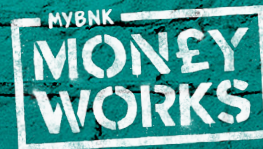


Bank Jargon Guide



Account

This is provided by a bank or building society which holds money for you. A current account is an everyday account which allows money to be paid in or taken out. A basic bank account is a special sort of current account which doesn't usually allow you to overdraw. A deposit account is for your savings.

APR

Annual Percentage Rate. This tells you the overall cost of borrowing, taking into account the interest you pay, any other charges, and when the payments fall due. You can use the APR to compare the cost of one loan with another. The higher the APR the higher the cost of the loan.

Arrears

Money owed that has not paid by the due date.

Assets

Things that are owned such as cars, property and money.

ATM

Automated Teller Machine. This is a hole in the wall or cashpoint where you can withdraw money. To use an ATM, you need a cash card and a personal identification number, which is called a PIN.

Balance

This is the amount of money you have in your account at any particular time or which you owe on your credit or store card. It will be shown on your statement.

Bank Statement

A document sent to customers by their bank listing the transactions (money in and out) on an account – usually sent monthly.

Bouncing Cheque

When a cheque cannot be paid because there isn't enough money in the customer's account.

Budget

A personal money plan which helps an individual to manage their income and expenditure. It is usually for a period of a month or a year, but can be for longer. Businesses and governments also use budgets.

CCJ

This stands for County Court Judgment. This is an order made by a judge which can affect your credit rating.

Cheque Guarantee Card

A card issued by a bank, guaranteeing payment up to a set limit. If you pay by cheque, you will be asked to show this card.

Credit

If your account is in credit, it means that you have money available to spend. If you obtain goods or services on credit, it means that someone, for example, a bank or credit institution, has given you the money to buy something. You must pay the money back, usually with interest.

Credit Card

A plastic card issued by a bank or building society which allows you to buy things and pay for them later. Your credit card issuer gives you a limit that you can spend up to on that account. You must pay back at least a minimum amount each month and usually interest will be charged if you do not pay off the full amount borrowed.

Bank Jargon Guide



Credit Limit

The maximum amount allowed to be used on a credit card.

Credit Rating

When you apply for credit, responsible lenders want to make sure you can comfortably afford to repay any money you borrow. To do so, they calculate a credit rating – which helps them to assess the chances that you will be able to repay what you owe. Different lenders take different factors into consideration and score things differently.

Creditor

A person or business money is owed to.

Current Account

A bank account which allows a customer to deposit money and withdraw money, by cash, cheque, standing order or direct debit.

Debit

Money which is taken out of an account is debited from that account.

Debit Card

A plastic card that can be used instead of cash when making a purchase. The amount spent is taken (debited) automatically by computer from your account.

Debt

Money owed to another person or business. A person who owes money to others is known as a debtor.

Default

This is failure to meet the financial obligations as agreed. People who do not make payments on a loan have 'defaulted' on that agreement.

Direct Debit

This is an instruction to your bank to release money automatically from your bank account to pay a regular bill. This is useful for frequent bills which are for different amounts each time, for example, telephone bills. You arrange this with your supplier and give them your bank details.

Fixed Interest Rate

This is a rate that stays the same for a defined period during a loan.

Gross Income

The full amount of money earned before any deductions such as tax.

Hire Purchase (HP) Agreement

A form of credit agreement which allows you to pay for goods in instalments. Cars are often bought this way. You will not own the car until all the instalments have been paid. If you don't make the payments as agreed, the car might be taken away from you (repossessed) and sold. You can't sell the car without the permission of the lender until you have paid for it.

Income

Amount of money received or earned over a period of time.

Income Tax

A tax on personal income. Usually deducted directly from wages or salary.

Interest

This is the reward you get for keeping your money in, for example, a bank or building society. Rates vary so you should shop around for the best deals. Also the cost you pay when you borrow money through a loan or credit agreement.

Bank Jargon Guide



Interest Rate

This is the percentage that is paid on savings or loans. A savings account that was offering 4% would give you a better return than one which was offering 2%. Similarly borrowing money at 29% is going to cost you more than borrowing at 18%.

Loan

An agreement between a lender and a borrower. The borrower agrees to repay the money borrowed over a period of time – with or without interest. This can be secured or unsecured (see definitions).

Minimum Repayment

The smallest amount you can pay towards money you owe on a credit card. It is stated on your monthly statement.

Net Income

The amount of income after all deductions (for example, tax and National Insurance). Also called 'take-home pay'.

Online Banking

A service which allows you to operate a bank account over the internet.

Overdraft

An agreement with your bank which allows you to spend more money from your account than you have in it. You may be charged interest and fees to use this facility.

Overdrawn

If more money is withdrawn from your account than you have in it, you will be overdrawn. If you go overdrawn without asking the bank in advance, they might refuse to pay your cheques and charge you fees and a high interest rate on the money that you owe them.

PIN

Personal Identification Number – a secret number, which you use with your bank card. You must type this in to use the card. This ensures that no one else can use your card. You must always keep this number safe and not disclose it to anyone.

Savings

Any money you put aside for future use. This may be in a deposit account, or under your bed. 'Rainy day' savings are useful for emergencies and need to be easily accessible, while longer-term savings can be built up to give a 'nest egg'.

Savings Account

A financial product to keep savings secure within a bank, building society or in a credit union. The amount you put in does not fall in value but may grow as interest is added.

Secured Loan

This is money borrowed from a lender, using your property or other asset as a guarantee of repayment. If the amount is not paid in full, the lender may take the property back (repossess it) and sell it.

Bank Jargon Guide



Standing Order

A method of paying regular amounts from your bank account automatically. You instruct your bank to pay the money for you to a particular person or company. It is your responsibility to change the payment if it needs to be altered.

Statement

A document from the bank, building society or mobile phone provider, which shows all your recent payments into, and withdrawals from your account. You should check it against your own records.

Store Card

A plastic card issued by a shop that lets you buy goods at that store on credit. You must either pay the full amount, or something back each month.

Unsecured Loan

This is money borrowed from, for example, a bank, which is not secured against your home. The lender may take court action against you for payment if you don't pay the money back as agreed.

Utilities

Services such as gas, electricity and phone.

Withdrawal

What you are doing when you take money out of your account.