Financial Terms Glossary

citizens advice Plymouth

A

APR - the Annual Percentage Rate (APR) is the cost you pay each year to borrow money, including fees. It is shown as a percentage of the total money your borrowed. The rate you are offered usually depends on how high your credit score is.

AER - the Annual Equivalent Rate is used to show what you could earn from a saving account over a year. It can help you to compare different savings account options.

Arrears - are payments that somebody has failed to make and has fallen behind with regular payments (for example, monthly rent payments or loan repayments.

Asset - is a thing which is owned such as buildings, vehicles, stock and money in the bank.

ATM - the Automated Teller Machine can be also called 'cashpoint', 'bankomat' or 'cash machine'. It is a self-service where you can withdraw money, check your balance, or make other banking transactions without the need to visit your bank. Different banks provide their ATM services by installing cash machines in different parts of the country.

B

BACS - stands for Bankers Automated Clearing System which is a system for sending money electronically between banks. A BACS payment happens when you send money electronically from one bank account to another.

Bailiff - is someone who is authorised to collect a debt on behalf of a creditor (someone who is legally owned money).

Balance – this is how much money you have in your bank account. It can also be an amount left to pay on a credit card or loan.

Bank Account – a service provided by a bank or building Society which allows you to pay into a personal account. You can pay bills, take cash out and pay for goods online with your bank account.

Bank Loan – When a bank agrees to lend you money – you will need to meet certain criteria. You normally borrow a fixed amount, repayable by set monthly instalments over an agreed period of time, called the term of the loan.

Bank Account Number – this is the eight-digit number that identifies your bank account. You can find it on your bank card. It belongs only to your account.

Bank/Building Society - This is a place where you can keep your money safe.

Bank of England – is the UK's central bank, and their policy sets base rate interest rates. Other banks fix their rates from this central rate to help stabilise the UK economy.

Bankruptcy - is a legal status for people when they are unable to repay debts or other obligations. You can only made bankrupt if you have debts over £5,000.

Basic Account – basic bank accounts are like current accounts but have restricted features. You might open a basic account if you can’t open a standard account, due to your credit history or prevuous financial issues. You can use it to put some money to your bank account or take money out from the account.

Borrowing – if you take out a loan this is borrowing money, which you will need to pay back. Most banks charge fees for this service and interest rates per year until all the money is paid back.

Budget - is a plan that helps you track how much money you have coming in (your income) and how much you spend on purchases and bills (your expenses). It helps you make sure you have enough money every month.

C

Capital - is a term to describe a person or organisation’s wealth. It could be cash, assets or a mixture of the two.

Charges – the fees banks and building societies charge an account holder for their services.

Cash - is physical money in a form banknotes or coins.

Cashback - is a way of being awarded for spending. It can also be a way of getting money off things you buy from specific retailers or

Contactless – a new addition to bank cards where you no longer need provide your pin number. After multiple transactions there will be a request for your PIN for fraud prevention.

Credit – buying something on credit is using a short term or long-term loan to buy goods or services, you will be charged fees or interest on the amount.

Credit Card - is a bank card which you can use to pay for items from shops. At the end of each month you will be sent a bill. You then have to pay this bill - if you do not, you will be charged interest.

Credit History – this is the record of loans you have taken out in the past and any payments you have missed and more. This information is often used by credit rating businesses who advise banks and other agencies.

Credit Limit - a credit limit is the maximum amount of credit you can getreceive from a financial institution. Products like credit cards and lines of credit have credit limits.

Credit reference agency – is an independent organisation that stores information on your ability to pay your household bills such as Council Tax, rent, mobile phone contract and much more. They can share this information with businesses, such as banks and letting agents to help them decide on whether you are able to afford ongoing payments on new loan or mortgage.

Credit Score - a score is created by a credit reference agency, based on your credit history. Your score indicates how likely you are to repay anything you borrow, based on your history of using credit and managing your finances.

Creditor - is an individual or business that is owed money.

Current Account – an everyday use bank account which might pay some interest on the money you have in the account. Current accounts usually have an overdraft facility and allow you to pay by debit card, cheque, set up direct debits and standing orders.

D

Debit Card – a debit card can be used to pay for goods at point of sale with the pin number or contactless. It can also be used to pay for goods or services over the internet. You can withdraw cash from cash machines or direct from your own bank.

Debt – money that you owe to a business, person, or the government. If you have debts, speak to an organisation like Citizens Advice about your situation.

Debtor – a person, organisation or country that owes money.

Debt Relief Order (DRO) - a solution to deal with personal debts you cannot pay. You apply through an approved debt adviser and have to meet certain eligibility criteria. It normally lasts 12 months.

Default - a failure to make a payment (sich as a payment on a loan)

Deposit – money put into a bank account, or an amount of money put towards a larger amount to secure at purchase.

Direct Debit – this is a way of making payments, especially bills. It means that any company you are paying takes out money from your bank account eacch month. It may not always the same amount. To set up a direct debit you need to ask the comapny to send you a form.

