

Borrowing money

Age range: 16+



Barclays LifeSkills have partnered with Spectra First to support those leaving care to build their employability skills and financial capability. As a signatory of the **Care Leaver Covenant**, alongside other organisations, Barclays has committed to offer a different type of support and expertise from that statutorily provided by local authorities. For more information visit mycovenant.org.uk.

Pages 1-3 of this pack are delivery notes for the facilitator, and pages 4-10 are worksheets for young people. Page 11 has a list of links for further support.

Introduction – Laura’s story (part 1): Borrowing money

10 mins



“Currently I’m living alone. When I turned 18, I really struggled with bills, as I had never seen them before. I found it hard to afford basic things for my flat, like the heating bills and furniture. I ended up with a door step loan, which I’m still paying back today six years later, but I didn’t know who else to turn to. I didn’t realise I was actually entitled to funding.”

- Read Laura’s story together using **Worksheet 1**. In pairs (if working with groups) or individually, ask them to imagine they are a friend talking to Laura before this scenario has happened.

What advice might you give to stop her from getting into this situation? E.g. avoid door step loan companies, go to a reputable source who might give you information about funding, etc.

- Tell them to hold onto their answers and keep this in mind, as later they’ll be revisiting Laura’s story.

Borrowing money

Icebreaker quiz

10 mins

- Share the questions below using **Worksheet 2** and allow a few seconds for the group/individual to discuss the options (either in pairs or with you), before revealing the answer – try and keep this quick fire.

How can you check how much money you have in your current account?

Answer: All of them – ATM/cashpoint, visiting your bank/building society branch, logging on to online banking, mobile banking app

What is the term used to describe your bank account if the balance drops below £0?

Answer: c) Overdraft

Which of the following forms of borrowing do you think has the highest risk associated with it?

Answer: a) Loan shark

What does the term Annual Percentage Rate mean in relation to a credit card?

Answer: c) The interest rate you pay for borrowing money

Why is your credit rating important?

Answer: All of them – lenders will consider your rating when deciding on whether to lend you money, it can impact interest rates lenders set for you, affect how likely you are to get a mortgage, and last six years

Which of the following can have a negative impact on your credit rating?

Answer: d) Missed payments on a credit card

Which of these is the most important utility bill to prioritise if you are in financial difficulties (pay first)?

Answer: a) Council tax

How much is an annual colour TV licence to watch live or recorded TV?

Answer: c) Between £100 and £200

What's the lowest interest you can get on a credit card?

Answer: b) credit cards allow you to buy things and repay the balance without paying interest. The interest-free period will vary by credit card, but it is possible to find some purchase cards that offer 0% interest for 30 months or more

Borrowing money

Exploring bank accounts and credit cards

10 mins

1. Understanding credit cards

- Ask the group/individual what they know about credit cards and discuss the advantages and disadvantages. Use the **Worksheet 3** to record their suggestions, before showing the **Worksheet 4** with the key points to summarise
- NB interest, either on a debt or on savings, is not acceptable in some cultures or religions, and may affect views on which features are advantages or disadvantages
- Explain that careful use of a credit card can have benefits but to use one successfully without getting into financial difficulty requires good management and a good understanding of how credit cards work
- Allow some time for the group/individual to discuss the definitions of the terms below. Use the [Know your money terms online tool](#) to explore the terms that were unfamiliar and any others that may be relevant. If they have access to them, you could ask the group/ individual to explore the tool using mobile phones or tablets. Terms: Credit card, APR, Interest, Credit score, Default, Liability, Lender

2. APR and interest

- Show the **Worksheet 5** and talk through the APR example to show how the amount you owe increases with the interest added when you only pay the minimum amount of your balance each month
- Remind the individual/group that while credit cards can be useful for providing a period of interest-free credit, they are an expensive method of borrowing unless you pay back the full balance every month. Options like an overdraft or a bank loan are less expensive for longer-term borrowing
- Remind them about 0% credit cards too, which allow you to buy things and repay the balance without paying interest for an agreed term. Explain that credit unions are also good places to go for low-interest loans
- Ask the group/individual where they may have seen APR e.g. the small print of TV advertisements
- Remind them about Laura's reference to the door step loan she's still paying back after six years.

Why do they think it has taken this long?

- Explain that this is because door step lenders will often have very high APRs, which means they will have to continue paying the loan off, with high amounts of interest, over a very long period of time
- To summarise, explain that credit cards offer one form of borrowing. Borrowing or buying on credit can sometimes be useful; without it many people wouldn't be able to go to university, buy a house or purchase other high cost items as saving for it would take too long. The point to remember is that you will need to pay it back, usually with interest and you are likely to end up paying back more than you borrowed. Explain also that before taking out any loans, it's important to look at the small print and take time to calculate how much interest they'll have to pay, and how long it will take to pay it off

Borrowing money

Reflection discussion

10 mins

- Revisit Laura's story and this time explain that they should imagine they're visiting Laura after hearing about the problems she's had, to give her advice.

