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MANAGING YOUR MONEY

A Guide to Personal Finance

Cambridge OCR Level 3 Award

ENGLAND

Registered Charity No: 313697

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Authors
Vanessa Bailey
Lucy Yate
Liz Booth

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About Young Enterprise



Young Enterprise supports educators to develop the financial capability of the young people they work with.

We are a trusted and valued provider of knowledge, offering free resources, and training to make teaching young people how to manage money easy. We know that every school and college is unique and is best placed to decide how to meet the needs of its learners.

We believe that trained teachers provide the most effective and sustainable route to deliver financial education in schools. Educators know their students best and understand how to integrate financial education into lessons and meet the requirements of their school curriculum.

Visit our website to get ideas, inspiration, advice and to access our full range of resources.
www.young-enterprise.org.uk

Young Enterprise
Member of JA Worldwide

Contact:

Young Enterprise,
The Coram Campus,
41 Brunswick Square,
London, WC1N 1AZ

Tel: 0207 549 1980
Email: info@y-m.org.uk

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Cambridge OCR is one of the UK's leading exam boards.

We work with teachers, subject experts, employers and universities to create qualifications that support the needs of all students and help prepare them for their future. We are part of Cambridge University Press & Assessment, Europe's largest assessment agency and a department of the University of Cambridge. We play a leading role in developing and delivering assessments worldwide, operating in over 150 countries.

The **Cambridge OCR Level 3 Award in Personal Finance** builds knowledge and understanding about handling your finances. This small qualification can be taken alongside A Levels and/or other Level 3 qualifications to enrich your learning. Personal finance is a key employability skill, widening career and further study prospects, as well as being valuable in all aspects of life.

Endorsement Statement

The teaching content of this resource is endorsed by Cambridge OCR for use with specification Cambridge OCR Level 3 Award in Personal Finance. All references to assessment, including assessment preparation and practice questions of any format/style are the publisher's interpretation of the specification and are not endorsed by Cambridge OCR.

This resource was designed for use with the version of the specification available at the time of publication. However, as specifications are updated over time, there may be contradictions between the resource and the specification, therefore please use the information on the latest specification and sample assessment materials at all times to ensure students are fully prepared for their assessments.

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Introduction

Learning about personal finance and how to manage money effectively are essential life skills. Worrying about money and being able to pay bills are concerns for many people. Managing your finances carefully can help you to reduce financial stress, support your long-term physical and mental wellbeing and help you to make informed choices that have a positive impact on the quality of your life.

Different people will make different decisions about how to manage their finances; there is rarely just one "right" answer. The important thing is that you make the best choices for you and your personal circumstances and that your decisions are based on accurate information and understanding.

Developing personal money skills is a crucial gateway towards independence, enabling young people to achieve key milestones such as paying for goods themselves, managing a budget, and saving for the future.



This book will help you to:

- **Plan how to meet your financial needs at different stages in your life**
- **Identify various sources of income and expenditure**
- **Budget to meet your needs and achieve your goals, such as buying your first car**
- **Understand different types of financial products and services**
- **Manage financial risks**
- **Access financial help and guidance when necessary**

The information in this book has been written to support the Cambridge OCR Level 3 Award in Personal Finance but can be used by anyone looking to expand their personal finance knowledge and skills. The content of this book is based on the Your Money Matters book published by Young Enterprise.

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How to Use This Book

Welcome to Managing Your Money.

This book will help you make informed choices about managing your money, now and in the future and covers the content of the Cambridge OCR Level 3 Award in Personal Finance.

There are three chapters covering topics that are relevant to you. In each chapter, you will find:

INFORMATION	Highlights key and useful information.
DID YOU KNOW?	Gives interesting facts on the subject area.
ACTIVITY	Activities for you to complete to help build your knowledge and understanding.
DISCUSSION	An opportunity to talk about the topic areas and give your opinion about key information.
CASE STUDY	Lets you examine real-life situations in more detail and decide what you think the best course of action is.
QUESTIONS	Apply the knowledge you have gained and check your understanding.



1

Personal Financial Activity

Income

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Income

Sources of Income

Income
Income is money that comes to you from an external source.

Benefits
The UK benefits system is a government framework which provides financial assistance for low-income households, unemployed people, those unable to work due to illness or disability, and families with children.

Employment
Money you earn from work such as salary or wages. Salary refers to a fixed pre agreed amount paid to the employee at regular intervals. Wages are payment for the amount of work done, for example, the number of hours worked.

Unfortunately, there are risks that could affect this, for example:

- Illness, injury or disability may prevent you from working
- Losing your job
- When you retire your income from work stops

If any of these happen there will be consequences, not just for you, but for anyone who is financially reliant on you. You can find more information about income under the section on **Financial Documents Relating To Income**.

Interest From Savings
Interest is the reward you get for keeping your money with an organisation such as a bank or building society. Interest on savings might be paid monthly, quarterly or annually depending on the account.

Investment Income
Investments are assets that are brought with the hope they will increase in value and make money. But they can either increase or decrease in value meaning you can either earn and/or lose money.

If you own shares, you may also receive income from dividends, a share of the company's profits paid to shareholders. If you own a second property you might receive rental income from tenants (buy-to-let investments). You can find more information about investments in the section on **Types of Investment**.

DID YOU KNOW

It is important to remember that interest on savings is income and is usually taxable.

You can find more information about Income Tax and Savings Accounts in the sections on **Financial Documents Relating To Income** and **Types of Accounts**.



Self-Employment
Some people are self-employed; they run their own business and are responsible for its success or failure. Their income is the profit left after business costs. You can find more information about self-employment in the sections about **Financial Documents Relating To Income** and **Stages In Life**.

Side-Hustle
A side hustle is paid work in addition to your main job, such as babysitting, baking cakes or cleaning cars and so on. Most side hustles involve being self-employed.

Pension
Pension income is regular money received after retirement. It may come from the government (the State Pension), a workplace or personal pension or personal retirement savings. You can find more information about pensions in the section about **Types of Pension**.

Regular Gift Payments From Family
Your parents or carers might pay you a regular allowance.

INFORMATION

A side hustle is a way of earning extra income alongside another job.

However, if you are self-employed, you are responsible for keeping records of your income and expenses and may need to report earnings to HM Revenue and Customs (HMRC).

Source: GOV.UK - Self-employed tax guidance.



Financial Documents Relating To Income

When you start paid work, you earn money for your job.

It may sound simple to work out exactly how much you will be paid, but it's not always as straightforward as you think. Several costs are usually taken off your earnings before you receive them. These are called deductions.

The main deductions are:

- **Income Tax**
  Tax based on your earnings. There are different rates of income tax depending on how much you earn.
- **National Insurance**
  Tax on earnings to help pay for state benefits such as State Pension and sick pay.
- **Pension Contribution**
  Many people pay into a workplace pension (this is different to the State Pension that you qualify for by making National Insurance contributions). Pension contributions are taken from gross pay before Income Tax is calculated. Meaning your pension contributions result in you paying less Income Tax. For example, if you pay 20% Income Tax, every £10 paid into your pension saves £2 in tax.
- **Student Loan Repayment**
  If you borrowed money for university and earn over the threshold, student loan repayments are deducted.

Depending on your contract you may also see other deductions such as childcare, cycle to work, gym membership, health insurance, season ticket loans for public transport. Some people also choose to make payments to a charity.

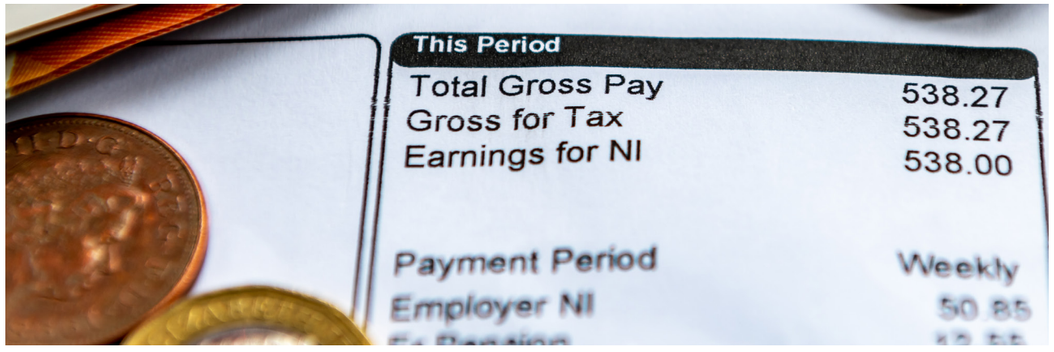
DID YOU KNOW

Income Tax is just one type of tax. Others include Council Tax, business rates, taxes on business profits, fuel duty and consumption taxes such as Value Added Tax (VAT)

INFORMATION

Why Do We Pay Income Tax?
William Pitt the Younger introduced Income Tax more than 200 years ago when he needed the money to pay for the wars against Napoleon. In 1944, the system of Pay as You Earn (PAYE) was introduced.

Today, Income Tax is one of the government's largest sources of revenue (almost 25% of revenue) and helps fund public services such as education, healthcare and welfare systems.



Payslips Explained

When you receive pay from your job, you should also receive a payslip. This shows your earnings and any deductions.

Look at Sam Green's payslip below.

DATE	EMPLOYER		EMPLOYEE NAME	
30/06/2026	Brushes Hair Salon		S Green	
DEPARTMENT	**N.I. NUMBER**	**TAX CODE**	**PAY METHOD**	**PERIOD**
Hairdressing	QQ 12 34 56 A	1257L	BACS	Month 3
DESCRIPTION	**UNITS DUE**	**DEDUCTIONS**	**TOTALS TO DATE**	
Basic Pay		Tax: £143.15	Total Gross Pay	£5,292.00
		N.I.: £57.32	Taxable Pay	£2,151.00
		Pension: £88.20	Tax Paid	£429.45
			Employee NI	£171.96
			Employer NI	£606.30
			Employee Pension	£264.60
			Employer Pension	£146.25
HOURS	**GROSS PAY**	**DEDUCTIONS**	**NET PAY**	
Standard 35 hours per week	£1,764.00	£288.67	**£1,475.33**	

Deductions

Income Tax, National Insurance and pension contributions have been deducted automatically from Sam's gross pay. These are called compulsory deductions because you must pay them.

Income Tax

Everyone is allowed to earn a certain amount of money before they start to pay Income Tax. This is your Personal Tax Allowance, set by the government each year. Income above your Personal Tax Allowance is taxable income, and you must pay income tax on it. You can find further information about Income tax later in this section.

Tax Code

Your tax code shows how much you can earn before paying Income Tax: your Personal Tax Allowance. It is the first 4 numbers of your tax allowance followed by a letter. Most people have "L", meaning they have the basic tax allowance.

DISCUSSION

- What tax appears under deductions?
- What does NI stand for?
- Why is this Month 3?
- What is the significance of the numbers in the tax code?
- What is Sam's take-home (net) pay?

It is your responsibility to check that the tax code on your payslip is correct. If it's wrong, you could pay too much tax and need to ask for a rebate (a refund of your overpayment). Or you could pay too little and need to contact HM Revenue and Customs (HMRC) to correct it. This can happen to students who take on part-time work, so be careful to check your tax code, and if you think it is incorrect contact HMRC as soon as you can.

National Insurance

Everyone receives their National Insurance number just before their 16th birthday. The same number stays with you for life so keep a record of it. Most people who work must pay National Insurance contributions.

National Insurance is a percentage of your income. Contributions help build entitlement to certain benefits, such as your State Pension, maternity allowance and financial support if you cannot work.

Employers also pay National Insurance. The sample payslip shows both the employee and employer contributions. Sam received basic pay for working for a standard 35 hour week. Depending on your contract other amounts might be added. For example, working longer hours might earn overtime. Or meeting targets may earn a bonus.

A UK tax year runs from 6 April one year to 5 April the following year. So, this payslip for June is month 3.

When you leave a job, you should receive a P45 form. This contains:

- Your leaving date
- How much tax you have paid in the current tax year
- How much pay you have earned in the current tax year

At the end of each tax year your employer should give you a P60 form which will tell you:

- Your total tax paid in the tax year
- Your total earnings in the tax year

It is important that you keep any P45s and/or P60s somewhere safe. It's recommended to keep both forms for at least 5 years. This provides important records for HMRC, tax returns, or any queries regarding earnings or tax paid.

INFORMATION

Income before any deductions is called **gross pay**.

The pay after deductions is called **net pay** or take-home pay. All the deductions are automatically made before you receive your money, this system is called **Pay as You Earn (PAYE)**. Your gross pay will always be bigger than your net pay.

QUESTIONS

1. What are the differences between gross pay and net pay? / List the differences between gross pay and net pay.
2. Name three deductions you may see on a payslip.
3. What does the term PAYE mean?

INFORMATION

Employees and self-employed people can manage tax and National Insurance through the Government Gateway online portal.: **www.gov.uk**

If you are self-employed, you will not receive a payslip and may not be entitled to benefits such as holiday pay or sick pay. Like employees, you receive a personal tax allowance, but you pay tax only on your business profits.

Business Income – Business Expenses = Profit

Business Income

Is the money paid by customers. For example, a window cleaner's business income is the total amount received for cleaning windows during the year.

Business Expenses

Are the costs of running a business. For a window cleaner, these could include vehicle costs and cleaning materials.

Employed people have their tax deducted each month before they receive their pay. If you are self-employed, you are responsible for completing a Self-Assessment Tax Return each year, declaring your business income and expenses. Your tax liability is then calculated using your profits and personal tax allowance.

Depending on your profits, you may also need to pay National Insurance contributions. If your profits are below the contribution threshold, you may choose to make voluntary contributions to protect your entitlement to the State Pension and benefit entitlement. Your National Insurance contributions are also calculated through your Self-Assessment Tax Return.

BEWARE

Managing tax can be more challenging when you are self-employed because tax is often paid in one or two larger payments each year. **A common guideline is to set aside around 30% of your income to help cover future tax bills.**

QUESTIONS

1. What is the amount you can earn before paying tax called?
2. How much is the current standard Personal Tax Allowance?
3. What is meant by the term "deductions" on a payslip?

QUESTIONS

1. Find out how much profit you can make as a self-employed worker before you are required to make NI contributions
2. If your profits are below the limit where you are required to pay, what are the implications of choosing not to make voluntary contributions for NI?

Expenditure

Essential Spending

Needs vs Wants

We all spend money, but priorities differ. Spending can be split into essential (needs) and discretionary (wants):

Essentials

These are the absolute necessities; the things you cannot do without. Such as groceries, housing, council tax, utilities (water, electricity, gas), broadband, commuting (fuel, insurance, maintenance, Ministry of Transport Test (MOT), vehicle tax and/or public transport) and any pre-existing debt repayments.

Housing Costs

There are several housing options depending on your financial circumstances:

- Buy a property either outright or using a mortgage (a long-term loan secured against the property). See the **Types Of Borrowing** section for more information.
- If eligible buy using a shared ownership scheme, purchasing a share of a property and paying reduced rent on the remainder.
- Rent from either a private or social landlord.
- If you own a property, with or without a mortgage, you're known as a homeowner.
- If you rent, you are a tenant and the person you rent from is your landlord.

When renting you should always have a written contract known as a tenancy agreement. This sets out key terms such as rent, whether utilities are included, and the responsibilities of both tenant and landlord.

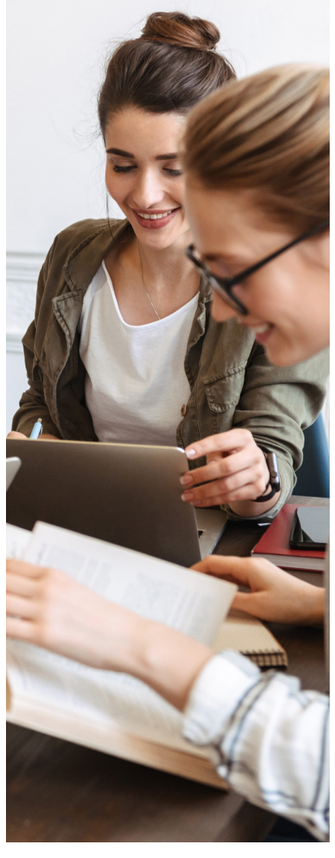
Most people buy and sell houses through an estate agent. Estate agents help buy and sell properties by valuing, advertising and arranging viewings. They act as intermediaries between buyers and sellers.

If you rent a room, you might do it directly from the homeowner. If you rent an entire flat or house, you often do this through a letting agent. Letting agents often act on behalf of landlords to find tenants and manage rental properties.

INFORMATION

You get 25% off your Council Tax bill if you live on your own, or everyone else in your home is disregarded for Council Tax purposes.

Source: GOV.UK – How Council Tax works



Whichever option you choose you will need to save up for a deposit. If you're renting this is usually the equivalent of a month's rent. If you meet all the terms of your tenancy agreement, you should receive your deposit back when you move out.

Some tenants may need a guarantor. A guarantor agrees to cover unpaid rent or costs arising from a breach of the tenancy agreement.

A guarantor is often required if you:

- have little or no credit history
- have a poor credit history or credit rating
- are unemployed or on a low income
- are new to the UK

You can find more information about mortgages in section **Types Of Borrowing** and about credit scores and credit histories in section **Credit Scores**.

There are pros and cons to both renting and buying outright or through shared ownership.

DID YOU KNOW

Most mortgage lenders require a deposit of at least 5% of the property's purchase price. For a £200,000 home, that's £10,000.

RENTING	
✔ ADVANTAGES	✖ DISADVANTAGES
Flexibility to move quickly, for example if you get a new job	You don't own anything at the end of your agreement
No maintenance costs or repair bills	You could be asked to move out sooner than you would like
The rent is fixed for a period of time	You have to request to keep pets
It might be more affordable to rent rather than buy in more desirable areas	You may not be able to decorate and make the place your own
No expensive legal fees	Some landlords take a long time to organise repairs or replacements

HOME OWNERSHIP	
✔ ADVANTAGES	✖ DISADVANTAGES
You will eventually own the property	You are responsible for all the maintenance and repairs
You can decorate however you want	If you don't make your mortgage payments you could lose your home
You can stay for as long as you want to	Your monthly payments might go up
The value of the property might increase over time	The value of the property could fall
The monthly mortgage payment may be less than the rent for an equivalent property	Selling a property can take a long time if you want to move. You can feel trapped
You have a sense of permanence	Expensive legal fees payable when purchasing the property

SHARED OWNERSHIP	
✔ ADVANTAGES	✖ DISADVANTAGES
The deposit and mortgage are based on the share you are buying rather than the full property value	You are usually responsible for all repair and maintenance costs
Often cheaper than renting from a private landlord	There may be restrictions on changes to the property
You have a long-term lease meaning that you have security	There aren't as many mortgage options to choose from
You can buy a bigger share in the property over time, up to 100%	Selling a shared ownership property can be more difficult than one that's owned outright
If the property price goes up so does the value of your share	The amount of your rent and any service charges can increase every year
Makes it possible to buy a property if you can't afford all of the deposit and mortgage payments for a home that meets your needs.	If you fall behind on your payments you can be evicted

Council Tax

Whether you rent or buy you must pay Council Tax. A mandatory local property-based tax set by councils to help them fund local services. The amount of Council Tax you pay depends on the size/historical value of your property and how many adults live there.

If you are the only eligible adult resident you can request a 25% discount. If you are on a low income or receiving certain benefits you may be eligible to apply for reduction. Each council operates its own scheme, so the amount of support given across the country may vary.

Council Tax is used to provide local services and facilities such as the following:

- Police and fire services
- Libraries and education services
- Rubbish and waste collection
- Leisure and recreation facilities
- Transport and parking
- Highway services
- Environmental health and trading standards
- Administration, such as the registration of marriages, births and deaths

Vehicle Costs

If you drive a vehicle on public roads, vehicle tax, insurance and an MOT are legal requirements. While tax and MOT costs are largely fixed, insurance costs vary depending on the policy and driver. There are also other costs including fuel that you will need to pay if you have a car. You can find more information about insurance including car insurance in the section on **Types of Insurance**.

Essential costs may be paid weekly, monthly, quarterly or annually. Some costs vary over time; for example, insurance premiums may increase and utility bills depend on usage. Changes to essential costs can cause financial difficulties or provide extra money. It is always wise to have an emergency fund in case there are unexpected changes.

DID YOU KNOW

Value Added Tax (VAT) is a tax added on to the price of most products and services.

It is calculated as a percentage of the price and there are different levels of VAT depending on the type of goods or service.

It is called a consumption tax because it is paid by the final purchaser (the consumer) and is effectively a tax on spending.



