

Loans Guide

The Money Only Loans Guide is intended to give you insight into the world of personal loans.

Unsure about the difference between a secured and unsecured loans? Then we will explain everything in plain English.

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These are available to homeowners with the property being used as security.

Compared with unsecured loans, which are usually for 1 to 5 years and £1K to £25K, they tend to be for larger amounts, generally £100K plus and for a longer term, 5 to 30 years.

These features make the loans particularly suitable for those wishing to borrow larger amounts or for debt consolidation.

They have the convenience of lower monthly payments as the amounts borrowed are over a longer term.

Secured Loans

Consumers do, however, need to be aware that spreading the debt over a longer term will result in more interest being paid on the borrowing even if rates are the same as an unsecured loan.

If the borrower defaults on the loan, their home could be at risk or repossessed.

Fees may also be payable.

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Unsecured personal loans are usually covered by the terms of the Consumer Credit Act.

A lump sum is lent in return for you agreeing to make regular repayments, usually by direct debit. Personal loans are available from £500 up to £25K. Security will usually be needed for personal loans of large amounts. Personal loans are repayable over a period of time, usually between six months and 10 years.

Lenders charge interest on the amount borrowed. This tends to be fixed at the start of the loan which means that the repayments remain the same throughout the term; however some loans, such as flexible loans, can be variable.

Unsecured Loans

This interest charge is shown as an APR (Annual Percentage Rate). Any firm that lends money is required by law to quote the APR. The advertised typical APR quoted needs to be offered to 66% of borrowers.

The APR usually depends on the amount of the personal loan and sometimes the term as well. This means the best rate for one personal loan amount may not be the best rate on all.

Some lenders however do offer the same rate to all their borrowers. You need to check the best rate dependent on the amount and term you are after.

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An unsecured car loan is a personal loan offered solely for vehicle purchases. They usually come with additional benefits such as discounted vehicle inspections, car parts, breakdown cover, etc.

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Career Development Loans

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Career development loans help you to finance your studies. This means you can improve your career prospects and so potential income.

They can be used for full-time, part-time or distance learning provided the course is vocational and lasts no longer than two years. An additional 12 months is allowed if it is for relevant practical experience required by the course.

Career development loans are deferred repayment loans. This means repayments are made at the end of the term of the loan.

When applying for a career development loan, the bank will need check that you are eligible and meet all of their criteria.

Product features include:

- Borrow from £300 to £8,000 - The money can be used to pay for up to 80% of course fees and 100% of related costs such as travel and materials.
- If you are unemployed the loan may be able to cover all course fees.
- The Learning Skills Council pays the interest on the loan while you are studying.
- The loan is repaid by you when you complete the course at a fixed interest rate agreed with the bank.

When taking out a career development loan it is important that you think about repayments and are confident that you will be able to meet them once your course has finished.

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Graduate loans work in the same way as unsecured personal loans. However, banks often offer better loan rates for graduates. You will normally have to hold a current account with the same provider to get a graduate loan.

Typical APR

You may not always get the advertised typical APR on a graduate loan. The rate you are given can depend on your credit rating. This is a scoring system that lenders give people with to determine how credit worthy they are.

Graduate loan early settlement

Paying off your graduate loan early can save you hundreds of pounds in interest. However, some graduate loans apply penalties to

Graduate Loans

those wishing to close their graduate loans before the end of the term.

Graduate loan deferment Periods

Many lenders will allow a break between when you receive your loan and when the first payment needs to be made, beyond the standard month. While this gives you a break from payments, interest is charged over this period which actually increases the total interest payable.

Graduate loans same Day Funds

Some lenders offer same-day-funds facility which means you get your money on the same day that you complete the application. There is usually a fee for this service which can be as high as £50, so consider this carefully.