



# Banking Glossary

## Annual Percentage Rate (APR)

The term used to describe the charge you incur for borrowing money. It shows you the overall cost of the borrowing by taking into account the length of time of the borrowing, the interest rate and any other additional costs that may have been added.

## BACS

A free service to make direct credits and debits to and from bank accounts. Payments using BACS will usually take three to four working days to credit the beneficiary's account.

## Balance transfer

A balance transfer is when an individual moves an existing balance from one credit card to another

## Bank sort code

It identifies both the bank and the branch where a bank account is held.

It can be found on an individual's bank card, cheque book or bank statement. It is made up of 6 digits and grouped in pairs eg. 84-65-23.

## Card Payment Protection cover

Takes care of credit card payments if an individual is unable to work due to an accident, sickness or unemployment. A form of insurance.

## Card Security Code

The last 3 numbers that appear on the reverse of the bank card that is being used to make the payment.

## Clearing House Automated Payment System (CHAPS)

A method of transferring cleared funds within the UK. There is usually a charge for CHAPS payments.

## Credit rating

A rating system used by financial institutions to work out how credit worthy an individual is. Depending on how many points the applicant gets when their personal details are run through the rating system, the financial institution will either accept or reject the risk.

## Daily interest

Interest that is calculated on an outstanding balance each day. So, when you make a payment, interest is calculated on the new balance straightaway.

## Direct Debit

A method of payment where you give a company permission to take money from your account and pay it into their account, for example, paying a bill. Payments are normally made on the same day of each month. Payments made by Direct Debit are protected by the Direct Debit Guarantee scheme

## Fixed Rate Loan

The loan interest rate remains the same throughout the term of the loan.

## Gross annual income

The amount you receive each year before tax is deducted. If you receive a pension or other benefits you can add the total you would receive in one year and include this as your income.

## Gross Rate

When credit interest is paid without income tax being deducted. Gross interest is paid if you are a non-tax payer and have completed an Inland Revenue R85 form

## Hire Purchase

A form of credit agreement. It is a loan that is linked to a specific purchase, for example, a car. If you fall behind on payments the creditor can ask you to return the item you purchased. You are unable to sell the item you purchased until it is paid off.

## Net rate

The rate of interest payable after the deduction of lower rate tax (which may be reclaimed by non-taxpayers on completion of an Inland Revenue R85 form)

## Overdraft

When a customer borrows from the bank, usually through their current account, by arranging to take money or make a payment from the account which exceeds the available funds in the account. There are two kinds of overdraft: a Planned (or authorised) Overdraft which a customer can set up in advance for a specific amount they know they need and an Unplanned (or unauthorised) Overdraft, in which the bank agrees to lend you money to cover payments that you wish to make, but for which you do not have enough money – bank charges may apply

## Re-mortgaging

When you switch the mortgage you have on your home from one lender to another without moving home

## Secured loan

A loan that is secured by assets that belong to the individual borrowing money, for example, a home. This reduces the risk for the lender and may let the borrower to get better terms for the loan. If the individual borrowing the money does not keep up loan repayments then the lender could use the assets that the loan is secured against to repay the outstanding debt

## Standing order

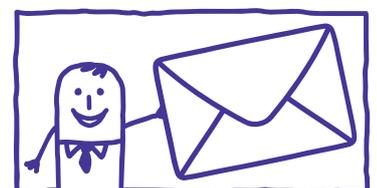
An instruction you give to your bank to pay a fixed amount to someone else or to one of your own accounts on a regular basis, for a set amount of time. The payments are taken from your account on agreed dates, for example, weekly or monthly

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## Getting in touch



[www.renfrewshire.gov.uk/adviceworks](http://www.renfrewshire.gov.uk/adviceworks)



Visit or write to:  
Advice Works, 25 Church  
Street, Johnstone PA5 8FA