LESSON 9: Activity 2

Teacher resource sheet: Loans jargon buster

PERSONAL LOAN

Personal loans are loans for a set amount of money, usually between €2,500 and €25,000, taken out over a set number of years, typically between three and five years (although you can get longer term loans). The main providers of personal loans are banks, building societies, finance companies and credit unions. Once your lender approves your loan, they will work out your monthly repayment, and you must pay at least that amount to clear your loan in the agreed time. With most loans your monthly repayment covers interest for that month and also pays something off the amount borrowed. So, your loan balance goes down each month.

CREDIT UNION LOAN

Every credit union is owned by the members. Credit union loans are offered to members at a fair and reasonable rate of interest.

OVERDRAFT

An overdraft allows you to withdraw more money than you have available in your account. You pay interest on your overdraft. The bank must approve your overdraft in advance. It is expensive if not approved in advance.

CREDIT CARD

Credit cards are a convenient and flexible way to pay for things without having to carry cash. If you use them wisely, credit cards can be one of the cheapest sources of credit available but if not used wisely they are one of the most expensive forms of credit.

HIRE PURCHASE

Many ‘car finance loans’ offered by garages and some lenders are actually hire purchase agreements. Hire purchase is different from a personal loan because you don't own the car until you have made the last repayment. The main reason you might choose a hire purchase agreement is convenience, as the garage selling you a new car may also arrange your finance. So, it saves you having to visit your bank, building society or credit union to arrange a personal loan.