**Consequences of poor financial management 2**

**1 What is the difference between a *debtor* and a *creditor*?**

A *debtor* is a person owing money. A *creditor* is a person or financial institution who is owed money.

**2 Define the term ‘bankrupt’.**

*Bankrupt* means that you declare yourself unable to repay the debt. As a consequence your possessions will be sold off to repay some of the debt and the court can take control of your future spending.

**3 (a) What is a default notice?**

**(b) What should you do if you receive a default notice?**

(a) A default notice means that the creditor is informing you that you have failed to honour your contract and/ or that legal proceedings have started against you.

(b) If you receive a default notice you should seek legal advice.

**4 What is the first thing a person should do if she or he is unable to make a repayment on time?**

If you are unable to make payments on time you should contact the creditor to explain the situation.

**5 Which one of the eight options (on page 56) would you select if you were unable to repay your loan? Give reasons for your selection.**

Discuss the students’ answers.

**6 Outline the role of a credit bureau.**

The role of the credit bureau is to conduct credit checks for creditors. The information provided will help the creditor to decide whether they should accept or reject a credit application.