



Guidance notes to prepare for your session

Borrowing Money: Exploring borrowing and credit

Suitable for 16+ years

This material is intended for information purposes only and does not constitute advice or recommendation.



LLOYDS BANK

Using this guide to deliver financial capability in a face-to-face group setting

This guidance has been prepared to support you in helping young people to learn about money.

You can use the resources with young people, whether in an educational environment or a less formal face-to-face group setting. For example, you may be working with young people in a youth group, in a care setting or perhaps as part of an employer training programme.

These activities have been developed to use with young people aged 16-25 years and are:

- **Relevant and engaging**, enabling young people to discuss money topics appropriate to their life stage and to learn from the experiences of others.
- **Easy to access**, providing a variety of things to discuss, think about and do.
- **A complete package**, providing all the resources you will need.
- **Flexible**, offering alternative approaches to deliver the activities depending on the needs of your group.

In this session, young people will learn about types of borrowing and credit. They will explore their attitudes towards borrowing, the risks involved and alternatives to taking on debt. They will learn new terminology associated with borrowing, and look at frauds and scams and how they can protect themselves against these.

Financial wellbeing means having the confidence and knowledge that you are in control of your money – you can manage your day to day living expenses as well as planning for the future and being able to cope when the unexpected happens.

Three activities to engage young people

The activities have been designed to be both age-appropriate and inclusive. For those that may require some further adaptation, alternative ways of delivering the activity for differing learning needs are detailed when required. You may wish to further amend and adapt the activities to suit the needs of specific groups.

This session involves three activities. Delivered all together, they form a one-hour session. Alternatively, each individual activity can be used to run a shorter 20-minute, one-off session.

Activity A

WHY BORROW?

In this quick-fire group activity, young people will think about all the reasons why they might want to borrow. They will consider ways to borrow and share their ideas.

Activity B

UNDERSTANDING BORROWING

Working in pairs, they will learn about different types of borrowing and credit and the cost of borrowing. They will also learn about the risks involved and where to get help if borrowing becomes a problem.

Activity C

BORROWING DECISIONS

They will consider some real-life borrowing scenarios that they might find themselves in. They can decide if the character's decision was a good or not so good call. They will explain why, and if they don't think it was a good decision, they will explain and offer an alternative approach.

NOTE: This material is intended for information purposes only and does not constitute advice or a recommendation. When delivering the session, do not mention any specific products when sharing your own experiences at any point during the session as this could be seen as a recommendation of a product.

Learning outcomes

By the end of the session, young people will:



Understand their motivation to borrow and how to manage it.



Be prepared to select the most suitable forms of borrowing that meet their needs now and in the future.



Understand the different forms of borrowing and relative risks.



Be able to describe alternative methods of getting the things we need and want, e.g. saving.



Know where to find the information they need to make informed borrowing decisions and to stay safe.

If you are delivering in a school or college setting, the activities may link to several areas of the curriculum:

Personal, Social and Health Education (PSHE):

- To assess and manage risk in relation to financial decisions that young people might make.
- To evaluate the potential gains and risks of different debt arrangements and repayment implications.

Citizenship:

Citizenship education will prepare pupils to take their place in society as responsible citizens. It will help them to be able to manage their money well and make sound financial decisions.

- Managing risk.

In other settings the content could contribute to vocational, core and life skills learning:

- Budgeting and money management.
- Making informed decisions.
- Building financial resilience.
- Assessing future needs.
- Developing financial adaptability.

Guidance notes

Session resources – you will need:

Print off and prepare the following:



The PowerPoint Presentation

This contains all the slides for the session.

*We suggest you view the **PowerPoint** in advance.*

You may need to 'click' to access the different stages of the slide animation.



Resource Sheets

Activity B:

Resource Sheet: Understanding borrowing - definition cards .

Print and cut into sets – one set per pair.

Print one uncut copy for yourself for discussion.



Further Support and Information

This provides opportunities to find out more. It can be shared with the group at the end of the session.

Paper and pens



2 MINUTES

Introduction

Use **slide 1** to introduce yourself if required.

Use **slide 2** to explain what the group will be learning about.

YOU WILL NEED

✓ **PPT slides 1 and 2**





Why borrow?

In this activity, young people will learn that:

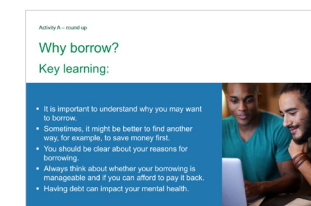
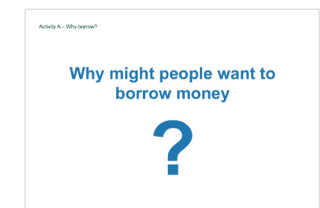
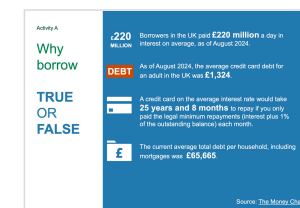
- People borrow for different reasons.
- You should understand your reasons for borrowing.
- Your borrowing needs to be manageable or it could have a negative impact on your life.