Discretionary Spending

Discretionary spending covers items, services and experiences that are desirable rather than essential. It can be divided into assets and consumables

Assets are physical items with a mid to long term life span such as household appliances and devices, furniture, property and vehicles.

Consumables include services or things that are used up quickly and need to be replaced/renewed, such as clothing, groceries, entertainment/socialising, hobbies, insurance, mobile phone top ups, personal care, gifts for others and travel

Discretionary spending depends on personal priorities and preferences. Some purchases are planned, while others are impulsive. When money is limited, reducing discretionary spending can help ensure essential costs are covered.



ACTIVITY

Which of these would you class as essential spending?

- Mortgage or rent
- Digital TV/internet packages
- Gym membership
- Council Tax
- Food
- Subscriptions
- Car running costs (e.g. petrol)
- Car Insurance
- Gifts for others
- Days out
- TV licence
- Holidays
- Entertainment (e.g. cinema, theatre, going out to eat)
- Utilities (e.g. broadband, gas, electricity, water)

DISCUSSION

In what circumstances might a mobile phone be considered essential spending?



Savings

Reasons For Saving

Saving or Savings

It is easy to confuse the terms saving and savings.

Saving describes putting away money for future use. This might range from a few pence being kept in a money box at home to a larger amount being placed in a bank account.

Saving can also refer to reducing the amount you spend.

Savings refers to the amount of money that is being saved. If you have £50 in a bank account this is your savings. If you then arrange to put in a further £10 per month then that is the amount you are saving.

In this example, at the end of 1 year you would have saved a further £120 (£10 x 12 months) on top of the initial £50, giving you a total savings amount of £170 altogether. This is the amount that is said to have accrued. It is also important to remember savings kept in a bank or building society will also receive interest. Find out more in the **Types Of Account** section.

Saving for the Future

When you save money, it is likely that you will spend it at some point in the future. That could be in the next few days or weeks (short-term saving) or within the next year (medium-term saving). It may even be much further into the future (long-term saving) – for example, when you are saving up for somewhere to live or thinking about retirement. In some cases, the money you save may be passed on to others through gifts, donations to charity or inheritance.

Delayed gratification means choosing not to spend money now so that you can achieve a larger benefit in the future. As savings can only be spent once, decisions about how to use them should be considered carefully

Saving can also provide a sense of achievement as you move closer to a financial goal. Find out more about the importance of saving in the **Personal Budgeting** section.

QUESTIONS

1. What is the difference between 'saving' and 'savings'?
2. Why is it good to have savings? / Think of three reasons it is good to have savings.
3. What might be the consequences of not having savings?
4. Give an example of delayed gratification.

INFORMATION

Reasons to save:

- Achieve a particular goal
- Build wealth for future use
- Prepare for unexpected costs
- Build up an emergency fund
- Provide an income in retirement

Save The Change

There are now many mobile apps like Chip, Plum, Monzo and Tandem that can be linked to your bank account. They can help you to save by rounding up payments made, using the app, to the nearest pound and saving the extra money for you.

Some of them analyse your spending patterns and decide if you have enough left in your account to save. If you do, they move it to a savings account for you. Many of the large banks also now offer auto-saving schemes to customers.

More information about savings accounts can be found in the section on **Types Of Account**.

ACTIVITY

Jakob is looking forward to playing the new game on his console. He can buy it online now for £59.99, plus £5 postage and packaging. Alternatively, he can wait three months, save a bit more and buy an annual subscription for £119.99 which will give him access to this game and many others. He can only spend the money that he's saved up once, so needs to decide what to do.

Identify the benefits and implications of each option.

In your opinion, should Jakob:

a. buy the game now or;

b. continue saving up for the subscription?

c. What would you do?



2

Using Financial Services

Financial Services

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Financial Services

Methods of Payment

Payment methods have developed over centuries and continue to evolve. Common methods of payment include:



Bank Transfer

Bank transfers move money electronically between accounts.

- BACS (Bankers' Automated Clearing System) is the primary UK electronic network used for direct bank-to-bank transfers.
- CHAPS (Clearing House Automated Payment System) is a UK-based, high-value, same-day electronic payment system for sterling transactions, guaranteeing transfer by 6 pm, often used for house purchases or urgent, high-value business payments.

The Faster Payment System is a 24/7 electronic payment service for sterling transfers, which usually arrive in the recipient's account within a maximum of two hours.

✓ ADVANTAGES	✗ DISADVANTAGES
• They are secure • You have a digital record of your spending	• A poor internet connection or dead phone battery can delay or prevent payment being made



Cash

Cash is a quick and convenient way to pay – although it is becoming less common as more people use digital methods to pay.

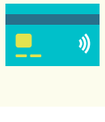
✓ ADVANTAGES	✗ DISADVANTAGES
• Only you know where you spent it and on what • It's immediate • It can help with budgeting as you can see how much you have spent/left	• It's not accepted everywhere • You risk losing it or having it stolen • No electronic record of what you spent when or where



Credit Card

Available to 18-year-olds and older, Credit cards allow eligible customers to borrow money up to an agreed limit when making purchases. You can find more information about credit cards in the section on **Types of Borrowing**.

✓ ADVANTAGES	✗ DISADVANTAGES
• Greater protection than a debit card if something goes wrong when shopping online • Can help to build a good credit score • May include rewards such as air miles and/or cashback offers	• The interest fees are high if you don't pay off the balance every month • If they're not managed well, your credit history will be adversely affected • You must remember that this is money you have to pay back



Debit Card

When you pay or withdraw cash with a debit card, the money comes straight from your bank account electronically if you have the money available to spend. You cannot borrow money on a debit card.

✓ ADVANTAGES	✗ DISADVANTAGES
• The payment is immediate • Convenient • Accepted almost everywhere • Can be used in person, online or over the phone	• You are responsible for making sure that you don't spend more than you have in your account (unarranged overdrafts can be expensive) • They don't contribute to your credit history (see the section about **Credit Scores** for more information) • If you buy online, you have less protection than when using a credit card



Cryptocurrency

A virtual or digital currency produced by a public network. It is a peer-to-peer system that enables anyone anywhere to send and receive payments. If you own cryptocurrency, you don't own anything tangible that you can see or feel.

✓ ADVANTAGES	✗ DISADVANTAGES
• Uses cryptography for security	• Not generally accepted in shops or online

Cheques

Used far less frequently today but still offer a useful way to pay for some things, for example you want to send a financial gift to someone for their birthday, but don't know their account details. Cheques are physical slips of paper which you fill out payment details on and then send to the recipient to take to the bank to deposit in their account.

✓ ADVANTAGES	✗ DISADVANTAGES
• A safer way to send money than cash • Cheques are written to a specific person or business, and you have a paper trail	• They are slow • They can be lost, stolen or altered • If you make a mistake, they will be sent back to you • If you don't have enough money in your account when the cheque is due to be paid, it will "bounce", the payment won't be made, and you will usually be charged a fee • Many businesses no longer accept cheques

Direct Debit

An instruction to your bank to release money from your account to pay bills and other amounts automatically every month or year.

✓ ADVANTAGES	✗ DISADVANTAGES
• The amount can be changed by the business making them suitable for costs that vary such as utility bills, some companies offer discounts for paying by this method • If a payment is made in error, you are guaranteed a refund	• It can be easy to lose track of subscriptions for things you no longer use • A bill could be paid automatically that is significantly higher than you expected • If there isn't enough money in your account the payment may not be made and/or you could be charged a fee

Standing Orders

An instruction to your bank to pay a fixed amount to a person or organisation at regular intervals

✓ ADVANTAGES	✗ DISADVANTAGES
• You are in control; you must instruct your bank to pay a particular figure to a specific person or company on a given date every month such as rent or a car payment • Regular payments are made automatically without you having to remember them	• The amount paid is fixed • You don't have a guaranteed refund if a payment is made in error • It's your responsibility to change or cancel any payment details • If there isn't enough money in your account the payment may not be made and/or you could be charged a fee

All these methods are widely accepted and are also considered to be secure and safe. However, there are still some risks associated with them, so always check the details carefully.

Digital/Online Systems

The growth of technology has brought with it several advanced ways to pay. Among these are:

Online Payment System

Online payments systems allow you to make secure payments to an individual, or to purchase items online, for instance PayPal. The pros include that it's fast, widely accepted and offers good buyer protection. The cons include that you need to have a PayPal account, payments take time to reach bank accounts, it's often targeted by scammers and international costs can be high.

Digital Wallets

Apps such as ApplePay, Google Pay and Samsung Wallet allow you to store all your credit, debit and customer loyalty card details on your phone, so you can choose which payment method you want to use at any time. Advantages include that they are convenient to use, widely accepted and do not require either your card data or bank account information to be shared when making a payment. Disadvantages include that they rely on a working device and if you lose your phone or it is stolen, it could give the thief access to your wallet.

QUESTIONS

1. Explain the difference between a debit card and a credit card.
2. Explain the difference between a standing order and a direct debit.
3. Which payment methods are the most secure? Explain your answer.

PayPoint and Payzone

Allow consumers to pay bills like electricity, rent, top up phones and use a range of financial services through participating retail outlets. They are very accessible as most locations are open early until late, 7 days a week. But not all services are always available, and there are fees for withdrawing cash at some Automated Teller Machines (ATMs)

Buy Now Pay Later

Providers like Klarna, Clearpay, Laybuy and Payl8r; offer short-term financing. Services allow customers to spread payments over time (usually for several months), often interest-free if payments are made on schedule. Missed payments may lead to fees, interest charges, and damage to credit history.

Whichever way you choose to pay for your products and services, always ensure that you use a secure reliable method of payment and keep your card and personal details safe.

Types of Account

There are two main types of account which can be opened at a bank, building society or credit union:

Current Accounts

These help you to manage your day-to-day money, pay bills, receive incoming money and help keep your money secure. Some current accounts pay interest on the money you have in them and may pay more than a savings account (although this is often only up to a limit of around £3,000).

A switching service allows you to move your current account from one bank or building society to another. Some places offer incentives to do this.

Standard Accounts

Most standard current accounts are free and offer a wide range of payment options including debit cards, direct debits and standing orders. You can use ATMs and may have an overdraft facility. You need to set up your overdraft limit before using it and it will allow you to use the extra amount of money, but you will pay interest on it until you get your account back in credit.

DID YOU KNOW

There are various types of organisations that provide financial services including options to save, but they are structured differently.

A bank is owned by shareholders and aim to make profits through financial services. They may operate online, through branches, or both.

A building society is owned by its members, some of whom will be customers who save money with or borrow money from the society. They often offer a range of financial services similar to banks.

Credit unions are community focused, non-profit making organisations that encourage saving and lend money to members. To use a credit union, you must be a member.

Microfinance institutions are organisations who provide financial services to entrepreneurs, low-income individuals, and small businesses needing working capital.

Paid For Accounts

Many banks and building societies offer current accounts with extra incentives, for example: holiday or mobile phone insurance, cheaper rates on loans and mortgages, and money off holidays and flights. These have a monthly fee and are called “packaged accounts”.

Only consider one of these current accounts if you know you will benefit from the incentives and the annual cost is less than if you were to buy these products or services separately.

Student Accounts

Specifically designed for students in Higher Education, they work just like a standard current account but offer extra benefits. Most offer an interest free overdraft and sometimes perks such as free railcards, cashback, or discount vouchers.

Savings Accounts

Specifically designed to save money in, they are usually best for saving larger amounts. The balance grows as interest is added. They are sometimes referred to as deposit accounts. The interest you earn on savings counts as income and is also taxable unless your money is in a tax-free account.

We’ll look in more detail at the different types of savings account later in this section.

Comparing Interest Rates and the Role of Annual Equivalent Rate (AER)

You might think it would be easy to compare two savings accounts, by looking at the interest rates they offer, but it is not always that simple.

Some savings accounts have charges associated with them, for example when withdrawing cash at short notice, whilst others offer additional perks and bonuses, such as a higher interest rate for the first year.

To make comparing the interest on savings accounts easier it must be shown as an Annual Equivalent Rate (AER). This takes into account possible charges and the interest rate paid and shows it as an overall percentage. This means that savers can easily compare different savings accounts. The higher the AER the more interest you will receive on your savings.

QUESTIONS

1. Give three advantages of keeping money in a bank account rather than at home.
2. What is the difference between a current account and a savings account?
3. How do you think someone might use a current account and a savings account together?
4. Some people have more than one savings account. Why might this be the case?

DID YOU KNOW

All UK-regulated current or savings accounts in banks, building societies and credit unions are covered by the Financial Services Compensation Scheme (FSCS). Meaning money up to a certain value is protected. You can check your bank, building society or credit union’s limits on the FSCS website.

The Impact of Inflation

Inflation measures the general increase of the cost of goods and services from one year to the next. The government calculates this figure every month and publishes it as a percentage. The higher the inflation rate, the greater the increase in cost of everyday goods and services.

For example, if inflation is 2%, a weekly food shop costing £100 last year would be expected to cost £102 this year.

If the rate of inflation is higher than the interest rate on savings, it means that the cost of goods and services is increasing faster than the level of interest received. Meaning the amount, you can purchase with your savings will have reduced.

So, if you have savings, or if you're looking for a new savings account, make sure to keep an eye on how the interest rate you will be receiving compares to the rate of inflation.

Savings Account Features

Although AER is useful for comparing interest rates, it is not the only factor to consider. Different savings accounts offer different features to suit different needs as the table on the next page outlines.

These different forms of savings account are available from a wide range of organisations such as banks and building societies, although the interest rate you receive will vary from one provider to another. That means that while a higher rate of interest might be expected on a regular savings account, or fixed interest account, there could still be better rates to be found on easy access accounts. The golden rule is to always shop around!

Spreading your savings across different types of accounts can help balance access to emergency funds with saving towards specific goals, such as holidays.

DID YOU KNOW

The interest rate you get on your savings is influenced by the Bank of England. They set a base rate, which financial institutions then use to help set the interest rate they offer on their savings accounts.

The Bank of England have an opportunity to change this rate eight times per year. However, unless they have made an explicit promise not to do so, high street banks can vary their interest rates whenever they want.

QUESTIONS

1. Why do financial organisations offering similar savings products offer different interest rates?
2. Why is the Annual Equivalent Rate (AER) used to work out the overall interest on a savings account?
3. AER is only one way to compare savings accounts, what else should you consider when choosing the right account for you?

Type of Savings Account	Definition	Account Features
Easy Access Accounts	This type of account allows you to withdraw money at any time without prior warning Often these are "instant access" accounts, which allow you to withdraw any amount of money from an ATM straight away for free	• May offer a higher interest rate when first set up • Interest rate tends to be lower than for other accounts • May be restrictions on how many withdrawals you can make every year, so make sure you check the small print
Regular Saver Account	A regular sum of money must be added to the account each month	• The interest rate is usually higher • The number of withdrawals that can be made from the account may be limited • In all cases, there is a limit to how much you can save (usually around £250 per month)
Fixed Rate Savings (sometimes called bonds)	Your saved money is "locked away" for a specified period of time (known as the term) A bond is another word for a loan. This means that you are lending your money to a bank or building society in return for interest	• A one-off amount often must be deposited at the start • The term is usually between 1 and 5 years • A fixed (and usually higher) interest rate is offered – depending on how much money is deposited and how long the term is. The bank knows when you will be taking money out, and can plan accordingly • You may be able to withdraw money before the term is up, but this will usually result in penalties
Individual Savings Account (ISA)	This is a form of savings account where you do not pay tax on the interest earned	• The government set the limit of how much money you can save in an ISA each tax year

Target Customers for Different Accounts

Easy Access Accounts
Suit people who want a low-risk savings option with flexible access to their money. They are ideal for those who may need to make regular deposits or withdrawals.

Regular Saver Accounts
Aimed at people who want to save little and often. These types of accounts are often used for building a rainy-day fund or saving for a short to medium term goal such as a holiday or a new car.

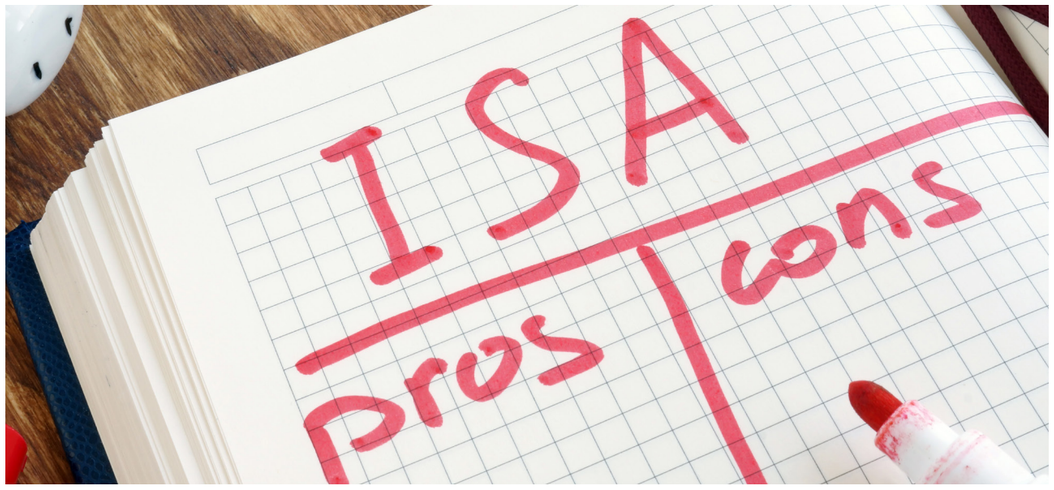
Fixed Rate Saving Accounts
Aimed at people who have a cash lump sum, which they don't need immediately and want a low-risk option with a guaranteed interest rate. They might be used to save for a planned future expense such as a house deposit or a wedding.

Individual Savings Accounts
(ISAs) are aimed at people who want to save or invest without paying tax on the interest, dividends or capital gains they earn up to the annual ISA limit, (see the section on **Financial Documents Relating To Income**). They can also be useful if you get a one-off payment such as redundancy pay or selling a car. There are different kinds of ISA and the type of tax efficient accounts available may change according to government policy.

DID YOU KNOW

Every tax year you can save up to £20,000 in one ISA account or split the allowance across multiple accounts. The tax year runs from 6 April to 5 April.

You can only pay into one Lifetime ISA in a tax year. The maximum you can pay in is £4,000 in a tax year.



The main types of ISA are:

Cash ISA
A savings account where you can earn interest without paying tax on the interest you make.

Stocks and Shares ISA
Lets you invest your money in things such as company shares and investment funds. Your money can grow, but its value can also fall, so you could lose money.

Lifetime ISA (LISA)
Helps you save for your first home or for later in life. The government adds 25% to your savings, subject to certain limits and rules. You normally have to pay a charge if you take the money out for another reason.

Innovative Finance ISA (IFISA)
Lets you invest in things such as peer-to-peer lending. These can offer the chance of higher returns, but they are riskier and you could lose some or all of the money you invest.

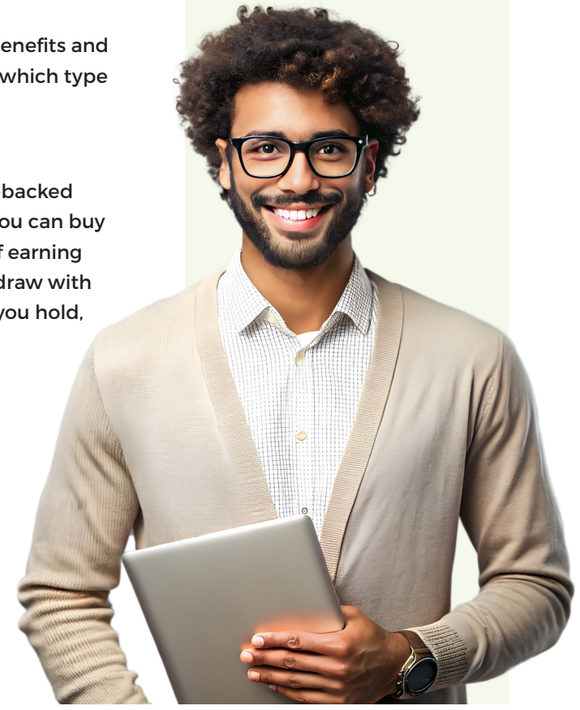
Each type of ISA works differently and has its own rules, benefits and risks. It is important to understand these before deciding which type is right for you.

Premium Bonds
Are a form of savings account offered by the government-backed savings bank – National Savings and Investments (NS&I). You can buy premium bonds for between £100 and £50,000. Instead of earning interest, each £1 invested is entered into a monthly prize draw with tax-free prizes from £25 and £1,000,000. The more bonds you hold, the more entries you have in each draw.

ACTIVITY

Research different types of ISA and create a fact sheet titled ISAs for Beginners.

