



Borrowing and finding affordable credit

There are plenty of choices available to borrow money from all sorts of sources and some are more expensive than others. You need to know how much you are paying on a regular basis e.g. weekly or monthly, but equally important you need to know how long you will be paying and how much you will be paying in total. The best deal may not be the cheapest weekly amount to be repaid.

The repayment information is shown on a borrowing agreement by the APR which you can use to compare different offers against each other. Every loan agreement should clearly display it as a percentage and generally the lower the better. The calculation of the APR can be quite complicated. [The Financial Services Authority \(FSA\) can help you with this link](#)

Listed below are some examples for a £300 loan which you can compare and see the differences in APR's and how they affect the total amount paid over

Lender	Amount	Weekly	Total	Interest	APR
Loan Shark	£300	£55.20	£2870.40	£2570.40	1000%+
Provident	£300	£10.50	£525.00	£225.00	254.50%
Brighthouse	£297	£9.99	£519.48	£219.48	29.9%*
Credit Union	£300	£6.14	£319.28	£19.28	12.86%

Loans taken out over 52 weeks (50 weeks for Provident) – figures from websites

* Includes Optional Service Cover

Credit Unions

You can see that the credit union loan comes out as the cheapest from those that are shown in the table. The use of credit unions has grown considerably over recent years and in Homes for Northumberland we are keen to promote not only their loans but also their savings options.

A credit union is a non-profit financial institution that is owned and operated entirely by its members. Credit unions provide financial services for their members, including savings and loans. Each credit union has a common bond which may mean to join you have to work or live in a particular area or work for the same employer, or who belong to the same institution, such as a trade union or church.

Across the area covered by Homes for Northumberland there are two credit unions. CUSEN (Credit Union for North East Northumberland) and Northumberland Credit Union.

CUSEN began as a small savings club in the 1990's and now have over 650 members with shop street premises in Ashington and Blyth as well as numerous collection points. Their "common bond" (as described above) to be a member is to live or work in Blyth or Wansbeck Valley. CUSEN offer both savings and loan product including an instant loan at 26.8% APR. The address is CUSEN, 92 Station Road, Ashington, Northumberland, NE63 8RN. Telephone (01670) 522779.

Northumberland Credit Union began in Morpeth in 1999 and extended its "common bond" in 2005 to allow everyone living or working in Northumberland to become a member. At the end of June 2009 there were 336 members. More information can be found on www.ncul.co.uk and you can telephone them on 01670 503666.

Places For People

Places For People are one of the largest housing management companies in the uk, and offer instant loans to tenants living within NE23 & NE24 post codes areas which have been recognised as areas where additional affordable credit should be made available. Their APR interest rate is 22.9% and they offer loans from £300 upwards. They can be contacted on 0845 603 6695 and their lines are open Monday to Friday 9.30am – 4.30pm.

Social Fund

Social Fund loans (budgeting loans and crisis loans) are available to claimants who need to borrow money for essential items.

- Budgeting loans are only available to those getting income support (IS), income-based Jobseekers Allowance (JSA) or pension credit (PC). Social fund loans are normally repaid by a direct deduction from weekly benefit. If the person stops receiving benefit then they still owe the money and it needs to be repaid.

[Find out more about budgeting loans and how to apply on the Jobcentre plus website.](#)

- Crisis loans may be made if someone has an emergency or disaster and don't have enough money to meet immediate short-term needs. You don't have to be receiving a benefit to get a crisis loan but you still will have to repay it.

Find out more about crisis loans

http://www.jobcentreplus.gov.uk/JCP/Customers/WorkingAgeBenefits/Dev_013949.xml.html

Banks

Banks are currently not seen as providers of small loan amounts (under £1000) which means they offer limited help to the sort of financial help that our customer generally need most. Some customers will have a good relationship with their bank and may be able to borrow money in the form of an overdraft. An overdraft is an arrangement where the bank will allow a customer to 'overdraw' their account up to a certain amount. In other words you take out of your account more money than you have in it. Repayment of the overdraft is made as and when money is paid into the account, usually reducing the overdraft amount over a period of time. It is important to agree any overdraft with the bank before taking this option, as banks will charge you if they haven't given their permission or 'authorisation'.

You can find out more about borrowing from banks on the British Bankers Association on <http://www.bba.org.uk/bba/jsp/polopoly.jsp?d=259&a=3545&artpage=5>

Doorstep lenders

Legal doorstep lending is also called the 'home collection market'. You can borrow small amounts and pay it back weekly to an agent who will call at your home. Remember – the total amount you have to repay may be much higher than the amount you borrowed. You can get some idea of what loans are available in your area on www.lenderscompared.org.uk, which provides a comparison of APR's.

Illegal Money lenders

Don't be tempted by the cash offered to you by an illegal money lender on your doorstep. Probably better known as Loan Sharks. They are unlicensed lenders, who operate illegally and will lend you money when nobody else will, but: _

- their rates will be very high and you may find it difficult to keep up the repayments;
- you may be forced to get a second loan to pay off the first, causing your debts to spiral out of control;
- They may try to persuade you to engage in criminal activity to repay your loan e.g. counterfeit goods, drug carrying, prostitution, etc.
- they may use violence or intimidation to collect debts.

If you think you are a victim of an illegal money lender there is a team who can help you in confidence:-

National Hotline Number: 0300 555 2222
SMS: text 'shark bait' (+ your message) and send to 60003
Email: reportaloanshark@stoploansharks.gov.uk

Please visit www.direct.gov.uk/stoploansharks for further information