

Lesson 2 – Financial Confidence

Borrowing Decisions



Priyanka

- Priyanka's friends have asked her to go on holiday to Marbella
- She can't afford this and is still paying her mum back for her car and her holiday last year
- She opens a new credit card account, with 29.5% APR. She says yes to the holiday and puts the flight/accommodation on her credit card
- Nine months later she is struggling to make the minimum monthly payments for her credit card and the holiday is a distant memory



Anthony

- Anthony is studying at university; he has taken out a student loan to pay for his fees
- He doesn't want to borrow any more money and so he lives at home, with his parents
- He works part-time to pay for his expenses, and this also allows him to save £100 per month
- He doesn't need to repay his student loan, until he earns over a certain amount. So, his plan is to take a gap year and go travelling, where he will spend some of his savings as well as earn money in different countries, to fund his trip



Simon

- Simon has just got his first job, working in Tesco for 12 hours a week, whilst he attends university
- He applied for a credit card, but his application was rejected
- He was shopping for gaming equipment online and was offered 15% off his purchase, if he signed up for a store credit card
- On the same day he opened a Klarna and Clearpay account to buy himself some clothes
- Two months later all of his credit options were maxed out
- The interest payments are really high and he's worried about making payments and being able to afford to his basic living expenses

Questions:

- Why did they borrow?
- Was it a sound or poor financial decision?
- Did they need the borrowing, or did they want it?
- Could they have done anything differently?
- What can they do to get out of the situation, if they are in a poor financial predicament?