A repayment can look manageable on payday and still become a problem when the boiler breaks, childcare costs rise or your hours are cut. The useful question isn't only, "Can I pay this in an average month?" It's, "Can I keep paying it in a difficult month without missing essential bills or using money I've set aside for emergencies?"

That is the purpose of a **repayment test**: check the proposed payment against a realistic difficult-month budget before you commit. It won't predict every surprise, but it can show whether the payment leaves enough room for ordinary essentials, irregular costs and a bit of bad luck.

Start with the money you can really afford

Begin with your take-home income, not your salary before tax or an optimistic estimate of overtime. If income varies, use a cautious figure based on what you can rely on. For example, you might budget around your lower usual monthly income rather than the best month you had last year.

Then list your **essential bills** and necessary living costs. These are the costs you would still need to meet if you cut back on non-essentials. Include the less obvious items as well as the large direct debits: meals, nappies, travel to work, parking, school or nursery costs, and prescriptions can all make a difference.

- Housing costs, such as rent or mortgage payments, service charges and council tax.
- Gas, electricity, water, broadband and essential phone costs.
- Food, household basics, travel and work-related costs.
- Childcare, school costs, nappies, meals and other regular family expenses.
- Insurance, minimum debt payments and any essential medical costs.

Use actual bills and recent bank statements where possible. A quick estimate often misses annual or termly costs. Turn those into monthly amounts: if an expense is £240 a year, budget £20 a month for it.

Build a difficult-month budget

A **difficult-month budget** is a cautious version of your normal budget. It asks what would happen if income dipped or a necessary cost rose—not whether you could live on the bare minimum forever. Avoid assuming you can permanently cancel every small pleasure or never replace worn-out clothes. A budget that only works under perfect conditions is not a reliable test.

Try this calculation:

1. Write down cautious monthly take-home income.
2. Subtract essential bills and necessary everyday spending.
3. Set aside monthly amounts for irregular essentials, such as car repairs, school costs or annual insurance.
4. Keep your emergency-fund contribution separate from money for a planned goal.
5. Subtract the proposed repayment.

The amount left should not be just a few pounds that disappear the first time a bill changes. If the repayment only fits by leaving out food, childcare, travel, existing debt commitments or realistic irregular costs, it is not affordable on those figures.

A simple housing example

Imagine a household has £3,200 a month in reliable take-home income. Housing costs are £1,250, while other essential bills and necessary spending total £1,400. They also put aside £200 a month for irregular essentials, such as an annual bill and car maintenance. That leaves £350 before the proposed repayment and any discretionary spending.

A new £250 repayment would leave £100. That may look possible in an ordinary month, but it gives little room for a higher energy bill, a missed shift or a necessary repair. The household should test those changes rather than treat the £100 as automatically spare. If the repayment only works when nothing goes wrong, it may be too high.

This is an illustration, not a recommended housing-cost limit. The right figures depend on your household, location, income and commitments.

Test the bad month, not just the average

Once you have a first draft, deliberately make it less comfortable. You do not need to assume every disaster happens together. Choose a plausible setback for your circumstances and see whether the repayment still fits.

- What if your income falls for a month because of reduced hours or illness?
- What if energy, travel or childcare costs rise?
- What if the car needs a repair so you can get to work?
- What if an annual or school-related bill arrives in the same month?

Check whether you could cover the essentials and the repayment without missing another payment, borrowing again or dipping below your emergency-fund floor. If the answer is no, consider a lower repayment, a later start date or a smaller amount borrowed. If the lender offers different terms, compare the total amount payable and the consequences of paying over a longer period; a lower monthly figure can mean paying more overall.

Be especially cautious if the repayment depends on expected overtime, a bonus, a benefit you have not confirmed, or money you hope to save by changing habits. Treat uncertain income as a bonus, not as the foundation of a commitment.

Keep goal savings separate from emergency money

A planned expense and an emergency are different jobs for your money. If you are saving for a deposit, a move, a family trip or a replacement car, give that goal its own **separate savings pot**. Keep emergency money apart too, ideally in an **instant-access savings account** if you may need to reach it quickly.



