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Understanding loans – bearing the consequences

The jungle of contracts

They are called “Mc Flat”, “Flat4Friends”, “Xtra Smart 8-Cent Tariff”, “Clever Flat’n’Phone” or “Big Mobile Easy” and sound like having fun, cheerfulness and little costs: mobile phone tariffs, which are especially addressed to teenagers and adolescents. That these harmless sounding names include real contracts and loans and what this really means are aspects that many of them still have to learn. Such a mobile phone tariff often is one of the first experiences with contracts and loans that they make during their way into adulthood – that’s at least what they believe.

Actually the teenagers probably have entered into numerous contracts, but often without even recognizing it and without being aware of the related responsibilities and rights. For sure, underage persons have a stronger legal protection against the negative consequences of contracts. But often they are not conscious about this protection.

Contracts and loans are part of everyday life – for teenagers as well

Many daily affairs are regulated by contracts: When we buy something online, we make a sale contract. But even by buying tickets when we travel by train, we make a transport contract with the transport company. Who starts an apprenticeship, signs a training contract. And the one, who buys an entrance ticket for an event, enters into a contract to visit the event. Even lending a book from the city library includes a contract as we have to accept the user regulations. Sometimes there exist contracts within families too, which regulate how the family members treat each other and how they behave living together.

Similar aspects apply to loans: Even if the term itself is not used in the concrete case, teenagers accept loans and grant them to others. They borrow money for some days from a friend, for example, because they don’t have enough cash to pay the cinema ticket. Or they lend it and become the creditor. Some teenagers ask their parents to pre-finance their computer and pay the money back by agreeing to get less pocket

money per month. Others enter into a contract for their mobile phone tariff and a contract for the instalment financing of the respecting smartphone.

A big challenge: Understanding loans and contracts

Contracts and loans indeed play an important role in the life of teenagers. The problem is that many of them are not informed about the rights and responsibilities that are connected with a contract or rather a loan. The teenagers are lacking experience in dealing with (legal) formalities and they cannot estimate the consequences that a contract can have. Another aspect is that the conditions of contracts are often hard to understand, even for adults.

In this way it happens really fast that the teenagers are not aware of having entered into a legally valid (loan-) contract, which is linked to responsibilities. Or they think that the arising responsibilities aren't applicable because they didn't understand the conditions of contract properly. On the other hand, it is often the case that they don't know which rights they have and which options of acting they have, when a problem arises (for example in the case that they cannot fulfil a part of the contract or if the contracting partner contravenes the conditions of contract).

Hence, for adolescents it's important to be familiar with contracts, loans and the related conditions and consequences. Not only to avoid personal trouble, but especially because contracts and loans are an essential factor for the functioning of our society and economy.

Social and economic importance

Contracts clarify rights and responsibilities, duties, limits and possibilities in social cooperation and provide reliability. They strengthen the social solidarity, because they are based on mutual trust and strengthen it at the same time. In this way contracts regulate many areas of life and provide safety for everyone individually. It

doesn't matter whether it is about a rental agreement for a shared room, an arrangement between friends, a million-dollar-contract between companies or a trade contract between two states.

Loans on the other hand are an important component of the economic cycle, because they support (private) consumption and enable (business) investments. This creates an economic growth, makes it possible to make necessary purchases and creates jobs.

Teaching idea for a safe dealing with loans and contracts

In terms of competence-oriented teaching, practical oriented scenarios are developed, which provide the students the possibility to reflect on and recognize, besides the acquisition of knowledge, their strength referring to the handling of loans and contracts. The curricula of economic oriented subjects in the secondary school level 1 and 2 as well as the vocational trainings require it to foster competences that enable the students to react to vocational and private challenges adequately and to cope with daily challenges appropriately. This means in practice that the students are confronted with "real" daily situations to acquire the possibility to develop, test and analyse their vocational and private options of acting with regard to their interests, talents and skills.

This teaching idea serves to give an initial topic related impulse and provides adolescents age-appropriate knowledge about contracts and loans as well as about their rights and responsibilities in contractual relationships. The aim is to make adolescents clear what it means to enter into a contract or to make use of a loan and to estimate the associated consequences.

Using the example of mobile phone contracts, the students work out different contract and payment forms and visualize them exemplifying the arising costs. By analysing concrete examples, they expand their knowledge and develop their competences regarding contracts and loans.

Competences

Competence oriented learning

Main aim: By analysing independently contract situations taken from the daily life of the students, they become exemplary familiar with forms of contracts and financing. Using several examples, they work out typical contract and loan elements and draw a conclusion regarding the related responsibilities and rights as contractor.

Professional
and
methodological
competences

The students

- work out a structured mind map about mobile phone contracts using the “Quick Poll” method.
- think about their personal mobile phone contract on the basis of a questionnaire and define aspects about the contract and the costs.
- read term definitions and transfer them to the task.
- expand their knowledge about contracts and loans by analysing the different forms of a buying with true-to-life example.
- define questions and statements for a discussion in the plenum.
- get to know rights and responsibilities in the processing of contract and credits.
- illustrate the consequences of contract and loans.

Social
communicative
competence

The students

- exchange their knowledge that they have yet and apply it.
- discuss their own and other viewpoints and decision with regard to use habits and contract decisions.
- present their own results in the plenum and explain their arguments.

Personal
competence

The students

- reflect their personal contract and discuss it in the plenum.
- become aware of the responsibility that a buyer has.



