

Four ways to pay for a laptop

Student tasks | Original TBS lesson for Pearson BTEC Level 3 National Extended Certificate in Business, Unit 3 Personal and Business Finance (learning aim A4, with B3 and B4)

Maya is 19 and an apprentice. She needs a £900 laptop for her college course this month, but she has only £200 in savings. Compare four ways to borrow the money, work out what each one really costs and whether she can afford it, then advise her.

Before you start you should know: the cost of credit = total amount repaid - amount borrowed. It can also be shown as a percentage of the amount borrowed. A monthly surplus = monthly income - monthly spending. You need a calculator. This is original classroom practice, not an exam paper. Maya, the lenders and every figure are fictional.

Maya's money each month

Item	Amount
Take-home pay	£1,350
Spending (rent to her parents, travel, phone, food, going out)	£1,180
Savings	£200

The four offers for £900

Option	What she must pay
A: personal loan from her bank	12 monthly payments of £79.50
B: hire purchase from the shop	£90 deposit now, then 12 monthly payments of £75.00
C: credit card	0% interest for the first 6 months, then 2% interest a month on the balance owed. She chooses how much to repay each month (at least £50).
D: payday loan	Repay £1,116 in one payment after one month

Give money to the nearest penny and percentages to one decimal place.

Starter: which type of borrowing?

Feature	Option
(i) You do not own the item until the last payment is made	
(ii) A short loan repaid in full on your next payday	
(iii) You can choose how much to repay each month, above a minimum	

Task 1: what does it cost and can she afford it?

Maya earns £1,350 a month after tax, spends £1,180 a month and has £200 in savings. Offers for £900: A 12 x £79.50; B £90 deposit + 12 x £75.00; D repay £1,116 after one month.

a. Calculate Maya's monthly surplus.

b. Complete the table for options A, B and D.

	A: personal loan	B: hire purchase	D: payday loan
Total repaid (£)			
Cost of credit (£)			
Cost of credit as % of £900			

Working space:

c. Which of options A, B and D could Maya afford from her monthly surplus? Explain using figures.

Task 2: the credit card

a. If Maya repays £150 a month, how many months does it take to clear £900? How much interest does she pay?

Task 2: the credit card (continued)

b. If Maya repays only £50 a month, she still owes £600 after 6 months. From Month 7 interest is added at 2% a month on the balance at the start of the month (round to the nearest penny), then she pays £50. Complete the table.

Month	Balance at start (£)	Interest at 2% (£)	Payment (£)	Balance at end (£)
7	600.00	12.00	50.00	562.00
8	562.00		50.00	
9			50.00	
10			50.00	
11			50.00	
12			50.00	

Working space:

c. After 12 months of paying £50, how much does Maya still owe, and how much interest has she paid? What does this show about paying only a small amount each month?

Task 3: is it right for Maya? (pairs)

With a partner, give one advantage and one risk of each option for Maya. Remember: A costs £79.50 a month for 12 months; B needs £90 now and £75 a month; C is 0% for 6 months, then 2% a month; D needs £1,116 next month. Her monthly surplus is £170.

A: personal loan

B: hire purchase

C: credit card

D: payday loan

Task 4: getting help

a. Name one place Maya could get free, independent guidance before she borrows, and say how it could help her.

b. If a lender treated Maya unfairly, which organisation could she complain to?

Task 5: advise Maya

Write about 100 words advising Maya which option to choose. Use at least three figures from your answers and explain one risk she should watch.

Exit ticket

a. A loan of £500 is repaid in 10 monthly payments of £55. Calculate the cost of credit in £ and as a percentage of the amount borrowed.

b. Give one reason why a payday loan can lead to a cycle of debt.
