

Credit and Borrowing Responsibly



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Consortium



Introduction



- The goal of FinaLY is to make young people smarter with financial decisions.
- Young adults begin making key money choices like saving and spending, in a financial world full of risks and opportunities.
- Many young adults in Europe don't fully understand basic financial topics like saving, budgeting, or using credit.
- According to an international study by the Organisation for Economic Co-operation and Development (OECD) in 2020, about half of EU adults struggle with financial knowledge.



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Objectives

By the end of this presentation, we will be able to:

- Define credit and borrowing, and understand how credit cards work
- Recognize types of credit in everyday life
- Differentiate between credit and debit cards
- Understand good vs. bad credit
- Learn how interest and minimum payments work
- Evaluate real-life borrowing examples (car, home, student loans)
- Understand credit scores and how to build them
- Identify traps (hidden fees, BNPL, overspending)
- Develop smart credit habits for long-term financial health



True or False Questions

1. **“Credit cards let you spend money you don’t have”**
2. **“If you only pay the minimum amount on your credit card each month, you’re managing your debt well”**



Introduction to Credit and Borrowing

What Is Credit?

➤ **Credit is borrowed money that must be repaid.**

It is an agreement between a lender (the creditor) and a borrower (the debtor).

The borrower promises to repay the money, usually with extra cost in the form of **interest**.

If the borrower does not repay, there can be financial or legal consequences.

➤ **Credit comes in many forms.**

Examples include **car loans, house mortgages, personal loans, and credit cards**.

Even a business agreement where goods or services are delivered now but paid for later is a type of credit.

➤ **How credit cards work.**

The bank pays the seller immediately, and you as the buyer owe the bank the same amount.

You can choose to repay the full balance right away or spread it over time.

BUT: If you delay repayment, the bank charges **interest**, which increases your total debt.



Types of Credit (Everyday Life)

Credit = borrowing money today and paying it back later.

You promise to repay the lender, usually with extra cost called **interest**.

Credit in everyday life.

Imagine a restaurant receiving vegetables from a supplier. The supplier allows the restaurant to pay the bill one month later. This arrangement is **credit**, because the restaurant benefits today but pays in the future.

Other Examples:

Student loan: Borrow money for studies and repay after graduation.

Mobile phone contract: Get a new phone now, pay for it in monthly installments.

Buy-now-pay-later (BNPL): Order clothes or gadgets online, pay 30 days later.

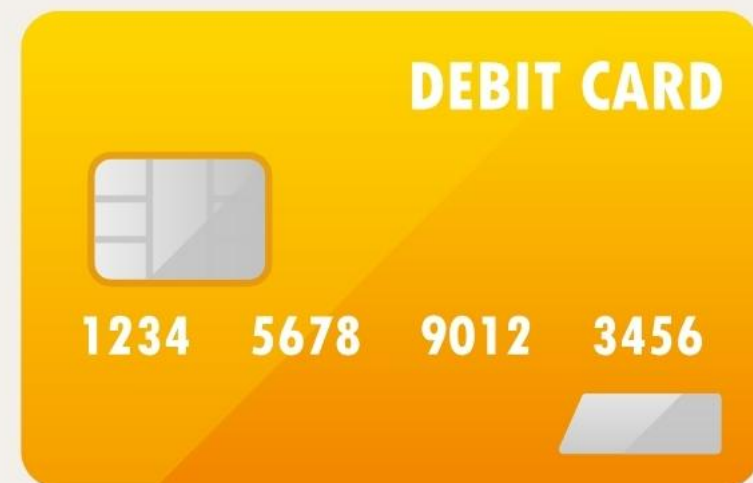
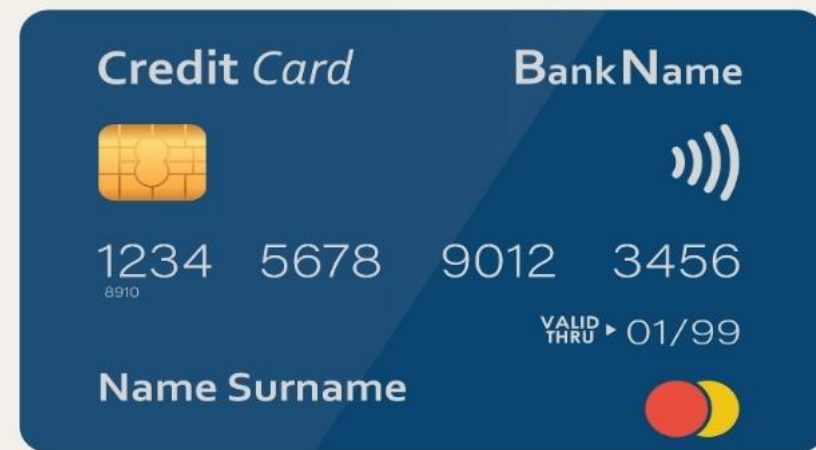
Credit card: Buy cinema tickets, food, or online games now, repay the bank later.

