between the products that different creditors are offering before making the agreement. The credit agreement will show how much all the interest and other charges will be and states the level of repayment and when payments are made.

You need to check whether the interest is variable. If it goes up, will you be able to afford to pay the new rate of interest?

If you are on a tight budget with little room for increased payments you might be better off with a fixed-interest loan. Some

loans are offered interest free, but ensure that you read the small print as there may be time restrictions, or early repayment redemption fees. In addition, credit card companies often offer 0% (interest free) 'balance transfers' and/or 6 to 15 months 0% on purchases, but expect administration charges (often 2%-3% on balance transfers). If you still have a balance outstanding, it may be advisable to 'balance transfer' to another 0% card before it reverts back to its 'normal' rate. This is normally one month before the existing credit card 0% deal expires.

To view comparisons between different credit products, you might like to look at:

www.moneysavingexpert.com or
www.moneysupermarket.com

BE AWARE of extortionate credit agreements. You may end up paying for your goods several times over if the APR rate is high. For example:

Amount of credit: £150 for 18 days
Interest: £27.99
Interest rate: 365%pa (fixed)
Transmission fee: £5.50
One total repayment of: £183.49
Representative 5,853% APR.

Are there any advantages of credit?

If you have a major complaint about goods or services bought on a credit card costing over £100, you will be able to claim a refund from the credit card company instead of the retailer. Seek advice if this applies to you.

What if I am refused credit?

You have no 'right' to credit and the creditor does not have to justify the decision to refuse you. They use a variety of factors to determine whether to grant you credit. One of the key methods they use is to check your credit history through a 'Credit Reference Agency' (see overleaf).

These companies keep records of Court judgements, bankruptcy orders and details about credit accounts (for 6 years). Your 'credit file' will also show any 'payment arrears' you have acquired. This is one of the most common reasons of credit being refused. However, you have the right under the Consumer Credit Act to know the source the 'creditor' used for information regarding

credit-worthiness and therefore you can check whether the records are correct. If you think the information is wrong you can try to correct it. There may be time limits, so if you are in this position, seek advice immediately. If you have had a 'financial connection' with someone at the same address, e.g. a joint credit agreement, or bank account, these details should not affect your credit rating. You can file a 'notice of disassociation' with the credit reference agency that the 'financial connection' has ended.

BEWARE of companies who offer to clear your credit record by removing judgements for a 'fee', when in fact they cannot be legally removed.

How can I check my credit report?

You can check your credit report yourself, or with expert help. If you would like to check your credit rating contact one of the organisations below:

Experian Limited, Consumer Help Service, Tel: 0844 481 8000
www.experian.co.uk

Equifax plc, Credit File Advice Centre, Tel: 0800 014 2955
www.equifax.co.uk

Call Credit plc, Tel: 0330 024 7579
www.callcredit.co.uk

Credit repair - You can find free advice on how to repair your credit report at:

www.moneysavingexpert.com/credit-cards/bad-credit-credit-cards

What if I have trouble making repayments?

If you do find that you are having difficulty making repayments, don't ignore statements or letters from the creditor. Your problems will only be made worse by ignoring the situation. Keep in touch with your bank or Credit Card Company and seek free independent advice. Defaulting on agreements or consistently making late payments can have a negative effect on your credit scoring file. Communicating with your creditor may be beneficial in this respect.

Additional information

For advice and guidance about financial matters and complaints about financial services visit: Money Advice Service (MAS). This is free unbiased advice to help you make the most of your money. MAS has many helpful booklets and budgeting tools/planners. Visit:

www.moneyadviceservice.org.uk

National Debt Helpline: www.nationaldebtline.co.uk or call 0808 808 4000

Citizens Advice Visit www.adviceguide.org.uk or call 03444 111 444.

Free advice on debt problems and budgeting:
www.stepchange.org

Financial Ombudsman Service (FOS) The FOS helps to resolve disputes between lenders carrying out consumer credit activities and their customers. They provide a free and independent service. Tel: 0800 023 4567 or if calling from a mobile 0300 123 9123, or go to www.financial-ombudsman.org.uk

Finance Conduct Authority (FCA): This is also the body who you complain to. They prosecute financial companies who do not adhere to financial guidance and regulations. Visit www.fca.org.uk/firms

The Information Commissioner's Office is the UK's independent authority set up to promote access to official information and to protect personal information. They publish a free booklet called 'Credit Explained'.

<https://ico.org.uk/for-the-public/credit>

Any questions?

Contact the Middlesex University Student Welfare Advice Team on 020 8411 3008 or email: welfare@mdx.ac.uk.

You can access some of our other Welfare Advice Guide information leaflets at:
unihub.mdx.ac.uk/welfare-guides

Middlesex University Student Welfare Advice Team has made every effort to ensure that the information contained in this leaflet is accurate. Middlesex University however, cannot be held responsible for any omissions or errors. This publication can only be a guide and is not intended to replace the complex and diverse legislation covered. Statutes and regulations may change during the year without notice. If in doubt seek independent advice.

May 2018