**Unit 3:** Personal and Business Finance

Revision Booklet 2

**Learning Aim B:** Explore the personal finance sector.

Features of Financial Institutions (B1)

Communicating with customers (B2)

Consumer Protection in relation to personal finance (B3)

Information guidance and advice (B4)

**Revision Task One:** Match the following financial institutions with their corresponding definition.

**Payday Loans Insurance Companies Bank of England** **Credit Unions Pawnbrokers Banks**

**National Savings and Investments Pension Companies Building Societies**

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| **Financial Institution** | **Definition** |
|  | UK’s Central bank. Responsible for setting interest rates and controlling the national debt as well as issuing legal tender. |
|  | An organisation that handles financial transactions and stores money on behalf of its customers. |
|  | An organisation that handles financial transactions and stores money on behalf of its members. |
|  | Not for profit organisations that handles financial transactions and stores money on behalf of its members. |
|  | Government backed organisation that handles financial transactions and stores money on behalf of its members. |
|  | Profit making businesses that protect against the risk of loss. Will charge premiums for the service. |
|  | Businesses which sell policies to individuals to help them save to fund their future retirement. |
|  | Individuals or businesses that loan money against an item of value e.g. jewellery. If the loan is not repaid within a specific period of time the item can be sold. |
|  | Organisation that offers short term loans at very high rates of interest. Might be suitable in an emergency to solve short term cash shortage. |

**Revision Task Two:** Write one advantage and one disadvantage for each type of financial institution.

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| --- | --- | --- |
| **Financial Institution** | **Advantage** | **Disadvantage** |
| Bank of England |  |  |
| Banks |  |  |
| Building Societies |  |  |
| Credit Unions |  |  |
| National Savings and Investments |  |  |
| Insurance Companies |  |  |
| Pension Companies |  |  |
| Pawnbrokers |  |  |
| Payday Loans |  |  |

**Exam Style Questions:**

**Q1.** Describe the role of the Financial Ombudsman Service.

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| **Total for Question 1 = 2 marks** |

**Q2.** Explain **two** disadvantagesof pay day loans.

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| **Total for Question 2 = 4 marks** |

**Revision Task Three**: Complete the table below describing the methods banks use to interact with customers, along with their associated advantages and disadvantages.

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| --- | --- | --- |
| Method and Definition | Advantage of Method | Disadvantage of method |
| Branch is...... |  |  |
| Online Banking is ... |  |  |
| Telephone Banking is ... |  |  |
| Mobile Banking is ... |  |  |
| Postal Banking is ... |  |  |

**Exam Style Question:**

**Q3. Assess the most appropriate method banks can use to communicate with customers aged 65+.**

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| **Total for Question 6 = 10 marks** |

**Revision Task Four:** Complete the table belowdescribing theFunction, role and responsibilities of the FCA, FOS, FSCS, OFT and Legislation.

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| --- | --- | --- |
| Organisation / Law | Function / Role | Responsibility |
| Financial Conduct Authority |  |  |
| Financial Ombudsmen Service |  |  |
| Financial Services Compensation Scheme |  |  |
| Office of Fair Trading |  |  |
| Legislation – Consumer Credit |  |  |

**Revision Task Five:** Match the organisations which provide guidance and advice to individuals on personal finance with their definition.

**Debt Counsellors Money Advice Service**

**Citizens Advice Independent Financial Advisor (IFA) Price Comparison Websites**

**Individual Voluntary Arrangements (IVA) bankruptcy**

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| **Organisation** | **Definition – Role and Responsibility** |
|  | An organisation run by charities which offers advice on both financial and non financial issues.  Advice can be provided at physical location, via websites, email or telephones.  Financial Advice provided includes banking, insurance, pensions and debt management. |
|  | Professionals providing independent advice on savings, investments, mortgages and pensions. |
|  | Websites containing prices for similar goods or services within in different markets to help consumers locate the best deals. |
|  | A government organisation created to offer free and impartial financial advice. |
|  | A professional offering independent advice on managing debt. |
|  | A government organisation which allows an individual to declare themselves bankrupt. |

**Revision Task Six:** Provide one advantage and disadvantage for each provider of financial advice.

|  |  |  |
| --- | --- | --- |
| Provider | Advantage | Disadvantage |
| Citizens Advice |  |  |
| Independent Financial Advisor (IFA) |  |  |
| Price Comparison Websites |  |  |
| Money Advice Service |  |  |
| Debt Counsellors |  |  |
| Individual Voluntary Arrangements (IVAs) bankruptcy |  |  |

**Exam Style Question:**

**Q4.** Describe the role of the Office of Fair Trading

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| **Total for Question 1 = 2 marks** |

**Q5.** Describe the role of the Financial Conduct Authority

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| **Total for Question 1 = 2 marks** |

James is 24 years old and has recently left home. He has a job but is struggling to pay his rent. He has an outstanding credit card bill and is concerned that his finances are getting out of control. He has seen a poster at the bus stop on the way to work advertising the services provided by Citizens Advice and is wondering whether they may be able to help.

**Q6. Discuss whether it is important for James to visit Citizens Advice to obtain financial guidance.**

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| **Total for Question 1 = 6 marks** |

**REVISION PROGRESS CHECK**

You have now completed the tasks related to **Explore the personal finance sector**– complete the table below to identify content you are confident about and areas you want to revisit. This is the end of Learning Aim B.

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| **B Explore the Personal Finance Sector** | | |
| **Checklist** | **Yes** | **No - must revise** |
| I can describe the features of **Financial Institutions** and describe their relevant advantages and disadvantages.  I can do this for:  The Bank of England  Banks  Building Societies  Credit Unions  National Savings and Investments  Insurance companies  Pension Companies  Pawnbrokers  Payday loans. |  |  |
| I can describe the following methods of interacting with customers  Branch  Online Banking  Telephone Banking  Mobile Banking  Postal Banking  And the relevant advantages and disadvantages for each communication method. |  |  |
| I can describe the role and responsibilities of the following  FCA – Financial Conduct Authority  FOS – Financial Ombudsmen Service  FSCS – Financial Services Compensation Scheme  OFT – Office of Fair Trading  Legislation – Consumer Credit |  |  |
| I can describe the role and responsibilities, and advantages and disadvantages of the following :  Citizens Advice  Independent Financial Advisor (IFA)  Price Comparison Websites  Money Advice Service  Debt Counsellors  Individual Voluntary Arrangements (IVAs)  Bankruptcy |  |  |