

Let's Talk

July 2026

**Police
Mutual**

Borrowing

This guide is for general information only and isn't intended to provide advice or recommend any form of borrowing. This is educational content and is not intended as advice or recommendation. Everyone circumstances are individual.



Most of us will need to borrow money at some point in our lives, whether it's for a student loan, a car, or to pay for your first home. There are lots of different ways to borrow money, so before borrowing it's a good idea to find out details of the different options available so you can make a choice about which one is best for you.

The most common forms of borrowing are personal loans, credit cards, overdrafts and mortgages. You will typically pay interest on what you borrow and possibly other charges as well. A useful way of comparing costs is to use the Annual Percentage Rate (APR). The lender will provide details of the overall costs, many customers find this helpful and may help you to establish if you can afford the repayments now and if your circumstances change.

Credit Cards

Making payments with credit cards is quick, simple and convenient, so it's easy to understand why people get into credit card debt.

A credit card allows you to spend money on credit. It is a rolling credit facility. It also allows you to buy items and withdraw cash (at a cost) and some providers will allow you to transfer credit card debt from another provider.

Choosing the right credit card

Choosing a credit card can mean digesting a lot of information and numbers – it's much easier if you know what to look for.

Look at the APR

The annual percentage rate (APR) is a measure of the overall cost of credit. In general terms the higher the APR, the more interest you will pay and allows you to compare the cost of one card with another. Other factors you need to consider are how you use the card – for example using the card for cash withdrawals is likely to be more costly than using the card for purchases. Lenders have to include the APR in the credit agreement and the pre-contract credit information, and in most advertising. The APR can be used to compare different credit cards, but this is the starting point. You also need to look at the individual interest rates for:

- **purchases**
- **cash advances**
- **balance transfers**
- **how long any introductory period lasts**

Watch out for 'Representative APR'

What you see isn't always what you get. Some card providers set your interest rate based on your credit history. This means that if you don't have a good credit rating, you might pay a higher rate of interest and so the APR might be higher than advertised. Advertising will usually quote a 'representative APR' - one that most people are offered. If you have a poor credit history or are new to credit so have a 'thin' credit file, you might be charged a higher rate. Ask the card provider for a quote before applying.

Check the fees

The APR doesn't include any charges which may be made for late payments, exceeding your credit limit or returned payments.

Weigh up introductory offers

Card providers often offer introductory deals that run for a fixed period, commonly including 0% interest on purchases or balance transfers (where debt is moved from another card). In some cases, the 0% rate may apply to both, although it is more common for it to apply to balance transfers, or for the introductory periods to differ.

It can be helpful to look closely at what is included in the offer. A 0% purchase deal can provide a lower-cost way of spreading the cost of a larger purchase. However, once the introductory period ends, interest is usually applied to any remaining balance, which can increase the overall cost.



Check the terms and conditions on a balance transfer offer

A balance transfer means moving your debt from one credit card to another. There are some good introductory offers around but check how long these last. You will often have to pay a fee, usually around 3% of the balance transferred, so you need to take this into account. Also, check if there's a time limit on the transfer. If you don't make at least the minimum payments throughout, the 0% offer might be withdrawn. Some 0% balance transfer cards don't charge a fee. This could be good value, even if the 0% period is shorter than on other cards, provided that you can afford to repay the debt before the introductory period ends.

Things to consider

If you take out a credit card with an introductory interest rate, some people look to clear the balance or move the debt before the offer period ends to help avoid higher interest charges.

Before applying for a new card use the eligibility calculator [here](#) to find the cards you're most likely to be accepted for.

Repay at least the monthly minimum payment or you may lose the lower rate.

Withdrawing cash using a credit card can result in additional fees and higher interest charges, so it's something many people consider carefully.



Does having another card harm your credit score?

Having another card in itself can have an impact on your credit score as it gives you access to more available credit. Whether that's positive or negative depends on your circumstances. A balance transfer card is not for everyone. If you have a really poor credit score or you simply don't trust yourself not to spend on a balance transfer card then you need to think about this before applying.

Check what you'll pay each month

If you don't plan to pay your balance back in full every month, use the Money Helper credit card calculator [here](#) to work out how much interest you could end up paying. The figures can be scary. Unless you're on a 0% deal or have more expensive debts elsewhere. Some people choose to pay off their balance in full each month to avoid interest charges, while others may pay what they can. Paying more towards the balance can reduce the amount of interest that builds up over time.

Store Cards

Store cards have to be applied for in the same way as a credit card does. Store cards are issued by retailers and you can normally only use them for shopping in their own outlets. A lot of store cards will have introductory offers that sound like a good deal, but there may be a high interest rate once the introductory period is over. The interest rates for store cards can be a lot higher than credit cards, which can make this an even worse form of credit card debt. It can be helpful to check which option works out cheaper overall.