Alternative ways of delivering the activity:

1. Instead of doing the True/False quiz, you can pick out some of the statistics and explain them to the group. Ask if they are surprised by them. Share ideas and thoughts about the benefits and risks of borrowing.
2. If you feel that some of the group have experience of borrowing or getting credit, draw on that experience to benefit the whole group. Make sure that people don't feel under pressure to disclose information if they don't want to.

YOU WILL NEED

✓ **PPT slides 3, 4 and 5**





Why borrow?

Ask:

 What do we mean by borrowing and interest?

 Can you describe what you think each term means?

Ask some members of the group to explain what they think. Check that they all understand these terms.

Here is a definition of borrowing:

Borrowing is when you receive money or credit, usually to buy goods or services, with the intention of paying it back after a period of time. You may have to pay interest on the borrowing.


Here is a definition of interest:

'Interest' or the **'interest rate'** is the amount a lender charges you in return for lending you money. This is usually a percentage of what you have borrowed.

Note: Interest is also what you receive in return for saving money – in other words, your reward for lending your money to the bank for a period of time.


Check that everyone understands these terms before you move on.

Ask them the following questions to check they understand what interest is and how it works:

 If you wanted to borrow some money, which interest rate would you prefer? 2% APR or 5% APR?

Answer: 2% APR

Explain that when borrowing, the lower the percentage, the less interest you will pay. The APR is the Annual Percentage Rate and includes other charges the bank may make.

 If you wanted to save money, which interest rate would you prefer? 0.1% or 1.0% AER?

Answer: 1.0% AER

Explain that when saving, the higher the interest rate, the larger the amount of interest on your savings. The banks use AER or Annual Equivalent Rate so that savers can compare different savings accounts easily.

CONTINUED ➡



Why borrow?

Use the 'True or False' quiz on **slide 3**. These numbers show how much people in the UK might use borrowing and credit. Read out or explain each one (single mouse clicks) and ask them to guess – True or False?

Once you have gone through all the statements, explain that they are all **TRUE**.

Share more information about all of the TRUE statistics if they are interested in learning more.

- **Borrowers in the UK paid £142 million a day in interest on average, based on December 2022 trends.** (This figure is based on all types of borrowing, including mortgages. You could mention that some borrowing, like a mortgage, is planned borrowing and helps people to buy their own home).
- **At the end of October 2022, the average credit card debt for an adult in the UK was £1,184.** (You can explain here that consumers often choose to use a credit card because of the protection it gives them on bigger purchases).
- **A credit card on the average interest rate would take 25 years and 8 months to repay if you only paid the legal minimum repayments (interest plus 1% of the outstanding balance) each month.** (You can explain that it is important to understand that credit card spending is debt that must be repaid).
- **The current average total debt per household, including mortgages was £65,746. According to the office for budget responsibility's March 2022 forecast, the average will increase to £85,906 by 2025.**

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Why borrow?

Ask:

 **Are you surprised by some of these numbers?**

Explain that you are now going to think about why people borrow.

Using the question on **slide 4**, ask:

 **Why might people want to borrow money?**

Have a discussion with the group about what they think.

You can offer some of the following reasons for borrowing to help the discussion:

- To make big purchases, e.g. a house, car or a holiday.
- To do up their homes.
- At Christmas time or other special occasions so they can buy more.
- For their children (if they have them).
- To fund their studies, i.e. a student loan.
- To fund a chosen lifestyle, e.g. paying for clothes, drinks, or outings.

CONTINUED ➡



Why borrow?

Ask:



Which of these do you think are good reasons for borrowing? Which are not so good? Why?

Your volunteers can draw a circle around each.

Good = Green

Not so good = Red



Are these reasons a NEED (house), a WANT (holiday) or an INVESTMENT (student loan)?

Use the information below to help you to have a discussion:

Some definitions:

Good: Investment in the future or ongoing benefit, e.g. qualifications, financial gain, skills, a loan for car to get to work.

Not so good: No ongoing benefit or no future gain, e.g. clothes, going out, holidays, Christmas presents.

Check that they understand that there are alternatives to borrowing for some of these things. For example, they could try **to save** part of their income for the things they want or need so they don't have to borrow.

Finally, use **slide 5** to wrap up the activity and to re-cap on what they have learnt.



20 MINUTES

Understanding borrowing

In this activity, young people will learn that:

- There are different types of borrowing and credit.
- They need to understand the basics of borrowing and credit to make informed decisions about it.
- There are risks associated with borrowing.

