MONEY SMART WEEK
SOUTH AFRICA 2026

The cost of lending

What you *need to know.*

It is important to understand the full cost of borrowing, including fees and interest. Whether you're considering a home loan, car finance, or a personal loan, here are some things to think about.

Money Smart: The Power of Possible
Small money-smart choices can make more possible...

WHY are you taking the loan?

- *GOOD DEBT* is debt that supports a longer-term asset or goal: for example, a home loan may help you acquire an asset that could increase in value over time.
- *BAD DEBT* is debt used for short-lived or depreciating purchases: borrowing for items such as clothing or furniture means you may still be repaying the debt after the item has lost value.
- *Secured lending* is backed by an asset, like a house or a car.
- *Unsecured lending* includes personal loans, credit card debt, or payday loans. These loans don't require collateral but come with higher interest rates, making them more expensive.
- *Unregulated lending* from, for example, loan sharks, has risks and exposes you to high interest rates and fees.

The COSTS of a loan

When you take out a loan, you agree to pay back more than the amount borrowed this includes:

- *Initiation fee:* a once-off fee for processing your loan application.
- *Monthly service fees:* ongoing fees to cover the administration of your loan.
- *Interest:* the cost charged for borrowing money, calculated according to the applicable interest rate and the outstanding balance or credit agreement.

CALCULATING the total cost of a loan

Knowing the total cost of your loan helps you avoid surprises and plan better.

AMOUNT BORROWED
+
INTEREST
+
APPLICABLE FEES
=
TOTAL AMOUNT REPAYABLE

One small money-smart choice can be a step towards something more.
Explore more Money Smart Week resources at www.bayport.co.za

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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

FSCA Financial Sector Conduct Authority

BAYPORT FINANCIAL SERVICES

A NATION THAT WORKS FOR ALL

2030 NDP