Car loan: Borrow money to buy a first car, repay monthly with interest.

Family or friend lending: Borrow €50 from a friend and promise to return it next week.



Credit vs Debit cards



Credit Card: Borrowed money → pay back later (with interest if not paid on time)

Debit Card: Uses **your** money → payment happens instantly, no debt risk, better for control

Key Points:

- Credit cards can lead to debt if you overspend
- Debit cards help avoid debt and keep your spending in check



Good Credit vs Bad Credit

Good Credit

- Used for things that grow your future (education, starting a business, buying a house).
- Repaid on time, keeping costs under control.
- Helps you build a good credit history so banks trust you later.

Bad Credit

- Used for things that lose value quickly (gadgets, clothes, fast spending).
- Only paying the minimum balance → interest grows and debt never ends.
- Leads to stress, limited future options, and paying much more than you borrowed.



How interest works

If you don't pay the full bill → **interest is added**

Typical interest rates = **18–25%** per year

Even **small** debts can grow **fast** over time

Tip: Always try to pay more than the minimum to reduce debt faster



Real-life scenario

You buy headphones for **€100** with your credit card.

Your minimum payment is **€10**.

You only pay €10 → next month you owe:

→ **€90 + €2.25 interest** (assuming 30% Annual Percentage Rate)

If you do this every month → it takes **a year+** to finish paying!

Best move: Pay all €100 on time = no extra cost



Smart repayment tips

Set reminders:
never miss a
due date

Pay in full:
avoid
interest
completely

**Spend
within
limits:** only
what you
can repay

Track weekly:
spot
overspending
early

Goal: Build
credit, not
debt



What's a minimum payment?



The **smallest amount** you must pay each month

Usually **2%-5%** of your total balance

Keeps your account in good standing

But... You'll still owe most of the balance, and **interest keeps growing.**

The trap of only paying minimum

You pay little → but interest keeps growing

Repayment takes **years**

You end up paying **way more** than you borrowed

Hard to escape the cycle once it starts, trapping you in a debt spiral



Did you know?

👉 Paying only the minimum could double or even triple your total repayment amount.

Example: small payment, big problem

You owe €500

Minimum payment: €15/month

Annual Percentage Rate (APR): 25%

If you only pay €15:

→ Takes ~ 4 years to repay

→ You pay ~ €350 in interest

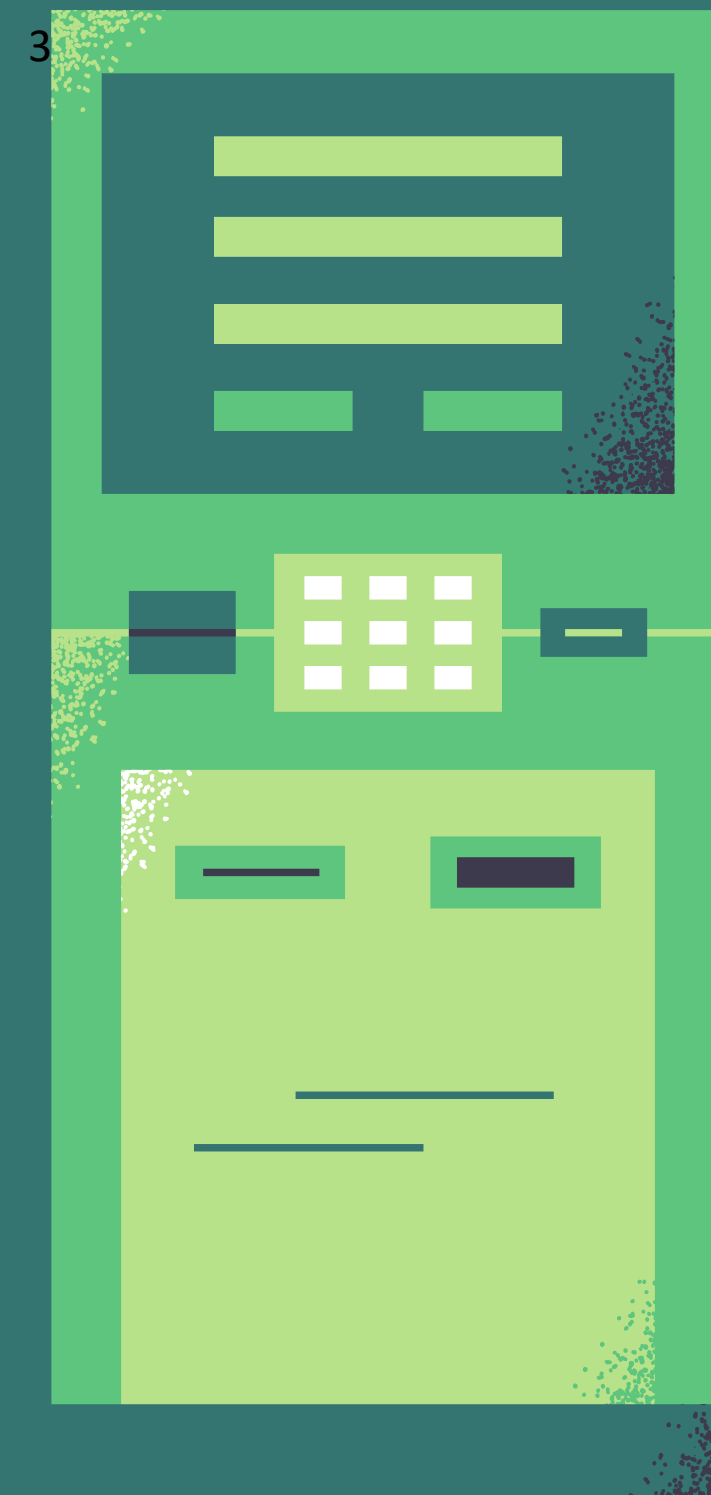
Instead: Pay €50/month

→ Debt gone in **1 year**

→ Pay **much less interest**

Takeaway:

Increasing your monthly payment by just €35 can save you **years and hundreds of euros!**



Why it happens



Paying “just a little” each month feels easier



Banks don't chase you immediately - but interest piles up



The true cost of small payments is often hidden



Many don't realise how slow minimum payments clear debt

House loan example for Cyprus



Loans Deposits Cards Digital Channels Investments Insurance pronomia

Calculate your indicative installment

Base rate
Base rate connected to the loan

Bank of Cyprus Base Rate Base Rate ECB

Contribution
The percentage covered by your own funds

>= 30% < 30%

Duration
Repayment period of your financing in months

15 years 0 months

Amount
The amount you will need to borrow from the bank

€ 100000

Indicative Results

- Number of installments: **180**
- Monthly installment*: **€780**
- Total Interest payable*: **€40,382**
- Total amount to be paid*: **€140,382**

*Indicative

Note
For the calculation of the indicative installment, the highest interest rate is used, depending on the contribution and the base rate you have selected. It is noted that the total interest rate based on the ECB Base Rate is currently and indicatively from 4,35% to 4,50% and the total interest rate based on the BCRP is

Loans Deposits Cards Digital Channels Investments Insurance pronomia

Calculate your indicative installment

Base rate
Base rate connected to the loan

Bank of Cyprus Base Rate Base Rate ECB

Contribution
The percentage covered by your own funds

>= 30% < 30%

Duration
Repayment period of your financing in months

25 years 0 months

Amount
The amount you will need to borrow from the bank

€ 100000

Indicative Results

- Number of installments: **300**
- Monthly installment*: **€572**
- Total Interest payable*: **€71,726**
- Total amount to be paid*: **€171,726**

*Indicative

Note
For the calculation of the indicative installment, the highest interest rate is used, depending on the contribution and the base rate you have selected. It is noted that the total interest rate based on the ECB Base Rate is currently and indicatively from 4,35% to 4,50% and the total interest rate based on the BCRP is

