

Is a loan the right solution for you?

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When deciding on how to borrow, much depends on how much money you need and how quickly you want to get it.

If for example you need to borrow a 5000 or more, a loan is the better option because it is likely to take some time to pay back that much money and over a long run, a credit card costs more in interest payments than a loan.

If however you need a smaller amount, for example 1000 then it's better to take it off a credit card since you are much more likely to payback that amount quickly, in which case it would cost you less in interest. You can accelerate payments freely on a credit card where as loans impose a fixed repayment term or a fine if you pay the money back early.

If you're borrowing for an emergency, consider that another emergency might arise in the future, it would be better if that money was available to you rather than going through the application process again. A credit card makes available any money you've paid back whilst with a loan you would need to go through the whole application process again.

Credit rating

Another factor that makes a difference is a credit rating; both loan and credit card lenders base their decisions partly on your credit rating, however, it is harder to get a [loan with bad credit](#) than it is to get a credit card. This is because with a loan you take out a large amount of money at once where as on a credit card you take it bit by bit, loan lenders are more cautious of who they lend to as a result.

Another advantage of a credit card is that you can use it repeatedly to build your credit rating where as a loan can only help you once.

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