

CONSUMER LOANS

What is a consumer loan?

It is money that a bank or financial institution lends you so you can buy something you need or want.

For example: a phone, a computer, clothes or a trip.

Do I have to pay all the money back at once?

Generally, no.

You can pay back the money little by little in amounts that are usually monthly.

These amounts are called **instalments**.

Instalments are normally paid each month during the period you have agreed in the contract.

Do I only have to pay back the money I have borrowed?

No. In addition to the money you have borrowed, you also have to pay, if it has been agreed:

- **Interest:** this is the price the bank charges you for lending you the money.
The interest you have to pay is agreed in the contract.
- **Fees:** the amount of money that banks charge, usually as a percentage, for managing a purchase or performing other operations.
For example, a fee for setting up the loan.

Can I choose how to pay?

Yes. You can choose:

- How much you want to pay each month.
- How long you will take to pay it back.
That is, in how many instalments you want to repay it.
For example, 6 months, 24 months or 36 months.
Normally, it is the bank or financial institution that offers you the repayment terms so that you can choose the ones that best suit you.

You decide this when you sign the contract.

What happens if I choose to pay over a longer period?

You can choose how many months you want to repay the loan from those offered by the bank or financial institution.

You should know:

- If you choose **more months**, the instalments will be **lower**, but you will pay **more interest**.
- If you choose **fewer months**, the instalments will be **higher**, but you will pay **less interest**.

What should I do before applying for a loan?

Before applying for a loan, it is important to:

- Read and understand all the terms and conditions.
- Know how much you will pay each month and for how long.
- Know the interest you will have to pay.
- Know if there are any other fees or costs.
- Choose the number of instalments and how much you will pay in each one.
- You should decide based on what you can afford. That is, based on your income and expenses.

Why is it important to use consumer loans wisely?

Because if you cannot pay the instalments you have agreed to you will have problems with the bank or financial institution that lent you the money.

To avoid this, it is important to:

- Control your spending.
- Only take out loans when necessary.
- Use loans responsibly.

This will ensure you avoid getting into debt you can't repay.