



Co-borrowing or going guarantor

Co-borrowing is when you sign up for a loan with your partner, relative or friend. Being a guarantor means that although you are not signing the loan for yourself, you are agreeing to pay out the loan if the other person fails to make the repayments.

Whether you are a co-borrower or guarantor, you will be responsible for the entire loan if the other person cannot or will not make the repayments. If you can't repay it, the lender may sue you for your house or any other asset to pay the debt.

Think carefully before you agree to sign up for this type of loan and be sure to get independent advice. Do not go co-borrower if you are not getting a benefit from the loan.

How to avoid money problems

Budgeting

Set up a budget and stick with it. Build your savings up by cutting costs and only buying the things you really need.

Saving

Set up some saving goals for the future such as to pay off your debt, buy a car or go on holiday. Try to put aside some money every week, no matter how small the amount. Consider opening up a separate savings bank account.

Saving can also help you to pay for those unexpected emergencies. Use your budget to guide you.

Spending and borrowing

Don't spend more than you make and only borrow the amount that you can comfortably afford to pay back. Keep all your receipts and contracts together in a safe place in case you need them in the future.

Signing paperwork

Never sign any contract or paperwork without fully reading and understanding the responsibilities that come with it. Rely on what the document says, not what the salesperson says. Get assistance or advice from someone independent that you trust before signing, like a community legal adviser.

Staying informed about your finances

Whenever you borrow money you should get statements from the finance company showing the progress of the loan. Read these statements and check them for accuracy. If you are co-borrowing or going guarantor make sure the repayments are being made regularly.

If things go wrong

If you are having money problems contact the company you owe money to as soon as possible and explain your issues. They may be able to lower your repayments or work out alternative payments. Fair Trading may be able to help you by negotiating with the lender. Call us on **13 32 20** today and ask to speak to an Aboriginal enquiry officer.



Useful contacts

Credit and Debt Hotline

Tel: 1800 808 488

www.cclcnsw.org.au

Aboriginal Legal Service (NSW/ACT)

Tel: 02 8842 8000

www.alsnswact.org.au

Legal Aid

Tel: 1300 888 529

www.legalaid.nsw.gov.au

NSW Community Legal Centres

Tel: 02 9212 7333

www.nswclc.org.au

Office of Fair Trading – What we do

- Shopping and credit
- Business names and licences
- Renting, buying, selling a home
- Co-operatives and associations
- Home building and renovating
- Trade measurement
- Strata and community living
- Product safety
- Retirement villages
- Resolving disputes

www.fairtrading.nsw.gov.au

General enquiries **13 32 20**

Ask to speak to an Aboriginal enquiry officer

TTY 1300 723 404 for hearing impaired

Please note: this brochure may contain photos of deceased people.

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Credit and debt

HELPING YOU GET A FAIR GO



People borrow money for all kinds of reasons, for example to buy a car, house, washing machine, fridge, furniture or pay off other debts. It is important that you shop around for the best loan that suits you and your needs. Ask yourself the following before borrowing money:

- Do I need it or just want it?
- Am I able to afford the regular repayments?
- What will my money situation be like in 6-12 months?
- If I lose my job or become ill, could I still afford the repayments?

TIP: Don't be pressured to sign any loan documents on the spot. Always read and fully understand them before you sign them. Never agree to any loan you can't afford to pay back.

Credit cards and store cards

Credit cards can be a very expensive way to buy things if you don't pay them off every month. If you apply for a credit card, it will be given to you with a credit limit, for example \$2,000, which means you can spend up to that limit.

If you don't pay your credit card bills on time you might have to pay a late fee. With some cards you may also be charged a higher interest rate. If a bank or financial company sends you an offer to apply for a credit card or increase your credit limit, this does not mean that they have assessed your finances and decided you can afford one. You need to work out if you can afford the higher limit.



Minimum monthly payments

If you only make minimum repayments on your credit card or store card it will take you many years and cost you a lot to pay it off. Always try to pay the full amount each month. If you can't, you should pay off as much as possible. Paying more than your minimum repayments means you will pay less interest and will pay the balance off quicker. Here is an example of the savings achieved on a credit card debt of \$2,000 by making higher monthly repayments.

Monthly repayment	Time taken to pay	Total cost of interest
2% or \$10 whichever is greater	33 years + 4 months	\$5,508
\$50	5 years + 3 months	\$1,120
\$100	2 years	\$408
\$200	11 months	\$173

This is based on a credit card with an 18.5% interest rate.

Debit or ATM cards

Debit cards are a good alternative to a credit card. They allow you to withdraw your own money from your account and you can use them anywhere that accepts credit cards and when you shop over the phone or online. They are good because you can't spend more than you have in your account and you don't pay interest. However, you may still have to pay some account fees for using the bank account.

TIP: Before buying anything on your credit card ask yourself whether you really need the item now or can wait to buy it another time. You may be better off saving for the item or using lay-by or your debit card instead.

Kelly's credit card

Kelly got a credit card with a \$2,000 limit which was just meant for emergencies. But she liked shopping and it didn't take her long to max out the card. Kelly was paying the amount shown on the monthly statement and stopped buying things on the card because she wanted to pay it off completely. A year later, Kelly thought she would have paid off the \$2,000 but she still owed a lot of money. She rang the Credit and Debt Hotline on **1800 808 488** and found out she had been only paying the minimum amount and it would take her about another 7 years to pay it off completely. She didn't realise she was paying 18.5% interest and most of her payments went towards paying the interest. Kelly then started paying more than the minimum each month, which meant she would pay the credit card off quicker.

Interest free deals

Interest free deals might look attractive but they are not 'free' and can be an expensive way to buy things.

Interest free deals allow you to buy big items such as fridges, lounges, entertainment units or bedroom furniture on interest free credit for a specific period of time. These deals mean you can take the goods home now and pay for them later in regular payments over a period of time or pay the whole lot at the end of the interest free deal.

Here are some important things to know about interest free deals:

- They are not free – you will have to pay extra fees and charges.
- Making only minimum repayments will not pay off the deal within the interest free period.
- Not paying off the deal by the end of the interest free period means you will have to pay up to 30% interest on the amount you owe.
- Avoid using the credit card that comes with the deal as it has very high interest.

