

# Overview: The cost of being in debt



This section is designed to raise awareness about debt – the reasons why people might fall into problems with debt and how they might deal with debt problems. It will introduce you to the concept of your personal credit record and give an understanding of how defaulting on repayments can impact your own credit record and the ability to get a loan.

You can see a glossary of commonly used terms on our jargon buster

[www.consumerhelp.ie/jargon-buster](http://www.consumerhelp.ie/jargon-buster)



## Section 4: The cost of being in debt

# Student Worksheet 4.1: Dealing with financial troubles

In the previous section we looked at getting a loan for your case study. Here we look at what happens if you cannot repay a loan. First we are going to examine how someone may fall into problems with debt and the warning signs and then look at how to get out of debt problems.

### Exercise A

Insert eight common reasons why someone might fall into problems with debt:

	Common reasons why someone might fall into problems with debt	



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Priority	Secondary *

\*Secondary debts are less serious debts but they still need to be repaid so don't ignore them.

## Section 4: The cost of being in debt

# Student Worksheet 4.3: Your personal credit record

In this section you'll learn about your credit history. Your credit record gives a full picture of your credit history, good and/or bad. A bad credit rating may mean that you will be refused a loan, even if you have the income to repay it.

### Exercise A

#### True or False Quiz

For each of the following questions write whether the statement is **true** or **false** in the space provided.

	Statement	True or False
1	A credit repair company can erase a bad credit history.	
2	If you miss even one single repayment on a loan, you are in 'arrears'.	
3	All banks have access to your personal credit record.	
4	Your personal credit report records how many loans you may have at any one time.	
5	If you switch financial institution your personal debt doesn't travel with you.	
6	After two years, a poor credit rating is erased from your credit record.	



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## Section 4: The cost of being in debt

# Student Worksheet 4.4: Defaulting – the impact on your credit record

### Exercise A

Pretend you are John, the “agony uncle” in a local paper. Consider the letter on the next page, that you have received from a reader, and draft up a reply. Your reply should cover:

- Explanation of what it means to be in arrears on a loan repayment.
- Explanation of what defaulting on her loan would mean for her credit record.
- Instructions on how can she find out if her credit record is affected.
- Advice about her proposed course of action to leave the country.





## Section 4: The cost of being in debt

# Student Worksheet 4.4: Defaulting – the impact on your credit record

Dear John,

I have been working in a salon for the last two years and last year I took out a loan to go on a girly holiday to New York and Las Vegas. I ended up spending more than I thought and had to top up the loan when I got back. I now owe €1,200.

Four months ago the salon had to let some staff go and I lost my job. I'm getting the dole but I've been really struggling and haven't been able to pay my loan repayments for the last three months.

The bank keeps contacting me and I don't know what to do! As I'm out of work at the moment I'm thinking of going to Canada for a year to work and travel. I reckon by the time I come back, I'll have money saved and I'll be able to pay off the rest of the loan.

Can you give me some advice please?

Thanks  
Rachel

## Section 4: The cost of being in debt

# Student Worksheet 4.4: Defaulting – the impact on your credit record

### Your reply...

Dear Rachel,