Worksheet 2.4: Tom uses different types of credit

### Tom’s story

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| Tom got into the course of his dreams, but he needed to buy a computer and arrange internet access to be able to do the course. Also, he had to travel a long way to classes and there was no public transport there from his house. So, he applied for a personal loan to buy a second-hand car.He got a credit card to pay for the computer and he signed up for a 24 month internet contract. Now he’s six months into his course and he has financial troubles. He is managing to keep up with his personal loan repayments but he doesn’t have much money left over for the credit card repayments and the internet bills, which are both now three months overdue. |

### Questions

1. What are the different types of credit or service plans Tom got to help him study?

## Worksheet 2.5: Tom ends up with repayment problems

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| **Credit reports:** A credit reporting agency will have a credit report on you if you have:* Applied for a personal loan or credit card in the past 5 years
* Signed a mobile phone contract
* Paid a bill of as little as $100, at least 60 days late

Credit providers use credit reports to help them decide whether to provide a person with credit. If the credit report reveals a poor history of repayment, they’ll consider you a higher credit risk. The credit provider may not lend you any money if you are considered too high a credit risk. |

### Questions

1. What would help Tom receive a good credit rating in this situation?

1. What are the benefits for Tom in the future by getting a good credit rating?

1. What would cause Tom to get a bad credit rating in this situation?

1. What kinds of problems will a bad credit rating cause Tom in the future?