

Facilitator Notes for Lily Case Study

Key points to remember for Lily:

- It has only taken her five months to save £1000. Potentially, she could wait ten months to have all the money needed to buy the car.
- This needs to be weighed up against the need to get home safely from work.
- Lily is not keen on the idea of going in to debt. This implies that she doesn't like to take risks.
- Lily has held an account with High Street Bank for some time, which means she would be considered for a loan as she meets their criteria.

Lowest Rate:

If just comparing APR advertised, My Local Building Society looks most competitive at 13.7%. However, you need to consider that the rate could be anywhere between 6.9% and 19.9%.

My Local Building Society gives better rates to existing customers and Lily hasn't held an account there. She is also new to borrowing, so her rate would be closer to 19.9%.

Most re-assuring:

The Credit Union Loan ad is inviting. It distinguishes itself from high street banks.

You know what rate you will get.

They are not out to make profit.

However, if you do have a good credit history, My Local Building Society **could be** cheaper.

Most loyal:

Lily has been with High Street Bank for three years. Their APR is cheaper than Flexi loan but more expensive than the rest. One disadvantage is that they don't offer a 12 month loan. The shorter the term, the least amount of interest you pay.

It could be argued that banks lack that flexibility. My Local Building Society and Credit Union offer a friendlier and more personal approach.

Most convenient:

Flexi loan are quick and easy and don't involve paperwork or travelling to a bank.

However, their APR is the highest so therefore most expensive overall.

A difference of £10 per months is £240 over two years.

Most suitable:

Although there is no right and wrong answer, there will be an order of most suitable for Lily, once it has been justified:

1. My Local Building Society is worth trying first as rates could be lower.
2. Credit Unions offer a more personalised and accessible loan. Their rate is less likely to vary from the advertised rate.
3. High Street Bank offer a reasonable deal over two years but you end up paying more interest than if you cleared it in one year.
4. Flexi Loan advertises quick, easy and paperless. So what is the catch? 29% APR. The highest one advertised. It is always good to avoid the quick and easy route!