

SHORT TERM PERSONAL LOANS

If you wish to purchase a computer for £1000 and you have no savings you can take out a personal loan. A bank or building society will lend you the money and you repay it plus interest in monthly instalments.

The banks and building societies publish tables showing the amount you have to repay according to the length of time you choose to repay it.

Below is an extract from a table used by a building society when the A.P.R. was 15.9%.

Amount of loan	Repayment term		
	1 year	2 years	3 years
£1000.00	£91.02	£49.26	£35.46

From this table you can calculate your payments.

If you only want to take out a loan for 1 year it will cost £91.02 per month.

Total repayment = $£91.02 \times 12 = £1092.24$.

Interest paid = $£1092.24 - £1000 = £92.24$.

If you want to take out a loan for 2 years it will cost £49.26 per month.

Total repayment = $£49.26 \times 24 = £1182.24$.

Interest paid = $£1182.24 - £1000 = £182.24$.

If you want to take out a loan for 3 years it will cost £35.46 per month.

Total repayment = $£35.46 \times 36 = £1276.56$.

Interest paid = $£1276.56 - £1000 = £276.56$.

Notice as the length of the loan increases the interest paid also increases; but the monthly premium decreases.

You need to decide how much you can afford to pay each month to work out the length of time you need to borrow the money for.

Exercise

Different banks, building societies and financial houses all offer different rates.

Choose one table from a building society or bank leaflet and from it calculate how much you would pay for a £1000 computer system if you borrowed the money over

- a) 1 year
- b) 2 years
- c) 3 years

