

This Borrower information Guide is designed to give information to those customers applying to a credit broker for a secured loan and will answer some of the key questions and answers, allowing customers to borrow with confidence. This document should be read in conjunction with any paperwork issued by the Lender, which will take legal priority.

### **General**

It is not possible to cover everything, so if have any questions regarding a proposed or existing loan agreement you should always seek further advice.

Borrowing money is a serious matter and securing any loan against your property should be considered carefully, particularly whether you can afford to meet the repayments over the full term of the loan.

### **What is a “secured loan”?**

A “secured” loan gives security to the lender, by giving them rights over your property. Although the property remains in your possession, it can be taken from you by the lender if the loan and the interest are not paid according to the agreed terms. The lender can ask the courts for permission to evict you from your property and sell the property in order to recover the money you borrowed plus additional costs incurred. If they do not raise sufficient funds from the sale of your property you may still remain liable for the remaining debt. Repossession is only sought by lenders as a last resort. Customers who are encountering difficulty should do all they can to maintain repayments and contact their lender at the earliest opportunity.

### **What if I already have a mortgage on my home?**

It is possible to have more than one mortgage on your home. Many banks, building societies and lending companies will lend if there is sufficient “equity” in your property. This is the difference between what the property is worth and what is owed on existing mortgages. This may result in you owing more in total than the value of your property.

### **Is a secured loan better than an unsecured loan?**

The amount you require may be more than can be borrowed unsecured. Secured loans are usually available over longer time periods than unsecured loans, and the interest rate may be lower. However there will be costs or fees associated with a secured loan. Also as the loan may be over a longer time you might pay more interest in total, despite the monthly repayments being lower. If you are unsure, speak to a broker who can explain the upsides and downsides of both.

### **How can I compare loans?**

You may wish to compare the repayment periods available, costs and fees, the monthly repayments and whether the amount on offer is what is required and affordable.

An important factor to consider is the Annual Percentage Rate of Charge (APR). The APR includes all the interest payable together with any other charges. This makes it easier for you to compare the true cost of borrowing. The APR may be described as “variable”. This generally means that the interest rate may go up or down during the lifetime of the loan. It does not mean that the rate will automatically go up or down with Bank of England base rates -or any other base lending rate unless the loan agreement specifically states it is linked to a base rate. If the interest rate does increase, this would normally require you to increase your monthly payments.

Always read the loan agreement. This will tell you if the APR is variable.

### **Can I change my mind and cancel the loan?**

For a secured loan the law requires you to be given copies of the loan agreement (and all relevant documents) in order that you can read the documents carefully and consider the loan properly. During this time you have the ability to cancel your loan application.

You will have seven clear days to study the documents. This period is known as the “consideration period”. You will not be given a “signable” copy of the agreement until the expiry of the consideration period. Once the signable documents have been received you have a further seven days to consider. You should always check the loan documentation carefully before signing. If you do not sign the agreement the loan will not be completed.

### **What happens if I want to pay off my loan early?**

The amount of money required to clear the loan will be calculated by the lender. This figure (Gross Loan) being the amount borrowed plus any additional fees from the start or during the term of the loan. If you decide to pay off your loan early a number of months interest will be added to the balance at the time you decide to repay the loan. It is important to remember when repaying your loan early, that only a part of your monthly payment will have been used to reduce the capital element of your loan. Some of your payment will have been used to pay the interest; the proportion of which will be higher in the early years of the loan.

### **What happens if I miss repayments?**

If your circumstances change which may cause late or non payment the lending company must be informed immediately.

The lending company may be able to help with a number of options if the account is not too far behind, or better still, no payment has yet been missed. The lending company may, if you fail to make payments on time, notify a credit information bureau of the late or non payment and this may injure your credit status. If payments have been missed the lender will write informing you that the account is in arrears. The lender may charge a fee for this type of letter and fees may be added to the loan balance. If a lending company has to instruct solicitors to take action against you to recover their money they will, ordinarily add these costs to the loan balance. If you fail to meet agreed payments on the loan the lender can ask the courts for permission to evict you from your property. The lender will then take possession of the property and sell it to repay the loan. Repossession is only sought by lenders as a last resort.

