

### Overdraft

This is when someone takes money out of their current account with the bank so their **balance falls below zero**. It should be used for **short-term borrowing** or **emergencies**.

### Credit card

The **credit card company** pays the **shop/business** and then sends the **bill to the credit card owner** (amount borrowed) each month. If the bill is paid in full, no interest is charged. However, if a smaller amount is paid or an amount isn't paid back on time, **interest will be charged on the whole amount**, making it more expensive to pay back.

### Friends and family

This involves **asking people close to you for money**. It may be **interest free**, but for some people it can **feel awkward or uncomfortable**, especially if someone has difficulty paying back the money.

### Payday loans

Payday loans are **short-term, very high-interest (high cost) loans** available to consumers, usually for smaller amounts of money.

The interest may be up to **1,500%** which is huge! This is compared to an average of 22.8% for a credit card, meaning a lot more will be paid back than was borrowed.

### Personal bank loans

A fixed amount of money, usually **borrowed from the bank**. It is repayable by **set monthly installments over an agreed period of time**. A fixed rate of interest and sometimes extra fees are added to the value of the loan. Repayments are usually made by direct debit from a bank account. If the payments are not made on time, then a fee may be charged.

### Buy Now Pay Later

Buy now pay later schemes do exactly what they say – a consumer gets the opportunity to **buy something without having to pay for it until a later date**. Repayment plans can look different. For example, a person may be required to make repayments **every 2 weeks** for up to 3 months. If payments are late, **fees and interest** are normally added.