

Different borrowing methods.

Buying things like a car, a holiday, or a house can be expensive.

When you can't pay the full amount upfront, borrowing can help.

Liam wants to buy a car and is choosing the best way to borrow the money he needs.

A personal loan would let him borrow a few hundred to several thousand pounds and pay it back over a set time.

Longer-term loans mean smaller payments, but more interest overall, sometimes quite a lot.

Liam could borrow using a credit card, which lets him spend the lender's money, and if he repays within a month, he may avoid interest.

If not, interest can be high.

An overdraft is another short-term way to borrow through your bank account.

Interest is usually high, so it is only really suitable for very short-term borrowing.

A car finance agreement would let Liam spread the cost of the car with fixed monthly payments.

He wouldn't fully own the car until it's paid off, and missing payments could lead to extra costs or losing the car.

So what should Liam choose?

Credit cards and overdrafts suit small, short-term borrowing.

A personal loan works if he wants to own the car straight away.

Car finance spreads the cost with manageable, monthly payments.

The best choice depends on how much he needs, how fast he wants to repay it, and his financial situation.