E

Early Repayment Charge (ERC) - Sometimes a mortgage deal sets an early repayment charge if you pay some or all your mortgage off ahead of the end of your mortgage term, or if you transfer to another rate before the end of the product period.

Earn - get money in return for labour or services.

Exchange Rate - a rate at which one currency will be exchanged for another currency. Exchange rates affect trade and the movement of money between countries.

Exit fees - is also called a cancellation fee. If you leave a fixed-trem contract before the of the contract periond (e.g. 12 or 24 months).

F

FICO score - a three digiit number that measures an individual's trustworhiness to pay back loans or debts. This can be also called a 'creit score'.

Financial Conduct Authority (FCA) - is a financial regulatory body in the UK that regulates financial firms providing services to consumers to make sure that UK markets remain honest, fair and effective.

Fraud – where a person or entity is pretending to be the account holder and using the account without account holder's permission. Also taking money from account holders through false situations and advice.

G

Grace period - a set length of time after a payment due date during which payment may be made without penalty.

Gross Income – includes all the money you earn before taxes and other deductions are taken from your income. Your earned income can come in many forms: salary, bonuses, tips, and hourly wages.

I

Income – money you earn from any paid work or from investments you may have.

Insolvency - when a person does not have enough money to pat all the people they owe money to.

Instalments – payments made at agreed stages to pay for a larger sum, such as the Council Tax or the cost of a car.

Interest – when you invest money in a savings account or borrow money from the bank you will either receive or pay interest. By investing you are effectively lending your money to the bank, and they will pay you an agreed rate. Conversely if you borrow from the bank, they will charge you a rate and those rates tend to higher than investment interest.

Investment - is something you buy or put your money into increase in value over time, such as house or shares in the company.

Individual Savings Account (ISA) - this type of account is a specialist savings account with a limit on the amount of money you are allowed to pay in per year, but no income tax is paid on the interest received.

Individual Voluntary Arrangement (IVA) - is an agreement between you and your creditors to pay back your all debts over a set amount of time. It is approved by the court and your creditors must stick to it.

L

Lend - When people or organisations such as banks lend you money, they give it to you and you agree to pay it back at a future date, often with an extra amount as interest.

Liability - something a person or company owes, usually a sum of money.

Loan – a sum of money from another person or business given with the understanding it will be paid back within an agreed amount of time.

M

Mobile Banking – enables you to make financial transactions and check your bank account balance on a mobile device (mobile phone, tablet, or laptop).

Mortgage - when a bank or othrt lender lends you money to buy a house. They also add interest on the top of the money you have borrowed to buy a property.

Mortgage term - The mortgage term is the length of time in which you agree to pay off the mortgage. This is usually 25 years, but it can be longer or shorter.

N

Negative Equity - is when a property becomes worth less than the mortgage you took out on it.

Net Income - for an individual, net income is the “take-home” money after deductions for taxes, health insurance and retirement contributions.

O

Online Banking - means you can access your bank account and carrying out financial transactions through the internet on your smartphone, tablet, or computer.

Overdraft – is a type of borrowing where you can take out more money than you hav in your bank account. You can ask your bank to have an overdraft. You may be charged interest or pay additional fees.

P

PIN – stands for personal identification number. Your PIN is issued with your bank card, and you can change it to your preferred series of numbers. You will need your PIN to pay for goods at the till if your car does not allow contactless payments.

Prepaid card - is a payment card that is pre-loaded with money you can use for different purchases.

Priority Debts – debts which are more important to repay than others, as nonpayment can result in serious legal action and seizure of personal goods or disconnection of services.

R

Repayments – the agreed sum of money which must be paid back each month on a loan or a debt.

S

Savings Account – an account where you can store or save money that you are not planning to spend straight away. This type of accounts alloes you to earn some interets from the money in your account. There are different types of saving accounts.

Scam - is an illegal activity when someone tricks you into giving them your money or your personal details, or steal your information. There are different types of scams that can target you online or in person.

Sort Code – the six-digit set of numbers on your bank card or statement which identifies the branch where you hold your account.

Standing Order – a method of paying a person or organisation where youask your bank to make regular payments to the person or organisation's account. This can be your rent or Council Tax payments.

Subscription – is an arrangement where you pay regularly (weekly, monthly, yearly, or just based on customers usage) to access a product or service. This can be for a gym membership, papers or magazines, TV streaming services and other membership fees.

Stocks and shares - stock is a type of investment that represents a certain percentage of ownership in a company. A share is a proportion of ownership of a company. The number of shares indicates how big of a piece of ownership in a business you have.

T

Tax Allowance – the amount you as an individual are allowed to earn before you have to start paying tax. This can be found with your P60, a statement of your yearly earnings and is marked as tax code.

Taxable Income – the amount of income you have earned minus your tax allowance and against which your tax will be calculated.

Term of Loan – the number of years over which a loan has been agreed for repayment. This can affect the interest paid back. The longer the loan term the higher the interest rate.