



## Information release

### The Banco de España's Financial Cost Simulator allows consumers to find out the cost of instalment purchases or personal loans.

**The simulator can include items that institutions associate with financing transactions such as life insurance premiums or an ancillary service such as an alarm.**

Madrid, 09 September 2024. Banco de España has just launched a new tool to help consumers manage their personal finances. This is the [Financial Cost Simulator](#), which allows users to find out the effective total cost of a purchase in instalments or a personal loan. To do this, the user must enter the amount to be financed, the monthly amount of the instalments, the number of instalments to be paid, the total amount of commissions and other expenses that apply. Therefore, in addition to the interest rate, costs and fees associated with the financing; other elements that institutions associate with financing operations can be included, such as life insurance premiums or fees for an ancillary service such as an alarm. In addition, it allows for a practical comparison of one transaction with another. The cheapest will be the financing with the lowest financial cost.

The calculation that the simulator performs is similar to the APR, with the difference that the latter is calculated using a formula whose elements are defined by law, while the financial cost simulator does not adhere to any legal definition. In this way, a more customisable financial cost can be calculated in cases where the nominal interest rate applied is unknown. Like the APR, the financial cost is expressed as an annual percentage. However, the APR - as a standardised rate - is still the appropriate indicator for comparing offers from different institutions.

According to the Bank of Spain, 'this simulator aims to provide support in financing operations such as a deferred purchase' and could therefore be of help to many families who, at this time of year, begin to plan their preparations for the [new school year](#), considering - in some cases - taking out quick microcredits to meet these expenses.

Source of information: [Banco de España](#)