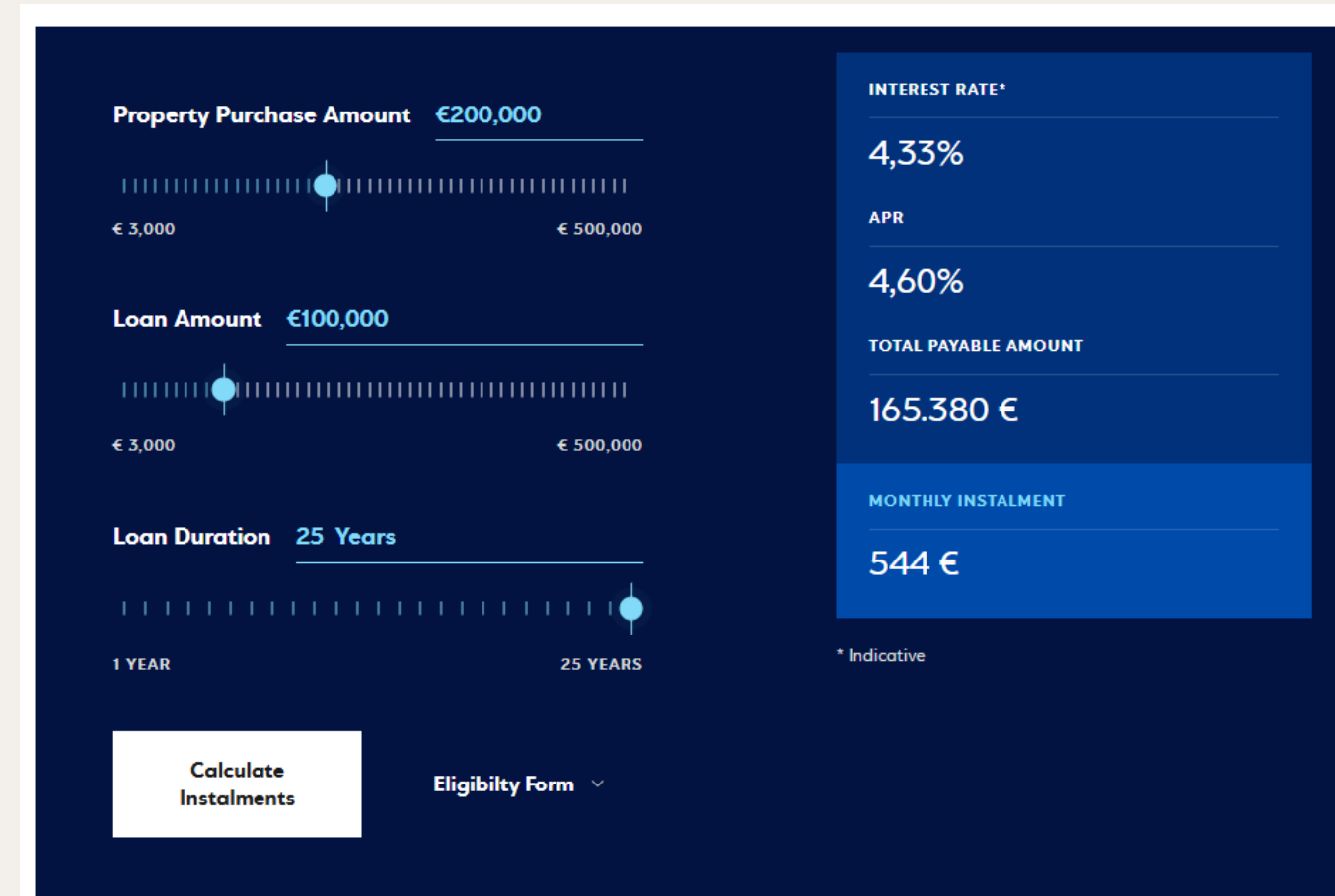
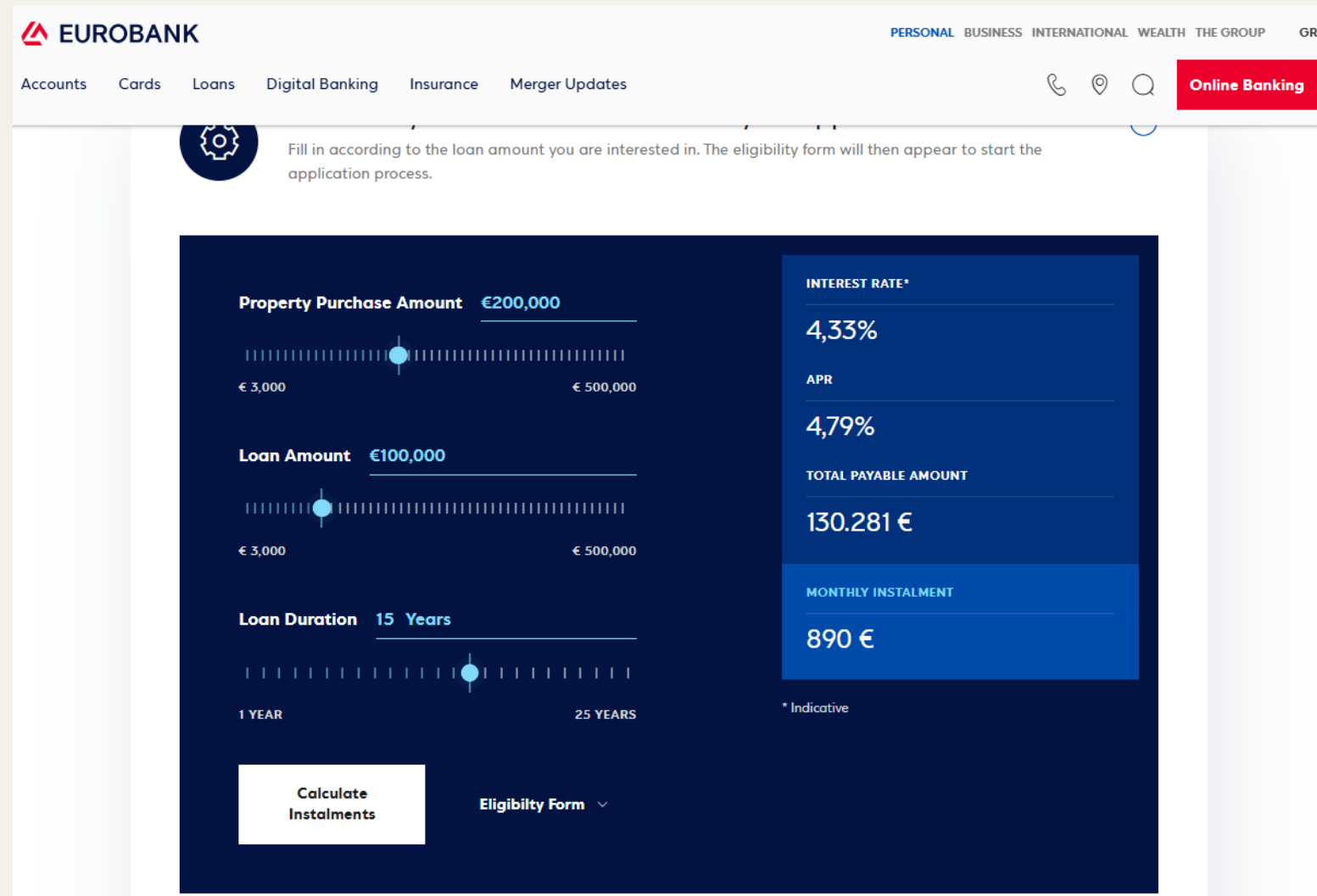
Bank of Cyprus home calculator as for September 2025:

<https://www.bankofcyprus.com/en-gb/Personal/loans/calculator-pages/Home-Calculator/>



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House loan example for Cyprus



Comparison for a €100,000 loan, depending on whether you repay it over 15 or 25 years:

Case 1: 15 years (180 months)

Monthly payment: €890

Total repaid: €130,699

Interest paid: €30,281

Case 2: 25 years (300 months)

Monthly payment: €544

Total repaid: €165,380

Interest paid: €65,380

Difference in monthly payment = €890 - €544 = €346

Difference in interest paid: €65,380 - €30,281 = €35,099

1. The above results are listed as indicative and are provided only as an example for guidance purposes. They do not constitute, in any way, professional advice and/or an offer and are not binding for Eurobank Ltd or any other person.
2. The interest rates offered by Eurobank Ltd, are differentiated based on criteria evaluated and applied by Eurobank Ltd according to its credit policy.
3. For the above calculations, an indicative interest rate is used depending on the contribution amount (as a result of the difference between the sale price and the loan amount). The range of interest rates offered by Eurobank Ltd, per product, is presented in the representative examples document.
4. The total payable amount and A.P.R are calculated based on the loan amount and loan duration you have selected, as well as indicative interest rate as defined above. The calculations include loan arrangement fees and legal documentation fees, according to the provisions of each product as well as the mortgage registration fee (1%) paid to the Land Registry (where applicable). The calculations do not include the cost of life insurance premium for the borrower and fire/ earthquake insurance premium for the mortgaged property, as well as the stamp duties and valuation costs (where applicable).
5. For the full list of representative examples for the pricing of loans, click [here](#).

Eurobank real estate calculator as for September 2025:

<https://www.eurobank.cy/en/personal/calculators/real-estate>



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Car Affordability Calculator



2

Purpose

New car

Used Car

Conventional or Hybrid up to 3 years old with emissions > 0g CO2/Km

Conventional or Hybrid older than 3 years with emissions > 0g CO2/Km

Fully Electric with zero CO2 emissions

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The results presented are indicative and for guidance purposes only. The calculations are based on the information you have provided. The results do not constitute an application or an offer of a loan.

For indicative examples, click [here](#).

3

Information

The duration of the credit facility will change automatically based on the maximum years allowed and your age

Age
Borrower's age

25 years

Duration
Repayment period of your financing.

5 years 0 months

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4

Financial Information

Total monthly net income ⓘ
Including salary and any other income

€ 1,200

Total monthly expenses ⓘ
How much you spend on utilities, transportation, shopping, etc.

€ 750

Total monthly installments ⓘ
In all Banks

€ 0

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Results

Maximum amount you can borrow :	€11,000
Maximum monthly installment you can pay:	€220
Amount of own contribution (15%):	€2,000
<hr/>	
Maximum property/vehicle value:	€13,000

[Start again](#) [Apply now](#)

12 months* 5 years= 60 months
Total amount paid= €220*60m= €13,200 to bank
Maximum amount you can **borrow: €11,000**
Difference= € 13,200 – €11,000 = € 2,200

Car Hire Purchase calculator as for September 2025:

<https://www.bankofcyprus.com/en-gb/other/affordability-calculator>



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Car Affordability Calculator



2

Purpose

New car

Used Car

Conventional or Hybrid up to 3 years old with emissions > 0g CO2/Km

Conventional or Hybrid older than 3 years with emissions > 0g CO2/Km

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Age
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25 years

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5 years 0 months

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Financial Information

Total monthly net income ⓘ
Including salary and any other income

€ 1,400

Total monthly expenses ⓘ
How much you spend on utilities, transportation, shopping, etc.

€ 750

Total monthly instalments ⓘ
In all Banks

€ 0

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Results

Maximum amount you can borrow :	€19,000
Maximum monthly installment you can pay:	€380
Amount of own contribution (20%):	€5,000
Maximum property/vehicle value:	€24,000

[Start again](#) [Apply now](#)

12 months* 5 years= 60 months
Total amount paid= €380*60m= €22,800 to bank
Maximum amount you can **borrow: €19,000**
Difference= € 22,800 – €19000 = € 3,800
Annual interest rate of about 3.65%

Car Hire Purchase calculator as for September 2025:

<https://www.bankofcyprus.com/en-gb/other/affordability-calculator/>



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Car Affordability Calculator

The calculation used the following logic to find the interest rate:

1. You borrow a principal amount P (€19,000).
2. You pay a fixed monthly amount (€380) for n months (60 months).
3. The total amount paid is **$A = \text{monthly payment} * n = \text{€22,800}$** .
4. The interest paid is **$A - P = \text{€3,800}$**
5. The total payment with compound interest follows the formula for fixed monthly payments:

$$A = P \times (1 + r)^n$$

6. Rearranged to find the monthly interest rate:

$$r = \left(\frac{A}{P}\right)^{\frac{1}{n}} - 1$$

7. Calculate the annual interest rate by multiplying the monthly rate by 12 and converting to a percentage:

$$\text{Annual interest rate} = r \times 12 \times 100$$

8. Using the data:

- $P=19000$
- $A=22800$
- $n=60$

The monthly interest rate r came out to about 0.304%, which leads to an annual rate of approximately 3.65% .