This separation matters when you assess a repayment. A goal pot is not spare money if you have already promised it to a dated plan. Emergency savings are not a convenient way to make an otherwise unaffordable monthly payment look affordable, either. If you repeatedly need to use them for regular repayments, the commitment may be too large for your budget.

Name and date the goal. “Save for moving costs by next September” is easier to plan around than “save more”. Work out the total and divide it by the months available. For example, **£2,400 in 12 months = £200 a month**. Add that monthly amount to your budget as a planned commitment, rather than quietly borrowing from it whenever another payment comes up.

Set an emergency-fund floor based on essentials

An emergency-fund floor is the minimum balance you decide not to use for ordinary spending or goal savings. Set it with your essential bills in mind, not with a rule that assumes every household has the same income or risk. A household with variable work, health needs or dependants may need a different buffer from one with steady income and few commitments.

Start by totalling essential monthly costs, then consider how much time you might need to recover from a setback. You could set an initial floor that covers a realistic urgent repair or essential bill, then build it over time. If you have no buffer yet, don’t pretend you have one: include building a modest one in your plan before taking on a new repayment, where possible.

Write the floor down and keep it distinct from your goal savings. If an emergency takes the balance below that line, rebuilding it becomes a priority. That gives you a clearer answer to the repayment test: does the payment still leave enough room to keep essential bills current and protect the minimum emergency buffer you have chosen?

Research the true total cost before you agree

The repayment is only one part of the cost. Before signing, find out what the arrangement will cost from start to finish and what happens if your circumstances change. Read the agreement and ask questions if anything is unclear.

- Are there fees, interest, delivery costs or required add-ons?

- Could the payment change, and if so, when and by how much?
- Are there charges for late or missed payments?
- Can you repay early, and are there conditions or fees?
- Does the price rely on a temporary offer or an introductory rate?

For family costs, remember the sneaky extras: meals, nappies, parking, uniforms and replacement equipment. With a car, include insurance, fuel, tax, servicing and repairs. With a home project, check whether the quoted price includes materials, delivery and making good. Add a contingency for plausible overruns; the right amount depends on the project and how certain the quote is. If the full cost toddleabout.co.uk is unclear, pause before committing.

Use the repayment test before signing

Write down your answers rather than relying on a feeling that the payment “should be fine”. A useful check is:

Question What to check Does it fit now? After essential bills, irregular essentials and planned savings, is there room for the payment? Does it fit in a difficult month? Can you manage a plausible drop in income or rise in costs without missing essential bills? Is the full cost clear? Have you included fees, add-ons, variable charges and likely extras? Is the emergency buffer protected? Can you keep your chosen emergency-fund floor separate from goal savings? Can you leave if circumstances change? Do you understand the consequences of a late payment, early repayment or cancellation?

If several answers are uncertain, delay the decision while you gather figures. Waiting can be cheaper than committing on incomplete information.

Where to get help

MoneyHelper offers free, impartial guidance on money and debt. You can also use its budgeting support to organise income and spending. Money Trumpet can help you explore budgeting and family-money topics, but check important decisions against your own agreement and figures. GOV.UK is the place to check official information on benefits, support and government services; eligibility and amounts can depend on your circumstances.

If you are already struggling to keep up with payments, contact the lender or provider promptly and explain what has changed. Don’t agree to a new payment you cannot sustain just to get through a difficult conversation. Free debt advice may help you understand your options before making decisions.



When to say “not yet”

A repayment is more likely to be affordable when it fits after essential bills, realistic irregular costs and a protected emergency buffer—not only when the calendar is kind. If the plan fails your difficult-month budget, that is useful information, not a personal failure. Look at a smaller commitment, a later start, a different option or more time to save.

Before you sign, run the repayment test once more using cautious income, the true total cost and a plausible bad month. If you can meet the payment without raiding emergency money or risking essential bills, you have a much stronger basis for deciding.