

# WHAT IS NIR?

**NIR** means **nominal interest rate**.

It is the price that the bank or financial institution charges you for lending you the money.

It is one of the **most important** aspects to consider when choosing a consumer loan.

The **lower** the NIR,  
the less you will pay for the loan.

## How does the NIR work?

Let's look at an example:

### Example 1: 0 % NIR

Imagine you want to buy a computer that costs €600.

You are offered a consumer loan to pay for it in 12 months with 0 % APR.  
In other words, no interest.

This means you will pay:

- 12 instalments of €50 per month.
- In total: €600.

You will only pay what the computer is worth.

**Example 2: 7 % APR**

Now imagine you buy the same €600 computer.  
But you are given a loan to pay for it in 12 months  
with 7 % APR.

This means you will pay:

- 12 instalments of €52 each month.
- In total: €623.

That means you will pay €3 in interest,  
which is added to the €600 cost of the computer.

**Note! There may also be other costs**



Apart from the APR,  
there may be other costs associated with the loan, for example:

- Costs to assess whether or not you will be granted the loan.
- Costs to formalise the loan.
- Arrangement fee.

These costs are not included in the NIR,  
but they are included in the **APR**, the annual percentage rate.

It may be the case that a loan has:

- A NIR of 0 %, i.e. no interest.
- But the APR is higher than 0 %  
because the bank or financial institution  
charges you other costs.

## **What should I do in this case?**

You must read the pre-contractual documentation  
and the contract carefully, and be cautious about what you sign.

Sometimes, loan offers  
say that there is no interest, but there are other costs.

Always check the APR of the loan  
to find out its total cost.