Buy Now Pay Later

Buy now pay later arrangements are often offered by retailers on major purchases, this could be a new sofa or laptop.

They are credit agreements often provided by a finance house. These types of loans often allow for a period of time where no interest is charged or allow for payments to be deferred for an agreed period of time.

Klarna, Clearpay, PayPal – Pay in 3, and Laybuy are just a selection of Buy Now Pay Later providers. While they allow you to split the payment, you could face late fees if you miss an instalment.

It's important to recognise that deferring payments and thinking of it as 'next month's problem' can lead to a cycle of debt, especially if your circumstances change.

Spreading the cost may be appealing short-term, but only if you have the means to make the repayments when they're due.

Falling into the Buy Now Pay Later trap without a realistic repayment plan may result in financial strain and potential long-term consequences.

Buy Now Pay Later providers will be regulated by the FCA with effect from 15 July 2026.



Payday Loans

A payday loan is a short-term, unsecured loan, which were originally intended to provide you with money until your next payday, but can now run for longer, although they are not recommended for long term borrowing. The amount you can borrow ranges from as little as £50 to over £1,000.

The interest rate of a payday loan is high, although there is now a cap on the amount of interest and default fees that can be charged.

Payday loans are sometimes considered when other options are limited and due to the following circumstances:

- **You only need to borrow a relatively small amount of money**
- **You only need a loan for a brief period**
- **You are able to repay the full amount with interest**

Loans

A personal loan is usually a fixed amount, borrowed over an agreed period of time, which is repaid in installments, usually on a monthly basis. This can be one of the cheaper forms of borrowing but there might be both a minimum amount you can borrow and length of time you have to pay back the loan so it might not suit everyone's requirements.



Student Loans

Most people who have been to university in recent years will have had a student loan. There are currently 2 types, one to cover tuition fees and a maintenance loan to pay for living costs. Both are repaid after graduation or leaving the course once you have started earning over a certain amount.

For more information on student loans click [here](#) for the Government website.



Overdrafts

An overdraft is a type of credit that's linked to a bank account. It allows you to spend more money than is in your account, up to an agreed limit. It's worth being aware that an overdraft is a form of borrowing, typically designed for short-term use, and can be repayable on demand.

If you go overdrawn without the permission of the bank, or go over your credit limit, the provider may make additional charges.

Your credit score

Your credit score is based on information held in your credit report, also known as your credit file. Your credit score will help a lender see how reliable you are at managing your finances and is likely to influence their decision if you are looking for any type of borrowing. Your personal credit score is built on your credit history. If you are managing your finances well this will make a positive impact on your credit profile and score.

To check your credit score, use one of the various companies available online including Experian, Equifax or TransUnion. For more details on the impact of your credit profile click [here](#) to read our guide.

About your lender

If you are considering borrowing money, it can be useful to know whether the lender is authorised and regulated by the [Financial Conduct Authority](#) (FCA). The [Financial Services Register](#) provides information about firms and individuals that are permitted to offer loans and credit. Looking into a provider's status and understanding their terms can help support more informed decisions about borrowing.



Loan Sharks

A report published by the Centre for Social Justice estimated 1.08 million people could be borrowing from an illegal money lender – more commonly known as a loan shark. This figure has more than trebled since 2010.

Loan sharks exploit the most vulnerable individuals in our society, offering deceptive promises of quick and easy cash. However, once someone accepts their offer, they are often subjected to excessive repayment demands and quickly become trapped in a relentless cycle of debt.

A loan shark is an individual or group that lends money illegally, without authorisation from the Financial Conduct Authority (FCA). Operating without the appropriate FCA permissions is a criminal offence. Importantly, borrowing from an illegal lender is not a crime. The lender is breaking the law, not the borrower.

Illegal money lending is a hidden and severely underreported crime that causes immense fear, stress, and long-term psychological harm to its victims. Borrowers may face threats, intimidation, violence, and financial devastation, often with no clear path to escape.

Those most at risk include individuals with poor credit histories who are unable to access credit through traditional, regulated financial institutions. A single unexpected expense can push someone to turn to an illegal lender, mistakenly viewing it as their only option.

The true danger of loan sharks lies not just in the high-interest rates and unaffordable repayments, but in the emotional and psychological toll inflicted on victims and their families. The sense of entrapment and helplessness can be overwhelming.

The problem is evolving. Cyber loan sharks are increasingly targeting people online, using social media and digital platforms to advertise misleading loan offers. These online predators use manipulation, false promises, and harassment to lure victims into debt, exploiting their desperation and fear.

If you are considering borrowing from a loan shark, think again. What may appear to be of help in a time of need could, in reality, be a dangerous trap with devastating consequences.

Impact of not making repayments on your borrowings

If you are late making repayments, it will usually have a negative effect on your credit rating. Your credit profile makes a record of every payment you make, and if you have missed a payment this information is noted on your profile. This could have an impact on any future applications for credit.

