A realistic monthly repayment limit is the amount you can afford to pay regularly without missing essential bills, relying on more borrowing or leaving yourself short for everyday costs. It is not the maximum a lender is willing to offer you.

To work it out, start with your take-home income, put essential bills first, and build a monthly budget that reflects what you actually spend. Then allow for irregular costs and leave breathing room before deciding whether any repayment fits. If it does, compare the borrowing cost as a whole—not just the monthly payment or APR.

Start with your budget, not the loan offer

A lender's affordability check can be useful, but its result does not tell you whether a payment will feel manageable in your particular household. Your income, bills and priorities may change, and some costs are easy to overlook. Work out your own limit before applying or agreeing to credit.

Use take-home income: the money that reaches your bank account after tax, National Insurance and other regular deductions. If your income varies, use a cautious estimate based on the lower end of what you normally receive, rather than assuming every month will be a good one.

Put essential bills first

List the costs you need to cover to keep your household running and meet existing commitments. These might include:

- Rent or mortgage payments and any service charges.
- Council tax, energy, water and broadband or phone costs you need.
- Food, toiletries and other basic household spending.
- Travel to work, school or essential appointments.
- Childcare, health costs and insurance you need to maintain.
- Minimum payments on existing debts and any priority arrears arrangements.

Some bills are paid weekly, quarterly or once a year rather than monthly. Convert them to a monthly figure so they do not disappear from your calculation. For example, a £120 annual bill is £10 a month (£120 divided by 12). A £60 quarterly bill is £20 a month.

After essential costs, include regular non-essential spending too. A budget that leaves no money for a modest social life, children's activities or occasional treats may be hard to keep to. The aim is not to cut every enjoyable expense; it is to understand your real spending and make a plan you can sustain.

Build a monthly budget you can trust

Look at bank statements, bills and receipts from the last few months. Estimates are fine for a first draft, but evidence can reveal spending that is easy to forget. Sort your income and outgoings into monthly amounts, then use a simple calculation:

Monthly budget item What to include Take-home income Reliable income after deductions; use a cautious figure if it varies. Essential bills and existing commitments Housing, utilities, food, travel, childcare, debt payments and other necessities. Everyday and irregular spending Clothing, school costs, repairs, annual

bills, birthdays and other occasional costs. Money left before new borrowing Income minus all the costs above. This is a starting point, not an automatic repayment amount.

If your budget shows £150 left, that does not necessarily mean you can safely take on a £150 repayment. Your figures may be incomplete, costs can rise, and an unexpected expense can arrive before your next payday. Set aside money for irregular costs and keep a buffer for ordinary surprises. Only then consider what is genuinely available.

Leave breathing room

There is no single buffer that suits every household. The right amount depends on how predictable your income and expenses are, whether you have savings and how many people rely on your income. If you are paid irregularly, have dependants or face costs that change from month to month, a larger cushion may be sensible.

Test your budget against a less comfortable month. Could you still make the payment if your energy bill rose, your hours were reduced or you needed an urgent repair? If the answer is no, the proposed repayment may be too high. A payment that only works when everything goes to plan is not a realistic limit.



Choose a repayment limit, then borrow only what you need

Once you have allowed for bills, regular spending, irregular costs and breathing room, the amount left is your possible monthly repayment limit. Treat it as a ceiling, not a target. A smaller payment—or no new borrowing—may be the safer choice.

Decide the amount you actually need to cover the specific expense. Avoid borrowing extra “just in case”: you will usually pay interest or charges on money you do not need. If the amount required would mean a repayment above your limit, pause and look at other ways to manage the cost rather than stretching the budget.

Before taking credit, ask:

- Is this expense necessary now, or can it wait while I save?
- Can I reduce the cost, buy second-hand or pay for only the essential part?

- Would a payment plan from the supplier be available, and what would it cost?
- Will this repayment fit even in a more expensive or lower-income month?
- Could I meet the full cost without taking on credit?

