

## Buying on credit

Buying on credit and paying in instalments usually means you pay **more** than if you pay the full price in one payment. It's useful to be able to check how much extra it will cost you.

### Example 1

A fire with surround costs £599 in a DIY store. The credit charge is 36 payments of £20.50 a month. How much extra do you pay when you buy on credit?

The total of the monthly payments is 36 times £20.50:

$$\begin{array}{r} 20.50 \\ \times \quad 36 \\ \hline 12300 \\ 61500 \\ \hline 73800 \end{array}$$

So the total to be paid is = **£738.00**.

The **difference** between the cost and the payments is **£738.00 - £599.00**.

Use a calculator to check your answer.

$$\begin{array}{r} 738.00 \\ - 599.00 \\ \hline 139.00 \end{array}$$

So you pay **£139.00 more** than the **original** price.

### Example 2

Hannah sees a second-hand car advertised at the cash price of £4,975. The credit terms are £199 deposit and 60 months at £108.10. How much will she save if she can pay cash?

The credit price is the monthly payments plus the deposit.

Monthly payments are:      60      ×    £ 108.10 = £6,486.00.

Add the deposit to this:    £199.00    +    £6,486.00 = **£6,685.00**.

If she pays cash then she'll save the difference between the credit price and the cash price, which is:

$$£6,685.00 - £4,975.00 = \mathbf{£1,710.00}$$

She will save **£1,710.00** if she can pay cash.

Use a calculator to check your answer.