Compare key features, explain how interest accrues over time, and outline potential benefits and risks.



ACTIVITY

Nandita 17 years old.

Nandita is 17 and works five hours each Saturday in her aunt's restaurant. She earns minimum wage plus around £10 in tips. But by mid-week there's never much left.

Nandita's aunt wants her to open a bank account so that she can pay her wages directly into an account.

Nandita would love to go on holiday with her friends in 6 months' time – her parents have said they will pay for the holiday, but she wants spending money.

QUESTIONS

What is the current minimum wage for a 17-year-old? Use the **gov.uk** website to find out.

Review the four savings account options and select the most suitable account for Nandita. Give at least two reasons for your choice.

PLUSH ACCOUNT

- 0.5% AER
- Open an account with just £5 and receive a free gift
- ATM card (age 16+)
- Online and telephone banking (age 16+)
- Monthly paper statements (with the option to go paperless)

JUNIOR PLUSH ACCOUNT

- 2% AER
- ATM card
- £10 minimum to open an account
- Age range: 14–18 years
- £25 gift card when you open an account

PLUSH ONE ACCOUNT

- 2.25% AER
- £75 minimum to open account
- 30 days' notice to withdraw money without loss of interest
- Minimum age to open account: 16
- Internet banking only

SUPER PLUSH ACCOUNT

- 2.75% AER
- ATM card
- £100 minimum to open
- Monthly deposit of £50 required
- No notice required for withdrawals (up to a limit of £200



Types of Borrowing

Borrowing and Debt

Borrowing is receiving money from someone with the agreement you will pay it back later. This may be informal (from friends or family) or formal (through a lender like a bank or building society). If interest is charged, you will repay more than you originally borrowed.

Loans and borrowing are a part of modern life. You must be at least 18 years old to borrow from banks and there are a lot of different forms of borrowing to choose from, for example:

- Arranging a bank overdraft to help with budgeting if funds are short
- Taking out a personal loan to fund a one-off payment
- Using a hire purchase scheme to buy a car
- Borrowing via a student loan to help fund yourself through higher education
- Arranging a mortgage to buy a property
- Using a credit card to pay for shopping
- Buy Now Pay Later

Short-term borrowing is 12 months or less, for example credit cards, overdrafts, personal loans and buy now pay later.

Long-term borrowing is anything over 12 months, for example Hire purchase (HP), Long term loans (personal loans, personal contract purchases (PCP – usually used for vehicles), student loans and mortgages.

Good or Bad Debt

It's a common misconception that debt is always "bad". Borrowing can help fund purchases that provide long-term value, such as education or property. Unlike renting, once you fully pay off your mortgage the house is yours. You also hope that property will gain value over time. However, borrowers should remember that assets can fall in value as well as rise. The reasons for taking on debt can generally be described as "good" or "bad", depending on what you borrow the money for and whether you can afford it.

- Good debt will provide an ongoing benefit to the borrower or result in some kind of financial return and there is a realistic plan to repay it.
- Bad debt offers little long-term benefit or cannot be repaid affordably.

DID YOU KNOW

According to the Office for Budget Responsibility's March 2026 forecast, household debt of all types will rise to £2,792 billion in 2031.

This would raise average total household debt to £93,537.

INFORMATION

Before borrowing money, lenders will usually assess whether you can afford the repayments. This is known as an affordability check and helps reduce the risk of borrowers taking on debt they may struggle to repay.

Source: MoneyHelper / Financial Conduct Authority (FCA).

Whatever the reason for the debt you must make sure that you can afford to pay it back. Debt is manageable when repayments fit within your budget and income.

If a debt is taken on with no clear means to repay it, then this is called unmanageable debt.

Circumstances can change quickly and manageable debt can become unmanageable. It is not always straightforward as people's situations can change. For instance, if someone loses their job.

Personal circumstances can change without warning. A borrower might find themselves unemployed and not earning enough to cover the repayments. An unexpected family crisis may mean money has to be diverted elsewhere. If debt becomes unmanageable it can have serious financial consequences.

Some people try to offset their debt by borrowing more, but this can result in a spiral effect and cause financial difficulty.

QUESTIONS

1. Name three different forms of borrowing
2. What is meant by good and bad debt?
3. How are good and bad debt different to manageable and unmanageable debt?



Whatever the reason for borrowing, there are some factors that you should always consider before looking for a loan, including:

- How much you want/need to borrow
- Your existing income and expenses, how much can you afford?
- Whether your income is stable, is your job secure?
- Do you need to put down a deposit, if so, what amount or percentage?
- What are your credit history and credit score like? A poor credit history and/or score will make it less likely that a loan application will be agreed

Before deciding to take out a loan make sure you have looked at:

- How much you can borrow
- The interest rate and the total amount of interest that will be charged
- Whether there are any additional fees or charges?
- The total cost of the monthly repayments
- The length of the loan term

Whether you meet the lenders criteria. For example, minimum age, where you live and how long you have been there, whether you have bank account, your level of income, whether you're employed, what the loan is going to be used for and so on.

Lenders will ask for details of your financial situation to access the risk of lending to you and you being able to pay back the money.

Remember that failing to make payments on a loan can have serious consequences:

- The lender might add extra charges
- It will negatively impact on your credit history and credit score. (You can find more information about these in the sections about **Credit Scores**) making it more difficult to borrow in the future
- If it's a secured loan you could lose what you used as collateral, for example your car or house
- Emotional stress, difficulties in relationships, loss of self-esteem, physical illness brought on by stress

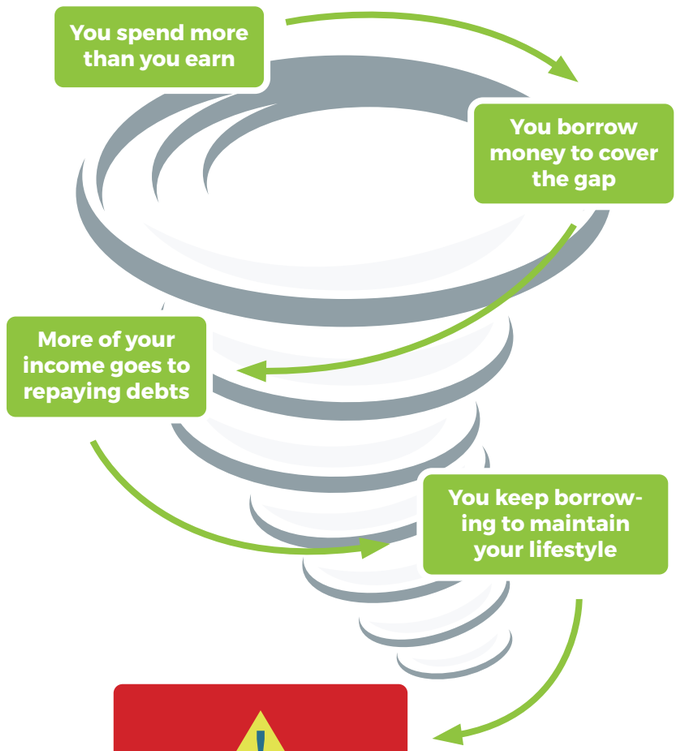
REMEMBER

The golden rule is never borrow more than you can afford to pay back!



The Debt Spiral

How borrowing more can lead to less!



QUESTIONS

1. Give one example of a manageable debt and one for unmanageable debt?
2. Name two consequences of unmanageable debt
3. What is probably the worst thing you can do if you get into debt?
4. Explain what you understand by the term 'duty of care'?

REMEMBER

If you are struggling with debt, speak to your lender or seek free advice from an independent debt charity.

Many lenders have a duty of care and may be able to offer support. See the section on **Sources of Help and Guidance**.

Borrowing comes in many different forms. Here are some of the main ones.

BORROWING METHOD	DEFINITION	✔ ADVANTAGES	✘ DISADVANTAGES
Buy Now Pay Later (short term)	Some providers offer short-term financing.	Usually interest free if you make your payments by the due dates.	Missing or late payments usually incur fees and can have a negative impact on your credit score.
Credit Card (short term)	A plastic card issued by a financial organisation with a prearranged limit to allow you to spend (borrow) money up to that amount. If you do not pay off the full amount each month you will start paying interest on it.	Better consumer protection if something goes wrong. May get a 0% or low interest card for an introductory period.	Can encourage overspending if the money available is seen as extra cash. Interest rates can increase.
Hire Purchase (long term)	Tends to be for larger purchases, e.g. expensive furniture Repayments take place regularly over years, but you do not legally own whatever you have purchased until the final repayment has been made.	Allows you to purchase new things that you could not otherwise afford. Spreads the cost of an expensive item over time.	Failure to repay means the goods can be legally taken away from you. Until paid for, you cannot sell the goods on or alter them in any way.
Personal Contract Purchase (long term)	A way to buy a vehicle by paying a deposit and regular monthly payments. At the end of the agreement, you can usually choose to pay a final payment to keep the car, return the car, or use it towards another car.	Usually has lower monthly payments than other options. Spreads the cost of a car over several years. Gives you choices at the end of the agreement.	You do not own the car unless you make the final payment. There may be limits on how many miles you can drive and charges for damage. You may pay more overall than buying the car outright.
Mortgage (long term)	Used to purchase property or land and usually takes many years to repay.	Allows you to spread the cost of property over a long period of time.	Changes in interest rates can affect repayments. Failure to make repayments may affect your credit rating and continuing to do so may ultimately mean you lose your home.

BORROWING METHOD	DEFINITION	✔ ADVANTAGES	✘ DISADVANTAGES
Personal Loan (short or long term)	When money is borrowed as a single lump sum and generally paid back in monthly instalments.	You repay the same amount every month, which helps with budgeting.	May take a long time to pay off, depending on the amount borrowed and the APR.
Overdraft (short term)	An overdraft allows you to borrow money through your current account. They can be requested from the bank or are sometimes automatically offered with current accounts. Arranged overdrafts are set in advance and you can spend money up to the agreed overdraft amount.	Provides a short-term solution. If arranged, can be paid off without penalties. Only pay interest if the overdraft is used.	There may be fees to pay for authorised overdrafts. If you go overdrawn without asking the bank in advance or have an arranged overdraft and spend more than the amount agreed, this is an unarranged overdraft. In this case the bank will almost certainly penalise you with additional fees and charge you a higher interest rate on the money that you owe them.
Store Card (short term)	Store cards are like credit cards but are available from shops rather than banks. They can only be used to buy things at that specific shop. Anything you spend on your store card is borrowed money and, as with credit cards, if you do not pay off the full amount each month you will start paying interest on it.	A shopper may be given the incentive of a discount on an opening purchase or similar offer.	Usually very expensive if the balance is not repaid in full by the due date.
Student Loan (long term)	Specifically designed to fund you through higher education and is then repaid regularly after you start work.	You only start to make repayments once you start earning over a certain amount. Low interest rates.	Repayments will be considered as part of affordability checks for a mortgage. The government can change the repayment threshold and interest rate.

Interest Rates Can Change!

When borrowing or saving it is possible the rate of interest may change. The impact this has on you depends on the type of borrowing you have, for example:

- Fixed-rate borrowing will guarantee the same interest rate for either a specified time, or for the full loan period.
- Variable-rate borrowing means that interest payments change if the lender changes their rate.

APR

APR stands for Annual Percentage Rate and is shown as a percentage. The amount you repay includes the amount you borrowed (the principal), the interest rate, and any charges or fees the lender makes.

The APR considers any fees and charges attached to the loan over one year, as well as the interest rate being charged, and combines it all into one percentage figure. The idea is it makes it easier to compare the costs of borrowing from different providers or different forms of borrowing.

You should always see the APR figure stated on any advertising for borrowing products. What you will see in such adverts is a "typical" or "representative" APR. The rate you receive will depend on your personal circumstances. For example, if the organisation thinks lending to you may be risky, they might increase the interest rate, which will increase the APR.

REMEMBER - the interest rate you receive when you save money in an account (considering any associated fees and charges) is known as the Annual Equivalent Rate (AER) See the section on **Types of Account**. Make sure you don't get these confused!

DID YOU KNOW

High-Cost Credit covers catalogue shopping, doorstep money lenders (loan sharks), rent to own shops, pawnbrokers and payday loan companies, where the interest rates tend to be very high, so borrowing is very costly. These methods are most often used by people with a poor credit history who are unable to borrow money at more competitive rates.

DID YOU KNOW

Loans can be secured or unsecured.

Secured loans require an asset known as collateral, such as a car or property, which may be repossessed if repayments are missed and gives the lender security.

Unsecured loans do not require collateral but typically have higher APRs because they carry greater risk for the lender.

Personal Loans

Personal loans are usually unsecured and repaid in fixed instalments over an agreed term, typically between one and ten years. Borrowers receive a repayment schedule showing how much and when payments are due. Once you are happy with the agreement, you will be asked to sign a contract, and the money will be transferred to your bank account.

Each repayment is a set sum and is made up of some of the principal (original loan amount) plus some of the interest. This continues until the total cost of the borrowed sum plus interest is repaid

If you want to pay off the remaining balance early, a company will sometimes add an early repayment charge (ERC), which may take the total to more than you would have paid over the agreed amount of time. They do this because they will otherwise miss out on some of your interest repayments.

Credit Cards

The word "credit" can be a bit confusing as it has two meanings; an account "in credit" means that there is money in it that is available to spend. However, if you obtain goods or services "on credit" it means that you have borrowed the money to make the purchase.

Credit cards are available from most banks and let you purchase goods and services up to a certain pre-agreed limit. The amount you spend is paid for by the credit card provider – it does not come out of your own account. They keep a record of everything you buy and every month you are sent a statement to show how much you have borrowed.

There are two ways of repaying a credit card. One of them charges you interest, the other does not:

- You repay your balance in full when you receive your statement you will not be charged interest
- You only pay off some of the statement balance. Credit cards require a minimum payment is made every month. This is usually around 3% of the balance or £5, whichever is greater. You will be charged interest on the remaining balance plus any further spending the following month. The following month you will be charged interest on this interest so your debt will increase

DID YOU KNOW

Terms and Conditions (T&Cs) are often called "the small print" and are the set of rules that apply to your loan. These should be carefully checked to make sure you are getting what you expected. In signing the contract, you are also agreeing to the T&Cs – although there is a 14-day "cooling off" period before they become legally binding.

QUESTIONS

1. What are three elements of repayment?
2. What are the main differences between APR and AER? AER is covered in the section on **Types of Account**.
3. How might changes in the Bank of England base rate of interest affect borrowers?

Credit card providers check your credit history before approving an application. A good credit score increases your chances of acceptance and may provide access to lower interest rates and more offers.

The provider will set a credit limit, ranging from a few hundred to several thousand pounds depending on your circumstances. You can spend up to this limit without seeking approval for each purchase.

You can also have more than one credit card at a time – provided your credit rating is sufficiently strong. To protect your credit history, you should try not to use more than 25% of your credit limit regularly. Some providers offer introductory deals, including low or 0% interest rates for a fixed time. As well as balance transfers (debt transferred from another card or loan). Be aware that after the introductory period ends, the interest rate may increase significantly.

There are some positives to having a credit card:

- It is highly convenient when shopping and safer than carrying cash
- You can make instant purchases (up to your credit limit) though you should always be confident that you can repay the money
- Under Section 75 of the Consumer Credit Act 1974, purchases between £100 and £30,000 may be protected. If a retailer fails to deliver goods or goes out of business, you may be able to claim a refund from your credit card provider, even if only part of the purchase was paid by credit card
- It is good for your credit score if you can show that you have borrowed money and paid it back as expected; this demonstrates financial responsibility
- Bonuses such as air miles, reward points and cashback may be extra features of some credit cards

REMEMBER - the higher the APR the more it will cost you to borrow, and the longer you borrow for the more it will cost you.

DID YOU KNOW

If you borrowed £3000 on your credit card at age 25 and made only the minimum repayments, you'll be almost 50 before it clears!

QUESTIONS

1. What is the difference between a credit card and a store card?
2. Why is it better to have an arranged overdraft rather than an unarranged overdraft?
3. What are the differences between credit unions and banks?



CASE STUDY

Nikita, Mackenzie, Jack, and Chika are a group of friends discussing their credit card interest rates.

Nikita, a trainee chef earning £16,000 a year, was recently approved for a credit card after several providers rejected her due to missed mobile phone payments. Because of her poor credit history, she pays an APR of 30%

Mackenzie has an excellent credit score. He uses his credit card for occasional large purchases such as holidays. He pays the balance in full each month and his credit card company gave him an APR of 5%.

Jack is not very good with money and has struggled with loan repayments in the past. As well as regularly maxing out previous credit cards. Only one provider was willing to offer him a card, charging a whopping APR of 50%.

Chika earns £30,000 as a graphic designer. She pays her credit card balance at the end of every month using a direct debit, so she does not forget. Her card gives her an APR of 10%.

1. Why do you think individuals have different interest rates? Is this fair?
2. How could Nikita and Jack improve their credit history?
3. What advice would you give Nikita and Jack for the future?

QUESTIONS

1. How do both loan and credit card companies work out the specific interest a customer should pay?
2. What is a credit limit on a credit card?
3. Why is it important to understand the Terms and Conditions attached to borrowing money?
4. Why is it a good idea to pay off the balance on a credit card each month, if you can?

DISCUSSION

What do you think the negatives about having a credit card might be?



Mortgage Borrowing

A mortgage is the name of a special type of long-term loan you can use to help buy a property. A typical mortgage term is for 25 years. The amount you can borrow depends on your income and how much you can afford to pay per month after your other essential spending.

Most mortgages require a deposit of at least 5% of the property's value. Generally, a larger deposit gives access to lower interest rates and cheaper monthly repayments.

Before deciding whether to offer you a mortgage a lender will also look at the percentage of the property value you want to borrow. This is called the Loan to Value (LTV), which is the percentage of the property's value being borrowed. For example, a £20,000 deposit on a £200,000 property equals a 10% deposit, resulting in a 90% LTV mortgage.

A mortgage is a secured loan. If repayments are missed, lenders can take legal action to recover the debt. For instance, deduct money from your wages or use bailiffs to take away possessions to be sold. In serious cases, the property may be repossessed and sold to repay what is owed.

Repayment Mortgages

Most homebuyers choose a repayment mortgage. Each monthly payment covers some of the loan and some interest, reducing the amount owed over time. If all repayments are made, the mortgage is cleared at the end of the term, and you own the property outright.

The advantages of a repayment mortgage include:

- If you have some spare money available, you may be able to pay off your mortgage more quickly by increasing your payments
- You may end up paying less interest in total because the amount you owe decreases every month. As your mortgage term decreases more of each monthly payment goes towards clearing your balance, and less towards interest
- As your mortgage term decreases, you may be eligible for lower interest rates as your outstanding loan has reduced
- You have the security of knowing that you will own your own home at the end of the mortgage, if you have made all your monthly payments

The main disadvantage is that your monthly payments will be higher than if you had chosen an interest-only mortgage,

INFORMATION

A larger deposit generally means a lower LTV. A lower LTV can give borrowers access to a wider range of mortgage deals and potentially lower interest rates.



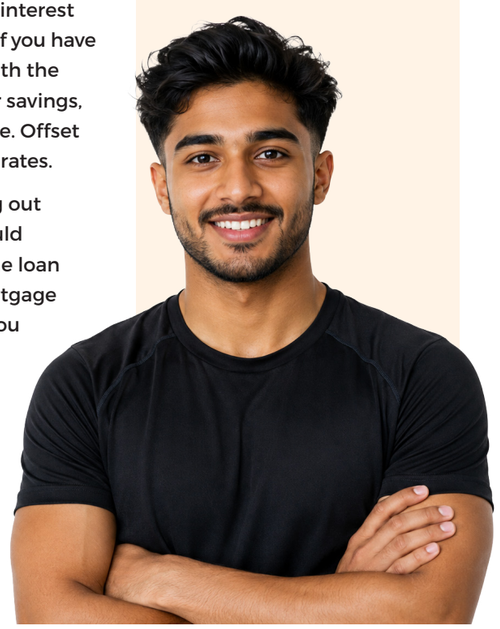
There are four main types of repayment mortgage:

- **Fixed Rate Mortgage**
  The interest rate is fixed for an agreed period, meaning your monthly repayments stay the same. You are protected if rates rise but will not benefit if rates fall. At the end of a fixed or introductory deal, borrowers are usually moved onto the lender's Standard Variable Rate (SVR) unless they switch products.
- **Variable Rate Mortgage**
  The lender's interest rate is usually significantly higher than the Bank of England Base Rate and the lender can change the interest rate at any time, causing monthly repayments to rise or fall. While this may reduce costs, it can make budgeting more difficult and in the worst-case scenario your repayment can become unaffordable.
- **Tracker Mortgage**
  The interest rate tracks the Bank of England base rate for a set period. It is usually set at a fixed percentage above the base rate.
- **Offset Mortgage**
  The amount of money you have in a savings account is offset against the amount you need to repay on your mortgage. The money in your savings isn't used to pay off your mortgage but lowers the interest you're charged on your monthly repayments. For example, if you have a £250,000 mortgage, plus £25,000 in a savings account with the same organisation, you won't get paid any interest on your savings, but you will only pay interest on £225,000 of your mortgage. Offset mortgages may be available with fixed, variable or tracker rates.

