



Borrowers should be well informed:

- i. Know the best place to borrow
- ii. Know the conditions attached to borrowing
- iii. Know the alternatives to borrowing



Personal Borrowing

- **Rights of a Borrower**
- The Right to know the:
 1. A.P.R. (Annual Percentage Rate)
 2. The number of instalments
 3. Amount of each instalment
 4. Cash price
 5. Total credit price



Personal Borrowing

□ Responsibilities of a Borrower

■ The Responsibility to:

1. Provide true and accurate information on the application form
2. Repay the amount borrowed in full and on time

Personal Borrowing



3. Renting/Hiring/Leasing

- This means that a person will get to use a good but won't own it.
- They may only want to use the good on a once off basis or for a short period of time.



eg.: carpet shampooers, cement mixers, dress suits, houses, shops, etc.



- The renting company will usually maintain, repair and upgrade the good being rented.
- Renting is costly and should not be used by those who need the item on a regular basis



Personal Borrowing

4. Hire Purchase

- This offers immediate use of the good and eventual ownership.
- The person can use the good whilst still paying for it (The Hire).
- They will not own the good until the final instalment has been made (The Purchase)



Personal Borrowing

Hire Purchase

- The retailer sells the item to the customer and receive immediate payment from the hire purchase company.
- The customer then repays the hire purchase company.
- They do not own the item until the last repayment is made.

Personal Borrowing

Hire Purchase



- Hire Purchase can be used to purchase cars, furniture, etc.
- Hire Purchase is very costly
- A deposit is made and instalments consist of the cash price, plus interest, plus other charges.





Personal Borrowing

Hire Purchase

- **Advantages of Hire Purchase**
 - Allows immediate use of the item
 - No security is required
 - Hirer eventually owns the product

- **Disadvantages of Hire Purchase**
 - Expensive due to high interest rates
 - The item is not owned until the final instalment is made



Personal Borrowing

Hire Purchase

- Advertisements for hire purchase and other forms of credit
- These must show:
 - a. The cash price of the item
 - b. The total credit price of the item
 - c. The amount of each instalment, the number of instalments and how often they must be paid
 - d. The amount, if any of the deposit
 - e. The APR



Personal Borrowing

Hire Purchase

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Personal Borrowing

Bankruptcy ☹️

- A debtor who does not repay what is owed can be declared bankrupt
- One can bring someone who owes as little as €1,900 to the High Court to be declared bankrupt.





Personal Borrowing

1. This person is publicly named as being not able to repay their debts
2. The court will take over the debtors possessions and sell what is necessary to repay the debt.
3. The bankrupt can no longer be director of a company or a public representative (county councillors)
4. When the court is satisfied that every effort has been made to pay the debts, it will discharge the bankrupt. He/she is free from the debts and can lead a normal business life



Personal Borrowing

Interest

- This is paid to depositors when they save money.
- This is the price of obtaining a loan.
- Interest received on loans is greater than interest paid out on deposits.
- Why do you think this is the case?



Personal Borrowing



A.P.R. (Annual Percentage Rate)

- This, by law this must be shown for all loans, hire purchase or leasing.
- This takes into account the charges involved in getting the finance

eg.: set up costs, stamp duties, etc

- It takes into account that the amount borrowed is reducing as repayments are being made.
- If you want to find the cheapest loan then compare the APR of the loans available to you and chose the one with the lowest APR.



Personal Borrowing

Flat Rate of Interest

- This is based on the original sum borrowed
- It makes no allowance for the fact that the amount owing is falling
- The interest to be paid will be higher than the APR

Personal Borrowing

€2,000 is repayable over 4 years @ €500 per year

A.P.R. = 10%;

Flat Rate = 10%

YEAR	A.P.R. METHOD		FLAT RATE METHOD	
	Amount Owed	Interest	Amount Owed	Interest
1	€2,000	€200	€2,000	€200
2	€1,500	€150	€1,500	€200
3	€1,000	€100	€1,000	€200
4	€ 500	€ 50	€ 500	€200
Total		€500 😊		€800 ☹️