FORM OF DEFERRED (*REVOLVING*) PAYMENT

What is deferred (*revolving*) payment?

It is a way of paying back credit you have
used on your credit card or credit account in instalments.
Each month you pay a part,
and you also pay interest on the money you still owe.

How is it paid?

You decide how much you pay each month.
Normally, the financial institution will ask you
to pay a minimum amount.

For example, if the minimum amount is €25 per month,
you can choose to pay €25, €30, €40 or more each month.

Is it better to pay a high fee every month?

Yes. If you pay a high fee,
you will end up paying back the money you owe sooner
and you will also pay less interest.

What if I pay a lower fee?

It will take you longer to pay back all the money and you will pay more interest.

Do I only pay the money I owe in each monthly instalment?

No. In the instalment you pay each month, you are paying back a portion of the money you have spent and the interest charged by the financial institution for paying back the money bit by bit.

What happens to the money I pay back? Can I use it again to buy?

Yes. The money you pay in each instalment is put back on your credit card or account so you can use it again.

Example:

Imagine that your credit card or account
has a limit of €1,500.
That means you can spend up to €1,500.

You buy a sofa that costs €700.
This amount is subtracted from the limit,
so you still have €800 available.

You decide to pay €100 every month for 7 months.
In total, you will pay €752.

The €52 is the interest charged by the financial institution
for paying back the money bit by bit.

When you have paid 2 months (€200),
you will still have to pay €520.

Now imagine you need to buy a computer
that costs €900.

The €900 is in addition to the money you still owe
plus interest.

You can continue to pay €100 per month,
or raise the instalment in order to pay less interest
and pay back the borrowed money sooner.