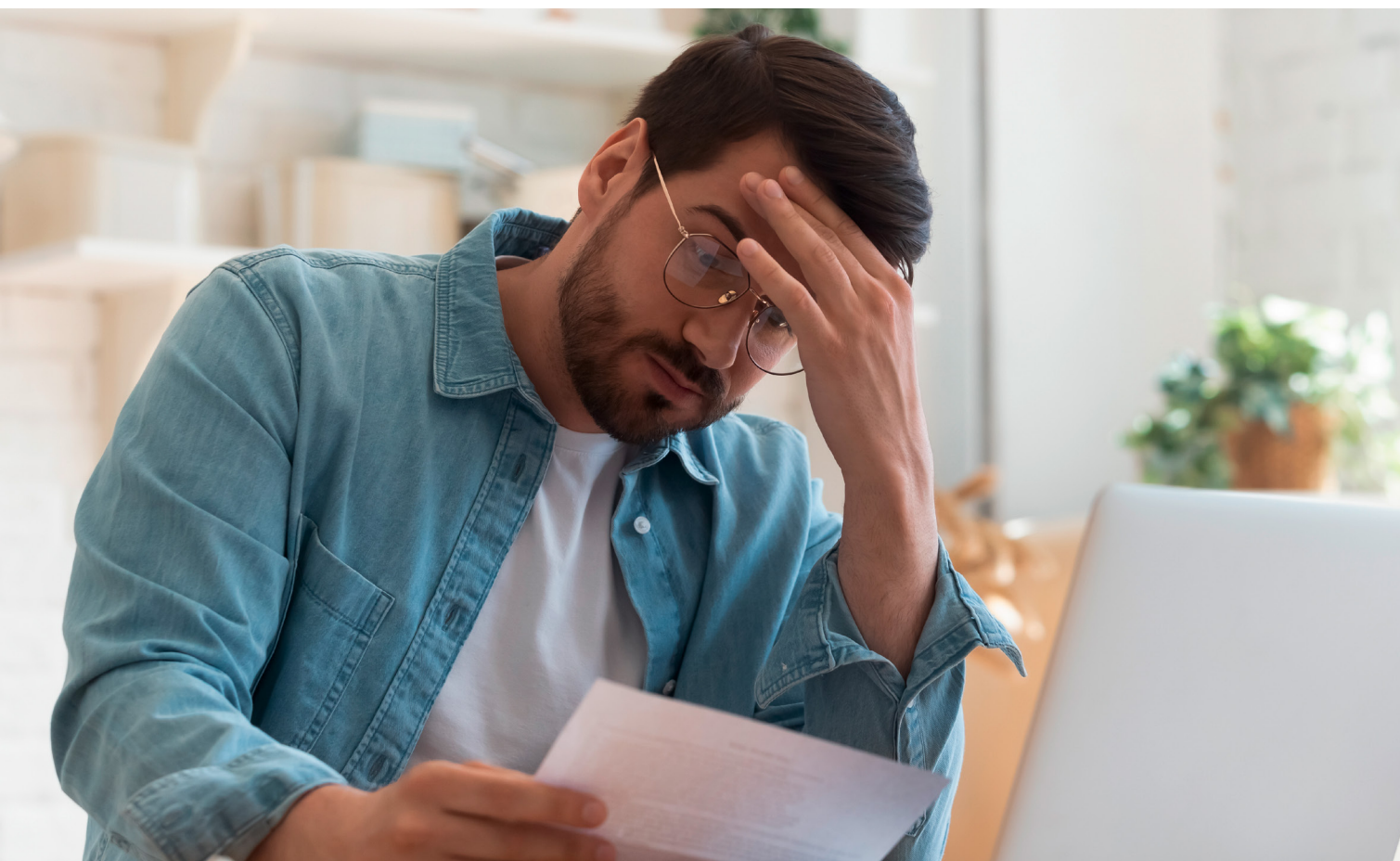
If you have a low score rating and want to apply for a mortgage, loan or credit card in the future, you might have to pay a higher interest rate on what you borrow, or you may even be declined. This can be one of the knock-on effects of badly managed borrowing.

Worrying about money can be extremely stressful and may lead to mental health conditions. Police Mutual are here to help. We want to break down the stigma surrounding debt and get people talking about money.

We've teamed up with **PayPlan***, one of the UK's leading free debt advice providers, who offer free and confidential advice to anyone in serious financial difficulties.

They're able to advise you on a range of debt solutions suited to your individual circumstances, helping to protect you and your family with a sustainable way to manage your debt.

Get free and confidential help to combat your debt, call **PayPlan*** on 0800 197 8433.



For more information about the products and services available from Police Mutual:

Call us 0151 242 7640

Visit policemutual.co.uk

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