The interest rate charged should be considered when taking out any type of mortgage. For a house costing £230,000 you would typically need to find a minimum deposit of 5% (£11,500). The loan required would therefore be £218,500. If the repayment mortgage term was 25 years and the interest rate was fixed at 5.48% you would pay £1,339 per month, making a total of £401,762 (the original loan of £218,500 plus £183,262 interest).

INFORMATION

A mortgage is often one of the biggest financial commitments you'll make. When choosing a mortgage, it's important to consider the interest rate, deposit size and mortgage term, as these can affect your monthly repayments and the overall cost of borrowing.



MoneyHelper - Understanding mortgages and interest rates.

Interest Only Mortgages

With an interest-only mortgage, monthly repayments cover only the interest charged. Payments are lower, but the amount borrowed does not reduce.

For example, if you borrowed £200,000, you would only be paying the interest on this and at the end of the term you would still have to find the full £200,000 to clear your debt. You might do this by withdrawing it from your savings, selling investments, using part of your pension fund, selling the property (hopefully for a profit!) or by taking out a new mortgage.

The advantages of an interest only mortgage include:

- Your monthly payments are lower than with a repayment mortgage
- You may make a profit if your monthly savings/investments perform well
- You can use the extra monthly cash as you wish, for example for home improvements

The disadvantages include:

- You will need to pay off the full amount borrowed in one go at the end of the term
- You will pay more interest overall because the amount you owe stays the same
- You will need to monitor your plans carefully to make sure you can make the final one-off payment



Student Loans

University involves costs such as tuition fees, accommodation and living expenses. Many students use student loans to help cover these costs. Repayments are deducted from your income once you get a job that pays above the repayment threshold.

If you decide to go to university you can apply for a loan to cover your tuition fees. Most students will also apply for a maintenance loan to cover their day-to-day living costs, like accommodation, food, transport, phone and laptop costs.

Tuition fee loans are paid straight to the university, but maintenance loans are paid directly to you. So, you are in control of how this money is used.

The maximum you can borrow depends on how much your parents/carers earn. Once the household income is over a certain amount the amount of maintenance loan available reduces.

You do not have to pay either of these loans back until you have left University, are working and earning above a certain threshold.

Student Loans DO NOT go on Credit Files.

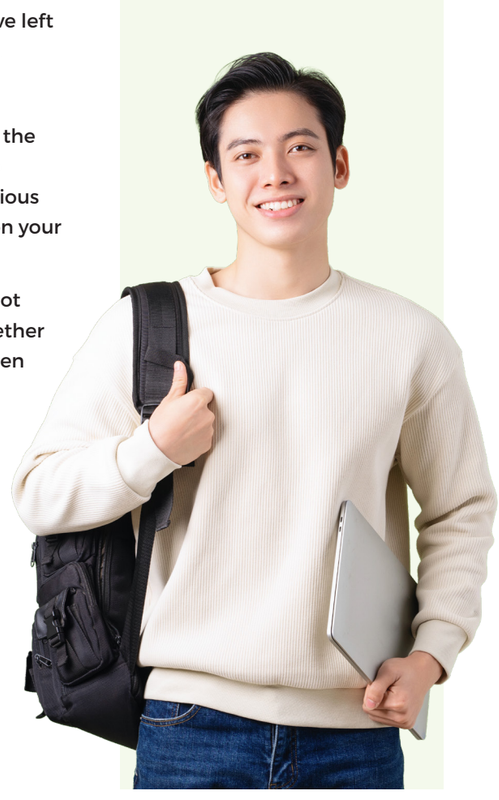
When you apply to borrow money from a financial institution, the lender looks at three pieces of information before they decide whether to approve your loan: your application form; any previous dealings they've had with you; and crucially, the information on your credit history/score.

Student loans are not included in your credit history, and do not directly influence credit scores. However, a lender will ask whether you are repaying a student loan and take this into account when assessing how much you can borrow.

See the section on **Credit Scores** for more information about credit scores and credit history.

ACTIVITY

1. If an English university charged the maximum tuition fee for a three-year degree, carry out some research to find out what the total tuition fee would be
2. An average university year is based on 40 weeks. Carry out some research and estimate the average cost of living for a three-year degree?



Interest On Student Loans

As with other forms of borrowing, interest is also applied to student loans and will be considered when your repayments are calculated.

This information only applies to an English student attending an English University.

DID YOU KNOW

The way student loans work is different in England, Scotland, Wales and Northern Ireland.



Types of Insurance

How Insurance Works

Insurance companies guarantee to provide financial compensation for loss, damage, illness, or death in return for payment of a fee. The details of the insurance cover provided are called a policy, and the fee you pay for your policy is called the premium. Plus, you usually must pay an additional insurance premium tax. Most policies also require you to agree to an "excess" meaning that they will only compensate you for losses exceeding this amount. Premiums collected from many customers are used to pay the claims of the few who need to claim.

Two people applying for the same insurance policy may be charged different premiums because insurers assess the likelihood of each person making a claim. Choosing a higher excess often reduces the premium.

Car Insurance

Insurers consider factors such as the age of the driver, the vehicle's age and type, any modifications, where it is kept overnight, expected mileage, the driver's occupation and driving history.

Buildings Insurance

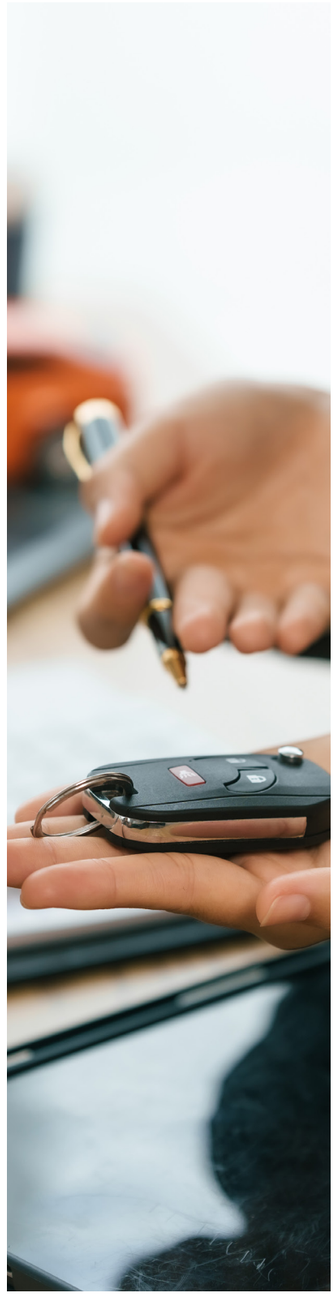
Insurers consider the property's age and type, construction materials, roof type, security features, flood risk and postcode, which helps them assess factors such as local crime rates.

Travel Insurance

Costs depend on factors such as age, pre-existing medical conditions, destination, trip length and planned activities. For example, skiing holidays are usually more expensive to insure than beach holidays because the risk of injury is higher.

When taking out insurance, make sure the policy suits your needs. Check the terms and conditions carefully to understand what is and is not covered, and the level of excess that applies.

Insurance companies often come up with new things that you can insure yourself against, even where the risk is minimal. So always examine the risk, work out whether you need the protection, and check if you're covered in other ways (e.g. through other insurance you already have), before signing up to a new policy.



Types of Insurance

Insurance can be purchased for many situations, including your home, health, holidays, pets and possessions. Most insurance is optional, allowing you to decide whether to protect against a risk or accept it. A "new-for-old" policy replaces items with new equivalents but usually costs more.

However, some types of insurance are legal requirements. By law, if you own a vehicle that can be safely driven on the road you must have insurance that, at the very least, covers you for any damage or harm you might do to other drivers or pedestrians. Mortgage lenders usually require buildings insurance before they will agree to your loan, and businesses may need specific insurance by law.

Here are some typical examples of insurance and what they will cover.

TYPE OF INSURANCE	WHAT IS LIKELY TO BE COVERED
Home Buildings Insurance	Covers repairs to the structure of your home in case of damage – e.g. from a storm. This is not required if you are renting a property
Home Contents Insurance	Covers your possessions in the home against loss or damage. Some policies cover accidental damage. Both homeowners and tenants may want this cover
Motor Insurance Third Party	Your insurance will pay the costs if you do damage to someone else or their property (i.e. a third party).
Motor Insurance Third Party, Fire and Theft	The same as third party but also covers the policyholder's vehicle if it is stolen or catches fire.
Motor Insurance Fully Comprehensive	This covers the cost of damage to yourself and your own vehicle as well as any damage you may cause to someone else or their property.
Life Insurance	Will pay money on your death, or in some cases if you become critically ill while you are covered. Life insurance is often taken out to cover a mortgage, so that if you die during the mortgage term the loan will be paid off.
Travel Insurance	Cover for loss of luggage, travel cancellations or disruptions, if you must pay medical expenses because you fall ill on holiday, etc.
Loan Cover	If you take out a loan you can insure yourself in case you cannot repay it due to illness, unemployment, etc.
Income Protection/Critical Illness	Guarantees some income if for any reason you are unable to work.

INFORMATION

Insurance Premium Tax (IPT): Most general insurance policies are subject to 12% Insurance Premium Tax. Certain types of insurance, including some travel insurance, can be subject to a higher rate of 20%.

GOV.UK - Insurance Premium Tax

Example, let's say you are going on holiday abroad.

STEP 1

Gather your travel details, including destination, departure point, trip length, planned activities and the level of cover required. Cover should reflect potential losses such as cancelled flights, lost luggage, theft or medical treatment. Higher levels of cover generally cost more.

STEP 2

Shop around and get quotes from different insurance companies for appropriate policies, comparison sites are useful for this.

STEP 3

Pay the premium to your chosen insurance company.

STEP 4

The insurance company will provide all your policy details, together with information about how to make a claim if something happens while you are on holiday.

STEP 5a

Go on holiday, have a good time and return home without claiming.

OR

STEP 5b

While away you are pickpocketed and have items stolen to the value of £1,000. You contact your insurance company straightaway using the details they provided when you took out your policy. You probably need to fill in a claim form explaining what happened. The insurance company will assess your claim and if approved, they will compensate you for the things that were stolen. Although you may not get the full amount depending on your pre-agreed excess and whether your policy provides "new for old cover.

INFORMATION

Self-Insuring
Some people choose to rely on savings instead of buying optional insurance. This means setting aside enough money to cover unexpected losses or replacement costs. The level of insurance you choose depends on your attitude to risk.

ACTIVITY

In groups, draw three spidergrams – one each for a car, a destination holiday and an expensive phone.

Try to work out the risks attached to each and write them onto the spidergram. When complete, consider these questions:

- What is the likelihood of them happening?
- How disastrous, upsetting or expensive might they be if they happened?
- Would you consider taking out insurance for any of these risks?

Types of Investment

Investment

Investing means using money to buy assets that may increase in value over time. All investments involve risk, and the value of an investment can fall as well as rise.

What people choose to invest in often depends on their attitude to risk. Some people choose not to invest at all; some to take very low risks and others may be willing to gamble on higher risk investments. Another factor is your expected investment timeline; this means how long you expect to keep the investment before using the funds to achieve your financial goal. For example, you might be saving for a wedding in a year's time and be looking for a lower-risk investment as you will need to access the money soon.

Some forms of investment include:

Cryptocurrency

Cryptocurrencies are stored in digital wallets and transferred electronically. Their value is highly volatile, so they should be treated as high-risk investments as they are not regulated by the government or the finance industry.

Stocks and Shares

Stocks and shares are terms used to describe units of ownership in one or more companies.

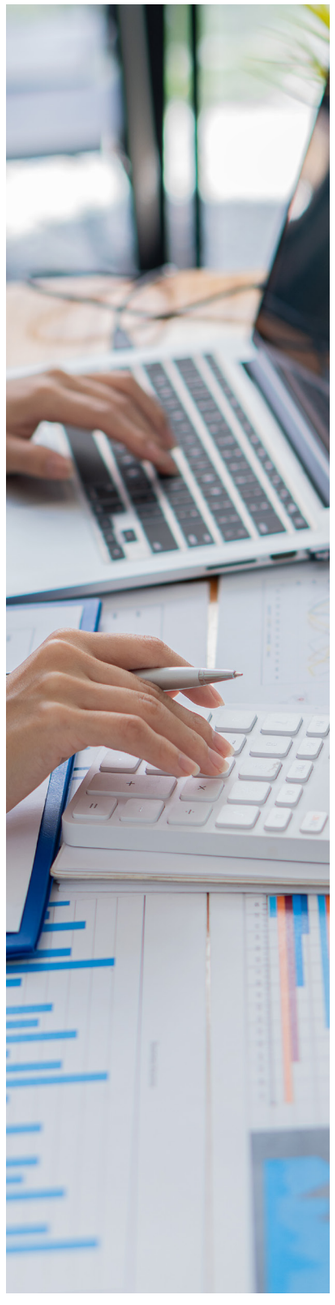
A share is a unit of ownership in a specific company; if you buy a share in a company, then you own a very small part of it. Companies raise the money that they need to operate and grow by selling shares.

Stocks usually refer to shares held in multiple companies.

If a company performs well, its share price may rise, allowing investors to sell for a profit. For example, 100 shares bought at £1 each and later sold at £2 each would generate a £100 profit.

Share prices can also fall. For example, 100 shares bought at £1 each but sold at 80p each would result in a £20 loss.

This type of individual investment carries more risk than collective investments and is usually considered to be a longer-term investment.



Collective Investments

Many investors are not experts in investing. They may also be worried about taking a risk by investing too much money in a small number of companies, which could perform badly and see their share price fall. One option is to invest in a unit trust which is run by people who are experts. These trusts may invest in shares and commodities (such as property and gold) to spread the risk for an investor. The combination of the different areas of investment is known as a portfolio. Even if one area of the portfolio begins to fall in value, this may not impact the trust negatively and may be balanced by growth in other areas of the portfolio. Even so, it's important to realise that collective investments can still fall in value.

Property and Other Commodities

Some people prefer to invest in actual products like gold and houses. As with shares, their value can rise or fall. For example, a house bought for £100,000 may be valued at £98,000 after one year, representing a £2,000 loss. Five years later it may be worth £115,000, which could result in a £15,000 profit if sold. One issue with property is that it can be difficult to sell quickly, so may not be the best plan if you may need your money back in a hurry. It can also be expensive to move from one house to another

Some people buy a second property to rent out and generate income. A buy to let mortgage is often more expensive and usually requires a larger deposit. When the property is empty, you are still responsible for paying the mortgage and council tax plus any repairs or maintenance required. Poor tenants might miss rent payments and/or damage the property, so you could end up with a lower income and higher costs.

While many people rely on qualified financial advisors to pick the right investments, some people relish the challenge of trying to pick the best investments themselves. They may enjoy keeping a check on how share prices are changing and how this affects the value of their investments.

Investors choosing ethical investments may accept lower financial returns in exchange for supporting organisations whose values they share.

QUESTIONS

1. Explain why some people decide to take the risk of investing, instead of keeping all their money in a savings account.
2. How do collective investments attempt to reduce risk for investors?
3. What are some of the risks associated with investing in property?
4. When there is a lot of change in financial markets, investment in commodities, such as gold, tends to increase. Why do you think this is?

REMEMBER

All investments involve balancing risk against potential reward. No investment guarantees a profit, and you should never invest more than you can afford to lose.

Types of Pension

Pensions

A pension is a long-term savings plan designed to provide income during retirement when you are no longer earning from work.

Most people will pay into a pension scheme, and as we saw in the section on **Financial Documents Relating To Income**. These payments will appear on your payslip in the deduction's column.
Putting money into a pension scheme is like having a savings account, but unlike normal savings you cannot use your money until you reach retirement age.

There are three main types of pension:

State Pension

This is paid by the government. To qualify for the State Pension, you must have paid National Insurance (NI) contributions for a certain number of years and have reached a specified age set by the government.

The number of years you have paid National Insurance contributions will affect the amount of State Pension that you receive. To qualify for the maximum State Pension, you will need to pay NI contributions for a minimum of 35 years. The state retirement age is regularly reviewed by the government as advances in healthcare enable people to work and live longer.

Workplace Pensions

These are set up by your employer, and you pay a percentage of your monthly income into the pension. This is taken off your gross income before it is taxed, which means that your pension contribution is tax-free.

Another huge benefit of a workplace pension is employers must also contribute.

Contributions are typically invested by the pension provider.
The value of the pension depends on contributions made and investment performance. See the section about **Types of Investment** for more information.

A pension provider manages the pension and may be selected by your employer or, in some cases, by you. It is important to know who your pension provider is and what they intend to do with your money as the value of your pension pot can go up or down depending on your investments.

QUESTIONS

1. What is the current State Pension Age
2. Are there any plans for it to increase?
3. What is the current value of the State Pension per month?



Automatic Enrolment into Workplace Pensions

Employers must automatically enroll eligible employees into a workplace pension scheme. This means most people will start a pension from the beginning of their working life.

Auto-enrolment applies to employees between the age of 22 and their state retirement age, who earn over £10,000 a year and work in the UK. Employees can choose to opt out and may join later.

There are minimum amounts that must be contributed, but both employees and employers can decide whether to contribute extra money into the pension scheme. The more that goes in, the bigger the amount of money there will be when the worker retires.

Private Pensions

Most UK residents under 75 can open a private pension, including self-employed people and those wishing to supplement workplace pension savings. They operate in a similar way to workplace pensions but obviously there is no employer to select the best scheme for you and no employer contributions.

Personal Alternatives

Some people also choose other ways of building up a retirement fund, for example by investing in a stocks and shares ISA or property. But remember that anyone opting out of a workplace pension scheme would lose their employer's contributions.

QUESTIONS

What differences can you identify between the State Pension scheme and a private pension?

DID YOU KNOW

More than 22 million people in the UK were saving into a workplace pension in 2023 - over 10 million more than in 2012.

GOV.UK – Analysis of Automatic Enrolment saving levels



Credit Scores

Credit History

Your credit history is stored by credit reference agencies (CRAs) and is usually supplied in the form of a credit report.

Your credit report includes:

- Your name, address, date of birth and any previous names you have used;
- What you owe together with any late, partial or missed payments;
- Any Court judgements relating to your finances
- Information about any previous home repossessions
- Any debts that were secured against an old address
- Current or recent bankruptcies

It does not include information about:

- How much money is in your bank accounts
- How much you earn
- Council tax arrears
- Driving or parking fines
- Your criminal record other than unpaid magistrates' fines
- Your medical history

Some information like missed payments and court judgements stay on your credit file for six years

This report is then summarised into a single numerical credit score, which reflects the level of risk in lending to you and the likelihood of you paying a loan back or honouring payments on a contract.

The higher the number the better your credit score. A higher score may improve your chances of being approved for credit and accessing lower interest rates. A lower score may result in refusal or higher borrowing costs as you are considered a greater lending risk.

INFORMATION

A credit score is calculated using information in your credit report and helps lenders assess how likely you are to repay money you borrow. A stronger credit history may improve your chances of being accepted for credit and may help you access better interest rates.

Source: MoneyHelper / Financial Conduct Authority (FCA)



Each credit agency works out your credit score differently and secretly and some lenders also calculate their own independent scores.
You can check your credit history and credit score by contacting the CRAs directly. By law, you have the right to see the core data they hold about you. It's a good idea to check your details with each CRA every now and then and particularly if you are thinking about applying for any sort of credit, moving home or if you're worried about identity theft. Further information can be found in the section on **Risks to Financial Safety and Security**.

REMEMBER - If you find an error in your credit report, contact the relevant CRA and request a correction. The CRA will record the dispute and investigate the information, although this can take some time.

DID YOU KNOW

There are four Credit Reference Agencies (CRAs) in the UK — Experian, Equifax, TransUnion and Crediva - and each can hold a slightly different credit report about you.

Source: MoneyHelper – How to check your credit report.



The Importance of an Individual's Credit Score

When you apply to borrow money, lenders will usually review your credit report and score to decide whether to lend to you, how much to lend and at what APR.