### **What is a Loan Broker?**

A loan broker is a firm or person who introduces the consumer (you) to a lending company for the purpose of obtaining credit. The broker will work on your behalf to locate the most appropriate loan agreement to meet your individual circumstances, from a panel of different lenders.

### **How is a broker paid?**

The broker will usually receive commission from the lender, which varies depending on the amount of the loan. The broker may also charge a fee for their services, this normally being added to the loan amount and will be reflected in any APR indicated. You will be advised of these commission amounts by signing our Terms of Business Letter. The Terms of Business letter will give a detailed break down of all associated costs incurred and commission amount.

### **Should I take insurance to protect me in the event of death, sickness, accident or unemployment?**

If you would be unable to repay the loan in the event of one or more of these events occurring, then it would be appropriate to consider such insurance.

### **What if my application is rejected?**

A Lender does not have to tell you exactly why you have been refused a loan. but they should give you an indication of whether data from the credit reference agency contributed to the decision. You can ask for the name and address of any credit reference agency used and they will supply this information. If a Lender has used a credit scoring system in reaching its decision, it will tell you so.

### **What are Credit Reference Agencies?**

Credit reference agencies are independent companies who maintain and keep a wide range of information. This includes information from the electoral roll and records of most county court judgements, involuntary arrangements (IVA's) and bankruptcies. They also retain information relating to previous and existing credit and a record of searches made against your file. The lenders share information through agencies providing a history of how punctually payments are being made or have been made and how much you owe. Loan information is usually held on file for 6 years from the date when the loan is repaid or, if you fail to make repayments, for 6 years from the date of the last payment you actually make. Details of electoral roll maybe held for much longer.

You are able to obtain a copy of your credit file, there is usually a small charge.

Main Credit Agencies are:

Experian Limited

Consumer Help Services

Experian, PO Box 8000

Nottingham, NG80 7WF

[www.experian.co.uk](http://www.experian.co.uk)

Tel: 0870 241 6212

Equifax PLC

Credit File Centre

Po Box 1140, Bradford

West Yorkshire, BD1 5US

[www.myequifax.co.uk](http://www.myequifax.co.uk)

### **Data Protection**

The Data Protection Act requires companies and individuals who obtain and retain customer information to tell the customer how the information will be used. This is not just data kept on a computer, but any ordered filing system.

Credit Brokers will use your information you have provided to:

- Process the application you have made
- Make, or cause searches to be made, at a credit reference agency – these searches will be shown to other lenders in connection with applications made by you. Multiple searches in a short period of time may adversely affect your credit profile.

Information held about you by a credit reference agency may already be linked to records relating to another person, for example your spouse and your application will be assessed with reference to all linked records.

The Broker may also use the information:

- To offer you other products which they may have available
- To pass your details on to a lender they feel may be willing to lend you money
- To pass on you details to another broker, if your broker is not able to arrange finance for you
- To write to you in the future with a view to offering you products they feel may be of interest to you

You can ask for the information not to be used to offer your other products.

Every company, person who processes and keeps data as a duty to keep information up to date and accurate.

### **Complaints**

In the event that you have a complaint, then you should address this to your broker's Customer Care Manager or lender in the first instance. They will deal with your issue. In the event that you cannot resolve matters, you have the right to go to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London, E14 9FR.

### **Help and other Information**

If you are still unsure and require further information or assistance, one of the following may be able to help. Details can be found in local Yellow Pages or Libraries.

- Citizens Advice Bureau
- Money Advice Centres
- Trading Standards
- The Office of Fair Trading
- The Financial Services Authority
- Solicitors
- Financial Ombudsman Service

This fact sheet has been prepared in conjunction with:

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