Alternative ways of delivering the activity:

1. Run the activity as a group exercise instead of splitting the group into pairs.
2. Some of the group may know quite a lot about types of borrowing already. This is a good opportunity for them to gain more knowledge and to have a better understanding of the risks and benefits of borrowing to help their future decision-making.

Split the group into twos or fours, and ask them to:

- Write down as many types of borrowing as they can think of and create a definition for each.
- Using the **Resource Sheet – Understanding borrowing** as a guide, ask them if they are satisfied with the definitions.
- If there are any types of borrowing discussed that there isn't a definition for in the **resource sheet**, encourage them to go and find the answer after the session.

YOU WILL NEED

✓ **PPT slide 6**



✓ **Resource Sheet
- Understanding
Borrowing**



Understanding borrowing

Ask:



Can each of you name two types of borrowing product or ways to borrow?

You or a volunteer from the group can record their answers.

Explain that they are now going to learn about other types of borrowing. They will also find out what to take into account when borrowing in order to stay safe.

- Ask the group to work in pairs.
- Ideally, they should face each other.
- Give one person in each pair the cut up cards from the **Resource Sheet – Understanding borrowing** and explain the game.

Note: There are 18 definition cards. You may decide to split the cards and give different pairs different cards.






- The card contains a title, a definition and a clue.
- The person with the cards reads out or explains the definition without saying the title.
- The other person in the pair must guess what they are describing.
- They can have the clue if they don't know.
- If they guess correctly, they get the card – and if they don't the card holder keeps the card.
- The one with the most cards at the end wins.

CONTINUED ➡



Understanding borrowing

Ask:

-  How many did you get right?
-  Is there anything that surprised you?
-  When might you use these different types of borrowing? Can you give examples? E.g. credit card to pay for a TV to protect your purchase, a mortgage to pay for a home rather than rent.
-  Which forms of borrowing do you think carry more risk than others?
-  How can you avoid borrowing in the first place? What else could you do?

Try to encourage them to respond to at least one question.



If appropriate and you feel comfortable doing so, you could share with the group a time when you made a borrowing decision. This may encourage them to share their own experiences so that the group can learn from each other. There is no need to mention specific products – this is about understanding borrowing and not about product advice.

Finally, use **slide 6** to wrap up the activity and to re-cap on what they have learnt.



20 MINUTES

Borrowing decisions

In this activity, young people will learn that:

- There are consequences to borrowing decisions.
- It's important to know where to go for advice to make borrowing decisions.
- Borrowing can help us to manage our finances.
- It's important to ask for advice if we run into problems with borrowing.

Alternative ways of delivering the activity:

1. Explain each scenario and discuss the questions together as a whole group. Use the notes in the main guidance to support the discussion.
2. Some of the group may be old enough to borrow and may have experienced some of the issues in the scenarios. Explain to them that they are going to examine some short scenarios based on real life.
 - Read out or explain the first scenario on the slide.
 - Prompt the group to answer the questions on the slide.
 - Use the guidance notes to discuss some of the issues and ensure they understand the risks and benefits of the decisions made by the characters.
 - Repeat this for each scenario.

YOU WILL NEED

✓ PPT slides 7, 8, 9, 10 and 11

Activity C - Borrowing Decisions

Ethan

- Ethan's friends have asked him to go on holiday to Ibiza.
- He can't afford it and still owes his Dad money from his holiday last year.
- He's just opened a new credit card account, and so he says yes and buys his flight on the card.
- Six months later, he's struggling to make even the minimum payment each month.

Why did he borrow?
What kind of borrowing was it?

Jasmine

- Jasmine has just got her first job and wants to move out of her parent's home but renting is expensive.
- She has some savings and has applied for a loan that her younger brother has purchased their first home.
- The payments are fixed for five years so she knows how much she will pay each month.
- She wants to travel in the future, and if she owns her home, then she may be able to rent it out when she is away. She needs to do more research into this.

Why did Jasmine borrow?
What kind of borrowing was it?
Good or bad decision?
How do they differ?

Rob

- Rob just got his first job - he doesn't earn a lot.
- He needed for a credit card, but was reluctant.
- He went clothes shopping and was offered 10% off his purchase if he signed up for a store card. In the same day, he signed up for two.
- Three months later, he has spent all of the credit available to him.
- The interest payments are really high, and he's worried as he doesn't know how he is going to pay off the debts.

Why did Rob borrow?
What kind of borrowing was it?
Was it a good or bad decision?
How is it affecting him?
What should he do?
What could he have done differently?

Malik

- Malik is studying at university. He has taken out a loan to pay for his fees.
- He doesn't want to borrow any more, so he has decided to live at home with his parents.
- He works part time and hopes that by the time he finishes university, he will only have his fees to repay.
- He doesn't have to repay the loan until he starts earning a set amount in a job, so he may take a gap year first.

