Yes, in many cases. Before you enter into a regulated consumer credit agreement, the lender must give you information about the agreement and an adequate explanation of its main features. The explanation should help you decide whether the credit suits your needs and financial circumstances. You should also have an opportunity to ask questions and get answers you can understand.

That does not mean a lender must choose for you, guarantee that borrowing is affordable, or explain every possible outcome in advance. But the agreement should not be presented as a collection of figures you are expected to decipher unaided.

This guide explains what an adequate explanation should cover, which figures matter beyond the APR, what fees to look out for, and what to do if the explanation was not clear.

What does “adequate explanation” mean?

FCA rules require regulated firms offering many types of consumer credit to provide an explanation before the agreement is made. The aim is to help you assess whether the agreement is appropriate for you and understand its key features and the consequences of taking it out.

How the explanation is given can depend on the product and how you apply. It might be spoken, written, or provided through an online journey. Whatever the method, important information should be presented clearly enough for you to understand—not hidden in dense wording or left for you to infer from the contract.

An adequate explanation will generally help you understand things such as:

- how much you will borrow and how the credit will be provided;
- how repayments are worked out, when they are due and how long you will pay;
- the interest rate and whether it can change;
- the total amount payable, including any charges that apply;
- what may happen if you miss a payment or break the agreement; and
- whether you have rights such as withdrawing from the agreement or repaying early.

The detail needed varies. A simple, fixed-term loan may be easier to explain than a running-account credit agreement with a changing balance, promotional rates and several charges. An explanation should make the features and risks that matter for that particular agreement understandable.

You should have an opportunity to ask questions

It is not enough for a firm to provide information if the way it is delivered leaves you unable to understand the agreement. You should have a reasonable opportunity to ask questions before you commit, and the lender should respond in a way that addresses them.

For an online application, this does not necessarily mean you must speak to a person. The process should still give you a practical way to seek clarification and enough time to consider the information before accepting. If you are unsure whether a rate is fixed, what a fee is for, or how a missed payment could affect you, ask before signing.

Useful questions include:

- “How much will I repay each month, and on what date?”
- “What is the total I will repay if I keep the agreement for the full term?”
- “Can the rate or payment change? What could cause that?”
- “Are there any fees I will pay now or later?”
- “What happens if I miss a payment or want to repay early?”

A lender’s explanation does not replace reading the agreement and pre-contract information. Keep copies of the documents and any online screens or messages that explain the costs. If something important is unclear, pause rather than relying on a guess.

APR, monthly payment and total repayable: compare all three

The APR is useful because it expresses the cost of credit as an annual percentage and can help compare similar products. But it is not the only number that matters. A low-looking monthly payment may run for longer, while an APR may not tell you at a glance how much will leave your account altogether.

Figure What it tells you What to check APR A standardised way of expressing the annual cost of borrowing, including certain costs. Whether you are comparing similar products, terms and borrowing amounts. Monthly payment The amount due in a typical month, or the amount shown in the repayment schedule. Whether you can afford it alongside rent, bills, food and existing repayments—and whether it can change. Total repayable The total amount you are expected to pay over the agreement, based on its stated assumptions. What is included, how long you will pay, and whether variable rates or optional costs could alter it.

For example, compare two offers for the amount you actually need. One might have a lower monthly payment because it lasts longer, but a higher total repayable. Another might cost more each month but be cleared sooner. The right comparison is not simply “which has the lowest APR?” It is also “what will this cost me each month, for how long, and in total?”

With a credit card or other running-account credit, the total cost may depend on how much you borrow, when you repay, and whether you continue spending. A representative APR or example repayment may not

predict your own costs. Ask the lender to explain the assumptions behind any example.

Fees, charges and variable rates

Interest is only one part of the cost. Add a running list of fees people forget to check before agreeing:

- an arrangement, application or administration fee;
- a broker or intermediary fee, where applicable;
- late-payment or returned-payment charges;
- fees for using particular payment methods or services;
- early repayment or settlement charges, if they apply; and
- costs for optional add-ons, such as insurance, if you choose them.