What steps would you suggest she puts in place to improve the situation she's in?

How might she avoid this sort of thing happening again?

- Ask them to reflect on some of the themes they've looked at throughout this activity, and to look at the advice they put together at the start. For example, checking the APR on loans in the future, choosing the right bank accounts, getting a 0% credit card, planning better and budgeting to avoid getting into debt, speaking to a reliable source about her problems etc. Next show them this continuation of Laura's story using the **Worksheet 6**:



"I spoke to Roar, an organisation that trains and supports people who have experienced care. They gave me training to make sure I'm better aware of how to deal with these situations in the future. From training I now know that if I need to borrow money, I can do so in a variety of ways. Like a 0% credit card or a loan from the credit union which is very low. I also budget better now and live within my means."

- Compare their advice to Laura's decision. Discuss the similarities and if there's anything in her solution that they wouldn't have thought of
- Look back at the 'Before' advice they suggested at the start of this activity and ask them to think about how their learning has developed since this point. Get them to write down a few personal tips for themselves to take away and use in the future
- Explain to your young person/people that as well as the local authority, there are other organisations who provide support to care leavers and organisations that help with financial issues. To find out more, direct them to the links on the final page of this lesson

Borrowing money

Worksheet 1: Laura's story – borrowing money

Read the following story from Laura:



“Currently I’m living alone. When I turned 18, I really struggled with bills, as I had never seen them before. I found it hard to afford basic things for my flat, like the heating bills and furniture. I ended up with a door step loan, which I’m still paying back today six years later, but I didn’t know who else to turn to. I didn’t realise I was actually entitled to funding.”

Imagine you’re a friend talking to Laura before the above scenario has happened.

What advice might you give to stop her from getting into this situation?

Make sure you keep hold of your answers and keep this in mind for later.

Borrowing money

Worksheet 2: Quiz

Question	A	B	C	D
1. How can you check how much money you have in your current account?	Via an ATM/cashpoint <input type="checkbox"/>	Visiting your bank/building society branch <input type="checkbox"/>	Logging on to online banking <input type="checkbox"/>	Via a mobile banking app <input type="checkbox"/>
2. What is the term used to describe your bank account if the balance drops below £0?	Under-balance <input type="checkbox"/>	Over-balance <input type="checkbox"/>	Overdraft <input type="checkbox"/>	Bank draft <input type="checkbox"/>
3. Which of the following forms of borrowing do you think has the highest risk associated with it?	Loan shark <input type="checkbox"/>	Mortgage <input type="checkbox"/>	Credit card <input type="checkbox"/>	Payday loan <input type="checkbox"/>
4. What does the term Annual Percentage Rate mean in relation to a credit card?	The minimum you must repay on the total amount you owe <input type="checkbox"/>	The percentage of your annual income that you must use to repay credit card debts <input type="checkbox"/>	The interest rate you pay for borrowing money <input type="checkbox"/>	The amount you can borrow over a year without paying interest <input type="checkbox"/>
5. Why is your credit rating important?	Lenders will consider your rating when deciding on whether to lend you money <input type="checkbox"/>	It can impact on the interest rates lenders set for you <input type="checkbox"/>	Your rating can affect how likely banks and building societies are to give you a mortgage to buy a house <input type="checkbox"/>	It lasts for six years <input type="checkbox"/>
6. Which of the following can have a negative impact on your credit rating?	Having a credit card <input type="checkbox"/>	Paying your mobile phone bill by Direct Debit <input type="checkbox"/>	Living at the same address for a long time <input type="checkbox"/>	Missed payments on a credit card <input type="checkbox"/>
7. Which of these is the most important utility bill to prioritise if you are in financial difficulties (pay first)?	Council tax <input type="checkbox"/>	Broadband – telephone/ internet <input type="checkbox"/>	Water <input type="checkbox"/>	Digital TV package <input type="checkbox"/>
8. How much is an annual colour TV licence to watch live or recorded TV?	Under £50 <input type="checkbox"/>	Between £50 and £100 <input type="checkbox"/>	Between £100 and £200 <input type="checkbox"/>	Over £200 <input type="checkbox"/>
9. What's the lowest interest you can get on a credit card?	0.5% <input type="checkbox"/>	0% <input type="checkbox"/>	1% <input type="checkbox"/>	3% <input type="checkbox"/>

Borrowing money

Worksheet 2: Quiz – answers

Question	A	B	C	D
1. How can you check how much money you have in your current account?	Via an ATM/cashpoint <input checked="" type="checkbox"/>	Visiting your bank/building society branch <input checked="" type="checkbox"/>	Logging on to online banking <input checked="" type="checkbox"/>	Via a mobile banking app <input checked="" type="checkbox"/>
2. What is the term used to describe your bank account if the balance drops below £0?	Under-balance <input type="checkbox"/>	Over-balance <input type="checkbox"/>	Overdraft <input checked="" type="checkbox"/>	Bank draft <input type="checkbox"/>
3. Which of the following forms of borrowing do you think has the highest risk associated with it?	Loan shark <input checked="" type="checkbox"/>	Mortgage <input type="checkbox"/>	Credit card <input type="checkbox"/>	Payday loan <input type="checkbox"/>
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Borrowing money