What's a credit score?

It's your **financial reputation**

Score ranges: **300 (bad) → 850 (excellent)**

Banks use it to decide if they can **trust you** with loans

Built by using credit **wisely and consistently**

https://www.youtube.com/watch?v=zA_Wln52w9w



Why it matters

Makes it easier to get loans, buy a car, or rent a home

Low score = higher interest rates or rejection

Some jobs and phone plans require to check it

Your score follows you into adulthood



Good credit habits to build score

Pay your credit card bills on time: Never miss a due date to avoid fees and protect your score.

Use less than 30% of your credit limit: Low utilization shows lenders you're responsible.

Keep older credit cards open: A longer credit history boosts your score.

Check your credit report regularly: Spot and fix errors before they hurt your rating.

Things that damage your score

- **Missed or late payments**: Even one can significantly lower your score.
- **Using most or all of your credit limit**: High utilization signals risk to lenders.
- **Closing old accounts too soon**: Shortens your credit history and lowers your score.
- **Applying for too many loans at once**: Multiple hard inquiries can hurt your rating.



Long-term credit health

Be consistent:

Managing credit is a marathon, not a sprint

Protect your credit score:

Think of it as your digital financial ID

Borrow responsibly:

Only take on what you can realistically repay

Gain the benefits:

Strong credit = more freedom, better rates, greater trust



✓ **Pro Tip:** Small, steady steps now make a **huge difference** in the long run.



Real-life scenario: two friends, two outcomes



Anna:

- Pays her credit card on time
- Uses only 25% of her limit
- Builds a score of 760 by age 22

→ Gets approved for a low-interest car loan

Chris

- Pays late, maxes out his card
- Score drops to 540

→ Gets rejected for a phone contract

> Moral: How you use your card today, shapes your options tomorrow



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Common Traps to Watch Out For

- Hidden fees in credit cards or loans
- Overspending with “Buy Now, Pay Later” plans
- Too-good-to-be-true promos (0% interest, cashback)
- Using one card to pay another



Hidden fees explained

Late payment fees

Balance transfer fees

Foreign transaction charges

Interest kicks in **after promo ends**

Always read the **small letters!**



Overspending = Silent danger

Easy to swipe, harder to repay

Emotional purchases you'll probably regret later

You think: "I'll pay it off next month"

But debt grows while you're not looking



The hidden risks behind promotional deals

“0% for 6 months” = sounds great...

But if you **miss a payment**, interest can skyrocket

Cashback deals often push you to **spend more**

If you use them, plan a **strict repayment** strategy



Stay smart, stay safe



Only use credit for **needs**, not impulse buys

Know what your card charges (check the terms)

Ask questions before signing up for offers

➤ Traps are avoidable - if you stay aware

What are some smart credit card habits?



- Stay in control, avoid debt
- Pay on time
- Use less than 30% of your limit
- Track every purchase
- Credit card = tool, not free money

Set payment alerts

Get reminders before due dates

Avoid late fees + credit score drops

Helps you build discipline



Automate your payments

Set up automatic minimum payments

Never miss a deadline

Avoid interest stacking



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Use credit for planned spending only!



Groceries, bills, monthly subscriptions

Not for impulse shopping or gifts

Treat it like your own money, not a bonus

Review statements monthly

- Check for wrong charges
- Spot signs of fraud
- See where your money goes
- Helps plan smarter next month



Real-life scenario: smart vs. sloppy use



Emily: Uses alerts, pays full balance monthly

- Earns points, builds a 750 credit score
- Buys a laptop with 0% interest plan

Jake: Spends randomly, forgets due dates

- Gets hit with fees
- Can't qualify for an apartment

Lesson: Smart habits = more freedom & trust from banks



WRAPPING UP



Training Seminars

All participants are entitled to register for FREE training:

Participation:

- Physical (Cyprus and Ireland)
- Online

Sessions:

- 4 online webinars
- Physical Hands-on workshops
- Discussions
- Certification of participation

* Each participant should complete a feedback form at the end of each bootcamp



Feedback and courses

We would be grateful for your feedback, in order for us to improve future training sessions



The class365 platform contains all educational material in Greek and English, including recordings, resources and tools

www.class365.eu

www.learn.finallyproject.eu



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