Ask which charges are compulsory, which are optional, when each is payable, and whether any fee is added to the borrowing. If a fee is added to the balance, you may pay interest on it too. Do not assume that an advertised monthly payment includes every possible charge.

If the rate can change

A variable rate can make the amount you pay, or the time it takes to clear a balance, less predictable. The explanation should make clear whether the rate is fixed or variable, how and when it can change, and what a change could mean for your payments or total cost.

Try asking the lender to show what your payment might look like if the rate rose. Do not treat a current payment as a promise that it will stay the same if the agreement allows the rate to move. If the answer is unclear, ask for the relevant term in writing.

Borrow only what you need

It can be tempting to take the maximum offered or add a little extra "just in case". But borrowing more usually means paying interest and possibly fees on money you may not need. Before applying, work out the specific bill or purchase you need to cover and the smallest amount that would meet it.

Then check the monthly payment against your real budget. Include regular essentials and existing credit commitments, and leave room for irregular costs such as repairs or annual bills. A payment that fits only if nothing goes wrong may be too tight.

Be wary of pressure to accept late payment charges a larger loan, add products you do not want, or pay an urgent upfront fee to secure credit. Take time to check what the fee is for and who is charging it. Never send money because someone says you must act immediately before you have independently verified the firm and the offer.

Consider alternatives to credit

Credit can be useful, but it is not always the cheapest or safest way to manage a cost. Depending on your circumstances, alternatives may include:

- asking the supplier or service provider about spreading a bill or agreeing a payment plan;
- checking whether you can use savings without leaving yourself unable to cover essential emergencies;
- asking your employer about an advance, if that is available and suitable;

- checking eligibility for benefits, grants or local support; or
- speaking to a free debt-advice organisation if existing repayments are already difficult.

Compare the cost and consequences of each option. A payment plan may still carry charges, and using savings may not be right if it leaves you without a buffer. The aim is not to avoid credit at all costs, but to avoid borrowing more than necessary or taking an agreement you cannot reasonably manage.

What the FCA requirement does not mean

An adequate explanation is not the same as personalised financial advice. In most cases, the lender does not have to tell you that a particular loan is the best choice available in the whole market. Nor does a clear explanation by itself prove that the credit is affordable for you or that every part of the sale was handled correctly.

Some products and agreements have different rules or may fall outside the standard consumer-credit requirements. Mortgages, business borrowing and certain exempt agreements can be treated differently. If you are unsure whether a lender or product is covered, check the agreement and ask the firm what rules apply. The FCA's Consumer Credit sourcebook, known as CONC, contains rules for regulated consumer credit firms; other parts of the FCA Handbook may apply to different products.

If the explanation was not clear

1. **Ask the lender for clarification.** Be specific about what you did not understand, such as the total repayable, a variable rate or a particular fee. Ask for the answer in writing.
2. **Keep records.** Save the agreement, pre-contract information, payment schedule, emails, messages and notes of calls.
3. **Make a formal complaint if needed.** Explain what was unclear, what you asked, and how that affected your decision. The lender should handle the complaint under its complaints process.
4. **Consider the Financial Ombudsman Service.** If you have complained and are unhappy with the lender's final response, or it has not responded within the applicable time limit, you may be able to take the complaint to the Ombudsman. Check its current eligibility and time limits.

If you are struggling to keep up with repayments, contact the lender promptly and consider free, confidential debt advice. Do not take out more credit simply to cover payments without first understanding the longer-term cost and getting appropriate help.

The bottom line

For many regulated consumer credit agreements, FCA rules require lenders to provide an adequate explanation before you agree. You should be able to understand the important features, costs and consequences, and have an opportunity to ask questions. Compare the APR with the monthly payment and total repayable, check fees and variable-rate risks, and borrow only what you need. If the explanation leaves you guessing, pause and ask for clarity before you commit.