

Mathematics

Financial Mathematics - Downloadable Resource.

Lesson 4 of 4: Payday Loans.

Mr. Thomas



Try this

If you borrowed £100 for 3 years, how much would you have to repay under the following terms?

- 1) 5% compound interest?
- 2) 20% compound interest?
- 3) 40% compound interest?
- 4) 1,500% compound interest?
- 5) 5,800% compound interest?



Connect

Payday Loan – A small amount of money usually borrowed for a short period of time that is typically paid back when someone receives their next form of income. They often have very high levels of interest attached to them.

The levels of interest can often be in excess of 500%. Let's do some more calculations to work this out over several years...



Connect

Calculate the amount you would need to repay if a company offered a loan at 500% interest, and you wanted to borrow £120 for...

- 1) 15 years
- 2) 6 years
- 3) 2 years
- 4) 6 months
- 5) 2 weeks



Independent Task

Calculate the amount you would need to repay if a company offered a loan at 650% interest, and you wanted to borrow £150 for...

- 1) 14 years
- 2) 5 years
- 3) 2 years
- 4) 8 months
- 5) 3 weeks



Explore

1) If you ran a bank, would you offer bank loans, credit cards and payday loans? Why would you choose to offer these financial products? What profile of customers would typically pursue certain financial products?

2) Would you borrow using a bank loan, credit card or payday loan? Why would you borrow using this method? What could it be dependant upon?

