



● **interest** N-UNCOUNT

interest rate (interest rates) N-COUNT

Interest is extra money you receive if you have invested a sum of money. **Interest** is also the extra money that you pay if you have borrowed money or are buying something on credit. The **interest rate** is the amount of interest that must be paid on a loan or investment. It is expressed as a percentage of the amount that is borrowed or gained as profit.

Does your current account pay interest?

The Finance Minister has renewed his call for lower interest rates.

Our ISA Saver offers a variable rate of interest starting at 4%.

Common Collocations

an interest rate rise/fall interest rates go up/come down
 a cut in interest rates an increase in interest rates
rising/falling interest rates

● **borrow** (borrows, borrowing, borrowed) VERB

borrower (borrowers) N-COUNT

borrowing N-UNCOUNT

If you **borrow** money from someone or from a bank, they give it to you and you agree to pay it back at some time in the future. A **borrower** is a person or organization that borrows money. **Borrowing** is the activity of borrowing money.

Morgan borrowed £5,000 from his father to form the company.

It's so expensive to borrow from finance companies.

After six months, borrowers pay the standard rate of 9.4%.

We have allowed borrowing to rise in this recession.

● **lend** (lends, lending, lent) VERB

lender (lenders) N-COUNT

lending N-UNCOUNT

When people or organizations such as banks **lend** you money, they give it to you and you agree to pay it back at a future date, often with an extra amount as interest. A **lender** is a person or an institution that lends money to people. **Lending** is the activity of lending money to businesses or private individuals. It is also used to talk about the amount of money being lent.

Banks may be slow to lend money to the new company because of the uncertainty about its operating costs.

...financial de-regulation that led to institutions being more willing to lend.

...the six leading mortgage lenders.

...a financial institution that specializes in the lending of money.

...a slump in bank lending.

● **loan** (loans, loaning, loaned)

□ N-COUNT

A **loan** is a sum of money that you borrow.

The president wants to make it easier for small businesses to get bank loans.

...loan repayments.

□ VERB

If you **loan** something to someone, you lend it to them.

Would it help if I loaned you some money?

● **principal** (principals) N-COUNT

The **principal** of a loan is the original amount borrowed, excluding any interest payments.

They will eventually want to see payments being made to reduce the principal of the loan.

I demand immediate payment of the principal of \$60,000 and outstanding interest.

● **debt** (debts)

□ N-VAR

A **debt** is a sum of money that you owe someone.

Three years later, he is still paying off his debts.

Shrinking economies mean falling tax revenues and more government debt.

...reducing the country's \$18 billion foreign debt.

□ N-UNCOUNT

Debt is the state of owing money.

Debt is a main reason for stress.

They see foreign investment as a way of avoiding any more foreign debt.

● **in/into debt** PHRASE

out of debt PHRASE

If you are **in debt** or get **into debt**, you owe money. If you are **out of debt** or get **out of debt**, you succeed in paying all the money that you owe.

He was already deeply in debt through gambling losses.

The bank will make it easy for you to get into debt.

How can I accumulate enough cash to get out of debt?

● **debtor** (debtors) N-COUNT

A **debtor** is a country, organization, or person who owes money.

The United States holds the status of the No. 1 debtor to the United Nations, owing \$1.1 billion of the \$1.85 billion owed to the world body.

Debtors are sometimes embarrassed about getting help from more public sources of advice such as the Citizens Advice Bureau.

...important improvements in the situation of debtor countries.

● **creditor** (creditors) N-COUNT

Your **creditors** are the people who you owe money to.

The company said it would pay in full all its creditors except Credit Suisse.

➔ **start-up:** Topic 2.3; **venture capitalist:** Topic 2.3; **default:** Topic 7.1; **insolvency:** Topic 7.4; **credit:** Topic 8.1; **liability:** Topic 8.3; **venture capital:** Topic 8.5



PRACTISE YOUR VOCABULARY

1 Which of these words do you associate with 'creditor' and which with 'debtor'?

borrow lend owe repay

2 Ajax 6, a venture capital company, lends money to different start-up companies. Look at the table and answer the questions.

AJAX 6			
Company name	Amount lent	Number of years of loan	Interest rate
Allways Co. Ltd.	£500,000	5	10% pa
Bright Brothers	£100,000	7	15% pa
Chris Ltd.	£250,000	2	10% pa
Delaware Inc.	£300,000	4	20% pa
Eva Co. Ltd.	£600,000	6	10% pa

- a Which borrower has 'Ajax 6' lent the most to?
- b Which company has borrowed money at the highest interest rate?
- c Which company will take longest to pay off the loan?
- d What is the principal in the loans from Ajax 6 to Chris Ltd. and to Eva Co. Ltd.?
- e How much interest will Allways Co. Ltd. pay to Ajax 6 this year?
- f Which company will be out of debt to Ajax 6 first?

3 Are the following sentences true or false?

	True	False
a If the bank lends money to a company, the bank is one of the company's debtors.	<input type="checkbox"/>	<input type="checkbox"/>
b If you borrow money from the bank at a variable rate of interest, you might have to pay back more than you think you will.	<input type="checkbox"/>	<input type="checkbox"/>
c Creditors prefer low interest rates.	<input type="checkbox"/>	<input type="checkbox"/>
d Debtors prefer high interest rates.	<input type="checkbox"/>	<input type="checkbox"/>

4 Which of the following benefit most if interest rates are high, and which benefit most if they are low? Fill in the table below.

- a banks
- b loan companies
- c manufacturing industry
- d consumers
- e people with savings
- f credit card companies

high interest rates	low interest rates