Why did Malik borrow?
What kind of borrowing was it?
Was it a good decision?
Could he have done anything differently?

Activity C - Read up

Borrowing decisions

Key learning:

- It is important to understand our motivations for borrowing.
- Always ask yourself if you can afford it and if you need it?
- We should consider alternatives first, such as saving.
- It is important to know where to go for advice when making borrowing decisions.
- Borrowing can help us to manage our finances.
- It is also important to ask for advice if we run into problems with borrowing.
- We need to understand the risks that can come with borrowing, and that there could be a negative impact on our credit score and credit history if we cannot afford to pay back borrowed money.



Borrowing decisions

Remind them about your discussion about the reasons why people may borrow.

Ask:



Can you remember one or two of the reasons you mentioned earlier for why people may borrow?



If you feel comfortable doing so, you can give them a personal example of why you may have borrowed money in the past.

Explain:

You are now going to consider some real-life situations that have happened to a young person. You need to decide if their decision about borrowing was a good or not so good one, in your opinion. You are also going to think about other choices they could have made.

- Split the group into twos or fours depending on the size of the group.
- Explain that you are going to share four short scenarios with them.
- Let them know what they need to think about for each one and that there are some questions to help them.

Using **slides 7-10**, show them each scenario in turn.

Ask them to:

- Think about the situations and answer the questions that appear on the slide for each character.
- Create a list of top tips to remember when it comes to borrowing.
- Capture any other questions you want to ask when you go back to reflect together.

Give them a few minutes for each of the four situations.

- Bring the group back together and have a discussion with them about their decisions.
- You can go back to each slide to remind them of the questions.
- Encourage each member of the group to share at least one response/ thought from their discussion.

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Borrowing decisions

Ethan

Notes for discussion

- Ethan said yes to a holiday he can't afford to avoid embarrassment. It was not a good decision.
- He doesn't understand that a **credit card** is debt you must repay.
- He doesn't understand that interest builds up.
- It may affect his mental health negatively.
- He could contact his bank / credit card provider. It's important that he is honest with the lender. They don't want to lose the money they lent him, so they may want to help him repay his debt. If he talks to them, they may be able to support him to do that. If he doesn't talk to them, they will continue to chase the debt and could add extra charges. He should never ignore a problem like this. He should seek help before it becomes bigger.
- It could affect his credit history/credit score in the future if he is unable to repay the debt and/or misses a payment. You could explain this by saying: **"Have you ever lent money to someone and they didn't pay you back? Would you lend them money again?"** A bank/lender is no different.

Jasmine

Notes for discussion

- Jasmine has done her homework. She explored both rent and purchase as an option. Jasmine applied for a mortgage. If she decides to go travelling later, she can always rent out the house (if that is allowed).
- She will also have to think about whether she will have to pay tax, and about the responsibilities of being a landlord.
- Other bills must be paid whether you rent or buy.

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Borrowing decisions

Rob

Notes for discussion

- Rob felt he deserved to treat himself. But that meant he spent money he did not have.
- He took out store cards which have a much higher rate of interest.
- It may be affecting his mental health.
- He should get advice about how to pay it off or look at other options.
- Whatever he does, he should do his research first.
- It is always important to be accurate when applying for loans. If you are not accurate about whether you can afford the loan, this can be viewed as fraud. It will impact your ability to borrow in the future.

Malik

Notes for discussion

- Malik is going to university by borrowing using a student loan to pay his student fees.
- He knows he does not have to pay it back until he earns a certain amount.



If appropriate and you feel comfortable doing so, you could share a good borrowing decision you made, and perhaps one that you regret. Why did you make that decision, or why did you regret it? Could you have made a different decision? This may encourage them to share their own experiences so that the group can learn from each other.

Finally, use **slide 11** to wrap up the activity and to re-cap on what they have learnt.



2 MINUTES

Summary

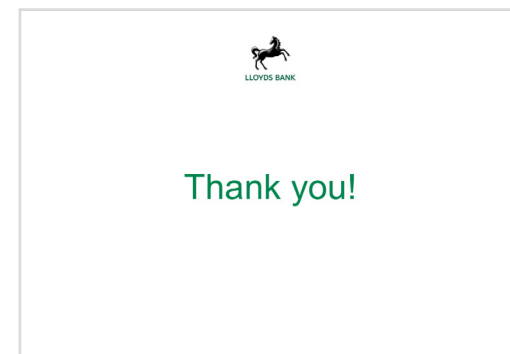
At the end of the session, use **slide 12** and thank them for contributing to the activities.



Share the **Further support and information sheet** with the group. This provides opportunities to find out more information and provide support to improve their financial wellbeing.

YOU WILL NEED

✓ **PPT slide 12**



✓ **Further support and information Sheet**