Worksheet 3: Pros and cons of credit cards

✓ Advantages	✗ Disadvantages

Borrowing money

Worksheet 4: Pros and cons of credit cards summary

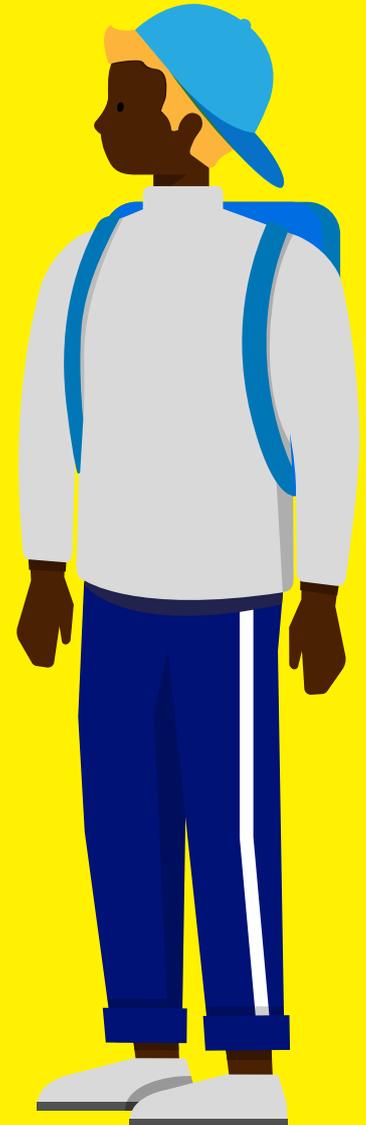
✓ Advantages	✗ Disadvantages
<p>✓ Can give you up to 51 days of free credit which can help with budgeting</p>	<p>✗ Very high interest rates if you don't pay off the balance in full each month</p>
<p>✓ There are some good 'points' and 'cashback' offers to take advantage of</p>	<p>✗ You need to have a regular income to be approved at application</p>
<p>✓ Interest-free 'balance transfer' offers over a period of time can be helpful provided you pay the right amount off each month to ensure the debt is clear by the end of the interest-free period</p>	<p>✗ It's easy to get 'carried away' by having ready access to money that you may not be able to afford to repay</p>

Borrowing money

Worksheet 5: APR (Annual Percentage Rate)

APR

The Annual Percentage Rate (APR) is the cost of a loan (i.e. the original loan plus the interest and any set-up fees) over the course of one year. The higher the APR, the more expensive the cost of borrowing.



Example:

If you borrowed **£1,000** with 29.9% APR and paid this back over one year, you would be borrowing **£1,299** (£1,000 loan + £299 interest and set-up fees)

Borrowing money

Worksheet 6: Laura's story continued



"I spoke to Roar, an organisation that trains and supports people who have experienced care. They gave me training to make sure I'm better aware of how to deal with these situations in the future. From training I now know that if I need to borrow money, I can do so in a variety of ways. Like a 0% credit card or a loan from the credit union which is very low. I also budget better now and live within my means."

Further support

The following links can be explored to get further advice on a number of topics around managing finances and living independently:

The Childrens Commissioner (general advice for those up to 25)

childrenscommissioner.gov.uk

The Rees foundation (general support for Care Leavers of any age)

reesfoundation.org

Care Leaver Covenant (help finding job opportunities)

mycovenant.org.uk

The Association of British Credit Unions (help finding the right credit unions and general information about these)

findyourcreditunion.co.uk

Propel (support for those going to university, including financial advice)

propel.org.uk/UK

Citizens Advice Bureau (general legal and financial advice)

citizensadvice.org.uk

Step Change (debt management advice)

stepchange.org

Money Helper (general financial advice)

moneyhelper.org.uk

Debt Advice Foundation (free, confidential debt advice charity)

debtadvicefoundation.org

Benefit calculator (free tool to help find estimates for benefits entitlements)

entitledto.co.uk/help/better-off-calculation

Experian (free tool for credit score checks)

experian.co.uk

If you are a young person and want to know more about money and work, register at

<https://barclayslifeskills.com/help-myself/>

If you are working with young people who have experienced care, explore more adapted content at

barclayslifeskills.com/help-others/lessons and select 'Care leavers'.

Many other LifeSkills lessons are also suitable for use with care leavers to support them on their employability journey. To find out more, go to barclayslifeskills.com/help-others/lessons the 'Building key skills to do well at work' category.