Your credit history and credit score are important to ensure that the best borrowing rates are offered to you. If you have a poor credit history and a low credit score you may be refused a loan outright or it may be at a higher interest rate to reflect the greater risk. Similarly, this might also mean you are charged a higher insurance premium or find it more difficult to rent a property.

It's important to be aware there is no single credit score. Different organisations use different information, calculations and scoring ranges, so scores cannot always be compared directly.

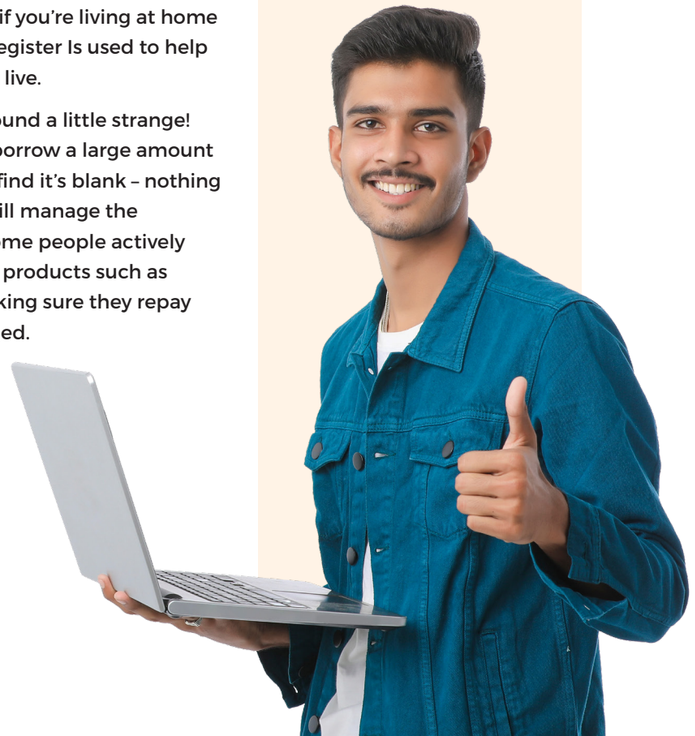
Things that are good for your credit history and/or credit score include:

- Borrowing only what you can afford to repay comfortably and repay any outstanding debts.
- Make payments on time and in full. Direct debits or standing orders can help avoid missed payments, which can negatively affect your credit record.
- Keeping the same well-managed accounts over a period rather than chopping and changing.
- Register to vote at your current address, even if you're living at home or in student accommodation. The electoral register Is used to help confirm details of who you are and where you live.
- Actively build a credit history. This one may sound a little strange! Consider being a bank and someone asks to borrow a large amount of money. You look at their credit history and find it's blank – nothing there. You would not know how the person will manage the borrowing as there is nothing to base it on. Some people actively build a credit history by taking out borrowing products such as credit cards, using them occasionally and making sure they repay them on time and before any interest is charged.

INFORMATION

UK lenders are required to assess a borrower's creditworthiness before entering into a regulated credit agreement, including whether they can afford the repayments.

Source: Financial Conduct Authority (FCA), Consumer Credit Sourcebook - Creditworthiness assessment.



Check your credit report regularly to make sure that it's accurate. Things that have a negative impact include:

- Setting up new accounts too often. When you open a new bank account it lowers your credit score temporarily.
- Using most or all your available credit or exceeding agreed limits.
- Making multiple credit applications within a short period, which may suggest increased lending risk.
- Missing payments, borrowing beyond your means, or receiving a County Court Judgment (CCJ).
- Having little or no credit history. If you've never had or used credit you will probably have a low credit score.

Lenders also assess affordability by considering your income and expenditure. Even with a good credit history, borrowing may be limited if repayments are considered unaffordable.

QUESTIONS

1. What are the decisions that lending organisations must make before giving credit to a customer?
2. What tools do lenders use to help them make these decisions?
3. List two things that can be more difficult if you have a poor credit history/low credit score.
4. List four things that can help improve your credit history/credit score.





3

Financial Planning

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Planning For Different Stages In Life

Stages In Life

Financial needs and products will change throughout your life. Whether you are a student, working, buying or renting a home or providing for a family.

Education

Sixth Form/College

After completing your GCSEs, you might be attending sixth form or a Further Education college. This can increase costs such as travel, specialist clothing or equipment.

Depending on your circumstances and the subject you're studying you may be able to get help with:

- The cost of your course
- day-to-day living costs
- childcare

If you haven't yet passed your English and maths GCSEs at level 4 or above, you must continue to work towards them and these courses are free.

Apprenticeships

After leaving school many young people start an apprenticeship in an area they are interested in. An apprenticeship combines practical training in a job with study.

As an apprentice you will:

- Work alongside experienced staff
- Gain job-specific skills
- Earn a wage and get holiday pay
- Get time for study related to your role (usually one day a week)

Apprenticeships typically take between one and five years to complete. There are no tuition fees, but you will need to manage your own living costs including rent if you live away from home, specialist clothing or equipment, and travel.

INFORMATION

Apprenticeships allow you to earn while you learn, combining paid work with training and study. Apprentices gain valuable workplace skills, receive holiday pay and do not pay tuition fees, but still need to budget for everyday costs such as travel, equipment and living expenses.

Apprenticeships.gov.uk



Apprentices must be paid at least the apprentice National Minimum Wage, although some employers pay more. You'll be entitled to at least 20 days paid holiday per year, plus bank holidays and sick pay, the same as any other employee. If you earn enough, you are also entitled to join your employer's pension scheme.

Some employers may also offer extra benefits, such as a travel loan or access to leisure facilities. You may also qualify for a discount card designed for apprentices, which gives you access to lots of opportunities to save money. Depending where you live, there may also be local discounts available on public transport.

University

Living costs, including accommodation, food, travel, books and entertainment, vary depending on where you study and whether you live at home. Some cities are significantly more expensive than others and it is a good idea to do your research before deciding which universities you will apply to. If you will not be living at home during term time you will need to find somewhere to stay.

Many universities have halls of residence which are on or near the campus and are particularly suitable for new students. You should check when registration opens and get your name down early as they fill up quickly. Other options include private halls of residence, a shared flat or house or a room in someone else's house. Your Student Union or student support team may have a landlord accreditation scheme or a list of approved landlords. They can also help you to look through any rental agreement or contract before you sign. Once you've signed, you're legally responsible for the full tenancy so make sure you are clear about what you are agreeing to.

Students are often the target for rental fraud, see online fraud in the section on **Risks to Financial Safety and Security.**

You can find more information about renting property in the section on **Essential Spending.**

Although there are costs associated with going to university, the hope for many students is that the qualification they leave with will enable them to enter the career of their choice and potentially earn a higher level of income. In addition to student loans, you may also want to explore other possible sources of income such as bursaries, grants and scholarships. Additional support may be available for students on low incomes, with disabilities, dependants or on certain courses.

ACTIVITY

1. An average working week is 35 hours. What is the minimum an apprentice can earn per week?
2. Are there any costs you can think of which you would have to pay whilst working as an apprentice?

You might also want to take on some part-time work whilst at university to generate extra income, however, you would need to ensure that this didn't affect your studies.

More information about student loans can be found in the section on **Types of Borrowing**.

Changes In Family Circumstances

Some changes such as deciding to get a pet are planned whereas others such as a sudden job loss or unexpected pregnancy are not. Either can affect your income and living costs.

Before making a major change, consider all associated costs and whether they are affordable, for example, costs associated with a new puppy would include:

- The purchase or adoption price
- A crate, bed, toys, leads, poo bags
- Microchipping (if not already done)
- Vaccinations
- Food & water bowls
- Food
- Pet insurance (optional)
- Flea & worming treatments
- Puppy training (optional)

The minimum cost of owning a small dog over its lifetime is about £6,000 and for a large breed it can be as much as £18,000!

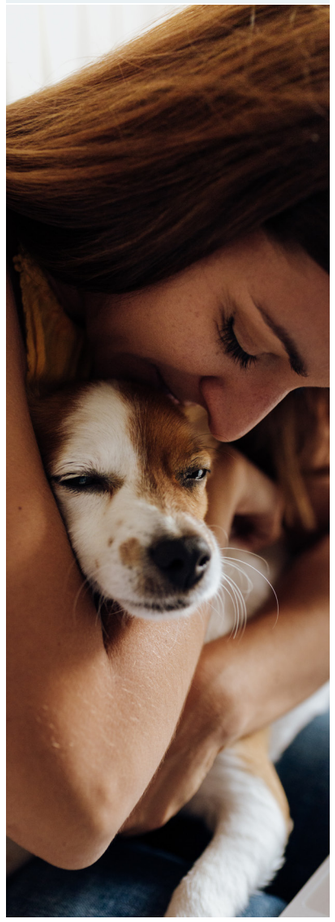
Unplanned changes can create financial pressure, so it is helpful to plan ahead where possible. It's recommended that you have an emergency fund saved in an instant access account equivalent to 3 –6 months' worth of your essential expenses. So, if your essential living expenses such as rent, food etc are £1,000 per month you'd really like to have between £3,000 and £6,000 saved.

Not everyone is fortunate enough to be able to do this but getting into the habit of saving small amounts regularly is often better than trying to save a larger amount now & again.

DID YOU KNOW

In 2023, the median, graduate salary in the UK was £10,500 more than the median non-graduate salary. *(Graduate labour market statistics: 2023)*

88% of new jobs by 2035 will be at graduate level *(Labour market and skills projections: 2020 to 2035)*



If you know that your house has an old boiler it's better to start saving towards the cost of a new one before it breaks down and needs replacing.

If other people rely on your income you might want to take out an income protection/critical health insurance policy,

If all else fails and you need more money than you have available, you might be able to borrow some using a credit card or a personal loan. Try not to borrow more than you can afford to pay back as this would only make your situation worse.

Moving Home

If you're moving into your first home, you will need the funds to either rent or buy it. This will include the deposit and the monthly payments. See section **Essential Spending**.

If your new home is unfurnished, you will need to acquire some essential items such as a bed. Check beforehand what will be left in the property, for example will there be a fridge, a cooker or any other useful items.

If you're buying the property, either with or without a mortgage, extra costs might include:

- A building survey (this will be required by a mortgage lender)
- Life insurance (this is usually required by your mortgage lender)
- Estate agent fees unless you are buying directly from the owner
- Stamp duty, depending on your circumstances
- Buildings insurance
- Contents insurance
- Cleaning/repairs/redecorating
- New locks
- Postal redirection
- A removal company if you have too much to do it yourself

If you're not moving into your new home immediately or moving into a much smaller property you might need to pay storage costs.

DID YOU KNOW

Around 1 in 4 adults in Great Britain would be unable to pay an unexpected but necessary expense of £850.

Source: Office for National Statistics, 2026.



Work

There is a wide range of work available for school and college leavers. For those going straight into work from school or college there is also a National Minimum Wage or National Living Wage. This varies according to your age, and the rates change every April.

The National Minimum/Living Wage is exactly that – it's the lowest amount that an employer can legally pay you.

Many jobs pay more and the exact amount paid by employers is determined by several factors, including:

- The level of responsibility within the role
- The skills required to do the role
- The level of experience they are looking for

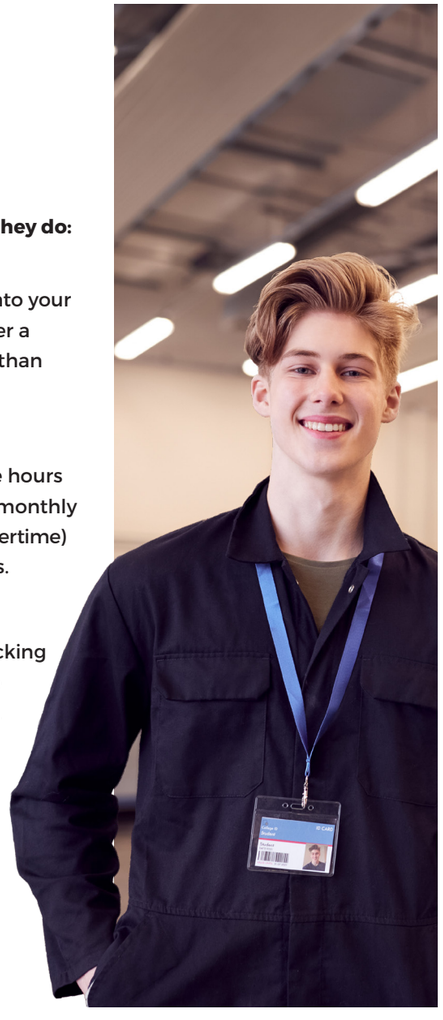
Ways You Can Be Paid

There are several ways people can be paid for the work that they do:

- **Salary**
  A set amount of money paid once a month usually directly into your bank account. Based on the agreed amount you will earn over a year. You don't usually get extra pay for working more hours than stated in your contract.
- **Hourly Rate**
  You are paid a set amount for every hour you work. The more hours you do, the more you are paid. This is usually paid weekly or monthly into your bank account, or in cash. You usually get extra pay (overtime) for any additional hours you work over your contracted hours.
- **Piece Work**
  You are paid a set amount for every unit you produce (e.g. picking a full punnet of raspberries). The more units you produce the more you are paid. This can be paid daily, weekly or monthly.
- **Commission**
  Often linked to a salary in sales related jobs. For example, you may receive a share of the sales you make. This is paid in addition to a monthly salary.

QUESTIONS

1. What are the current levels for the National Minimum Wage?
2. Which workers does the National Living Wage apply to?



Different Types of Employment Contracts

There are several different ways that you can be employed in the UK including:

- **Full Time**
  Usually 35 hours or more per week. Workers receive a contract of employment and benefits such as holiday pay, sick pay and pension contributions.
- **Part Time**
  Works fewer hours than a full-time worker but receives the same treatment and benefits (though these are usually proportionate to the number of hours worked per week).
- **Short Term Contract**
  This can be on a full or part-time basis but only lasts for a fixed period.
- **Zero Hours Contracts**
  Casual contracts with no guaranteed hours. Employers do not have to offer work, and workers do not have to accept it. They can provide flexibility for both employers and workers and still entitle workers to National Minimum Wage and holiday pay. However, the lack of guaranteed income can make budgeting difficult.

The Gig Economy

The gig economy is a term that is used to describe the growing trend towards short-term contracts compared to permanent employment.

Many people involved in this form of work are self-employed and work for themselves rather than being employed by another organisation. Workers get paid for each "gig" they complete, for example providing courier services or delivering food.

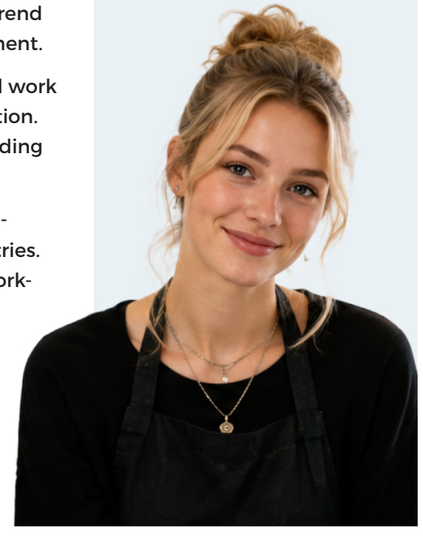
Gig work is convenient and allows for flexible working, more free-time, opportunities to gain skills, and experience different industries. The downsides include constant pressure, unscheduled work, work-related insecurity and anxiety.

ACTIVITY

1. What is the minimum amount that a 19-year-old would earn over a 35-hour week? What about a 28-year-old?
2. Calculate how much the two people above would earn in a year (hint: there are 52 weeks in a year).

DID YOU KNOW

For many gig workers it's a side hustle to supplement their other income. For over two-thirds of gig workers the income generated from gigs represents less than half of their earnings.



Planned Changes to Working Life

Gap Years

Many young people take a gap year before going to university or starting their first job. If you're tempted to do the same there are some essential things you need to decide when you start planning as a successful gap year starts with a realistic budget.

- What sort of activities are you intending to do while you're away? Travel, work, volunteer or a combination of these?
- Where do you want to go? Will you stay in one place or move around? Will this be in the UK or abroad?
- When are you going and for how long?

The costs you need to consider include:

- Transport, trains, flights etc
- Visas
- Vaccinations
- Accommodation
- Food and essential daily living expenses
- Travel insurance
- The price of any activities you want to do
- An emergency fund, in case of emergencies!
- Are you likely to be able to earn any money while you're away? If so, how? Where? What if this doesn't work out the way you'd hoped?

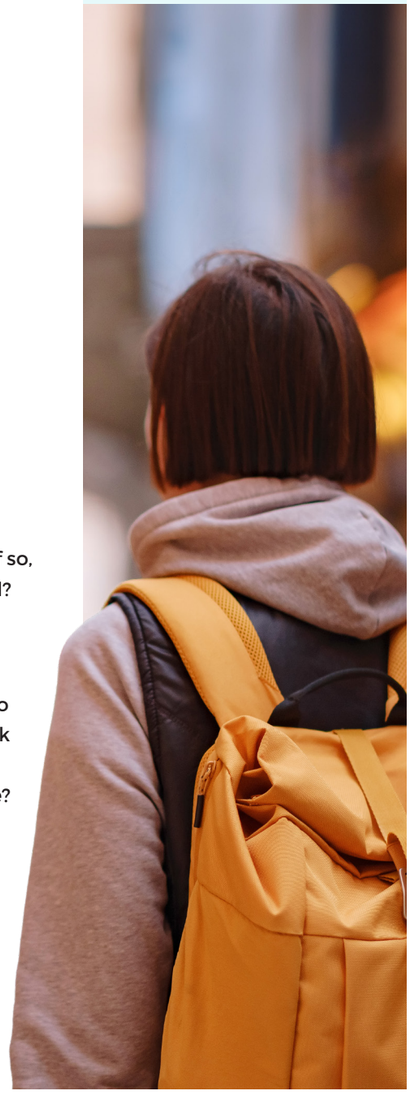
For a long-term trip abroad, it's recommended that you allow a budget of at least £1,000 a month.

If you're not going to be living in your accommodation you need to check what the notice period is or if you're allowed to sublet. Think about what you're going to do with your belongings while you're away. Can you take them home or will you need to pay for storage? Is there anything you won't need on your return and perhaps sell to raise extra funds? Are there any sorts of sponsorship or grants available that match up with your plans?

DISCUSSION

Are gap years a good idea?

What do you think are some of the pros and cons?



Reducing Hours

Depending on your circumstances at some point in your life you might want to reduce your working hours. This could be because you have started a family or you are heading towards retirement.

First find out the implications on your take home pay as a 20% reduction in working hours doesn't necessarily mean a 20% reduction in pay. You may save money because you won't be buying a morning coffee, commute less often, or need less childcare or a dog walker. However, some costs might increase, for example putting the heating on more. Also remember a drop in salary reduces the amount paid into your workplace pension by both you and your employer.

Before deciding on any reduction in hours, you should revise your budget to check whether it will be affordable.

Self-Employment

Many people prefer to work for themselves rather than be employed by someone else. Self-employment can be very rewarding but also comes with risks, your earnings aren't guaranteed and you won't get either holiday or sick pay. If you're not working, then you're not earning. You might want to consider an income protection/critical illness insurance policy in case you find yourself unable to work.

The minimum/living wage does not apply and if you find yourself on a low income you may not be entitled to any benefits. You need to organise your own pension and the only payments in are those you make yourself as there's no employer contribution.

Your working hours are more flexible, but you will need to be available at times that are convenient for others. For example, private tuition is generally carried out in the evenings as most pupils are at school during the day. Depending on the type of business, you might be very busy at certain times of year and have no work at others. Unless you're making enough money to pay for some extra help, you're responsible for every aspect of your business such as sales, marketing, IT support, design, branding and ordering resources, and you may not be an expert in everything!

DID YOU KNOW

Around **8.8 million** people in the UK were working part-time in early 2026.

Source: Office for National Statistics

CASE STUDY

Daisy is 18 and has recently left school to pursue a career in jewellery design. She is unsure about which career direction to take and is looking at the following options:

a. Study for a degree in Jewellery Design.
b. Undertake an advanced apprenticeship in Art and Design.
c. Look for a job in jewellery design.
d. Set up her own jewellery design business.

QUESTIONS:

1. What financial considerations should Daisy make for each option?
2. Discuss the financial benefits and risks of each option.
3. What advice would you give to Daisy?

You will need to keep accurate records of all your income and expenses so you can complete your annual tax return, which calculates the amount of income tax and national insurance you owe for the previous tax year. Many self-employed people pay a bookkeeper or an accountant to do this for them. You can do it yourself, but you might miss out on some of the allowable expenses and deadlines are fixed so if you file your return late for any reason you will be hit with a hefty fine.

Many self-employed businesses fail within the first two years as the business owner has underestimated either how much it costs to start a new business and/or just how much work is required before you start to see any profit.

Before setting up a new business it is a really good idea to draw up a business plan which covers your objectives, sales, marketing and financial forecasts. You can use it to:

- clarify your business idea
- spot potential problems
- set out your goals
- measure your progress

If you want to borrow money to help set up your business, you will need a detailed business plan. There are plenty of templates and advice available for free online or you can use a specialist organisation to help you.

Redundancy

If your employer is reducing their workforce, you can be made redundant. You must be selected for redundancy in a fair, objective and transparent way. If the main reason for your dismissal is something else, for example, poor performance or inappropriate conduct then it's not redundancy.

If you're being made redundant, you might be eligible for certain things, including:

- redundancy pay if you have been working for your employer for 2 years or more
- a notice period
- the option to move into a different job
- time off to find a new job

DID YOU KNOW

Statutory redundancy pay is based on your age, weekly earnings, and length of service. The maximum statutory payout is £22,530 in 2026.

Source: GOV.UK – Statutory redundancy pay



You're not entitled to statutory redundancy pay if:

- your employer offers to keep you on
- your employer offers you suitable alternative work which you refuse without good reason

If you are made redundant and qualify for redundancy pay, you may receive a payment worth several thousand pounds. This can provide an opportunity to strengthen your financial position, whether by seeking advice from a qualified financial adviser, covering essential costs while you search for a new role, paying off existing debts, or saving and investing for future goals. It can also help to build an emergency fund to provide greater financial security. In addition, redundancy can be a good time to review your budget, identify ways to reduce expenditure, and check whether you have any income protection insurance or other policies that may provide financial support in the event of redundancy.

The Jobcentre Plus Rapid Response Service can help you to write a CV and apply for other jobs, find out whether you are entitled to any benefits, and find training to learn or develop new skills.

Retirement

Everyone in the UK is entitled to receive a State Pension if they have made sufficient National Insurance contributions. You can start to receive it when you reach the official State Pension age regardless of whether you are still working but you need to claim it, it is not paid automatically. You may choose to delay claiming if you have sufficient other income and you could get higher payments later,

The State Pension counts as income and can affect your entitlement to other benefits. It is also taxable. If you're over State Pension age and on a low income you might be entitled to claim extra money to help with your living costs.

State Pension payments are separate from and in addition to any money that you receive from a workplace or private pension. Some people choose to stop working before reaching State Pension age. This is known as early retirement. You won't receive your State Pension but depending on your age, you may be able to take money from a workplace or private pension.

The rules around how much you can take out of your pension pot are complicated and the decisions you make can have major consequences. It's a good idea to seek advice from an expert before taking any action to make sure you understand all the implications for now and later.

DID YOU KNOW

4.2 million people in the UK were self-employed in 2024/25, up from 3.9 million the previous year.

UK Government – Family Resources Survey 2024/25



Personal Budgeting

Reasons to Budget

Budgeting

Budgeting is the process of managing your money. It can be used to balance any differences between your income and your outgoings. Managing a budget is a good way of making sure you don't spend more than your income. A budget will also help to show you if there is room to save any money. By cutting down on some of your spending you may well be able to save some money on a regular basis.

A budget ensures that:

- You can achieve your financial goals.
- You can put money aside for the future and build up savings.
- You know you can afford to make a major purchase such as a new sofa.
- You can plan for major life changes and events including retirement.
- You can reduce any existing debt and/or ensure that you remain debt free.
- You know how much disposable income you have (the amount of money left at the end of each month once all your bills have been paid),
- You don't overspend.
- You have control over your finances.
- If your income changes you can track your spending and make any necessary adjustments.

As people get older, especially when they first move out to live on their own or start a family, their level of 'essential spending increases. Depending on their level of income they may need to cut back on their discretionary spending.

A budget is not something that stays the same. As your financial situation changes, so must your budget. With a little more income, you might make different spending choices, but equally, you might need to cut back on spending if you have less income or any pre-existing debt.

DID YOU KNOW

Every autumn the Chancellor of the Exchequer presents the national budget to the government which details how the UK's income will be spent. It is usually set once a year.



All spending comes with an opportunity cost, for example spending money on a luxury item such as a new phone means losing the ability to spend that same money on necessities or savings.

Essential repayments on pre-existing debts reduce the amount you have available for discretionary spending and make you financially more vulnerable to unexpected events or emergencies. If you have more than one debt, it's usually a good idea to pay as much as you can afford off the one with the highest interest rate and less on the others. Remember though that not all debt is bad! See the section about **Types of Borrowing.**

Having a realistic and achievable financial goal such as saving up for a holiday can really help with budgeting. It becomes an active strategy rather than just a tracking process. You have a real motive to stick to it, and this lessens the temptation to give in to impulse buys.

Top Tips For Managing A Budget:

- Look more than just one month into the future. The further ahead you can plan a budget, the better.
- Remember to update your budget to include costs around key events such as birthdays, Christmas, Eid, Rosh Hashanah, etc.
- Use your bank statements to monitor your actual spending. If you can do this in 'real time' using mobile or online banking, rather than at the end of the month, even better.
- Stick to the budget. It's easy to write a budget, but the harder part is making sure you stick to it. There will always be things that change, but adjust your budget accordingly, and keep to it.

DISCUSSION

Think of two reasons why a family might have to spend more money in one month than they were planning to.

What changes might they make to their expenditure if one of these situations happened?

QUESTIONS

1. What are two examples of income and two examples of expenditure?
2. What are two options you have if you find you have gone 'over budget'?
3. Why does budgeting need to be more than a one-off activity?

How to Budget

Keeping Track of Your Budget

Setting a budget is one thing but sticking to it is just as important.

The first thing you need to do is to estimate how much income you think you will have over a given period, say a month. Then do the same for your outgoings. Make sure you've included any regular payments and subscriptions as well as one off costs and purchases.

List all your income on one side and all your expenditure on the other starting with any essential spending.

DISCUSSION

If your income for a month was £130, how would you split it across the following spending pots?

1. Entertainment
2. Food
3. Clothes
4. Travel

CASE STUDY

Niamh recently got her first job after university on a graduate training scheme with an engineering company. To take up this opportunity, she had to move away from home. At university she shared a house with five other people, but now she is working, Niamh decided she would rather rent a flat of her own.

Niamh is paid £1,540 per month. This more than covers the £550 rent on her flat, but she was surprised by some of the other costs associated with living on her own. Her gas and electricity cost her around £65 a month, the water bill works out to be £27.50 a month, and she spends an average of £55 on her weekly food shop. In addition to these costs, she subscribes to a music and movie app which, combined, costs her £19 a month, and she also pays £23.87 a month to insure her belongings in the flat.



As well as the costs associated with her flat, Niamh tries to go out with her work colleagues at least twice a week, costing on average £60 a week.

As a reward for getting her new job she upgraded her mobile and now pays £34 a month for a new model.

One thing Niamh hadn't anticipated were the costs associated with her new job – travelling to work (£78 a week), buying appropriate clothes (around £90 a year) and buying a coffee every morning (£12.50 a week).

Niamh is looking at buying a second-hand car to travel to work instead of using the train. To be able to do this she has calculated she needs to save £150 a month for a year.

1. **Use the information about Niamh to create a monthly budget for her.**
2. **Consider whether Niamh can begin saving for her car and, if not, suggest ways she could amend her budget so that she can.**



ACTIVITY

Overspend on Budget

Consider this monthly budget for a 20-year-old single male.

Rav is currently spending more than he earns in income. Work out how much he needs to reduce his spending by to 'break even' and have his income match his expenditure.

Rav cannot increase his income, so must reduce his spending. Re-write his budget showing where you would reduce his expenditure. For each reduction in expenditure, you should also explain why you made the change.

INCOME (£)	EXPENDITURE	AMOUNT (£)
Wages as a fitness instructor **£1,200** Fees as a personal trainer **£590**	Rent	**520**
	Council tax	**117**
	Gas/electric	**97**
	Water	**32**
	Telephone/internet	**26**
	TV licence	**13**
	Insurance	**33**
	Credit card balance	**217**
	Groceries and cleaning materials	**95**
	Travel	**62**
	Clothes	**150**
	Laundry and dry cleaning	**66**
	Sport activities (incl. football season ticket)	**104**
	Toiletries and personal grooming	**68**
	Mobile phone (incl. apps)	**71**
	Nights out	**275**
	Other treats (e.g. coffees, computer games)	**170**
	Presents for other people	**25**
	Sundries	**35**
TOTAL INCOME: £1,790	**TOTAL EXPENDITURE:**	**£2,176**

Once you're written your budget and matched up your income and outgoings you need to work out a way to monitor your spending to make sure your figures are correct and adjust them if necessary.

There are various ways in which you can do this, but we will look at two easy ways to keep track of everyday income and outgoings:

1. Multiple Money Pots

Most of your income tends to all be held in one place – that could be a moneybox at home, or a current account with a bank. All your spending then comes from just one place too, and that can make it difficult to see exactly how much you are spending on certain types of things, e.g. entertainment, clothes, food etc.

The 'money pot' method of budgeting suggests that you separate your income into different spending pots – these could be separate money boxes at home, or even separate bank accounts. This means you can allocate your budget to the different money pots at the beginning of the month, and you'll always know how much you have left for different types of spending.

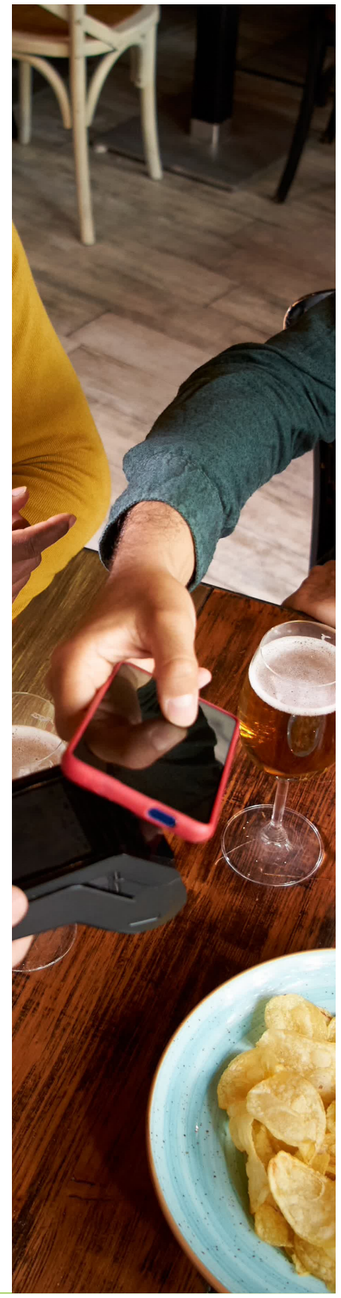
The trick to using this method is to get the amount of money right for each 'pot.' This then tells you how much you have left to spend on those things.

2. Using Budgeting Apps

There are now many apps that provide some powerful tools to help you keep track of your budget.

These apps can synchronise with your bank account (or more than one if that's the case) and will automatically display the income and expenditure transactions and overall balance you have available

Where these apps can be extremely useful is in automatically categorising the types of transactions you make (such as on clothing, food or going out) and displaying the total amount spent in a given period. They can also show the spending on each category as a percentage of your total income, making it really clear how you are choosing to spend your money, and possibly where you might want to make changes.



Risks to Financial Safety and Security

Financial Risks

Risks

Knowing and understanding financial safety is important as then you can do your best to protect yourself. There are lots of different types of risks and new scams start all the time. They can be both digital, physical and involve fraud.

CASE STUDY

Simone has met her friend Mei for a coffee. She is happy to order and get a table if Mei doesn't mind going to the cash machine for her to get some cash out. She gives Mei her debit card along with her PIN, which Mei puts into her phones notes so that she can remember it.

Over coffee, Mei tells Simone that she is planning to go on holiday soon and has seen a great deal online. She has never heard of the online travel agency, but the holiday is much cheaper than anywhere else she has seen it. While she has no savings at the moment, Mei is planning on getting herself a credit card to book the holiday.

Simone gives Mei the news that she has recently passed her driving test and is about to get a loan from the bank to buy a second-hand car from a friend of a friend.

1. **Identify the financial risks that Mei and Simone are taking.**
2. **Decide whether each risk is a low, medium or high-risk activity.**
3. **Discuss the implications of each risk and decide how Mei and Simone could minimise each one.**



Easy steps you can take to reduce the level of risk you take with your money include:

- **Understanding your Attitude to Risk**
  If you are thinking about taking a financial risk, it is important to consider your own attitude to risk. Are you the sort of person who likes excitement and wouldn't worry if things started to go wrong? Or are you the type of person who would panic and be stressed about losing money? Your budget will tell you how much you can afford to risk. However, tempting a financial gamble might seem you should never risk more than you know you can afford to lose.

- **Preparation and Research**
  When deciding whether to make any sort of investment, you can reduce some of the risk by making sure you have talked to experts, such as a financial adviser and/or your bank. They can advise you of the risks involved and discuss your attitude to risk. You should also do your own research and seek different opinions before making any financial commitment.

- **Spread the Risks**
  A very common piece of advice is to "spread your risks". This means do not rely on a single type of financial investment. If possible, have your money invested in a range of assets, so that if something goes wrong with one of them you still have the others to fall back on.

What is Fraud

Fraud involves a person dishonestly and deliberately deceiving a victim for personal gain of property or money. In the UK, the first laws on fraud were set out in the First Statute of Westminster in 1275. Fraud is not a new offence, but methods of committing it have greatly evolved in recent times with the rise of new technology. In particular, the internet has provided increased opportunities for fraudsters to commit crime on a very large scale.

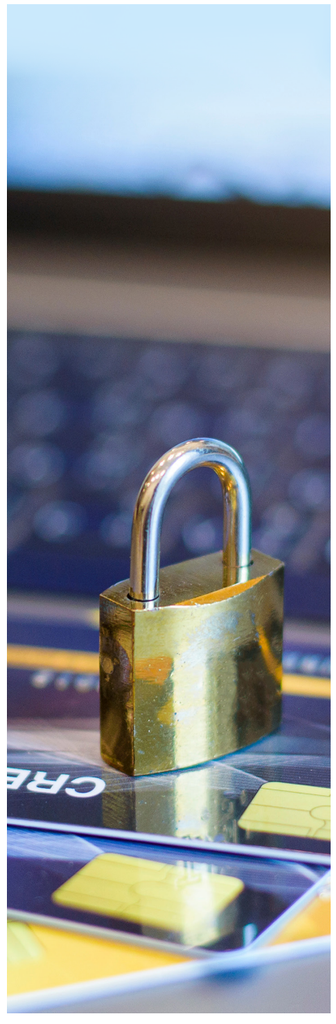
Identity Theft

Identity theft is one common type of fraud; it is the act of a person illegally obtaining information about someone else. Thieves might try to find out the following types of personal information: full name, maiden name (the original surname of a person if they decided to change it when they got married), address, date of birth, National Insurance number, phone number, email address, passwords, bank details and debit or credit card numbers.

DID YOU KNOW

In the year ending March 2025, there were an estimated 4.3 million fraud incidents in England and Wales according to the Crime Survey for England and Wales.

Source: GOVUK - Crime in England and Wales: year ending March 2025



Identity theft is not a new crime; here are some historic examples:

The book of Genesis tells the story of Jacob and Esau, considered by many to be the first documented act of identity theft. Jacob pretended to be his older brother Esau to deceive his dying father into giving him the inheritance intended for the firstborn son.

During the American Wild West, some outlaws murdered people to steal their identities. Taking a victim's name and life story helped them evade capture and stay ahead of the law.

Victor Lustig posed as the Deputy Director General of the Ministry of Posts and Telegraphs in Paris and convinced scrap metal dealers they could buy the Eiffel Tower. After taking their money, he fled. He was later arrested and sentenced to 20 years in Alcatraz prison.

Frank Abagnale Jr. assumed multiple identities, including those of an airline pilot and a doctor. Before turning 19, he fraudulently obtained more than $2 million. At age 21, he was sentenced to 12 years in federal prison for forgery. His story inspired the 2002 film Catch Me If You Can.

UK government became so concerned about the rise in identity theft that it announced plans for everyone in the UK to carry an ID card. However, these plans were scrapped in 2010 following concerns about the cost of the scheme and how effective it would be. There were also worries over how much personal data would be collected, how it would be stored and how it would be used.

In 2018 the introduction of the Data Protection Act helps prevent identity theft by requiring organisations to protect personal information and only collect it if they have a lawful reason. It also gives people rights over their personal data and requires organisations to report serious data breaches, which helps reduce the chance of stolen information being used for fraud or impersonation.'

There are several different methods that can be used to carry out identity theft:

Physical

- **Bank Card Skimming**
  This usually occurs when someone gets your information by "skimming" or copying your debit or credit card information when you make a purchase. They often sell the information to professional criminal gangs. This can also be done when a special storage device is attached to an ATM. The device reads the magnetic strip on your card, and this information can then be used to clone your card.

- **Bank Card Scanning**
  This is when a fraudster uses a card-reading machine or mobile app to scan the details of your contactless bank card. Using Near Field Communication (NFC) technology, the fraudster only needs to be within a few inches of where you keep your bank card or credit card to scan your details. Once they have your details, they can use them to carry out contactless purchases – you might only know when you see some strange purchases on your bank statement.

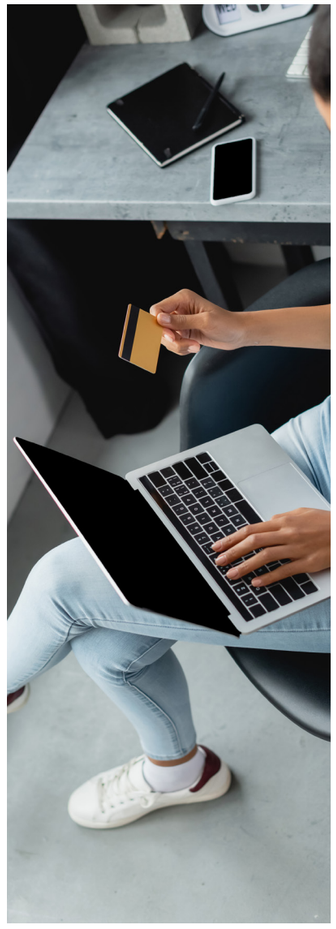
- **Theft**
  Stealing a purse or wallet used to be the main way of obtaining personal information. Although fraudsters now often use the internet for identity theft, many people carry a lot of personal details in their purse or wallet, so this is still a widely used method of getting information to steal identities.

- **Bin Raiding**
  Fraudsters may pay people to go through the rubbish that an individual throws out. They are looking for bank and credit card statements, tax details, insurance documents, gas, electricity and telephone bills, personal letters and any other pieces of personal information that can help to steal an identity.

- **Changing Your Address**
  Thieves divert your post to another location by completing a change of address form. They can then read all your bank statements and other financial information. If they cannot divert your mail, thieves may simply steal it – especially when your post box is separate from your house/flat.

QUESTIONS

1. What type of personal information could be taken during identity theft?
2. Why has the internet increased the risk of identity theft?
3. What could fraudsters do with the identities they steal?



Digital

- **Hacking**
  Hacking occurs when criminals successfully guess or decipher your passwords, security questions, and/or Personal Identification Numbers (PINs). They can then access any accounts you have. Many hackers use social networking sites like Facebook to get information about you that can be used to answer security questions. Some hackers will break into a company website and steal the company's identity. This means you could order goods from a website that you think is genuine, but they simply take your money, and you never hear from them again.

- **Malware**
  This term is short for malicious software. It is designed specifically to make its way onto your device, i.e. your desktop, smartphone, or tablet, and to manipulate and/or damage them. In addition, malware can also record and steal your personal information, such as bank account details. There are many different types of malware: viruses, worms, trojans, bots, spyware, adware, and ransomware.

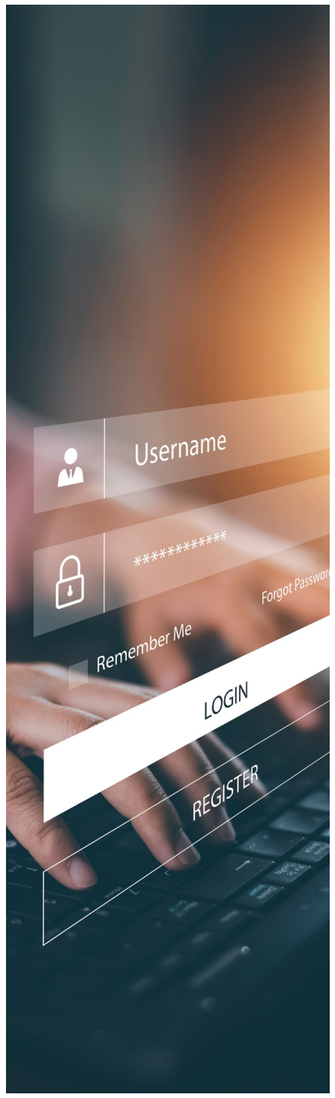
Malware can get onto your device in a variety of ways:

- On software installed from a website
- From a spam email
- Using a flash USB drive already infected with malware
- Clicking on pop-up windows

You can protect your computer by installing a firewall to prevent unauthorised access, and antivirus software which can prevent, detect, and remove malware.

