

How to compare credit costs or quotations

When it comes to credit, you want the best deal possible. That's why it's important to compare offers from a few credit providers before accepting an agreement.

All credit providers structure their offers a little differently, so what looks like a good deal at first glance may end up being costly. Knowing what to look out for makes it easier to tell which offer suits both your needs and pocket.

There are 3 ways to compare the offers from different credit providers:

1. the interest rate
2. the loan term
3. fees, costs and charges

tip

To make a fair comparison, ensure that the loan terms and the loan amounts being compared are the same.

1. How to use the interest rate to compare credit costs

Interest rates may look like small percentages, but they make a big difference to the total cost of credit.

Interest rate | Loan amount R100 000

Interest rate (%)	Loan term (months)	Instalments (R)	Monthly fee (R incl. VAT)	Interest (R)	Total cost of credit (R)
18	60	2 566.01	68.40	52 910.35	157 560.35
23	60	2 848.65	68.40	69 868.83	174 518.83
28	60	3 146.27	68.40	87 726.48	192 376.48

Spot the difference:

Below is an example of a R100 000 loan over 60 months, with the same initiation fee of R1 197 (incl. VAT). You can see that the lower the interest rate is, the lower the instalments and the total cost of credit will be.

2. How to use the loan term to compare credit costs

What if the interest rate is good, but you're not sure whether to repay the loan over a longer or shorter term? Longer terms mean more affordable monthly payments. However, keep in mind that the total cost of credit will be higher because interest is charged over a longer period.

Loan term | Loan amount R100 000

Interest rate (%)	Loan term (months)	Instalments (R)	Monthly fee (R incl. VAT)	Interest (R)	Total cost of credit (R)
28	36	4 179.79	60.00	49 422.46	152 832.46
28	60	3 146.27	60.00	87 726.48	192 376.48
28	84	2 754.69	60.00	130 344.04	236 434.04

Spot the difference:

See how much the total cost of credit is on a R100 000 loan with the same interest rate (28%) and the same initiation fee (R1 197), over different terms:

