

THE DIFFERENCES BETWEEN A SECURED LOAN AND A PERSONAL LOAN

Finalised loans (or linked credits) are requested **for the purchase of specific goods or services**, such as buying a car. **Personal loans (or non-finalised loans)**, on the other hand, are loans **granted without any restriction on their use**: once the consumer has received the sum requested, he or she can use it as he or she wishes, **including to pay for purchases of goods and services**.

The choice between a special purpose loan or a personal loan depends solely on **the convenience of the offers received**, because in essence **they are two similar loans**. They are both **instalment loans**, in which the consumer repays the loan amount, interest and any ancillary financing costs through **the payment of periodic instalments**.

The sum granted to the consumer in both cases (by the bank or the finance company) is usually **between €200 and €75,000**, to be repaid according to an instalment plan that is clearly expressed in the loan contract.

The instalments, which are periodic and usually monthly, as in other forms of financing such as the mortgage loan, are made up of two parts: **a capital portion (i.e. the sum requested) and an interest portion, which concerns the cost incurred in obtaining the loan**. **Any ancillary costs** of the loan must also be **taken into account** in some circumstances.

With regard to the **finalised loan**, the loan is very often **transferred directly to the seller of the goods or the service provider as payment** for what the consumer has purchased. In fact, it is possible **to obtain the loan directly from the seller who has an agreement with one or more financial institutions/intermediaries** (banks or finance companies), which handles the file on their behalf.

WARNING! The consumer is not obliged to use the loan proposed by the seller of the goods or the provider of the service he intends to purchase, but may decide to use any other form of financing, including online, when making a purchase via the Internet.

The sum requested through the loan, whether through the seller/goods/service provider or through, directly, a bank or finance company, is agreed through the conclusion of a contract that will contain **a detailed description of the goods or services purchased and a precise indication of their cost**.

With regard to **personal, non-purpose loans**, the consumer may apply directly to an authorised bank or finance company. If they use **credit intermediaries**, i.e. agents in financial activity and credit brokers, it is advisable for the consumer to check that **they are registered on the lists of the OAM - Organismo degli Agenti e dei Mediatori** (the organisation of agents and brokers), because only in such a case can they act as intermediaries.

As pointed out earlier, **the cost of a loan, whether finalised or personal, depends on a number of variables**

- the sum provided,
- the initial costs, such as those of preliminary investigation,
- the interest rate,
- instalment payment charges,
- any insurance costs.

WARNING! The cost of these forms of financing can be more expensive than others because they can only be backed by personal guarantees, such as a surety bond, or an insurance policy.