Compare APR, monthly payment and total repayable

These figures answer different questions. Looking at only one can give you a misleading impression of what borrowing will cost.

- **APR** is an annualised measure intended to help compare the cost of credit, including certain charges. It is useful for comparing similar products, but it does not tell you the exact pounds you will repay on its own. The rate offered to you may also differ from a representative APR.
- **Monthly payment** shows the regular amount due. It helps you check affordability, but a low payment can come with a longer term and a higher overall cost.
- **Total repayable** is the total amount you would pay over the agreement, including the amount borrowed, interest and included charges. This shows the overall cost in pounds, though you should still check whether extra fees or conditions apply.

For example, a longer repayment term may reduce the monthly payment but increase the total interest paid. A short term may cost less overall but leave you with payments that are too large for your budget. Compare the repayment amount and term together, and check that the total repayable is acceptable as well.

Figure to check Question it helps answer What it does not tell you by itself APR How does the stated annual cost compare with similar credit? The exact total you will pay or whether the payment fits your budget. Monthly payment Can I meet this payment each month? Whether the term makes the overall cost high. Total repayable How much will I pay in total under the agreement? Whether you can comfortably manage each payment along the way.

Fees, charges and variable rates: the costs people forget

Read the agreement and pre-contract information for charges that may not be obvious in an advertised monthly payment. Check when a fee is due, whether it is included in the total repayable and what happens if you pay late or change the agreement.

Fees people forget

- Arrangement, broker or administration fees.
- Late-payment charges and the consequences of missed payments.
- Charges for changing a payment date, making an early repayment or ending the agreement early.
- Account fees or other recurring charges.
- Costs linked to optional extras, such as insurance or payment protection products.

Do not assume an optional product is required to get credit. Ask what it covers, what it costs over the full term and whether you can decline it. If a fee or condition is unclear, get an explanation before agreeing.



A variable interest rate can rise during the agreement. That may increase your monthly payment, the total cost, or both, depending on the terms. Ask how the rate can change and whether the lender can show an illustration of a higher payment. Check whether you could still afford it within your monthly budget.

Consider alternatives to credit

If the repayment does not fit comfortably, alternatives may be worth exploring. Which option is suitable depends on the expense and your circumstances, but possibilities include:

- Saving towards the purchase or delaying it, if waiting is practical.
- Asking the supplier whether it offers a payment plan, and checking the full cost and terms.
- Looking for a lower-cost version, repair, reuse or second-hand option.
- Checking whether an employer, local authority, benefits service or support organisation can help with the specific cost.
- Speaking to a free, independent debt-advice service if you are already struggling with bills or debt repayments.

Be cautious about replacing one unaffordable payment with another form of borrowing. A new loan or credit card may appear to lower the monthly figure while extending the time you owe money or increasing the total cost.

Review the limit when life changes

A repayment limit is not permanent. Review your monthly budget if your rent, household bills, income, loan affordability check explained childcare or debt commitments change. It is also sensible to revisit it before taking on any new regular payment. If your budget has become tight, contact the lender early to discuss the situation rather than waiting until you have missed a payment.

A quick checklist before you agree

1. Have I used realistic take-home income, especially if it varies?

2. Have I covered essential bills first and included existing commitments?
3. Have I converted annual or quarterly costs into monthly amounts?
4. Have I left breathing room for irregular costs and unexpected bills?
5. Am I borrowing only what I need?
6. Have I checked the APR, monthly payment, term and total repayable?
7. Have I looked for fees, charges, late-payment consequences and variable-rate risks?
8. Could I still manage the payment if my budget became less comfortable?

A realistic monthly repayment limit is the amount that fits after your real costs and a sensible cushion—not the amount a lender approves, or the biggest payment you can manage on a perfect month. If the numbers do not leave enough room, consider a cheaper option, delay the expense or seek free debt advice before borrowing.