

APR (Annual Percentage Rate) is **the rate we have to state by law** and is the amount of interest you would pay over a full year, assuming you made no repayments. However, the following example shows that if you repay a credit union loan in accordance with the loan agreement the actual interest you pay is considerably less than the APR.

Consider a loan of £100 at an interest rate of 2% per month. The following tables show how APR is calculated, compared with the interest paid with a credit union loan. In both cases the loan is advanced on 1st January and interest is added on the last day of the month. However, in Table 1. there are no repayments, so the interest continues to mount and the outstanding balance at the year end is £126.82 of which £26.82 is interest, that is 26.82% interest (the APR).

In Table 2. the same loan is advanced, but a fixed monthly repayment is made. Each month the repayment is first taken off the outstanding balance before applying the 2% interest. After 12 payments the loan balance reduces to zero and the total amount paid in interest is £11.24, ie 11.24%.

Table 1. - APR illustration, ie loan without regular repayments				
Date	Repayments	Balance after repayment	Interest added at month end	New Balance
	£		£	£
01-Jan				100.00
31-Jan	0	100.00	2.00	102.00
28-Feb	0	102.00	2.04	104.04
31-Mar	0	104.04	2.08	106.12
30-Apr	0	106.12	2.12	108.24
31-May	0	108.24	2.16	110.41
30-Jun	0	110.41	2.21	112.62
31-Jul	0	112.62	2.25	114.87
31-Aug	0	114.87	2.30	117.17
30-Sep	0	117.17	2.34	119.51
31-Oct	0	119.51	2.39	121.90
30-Nov	0	121.90	2.44	124.34
31-Dec	0	124.34	2.49	126.82
Total Payments:	£0.00	Total interest paid:	£26.82	
Table 2. - Credit Union loan with regular repayments				
Date	Repayments	Balance after repayment	Interest added at month end	New Balance

	£		£	£
01-Jan				100.00
31-Jan	9.27	90.73	1.81	92.54
28-Feb	9.27	83.27	1.67	84.94
31-Mar	9.27	75.67	1.51	77.18
30-Apr	9.27	67.91	1.36	69.27
31-May	9.27	60.00	1.20	61.20
30-Jun	9.27	51.93	1.04	52.97
31-Jul	9.27	43.70	0.87	44.57
31-Aug	9.27	35.30	0.71	36.01
30-Sep	9.27	26.74	0.53	27.28
31-Oct	9.27	18.01	0.36	18.37
30-Nov	9.27	9.10	0.18	9.27
31-Dec	9.27	0.00	0.00	0.00
Total Payments:	£111.24	Total interest paid:	£11.24	

Our actual rates of interest vary from time to time up to a maximum of 2% per month, so go to [interest rates](#) to see the rates which currently apply.