DID YOU KNOW

19% of UK businesses reported being victims of at least one cybercrime in the past year.



Source: Department for Science, Innovation and Technology, Cyber Security Breaches Survey 2025.

Social

- **Bank Transfer Scams**
  Fraudsters try to trick you into transferring money into a fraudulent account by pretending that you're paying a genuine business or service such as a parcel delivery company

- **Romance Fraud**
  A fraudster builds a fake relationship using a dating app or social media and persuades their victim to send them money.

- **Phishing**
  By pretending to be financial institutions or companies, thieves can send fake emails or pop-up messages to get you to reveal your personal information. You should never click on links in pop-up windows or in spam/junk e-mail and avoid responding to such emails.

- **Vishing (voice phishing) or phone scams –**
  These typically involve fraudsters deceiving people into believing they are speaking to a member of bank staff or a representative of another trusted company or agency, such as a government department or an insurance company.

  Usually, the fraudster will convince the person that they have been a victim of fraud and will ask for personal and financial information to gain access to their account. An identity thief could also phone someone to inform them that they have won a prize, but for them to receive it they would need to give some personal information; this is then used for the thief's benefit.

- **Smishing (SMS phishing)**
  This is when someone tries to trick you into giving them your private information via a text or SMS message. Many people tend to be more inclined to trust a text message than an email, and people are less aware of the security risks involved with clicking on links in text messages. A common tactic used by a smisher is to say you must take immediate action – for example, if you don't click on a link and enter your personal information then you're going to be charged per day for use of a service.

- **Ticket Fraud**
  Someone offers fake tickets for sale for a sold-out concert or performance.

INFORMATION

Scam mail involves professional fraudsters sending convincing letters that are designed to trick people out of money or other valuables. It can include bogus competitions and fake prize draws. This mail mostly originates from overseas and is hard to detect.

DID YOU KNOW

In the first half of 2025, £257.5 million was lost to Authorised Push Payment (APP) fraud in the UK, across 110,747 reported cases.

Source: UK Finance, Half Year Fraud Report 2025.

Online Fraud

Lots of people shop online, so it's no surprise that this is a growing area of opportunity. Creating fake websites or selling fake goods online are just two of the ways you can be fooled into sharing your personal and financial details with fraudsters.

It's not only fake goods that people can be duped into buying; potential renters can be tricked into paying an upfront fee for a property that doesn't exist. In these instances, fraudsters will advertise a property online. The advert will look genuine and often include photos and contact details. The advertiser will then ask the potential tenant to pay an upfront fee so that no one else can rent it, often before they have viewed the property in person, but the property won't exist or will have been "rented" to multiple people. Victims then lose the fee that they have paid and won't be able to rent the property they think they have secured.

Reports of rental fraud increase in the summer months, indicating that fraudsters are targeting people looking for holiday rentals, and students searching for accommodation before term starts in the autumn.

DID YOU KNOW

In 2024, rental fraud resulted in nearly £9 million in losses across around 5,000 reported cases in England, Wales and Northern Ireland. Almost three-quarters of reports involved people aged 18–39.

GOV.UK - Young people urged to 'Think Fraud' over rent offers.

What Happens if Someone Steals Your Identity

If fraudsters gain direct access to your bank account or credit cards, they may leave you with no funds to pay for everyday living costs which can cause short-term financial stress. The more serious and complex the identity fraud the longer it can take to recover any stolen funds, which can cause more long-term financial difficulties.

Identity fraud can also affect your credit history. If a fraudster uses existing credit that you have (e.g. a credit card) or applies for new credit in your name, this could leave evidence of debt or missed payments on your credit report. It is possible to correct this information, but it can take a while to sort out and to demonstrate to your credit provider that you have been the victim of crime.

Even a temporary drop in your credit score may make it harder for you to borrow money – a big problem if you are in the middle of opening a new bank account, buying a car or applying for a mortgage.

Although it is usually possible for a victim to recoup stolen funds and to clear their name of any wrongdoing, the emotional toll of identity theft can last far longer than any financial worries. Victims can blame themselves for their identity being stolen and feel more vulnerable to it happening again.



Financial Help and Guidance

Sources of Help and Guidance

Advice vs Guidance

Advice and guidance are often mentioned together in the same sentence, but they are not the same thing.

Guidance suggests what you could do and is usually free. E.g. a website might suggest various savings account and help you to compare them.

Advice recommends what you should do. Financial advice can only be offered by someone who is suitably qualified and regulated and you will usually have to pay a fee. E.g. a mortgage advisor might recommend a specific mortgage product.

There are many people and organisations that you can approach for advice and/or guidance. Which one you choose depends on the type of help you're looking for.

Citizens Advice

The Citizens Advice service is made up of a network of independent local Citizens Advice charities plus a national charity. The service is available throughout England and Wales and offers free confidential guidance online, over the phone, and in person. They can signpost you to support with benefits, energy bills, or grants you could apply for. Sometimes they have specialist advisors available on certain topics such as debt.

This is a great way to access free impartial expert knowledge, but the service is in high demand with limited in-person appointments, and the focus tends to be on general guidance rather than complicated legal issues.

Family & Friends

Your family and friends will have a lot of life experience and know you well. They can provide free guidance and realistic suggestions and may also provide practical help in the form of a short-term interest free loan or financial gift.

However, they are not always experts, they are not impartial and you may not want them to know your business. Your relationship with them can be badly damaged if you don't take the advice offered or pay back money you have borrowed.

DID YOU KNOW

2.71 million people received one-to-one advice from Citizens Advice across England and Wales in 2024–25.

Source: Citizens Advice – All our impact 2024-25



Financial Providers

The advice and guidance provided by someone who works for a financial provider or organisation will be restricted to selling that company's own products. They are financial experts and should offer you the best product they have available for your circumstances. However, they can only recommend their own products so, if a rival organisation has a product that is better for you, you may miss out. They're also unlikely to offer general financial guidance such as budgeting.

Local Government

Your local council may be able to provide help with essential costs such as food, energy or water bills. The funding is aimed at anyone who's vulnerable or cannot pay for essentials, you do not have to be claiming benefits. However, each council decides how to run its individual scheme.

There may be different eligibility criteria, application processes and allocation priorities - for example, some councils share out money through local charities or community groups, and some councils only allow a household to apply once per year.

If you are the only adult living in a property, you can apply to your local council for a single person discount, which would reduce your Council Tax bill by 25%.

National Government

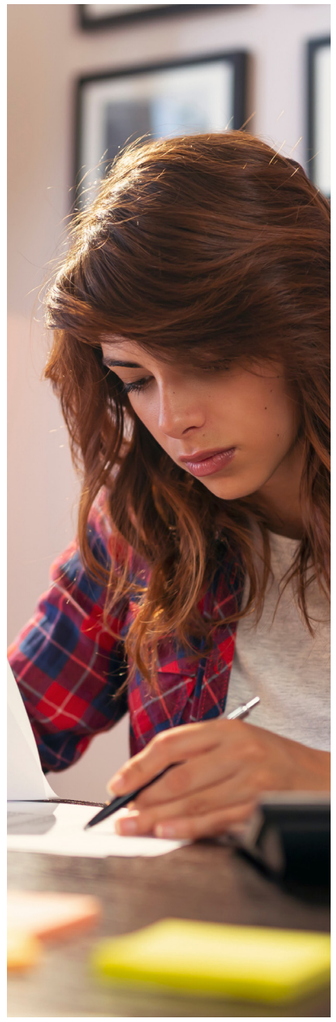
The government website (gov.uk) contains a wealth of information about a wide range of financial topics including benefits, income tax, National Insurance and pensions. The information is always accurate and up to date, but it isn't always easy to find exactly what you want.

The government also provides funding to some voluntary and community sector groups who can give you extra support with your income tax, or benefit claims such as tax credits or Child Benefit.

INFORMATION

GOV.UK provides free benefits calculators that can estimate what benefits someone could be entitled to and how their entitlement could change if their circumstances change.

Source: GOV.UK – Benefits calculators.



Independent Financial Advisors (IFAs)

All IFAs s should be suitably qualified and registered with the Financial Conduct Authority, which means that you are protected against poor service. If you have some spare money available, they can provide unbiased advice about the entire range of financial products offered by different companies and should consider what is affordable, whether your plans are short- or long-term and how much risk you are willing to take. They don't offer general guidance such as budgeting or what to do if you're having trouble paying your bills.

You will be charged for their advice and should be clear about all the costs that will be involved before making any decisions. Different advisors charge different fees, so it's worth shopping around.

Online Communities

If you're looking for informal help about how to create and stick to a budget or learn some new money saving hacks, then online communities are great. You can benefit from the real experiences of other people in a similar situation to your own. The guidance is free and easy to find.

However, be very wary of using finfluencers (influencers who use social media to offer financial guidance to their followers) for advice about any form of investment; over half of investment scams now take place on social media. They may not be the experts they present themselves as and you could easily end up falling for a scam. You should always do your own research if you're tempted by an investment recommendation.

Solicitors

Solicitors only look at situations involving finance in legal situations such as making a will, getting divorced or personal injury claims. Many legal firms also employ or collaborate with financial advisors meaning they can offer you a wider range of advice (see IFAs above). You will usually have to pay for any advice and solicitors' fees are notoriously expensive.

Be aware that "no win no fee" adverts for injury claims are rarely quite that simple. If your claim is successful a percentage of your compensation is usually deducted by the company to cover their costs before the rest of the money is paid to you. If you are unsuccessful, you generally don't pay the company you used for their costs, but you could be responsible for paying the other side's costs unless you took out an insurance policy to cover this at the start.

DID YOU KNOW

62% of 18–29-year-olds follow social media influencers. Of those, 74% said they trusted their advice, and 9 in 10 had been encouraged to change their financial behaviour.

Source: FCA — FCA cracks down on illegal finfluencers



Voluntary Groups

There are several different voluntary and community sector organisations funded by central government. Each organisation has a very specific remit and can only offer support in specific circumstances, for example- benefits, housing, or debt support, guidance for older people on lower incomes or tax support to individuals on probation, in prison or on release. The guidance is always free and independent.

Workplace/Education Provided Advisors

Many organisations bring in financial experts to provide advice to help their students/employees. They are usually vetted beforehand ensuring that the information they provide is accurate. Face-to-face or online training about general money management are often offered, and one-to-one sessions about a specific topic such as the employer's pension scheme are sometimes available. Organisations do this because personal money worries can result in employee stress or absenteeism and have a negative effect on performance. The advice or guidance is usually, although not always, free. The sessions are usually at set times that may not fit with your working hours and may not cover the topics you're most interested in.

DISCUSSION

Who would you ask for help or guidance if...

1. You were struggling to pay your electricity bill?
2. You had received some money unexpectedly and wanted to save or invest it?
3. You were finding it difficult to design and stick to a budget?





4

Glossary

This glossary contains definitions of the key financial terms used throughout this book.

Aa

Account
Arrangement with a bank or building society to hold your money in an account and to take it out when you need it.

Advice
Advice is about what you should do. It can only be given by a qualified and regulated financial advisor who will recommend specific products or services to you. You normally have to pay a fee.

Annual Equivalent Rate (AER)
Takes into account the charges and the interest paid on savings and shows it as an overall percentage rate. Used as a way of comparing different savings products; the higher the AER, the better the return on your savings.

Alternative Credit
Credit arrangements outside the mainstream offers usually end up being extremely costly.

Annually
Something that is done every year.

Annual Percentage Rate (APR)
The total cost of a loan, taking into account the interest you pay, any other charges, and when the payments are due. Used as a way of comparing different borrowing products; the higher the APR, the more expensive the loan.

Apprenticeship
An apprenticeship combines practical training in a paid job with study.

Asset
Something a person owns that has a monetary value (e.g. property, investments, cash).

ATM (Automated Teller Machine)
Also known as a "cash machine" or "hole in the wall", this is an electronic machine that dispenses cash and other banking services using a cash withdrawal card and a PIN (Personal Identification Number).

Automatic Enrolment
All workers between the age of 22 and retirement are automatically enrolled in a workplace pension.

Bb

BACS (Bankers' Automated Clearing System)
A fast service that allows transfers of money to be made electronically from one bank to another (e.g. salaries).

Bad Debt
Debt that does not provide ongoing benefit or a financial return to the borrower.

Balance
The amount of money you have in your account at any particular time or that you owe on your credit or store card, or on a purchase after the deposit has been paid. It will be shown in your statement.

Balance Transfer
Allows you to take out a new card to pay off debt on old credit and store cards that are charging interest. The new card may have 0% interest or have a lower interest rate than you are currently paying, so you will become debt free more quickly as the payments you make reduce the debt, rather than paying off the interest.

Bank
A financial institution owned by its shareholders. It aims to maximise profits for the shareholders through its financial activities. It must lend money in order to stimulate economic growth, and, in turn, profit. To lend money, a bank must take a certain number of deposits, which it does in the form of current and savings accounts opened by individuals and businesses.

Bank Account
A service from a bank or building society which lets you pay in money, get cash out and pay bills, etc. The bank keeps a record of all transactions.

Bank Loan
Money that you borrow from your bank and then pay back with a pre-arranged interest rate.

Bank of England
The UK's central bank responsible for setting the base interest rate in order to try and keep the economy stable. This base rate can influence the rates offered to savers and borrowers for some financial products.

Bank Statement
A piece of paper or online document that shows all the money that has been paid into an account and paid out from an account. Statements are usually sent each month.

Banking Apps
Many UK banks have apps that allow you to manage your accounts with them, and transfer money to people or businesses.

Bankruptcy
A court order given when someone cannot pay the debts they owe. An official receiver takes control of your money and property, and deals with creditors.

Bank Card Skimming
The act of "skimming" or copying your debit or credit card information when you make a purchase

Bank Card Scanning
Use of a card-reading machine or mobile app to perform fraud by scanning the details of your contactless bank card without you knowing.

Base Rate
Interest rate set by the Bank of England, which other financial institutions (such as banks) use for guidance when setting their rates.

Basic Rate Tax
The current basic rate of Income Tax is 20% as at 2026. Most taxpayers will pay 20% tax on any income above their personal allowance.

Benefits
A government system that provides financial support to people who are eligible for it (e.g. State Pension, universal credit).

Bill
Statement that shows how much money is owed for something (e.g. gas, electricity, phone).

Bin Raiding
When thieves search through household rubbish looking for personal information that can be used to carry out fraud.

Biometric Payments
Payments for goods made using finger scanning technology or facial recognition systems.

Biometric Verification
A way of verifying someone's identity by recognising one or more distinguishing and unique biological features.

Bonds
A fixed income investment where an investor loans money to government or a public company at a fixed rate of interest for a specified period of time.

Bonus
Payment made to an employee in addition to their basic salary, often for working hard or hitting targets.

Borrowing
Getting money from somewhere that you intend to pay back. You might borrow informally from friends and family or take out a formal loan, with a written agreement, from a bank or building society.

Budgeting
The process of managing your money and the balance between your income and your outgoings.

Building Society
An organisation that is owned by its members, some of whom will be customers saving or borrowing from the society. They often offer a range of financial services and are similar to banks.

Buildings Insurance
Type of insurance policy that pays out if the structure of your home is damaged (e.g. your house is damaged by fire).

Bursary
Cash award given to a student by a college or university towards the cost of their studies.

Business Expenses
The costs incurred when you run a business (e.g. utilities, company vehicles, office equipment).

Business Income
Money a business earns from its customers by selling products and services.

Business Rates
Rates charged by local councils on most non-domestic properties (e.g. shops, offices, restaurants).

Buy Now Pay Later
Short term financing which can usually be spread over 3 to 4 instalments.

Cc

Capital
The amount of money you originally have, saved or invested, before any interest or other return or loss is taken into account. It could also be the amount of money that you have borrowed.

Cash ISA
Cash ISAs are savings accounts that pay interest that is free of income tax.

CHAPS (Clearing House Automated Payment System)
A same-day electronic payment system often used for house purchases or urgent, high-value business payments.

Charges
Fees and interest that you have to pay, for example, when you borrow money or buy on credit.

Cheque
Paper-based payment method used for buying goods, paying bills, and given as gifts.

Citizens Advice
A national organisation that provides confidential advice on a range of issues including money matters

Collective Investments
A form of investing where an investor's money is pooled into a much larger fund and managed by a fund manager to invest in a range of assets. This aims to spread the risk associated with investing.

Commission
A payment based on the value of sales made. Sometimes this will be in addition to a basic salary.

Commodity
Something that can be traded, bought, or sold.

Compound Interest
The usual type of interest paid on savings and loans, based on the principal plus the interest already paid so far (i.e. interest on interest), so the savings or the loan will grow by increasing amounts (unless money is taken out or the loan paid off).

Consumer
Someone who buys something.

Contactless Payment
A way of making a payment by tapping or waving your contactless device (e.g. credit card, debit card, smartphone) on or near a contactless reader.

Corporation Tax
A tax on profits and capital gains made by companies, calculated before dividends are paid.

Council Tax
Tax paid to the local council for local services such as libraries, police, waste collection, etc.

Credit
An account "in credit" means that there is money in it that is available to be spent. If you obtain goods or services "on credit" it means that someone (for example, a bank or credit institution) has given you the money as a loan to make the purchase.

Creditor
An individual or company that is owed money.

Credit Cards
A small plastic card available to 18-year-olds and older from most banks, which allows you to borrow money up to a certain limit. When you buy something with your credit card, the amount you spend is added to your total borrowing. Every month you are sent a statement to show how much you have borrowed and how much you need to repay. If you don't repay the full amount, you will start paying interest.

Credit History
A record of loans you have taken out, or credit card payments made or missed. This information is stored by credit reference agencies, which supply details of your credit score/rating to financial institutions when you take out further loans.

Credit Limit
The maximum amount a store card or credit company will lend you at any time.

Credit Rating
An estimate of how risky it would be to lend a person or an organisation money based on their credit history/record.

Credit Reference Agency (Cra)
An agency that holds information on adults. This information includes public records (e.g. electoral register entries) and credit history information. They make this information available to lenders when you apply for credit, who then use the information to decide whether or not to offer you credit.

Credit Report
A detailed report of an individual's credit history, current credit arrangements, address history, and details of anyone you are financially linked with.

Credit Score
A score given by a credit agency based on your credit history, personal and financial circumstances. It reflects the level of risk in lending to you and the likelihood of you paying credit back and helps them to decide whether you are likely to repay the loan you are asking for.

Credit Union
A community-focused, non-profit-making organisation that encourages saving and lends money to members at low interest rates. To use a credit union, you have to become a member.

Cryptocurrency
Virtual or digital currency produced by a public network, rather than any government, that uses cryptography to make sure payments are sent and received safely. It can be used to buy products and services but is generally not accepted in shops.

Currency
Money in any form used to buy goods and services e.g. euros pounds, and dollars. Different countries use different currencies.

Current Account
An account which helps you to manage your day-to-day money – pay bills, receive incoming money and keep money secure.

Cybercrime
Any criminal act committed through the internet using computers and networks.

Cyber Security
Technology, processes and controls that are designed to protect systems, networks, and data from cybercrime.

Dd

Debit
Money taken out of an account is "debited" from that account.

Debit Card
A small plastic card used to buy things in a shop or online without using cash or a cheque. When you make a payment or withdraw cash with your debit card, the money is taken straight out of your account electronically, if you have the money available to spend. You cannot borrow money on a debit card.

Debt
Money you owe to another person or organisation.

Deductions
Amounts taken from your gross pay directly by your employer (e.g. Income Tax, National Insurance contributions, pension contributions, student loan).

Default
To default on a loan means to fail to make payments that are due.

Degree
A higher education qualification.

Delayed Gratification
Postponing the sense of enjoyment from immediate spending to sometime further into the future.

Deposit
Money paid into an account. Can also mean an initial payment that secures the purchase of something, normally a percentage of the total amount.

Digital Footprint
Information about a person that exists on the internet as a result of their online activity.

Digital Wallet
An app that allows you to store all your credit, debit, and customer loyalty card details on your phone.

