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**Lloyds TSB Foundation**  
for England and Wales

# INFORMATION SHEET

## Borrowing money - some options

### Introduction

We aren't offering financial advice here – nor are we endorsing any lenders products over another.

We aren't qualified to give financial advice AND there are lots of financial advisers for people to go and talk to!

**However, some ways of borrowing money tend to be generally more affordable than others!**

Here we will signpost some of the options you might not be aware of

### Credit Unions

Credit Unions can provide small loans at very low rates. They are non-profit organisations set up to benefit a community with common interests, such as living in the same town, belonging to the same industry or a particular trade union. Find out where your nearest Credit Union is via the Association of British Credit Unions.

## Sandwell has its own credit union:

### 6 Towns Credit Union

<http://www.sixtowns.co.uk/>

382 High St

West Bromwich

West Midlands

B70 9LB

Tel: 0121 553 3110

Not everyone can get an account from a high street bank and some people get turned down by the banks!

Credit Unions can often help people who the banks have turned down for an account.

They can help people save and plan how their money is spent – for example people can have wages or benefits paid into the credit union – who will then split up the money to help manage their funds – rent money for example can go into a special account for when it needs to be paid out.

They can also help people to save a little regularly – putting that bit away for a rainy day!

Sandwell's - 6 Towns Credit Union offers:

- ◆ Current account
- ◆ Payday Loans
- ◆ Savings

# Peer-to-Peer Lending

Peer-to-peer lending is similar to taking out a bank loan, but usually with cheaper interest rates and greater flexibility for the borrower.

You can set the date for when you want to repay - usually up to five years.

Lenders benefit too with good rates of return. The loan is subject to you having a good credit score.

There are a number of sites that link borrowers with lenders.

Peer-to-peer lending companies include Zopa, Funding Circle and RateSetter.

There is also a peer-to-peer finance association in the UK who list all their member organisations:

<http://www.p2pfinanceassociation.org.uk/members>

These lenders are currently unregulated BUT the Financial Conduct Authority plans to regulate them from April 2014.

## How does peer-to-peer lending work?

Savers can lend their money safely and easily to borrowers and earn high interest on their savings.

Borrowers looking for a low rate loan to fund a purchase such as a car or home improvements can get a better rate than they can from the banks.

They can offer better rates to savers and borrowers - because they claim peer-to-peer lending is more efficient than the traditional banking model.

Banks have large overheads, with thousands of employees to pay and hundreds of branches to maintain.

So they have to take large margins on the money that passes through them and this means worse rates on loans and savings.

Peer-to-peer lending (also known as social lending and lend-to-save) works by individual savers and borrowers coming together to get better rates.

As well as getting a great financial deal, social lending helps you to cut out big banks.

So you can help fellow borrowers and savers while knowing you are being smart with your money.

## Here are some of the UK based peer-to-peer lenders:

ZOPA

<http://www.zopa.com/homepage/home-v16>

RATESETTER

<http://www.ratesetter.com>

FUNDING CIRCLE

<https://www.fundingcircle.com>

Lend to businesses NOT individuals – but you may know of people who have a small business – do they know about it?

## Bank loans

It's worth talking to your own bank to see if they can give you a competitive rate - especially if you've been with them for some time and have a good record.

### **BUT IF YOU ARE THINKING ABOUT BORROWING MONEY BE AWARE OF THESE PITFALLS!**

- **Secured loans:** Beware of secured loans, which are usually available to homeowners.

If the loan is secured against your home, the lender can sell your house to get the money back if you fail to repay.

- **Payday lenders:** No matter how desperate you feel about your finances - payday lenders are a poor option!

They charge extortionate interest rates, which can lead to deepening debt, which may take you a lot longer to pay off than you imagined!

Speaking to someone about your financial situation could help – see our separate advice sheet on tackling debt.

**Please always seek independent professional financial advice before you make decisions based on your personal monetary requirements.**