Direct Debit
An instruction to your bank to release money from your account to pay bills and other amounts automatically. The billing company has control and requests the money from the bank directly and can change the amount requested.

Discretionary Spending
Spending that improves the quality of life but is not essential.

Disposable Income
The amount of money left at the end of each month once all your bills have been paid.

Dividend
Money from a company's profits paid to people who have shares in the company.

Ee

Early Repayment Charge
A penalty or fee for repaying a loan before the end of the term.

Easy Access Account
An account that allows you to withdraw money at any time without prior warning.

Economy
The state of a country or region in terms of its production and sale of goods and services, and the way its government manages its money.

Electronic Transfer
A way of moving money from your account to another.

Employee
Someone who is paid to work for an organisation, company or individual.

Employer
Organisation, company or individual who pays someone else to work for them.

Essential Spending
Unavoidable and necessary expenses such as food

Estimate
An educated guess.

Excess
Some insurance policies require you to pay an agreed amount of the cost of any damage if you make a claim. The insurer will then pay for anything more than this.

Exchange Rate
The exchange rate tells you how much you get when exchanging one currency for another (e.g. 1 British pound might be worth 1.5 US dollars).

Expenditure
The amount of money you spend on goods or services.

Expenses
Things you need to spend money on in order to live (e.g. rent, bills, food).

Ff

Fee
A sum of money you pay, for example, to have a loan or credit arranged for you. Or a one-off payment that is paid or charged for a professional service.

Financial Adviser
A person or company who can assess your financial needs and give you advice about money and suitable financial products. Some advisers can also manage investments for you.

Financial Conduct Authority (FCA)
The independent body that regulates the financial services industry

Financial Exclusion
Lack of access to mainstream banking and other financial services.

Financial Ombudsman Service (FOS)
Set up by parliament to resolve individual complaints between financial businesses and their customers.

Financial Risk
To gain financial rewards, there is often some element of risk involved – the outcome of a financial decision may not be certain or guaranteed.

Financial Services Compensation Scheme (FSCS)
The scheme that protects your money if your registered bank, building society or credit union is no longer able to pay its customers.

Financial Situation
Your financial situation refers to how much money you receive in wages and/or benefits and how much money you have saved up. It also includes how much money you owe and any financial arrangements you have made for the future, such as a pension. Sometimes people will also ask you about your regular outgoings, such as the amount you pay in rent.

Finfluencer
A social media influencer who offers financial advice or guidance to their followers about any form of investment

Fixed Interest Rate
An interest rate guaranteed to stay the same for an agreed period, regardless of whether the lender changes their rates.

Fixed Rate Savings Account
Your saved money is "locked away" for a specified period of time.

Fraud
When a person dishonestly and deliberately deceives a victim for personal gain of property or money.

Fraudster
A person who commits fraud.

Full time
Usually working 35 hours or more a week, full-time workers are normally provided with a contract of employment and receive benefits such as holiday pay, sick pay and pension opportunities.

Gg

Gig Economy
A term used to describe the growing trend towards short-term contracts compared to permanent employment.

Good Debt
Debt that provides an ongoing benefit to the borrower or will result in some kind of financial return.

Graduate Training Scheme
A work-based training programme that allows recent graduates to gain practical experience with a company.

Grant
Cash award usually given for a very specific purpose, like studying abroad or undertaking a research project.

Gross
A total amount of money before any deductions, such as tax or National Insurance.

Gross Income/Pay
The total income you receive before anything is taken away from it, such as Income Tax and National Insurance contributions. Gross pay will always be bigger than net pay.

Gross interest
Interest on savings before any tax is taken off.

Guidance
Guidance is about what you could do. It involves providing information that helps you to be better informed about your options. It is usually free.

Hh

Hacking
When criminals successfully guess or decipher passwords, security questions, and/ or PINs (Personal Identification Numbers).

Health Insurance
Insurance which covers medical expenses if you are ill. It may also provide a regular income to you if you are too ill to work.

High Cost Credit
Forms of borrowing which attract excessively high interest rates e.g. payday loans, unarranged overdrafts, and can even be illegal and unregulated e.g. borrowing from loan sharks.

Higher Tax Rate
People earning a higher income also pay a higher rate of Income Tax.

Hire Purchase (HP)
A way of paying for goods if you don't have all the money up front (often used for cars). An initial deposit is usually paid, followed by a series of regular payments to cover the balance and any interest over a fixed amount of time, the same as repaying a loan. You would not own the car until you have completed the hire purchase agreement.

Home buildings insurance
Insurance which covers the cost of repairs to the structure of your home in case of damage.

Home contents insurance
Insurance which covers your possessions in the home against loss or damage.

Hourly rate
Being paid a set amount for every hour you work.

Housing Association
A not for profit organisation that owns, manages, and builds affordable social housing for people on low incomes.

HM Revenue and Customs (HMRC)
The government department responsible for tax collection and benefit payments.

Ii

Identity Theft
This is a type of fraud and is the act of a person illegally obtaining information about someone else, often for financial gain.

Income
Money that comes to you through earnings, gifts, selling things you own, from your parents, etc.

Income Protection/ Critical Health
A type of insurance that guarantees you some income if for any reason you are unable to work.

Income Tax
A tax payable on almost all types of income, at various rates depending on the level of income.

Independent Financial Advisors (IFAs)
Financial advisors who can recommend any product from any provider

Inflation
A continual increase in the general level of prices. This means that over time a given amount of money will buy fewer goods and services.

Inheritance
The passing on of money or assets when someone dies. It can also include gifts given while the person is still alive.

Instalments
Weekly or monthly repayments made to pay off a loan or goods bought on credit.

Instant Access Account
A savings account where you can get your money back without having to give any notice. They generally attract lower rates of interest than accounts where notice is required.

Insurance
A way to protect yourself against the financial loss of something going wrong. Insurance provides a guarantee of compensation for specified loss, damage, illness, or death, in return for payment of a specified premium.

Insurance Policy
A contract from an insurance company telling you what you are covered for, and how much money the company is prepared to pay out and in what circumstances.

Insurance Premiums
Money you pay to the insurance company, either annually or monthly, for the insurance.

Interest
The reward you get for keeping your money with a bank or a building society. It is also the cost you pay when you borrow money through a loan or credit agreement.

Interest-only mortgage
The monthly repayments cover just the interest on the amount owed. At the end of the term the amount you owe is the same as it was at the beginning.

Interest rate
This is the percentage that is paid on savings or charged on loans.

Invest
To use money to buy something that may increase in value over time, for example, jewellery, property or shares in a company.

Investment
Products that have the potential to grow in value, but they can also decrease in value, meaning you begin to lose money.

Investment Timeline
How long you expect to keep your investment before using the funds.

ISA (Individual Savings Account)
An account where you don't pay tax on interest earned. There is a set limit of how much you can save in an ISA each tax year.

Jj

Jobcentre Plus Rapid Response Service (RRS)
A free government initiative designed to help workers who are facing or have recently been made redundant.

Ll

Life Insurance
An insurance that pays money on your death, or in some cases if you become critically ill while you are covered. Life insurance is often taken out to cover a mortgage, so that if you die during the mortgage term, the loan will be paid off.

Lifelong Learning Entitlement (LLE)
The name of the new student finance system for course starting after 1 January 2027.

Loan
A sum of money that you borrow from a person or organisation, usually with interest.

Loan Cover
Insurance that will protect you if you cannot repay a loan due to illness, unemployment, etc.

Loan Shark
Someone who lends money without being regulated to do so. As they are not regulated, there is no limit to the interest rate they charge or the penalties they can apply.

Loan To Value (LTV)
Loan to Value (LTV) is a way of showing how much of your property's price (or value) you're borrowing as a percentage.

Lump Sum
A one-off payment.

Mm

Manageable Debt
Debt taken on that the borrower can afford to repay.

Maintenance Loans
A loan to cover your day-to-day living costs, like accommodation, food, transport, phone and laptop costs when at university. The maximum you can borrow depends on how much your parents/guardians earn. Maintenance loans are paid directly to you at the start of each term and not paid back until you have finished the course and are earning above a certain amount.

Malware
Short for malicious software, designed specifically to make its way onto your device i.e. your desktop, smartphone, or tablet and manipulate and/or damage it.

Microfinance Institutions
They provide financial services, to individuals who may be excluded from traditional banking, entrepreneurs, and small businesses.

Minimum Repayment
The minimum amount you must pay off each month on the debt you have on credit or store card payments.

Mortgage
A type of secured long-term loan used to buy a property. If you do not keep up themortgage repayments the mortgage provider (often a bank) can repossess your property.

Motor Insurance (Third Party)
Legally required insurance which will cover your costs if you damage someone else or their property (i.e. a third party).

Motor Insurance (Third Party, Fire And Theft)
Insurance which also covers the policyholder's own vehicle if it is stolen or catches fire.

Motor Insurance (Fully Comprehensive)
Insurance which covers the cost of damage to yourself and your own vehicle, as well as any damage you may cause to someone else or their property.

Nn

National Budget
The annual budget for the UK set by HM Treasury.

National Insurance Contributions
A government deduction from your wages used to pay for benefits that you might need to claim, and your state pension

when you retire, a NI code is sent to all UK residents just before their 16th birthday. Employers and employees both pay contributions..

National Living Wage
The minimum pay per hour most workers aged 21 or over are entitled to by law.

National Minimum Wage
The minimum pay per hour that workers are entitled to by law. The hourly rate for the minimum wage depends on your age and whether you're an apprentice.

Needs
These are the absolute necessities; the things you really cannot do without.

Net
Indicates a sum of money from which certain deductions have already been taken away (e.g. tax).

Net Income/Pay
Your net income/pay is the total you earn in a week, month, or year after any deductions have been made. Sometimes it is called take-home pay.

Notice Accounts
An account where advance warning usually has to be given if you wish to withdraw money from it without being penalised.

Oo

Occupation
Your job, work or profession (e.g. bricklayer, checkout operator, teacher).

Offset
To balance one thing against another opposing one. For example, the increase in the cost to travel to work is offset by cheaper rent.

Offset Mortgage
A type of mortgage that links your savings account to your mortgage. You earn no interest on your savings but only pay interest on the difference between your mortgage balance and your savings balance.

Online Community
A digital space where people share their experiences and collaborate with others, for example discussion forums, social media networks, and membership sites

Outgoings
Your expenditure (e.g. rent/ mortgage, bill payments, savings).

Overdraft (arranged)
A way of borrowing money through your current account. Arranged overdrafts are set in advance, and you can spend money up to the agreed overdraft amount.

Overdraft (unarranged)
If you go overdrawn without asking the bank in advance or have an arranged overdraft and spend more than the amount agreed, this is an unarranged overdraft. This is likely to incur penalties and can be very costly.

Overtime
Time worked in addition to normal or contracted working hours. Can be paid or unpaid.

Pp

P45
A document that an employer has to provide when you leave a job so that the right amount of tax can be deducted from your earnings.

P60
A summary of your pay and the tax that's been deducted in the tax year. Your employer should give you a P60 to keep as a record at the end of every tax year.

Part Time
Working fewer hours than full time but receiving the same treatment and benefits (though these may be proportionate to the number of hours worked per week).

PAYE (Pay As You Earn)
When deductions are collected from an employer before the individual is paid their salary/wages.

Payday Lender
Lenders who provide very short-term loans on relatively small amounts of money and charge very high levels of interest.

Payments
Money you pay out, for example, on your rent or mortgage, on materials you need for your business, interest on loans, money for utilities such as gas and electricity.

Pension
An income paid regularly by the government or a private company to a person who does not work anymore because they have reached retirement age.

Pension Contribution
The amounts you and your employer pay into your pension, usually calculated as a percentage of your basic salary and taken from your gross pay.

Pension Scheme
A type of savings plan to help you save money for later life. Unlike normal savings, you cannot use your money until you reach retirement age.

Personal Details
Information about an individual that can be used to identify them (e.g. name, date of birth, address).

Personal Loan
When money is borrowed for a non-specified purpose and generally paid back in monthly instalments.

Personal Savings Allowance
The amount of interest that can be earned on savings before tax has to be paid on it.

Personal Tax Allowance
The amount of income you don't have to pay tax on.

Pet Insurance
Insurance that will contribute towards the cost of fees if your pet needs an operation or other medical treatment.

Phishing
A method used by fraudsters to try and gather personal information using deceptive emails and websites.

PIN (Personal Identification Number)
A four-digit security number used with cash machines, credit cards, and debit cards. It is like an electronic signature that stops anyone else using your account.

Piecework
Payment for each item produced. The more items produced, the more pay received.

Policyholder
The person (or people) named on an insurance policy.

Portfolio
A range of investments held by a person or organisation.

Premium Bond
A form of savings account offered by the government-backed savings bank – National Savings and Investments (NS&I). The interest rate is distributed through monthly prize draws, so whether a bondholder receives a payment depends on chance.

Principal
The original amount of savings deposited, or debt taken out.

Private Pension
A retirement savings plan that you manage yourself, separate from the State or a work-related pension.

Private Sector
The part of a country's economy that is controlled by private individuals, businesses, or groups.

Profit
The amount of money left after all costs and expenses have been deducted from income.

Public Sector
The part of a country's economy that is controlled or supported financially by the government.

Rr

Regular Saver Account
A regular sum of money must be added to the account each month.

Rent
Money paid to the owner of the property where you are living.

Rental Fraud
A type of fraud where potential tenants are tricked into paying an upfront fee to rent a property which either does not exist, has already been rented out, or has been rented to multiple victims at the same time.

Repayment Mortgage
A repayment mortgage is a property loan, where regular payments pay off both the interest and a proportion of the original loan.

Repayments
The sums of money you pay back weekly or monthly on your loan or credit.

Repossession
When a mortgage lender takes back ownership of a property, when a borrower is unable to afford their mortgage repayments.

Retirement
The period in a person's life when they stop working and start receiving a pension. Those with a private pension may be able to retire earlier if their pension fund is large enough.

Return
The amount you get back when you invest money.

Rights
The protection that is given to you by law; for example, you have a right to compensation if your bank goes bust and you lose money.

Risk
Another name for chance or uncertainty, e.g. the risk that you may become unemployed, or the risk that you do not have savings.

Ss

Salary
An amount of money paid to an employee for a job, usually paid directly into his or her bank account every month.

Saving
The act of putting money aside for future use. Saving can also mean reducing the amount you spend.

Savings
The amount or value of the money you put aside for future use.

Savings Accounts
Accounts specifically designed for you to save money in, usually best for saving larger amounts.

Scholarship
Cash award given to a student who does particularly well in their exams preceding university or college. The scholarship may be awarded by the university or a company and may pay the tuition fees for a course in full or in part.

Secured Loan
A secured loan requires something that gives the lender security in case you cannot pay the loan back.

Security Question
An extra level of security used to verify your identity when accessing online accounts. Only you should know the answer to the question.

Self-Assessment
The way in which self-employed people calculate and pay their Income Tax.

Self-Employed
A person is self-employed if they run a business for themselves and take responsibility for its successes and failures.

Self-Insuring
Not taking out an insurance policy but having enough money saved, or saving an amount each month, which will be used to cover the loss of income or property if you lose your job or covers the cost of replacing something you own if it breaks or is stolen.

Shared Ownership
A government-backed scheme that allows you to buy a share of a property and pay subsidised rent on the remainder. It is designed to help first-time buyers and/or those who cannot afford to buy a home outright.

Shareholders
People who invest money in a company by buying shares in it, hence owning part of it.

Shares
A unit of ownership in a company.

Short-Term Contract
This can be on a full or part-time basis but is only for a fixed period of time.

Shift Payment
When you are paid for working unusual hours, for example, working during the night, in addition to normal pay.

Small Print
A product's terms and conditions, typically written in small letters and should be read carefully.

Smishing (SMS Phishing)
A type of fraud where someone tries to trick you into giving them personal or financial information via a text or SMS message.

Social Landlord
Social landlords provide affordable, government-subsidized housing for people in need. They are usually either a local council or a housing association

Standard of living
The quality of life experienced by an individual or household.

Standing Order
A method of paying regular amounts from your bank account automatically. You are in control and instruct your bank to pay the money to a particular person or company. It's your responsibility to change the payment (e.g. the date or amount) if it needs to be changed.

Statement
A document from the bank or building society that shows all your recent payments into, and withdrawals from, your account. You should check it with your own records.

State Pension
A pension paid by the government and to qualify for it you must have paid National Insurance contributions for a certain number of years.

Stocks
Shares held in multiple companies.

Store Cards
Store cards are like credit cards but are available from shops rather than banks. They can only be used to buy things at particular shops. Anything you spend on your store card is borrowed money. If you do not pay off the full amount each month, you will start paying interest on it.

Student Account
A current account which is intended for students in higher education. It operates just like a standard current account. But you usually get an interest free overdraft plus extra perks and benefits.

Student Loans Company (SLC)
Non-profit making government-owned organisation that provides loans and grants to students in universities and colleges in the UK.

GLOSSARY

Tt

Take-Home Pay
Your actual monthly salary after deductions such as Income Tax and National Insurance contributions (i.e. net pay).

Target Customer
An individual or business most likely to purchase a specific product or service.

Tax
A fee charged by a government on a product (VAT), income (Income Tax), or activity (road tax) to finance government expenditure on public goods and services, such as the police, the NHS, street lighting or street cleaning.

Tax Allowance
The amount of money you can earn before paying income tax.

Tax Code
Shows how much income you can earn before you start to pay Income Tax – your tax allowance. It is the first four numbers of your tax allowance followed by a letter.

Tax year
A 12-month period running from 6th April one year to 5th April the next year. Taxes, such as Income Tax, are worked out over this period.

Taxable Income
The amount of income used to calculate how much tax an individual or a company owes to the government in a given tax year.

Tenancy Agreement
A written contract which sets out the terms of the agreement between you and your landlord, for example the amount of the rent and whether the cost of utilities are included.

Term
The time for which something lasts (e.g. how long you have to pay back a loan).

Terms and Conditions (T&Cs)
Often called "the small print" and are the set of rules surrounding a financial product.

Total Deductions
The total amount that will be taken from your gross pay and will be shown on your payslip. What's left after this is your take-home pay.

Tracker Mortgage
This tracks or moves in line with a declared interest rate (usually the Bank of England base rate).

Transaction
Any payment in or out of a bank account.

Travel Insurance
Insurance which covers loss of luggage, travel cancellations or disruptions, or if you have to pay medical expenses because you fall ill on holiday, etc.

TuitionFees
The amount charged by universities to students to pay for the cost of the course.

Tuition Fee Loan
A loan which covers the full cost of your university course. This is paid directly to the course provider and not paid back until you have finished the course and are earning above a certain amount.

Two-Factor Authentication
An extra layer of security in order to confirm your identity to access online accounts. On top of a password and security question, this could be texting a verification code to your mobile phone or sending an email with a code or web link.

Uu

UK Voluntary Living Wage Rate
Set by the Living Wage Foundation campaign group, this is independently calculated and designed to reflect the "real cost of living in the UK and London". It tends to be higher than the National Living Wage but is not enforceable by law.

Universal Credit
A benefit payment to help with living costs which you might be able to get if you're on a low income or out of work.

Unmanageable Debt
Debt that is taken on with no means to repay it.

Unsecured Loan
An unsecured loan does not involve security for the lender, but as they are taking a greater risk, the APR (Annual Percentage Rate) tends to be higher.

Utilities
Services such as gas, electricity, and water.

Utility Bills
Bills with charges for electricity, water, gas and telephone.

University
A higher education institution where students study for degrees and academic research is done.

Vv

VAT (Value Added Tax)
A consumption tax paid by the consumer for goods and services.

Variable Rate Mortgage
A mortgage where the interest rate you are charged is not fixed. Your monthly interest payments may change if the lender changes their rate.

Vishing (Voice Phishing)
A type of fraud where someone tries to trick you into giving them personal or financial information over the phone.

Ww

Wages
The amount you are paid on a weekly or monthly basis.

Wants
These are the items, services, or experiences you would like to buy if you had the money to do so.

Withdrawal
Money taken out of your account.

Workplace/Education Provided Advisors
Professionals brought in by an education setting or employer to help students/staff manage their money.

Workplace Pensions
These are set up by your employer, and a percentage of your income will be paid into the pension. This is taken off your gross income before it is taxed, so your pension contribution is tax free.

Zz

Zero Hours Contracts
Casual contracts that offer no guarantee of any work.



- FINANCIAL CAPABILITY
- ENTREPRENEURSHIP
- WORK READINESS

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www.young-enterprise.org.uk

Young Enterprise
The Coram Campus
41 Brunswick Square
London,
WC1N 1AZ

Email: discoverYE@y-e.org.uk
Tel: 0207 549 1980

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