

ifs Level 2 Certificate in Personal Finance (CPF2)

Glossary

A

account sweep	An automated service whereby a bank will move money between two or more accounts to ensure that balances do not fall below a stated minimum or go above a stated maximum. The bank charges a fee for this service.
annual fee	A yearly charge that some credit cards and store cards make to cardholders.
annual percentage rate (APR)	A standard measure of the interest rate and fees that a financial services provider charges people who borrow money. It is given as a yearly percentage.
annuity	A financial product that allows a person to use the proceeds of a pension fund to provide an income in retirement. The pensioner hands over the lump sum to an insurance company and, in return, the company pays the pensioner a monthly income for the rest of their life.
application fee	A fee charged by the lender to look at a customer's credit application form.
appreciation	The increase in value of an asset or property over time, such as an increase in the market value of a house.
arrangement fee	A charge made by a bank to a borrower for setting up a loan.
auction	A method of selling goods whereby the item is sold to the person who offers to pay the highest price.
auctioneer	The person who is in charge of selling at an auction.
auction house	A business that can tell you how much goods are worth and then sell them at auction for you.
authorisation	The permission from a bank or building society that is needed before a card transaction can go ahead.
authorisation code	A unique set of digits given by the bank to the machine called a 'card reader', so that a payment card transaction can be matched with the permission received from the bank.

automated teller machine (ATM)	A machine that dispenses cash (hence 'cash machine') and performs some other banking services. They are often located outside banks and supermarkets, and might also be called a 'cash point' or 'hole in the wall'.
B	
Bacs	A computerised system that makes electronic fund transfers, eg of direct debits and standing orders. An acronym formed from 'Bankers' Automated Clearing Services'.
bad credit history	A bad financial record against the name of someone who borrowed in the past and did not repay their debts on time. This can affect whether that person will be able to get credit in the future.
bad debt	Money that has been borrowed from a provider and which the provider does not expect to be paid back, because of the bad financial position of the borrower.
bailiff	An officer of the court who can be sent, by court order, to a person's house to seize property that will be sold to repay unpaid debts, eg Council Tax arrears, unpaid loans and taxes.
balance	The amount of money that the account holder currently has in their bank or building society account. Balances can be positive (ie there is money in the account) or negative (ie the account holder owes the bank money).
bank	A business that keeps money safe for people and provides ways of making payments using that money (eg cash, cards, cheques). Banks also lend money, pay interest on savings, and provide other financial services. Cf building society
bank charge	The non-interest charge that a bank may make for handling customer transactions, eg issuing cheques and paying in cash.
bankrupt	Someone who is unable to pay their debts and has followed the legal bankruptcy procedure (n); unable to pay debts and subject to the legal bankruptcy procedure (adj).
bankruptcy	A legal procedure for which you can apply if you are unable to pay your debts. If you apply for bankruptcy, your debts will be cancelled; during the period of bankruptcy (usually a year), you will not be able to apply for any credit or loans.
bargain	A product that you are able to buy for a really good price.
basic account	A type of bank account aimed at people on low incomes. The account holders can make deposits and cash withdrawals, but cannot become overdrawn.

basic State Pension	The standard pension that individuals over retirement age receive from the state (subject to National Insurance contribution conditions). Basic State Pension is a fixed amount, not connected to earnings.
beneficiary	A person who inherits money (or other assets) when someone dies.
Big Mac Index	A table comparing prices charged for a McDonald's Big Mac burger in different currencies all over the world. The index shows those countries in which it is more expensive to live and those in which it is cheaper. Big Macs are used in the index because they are a standard product that is available almost everywhere in the world.
black market	The name given to illegal trade that arises when it is against the law to sell a particular product or when the government puts limits on the price that can be charged.
bonus	An extra amount of money on top of a wage or salary that someone is paid for doing a good job.
brand image	How a product is perceived by its customers. A company selling a product with a good brand image can make more sales than a company selling a product with a poor brand image.
budget	A financial plan for the future, showing expected revenues and expenses.
building society	A financial services business that is owned by its customers and is thus a 'mutual' organisation. Building societies offer the same services as banks: they are a safe place in which to keep money; they offer ways of making payments (eg cash, cards, cheques); and they accept savings and make loans, including mortgages. The difference between building societies and banks is that banks are owned by shareholders, who are paid a share of the bank's profits, while a building society uses its surplus funds to pay more interest on savings or to charge less interest on loans. <i>cf</i> bank
bureau de change	A French phrase that describes a place at which you can exchange one currency for another, or buy travellers' cheques and exchange them for cash.
C	
cash advance	Cash withdrawn using a credit card in an ATM or over the counter in a bank. Credit card issuers charge interest from the date of the cash advance until it is repaid and may also charge a transaction fee based on the amount of the advance.
cashback	An additional amount requested by a cardholder when making a payment with a debit card, which the retailer will then pay to the cardholder in cash.

cash card	A plastic card that the holder uses to withdraw cash from their account at a bank or ATM. It also allows them to find out their account balance.
cash individual savings account (ISA)	A cash deposit that is similar to any other ordinary savings account, apart from the tax-free status and the special rules that apply, including a maximum allowable investment in any one year.
cash machine	See automated teller machine (ATM)
catalogue	A booklet that an auction house uses to advertise the items that it has for sale.
Chancellor of the Exchequer	The British government minister who is responsible for deciding the country's Budget, which includes how much tax people must pay and how much money the government can spend.
cheque	A specially printed form that an account holder uses to give a written payment instruction to their bank that it must pay a specified amount of money from a bank account to a named person or organisation. Account holders use cheques to pay for goods and services in shops, restaurants, etc, or by post – although their use is in decline and some businesses no longer accept payment by cheque.
Cheque and Credit Clearing Company	An organisation that oversees the clearing of cheques. Amounts drawn on accounts with each bank are added up and overall debts are paid by one bank to another.
chequebook	A book of printed cheques ready for use.
cheque guarantee card	A plastic card (often a debit card) that was issued by the bank and which guaranteed that it would pay any cheque the account holder wrote (up to a maximum amount, eg £50 or £100). Cheque guarantee cards ceased to operate in the UK on 29 June 2011.
Child Trust Fund (CTF)	A special way of saving money that was available for children born after 1 September 2002, but before 3 January 2011. Children born between these dates were entitled to a sum of money from the government of between £250 and £500 (depending on the family income), which could be invested in a CTF by their parents. CTFs are no longer available.
chip and PIN	Debit and credit cardholders pay for goods by entering a four-digit personal identification number (PIN) into a keypad, instead of signing their names on a receipt. The chip is the microchip on the front of the card, which contains information about the bank account that the card accesses.
chip and PIN terminal	A computer device that reads the microchip on a debit or credit card. The chip tells the terminal details about the person's card.
Citizens Advice	A free service that helps people with their money and other problems by providing information and advice from locations around the UK.

civil partnership	A legal union, similar to marriage, between two people of the same sex. People in a civil partnership have similar rights to those of married people regarding financial products and inheritance.
clearing	The process of moving money from one account to another and ensuring that the person making the payment has enough funds in their account to cover it. Money paid by cheque has not been transferred between accounts until the cheque has been cleared.
codicil	A document containing additional notes made when someone wants to amend their will.
commission	A percentage of the value of currency that someone has bought. Banks and other providers charge you commission when you change currencies.
commission bid	A term used by auction houses, which refers to a bid made in advance, when someone wants to buy an item, but cannot be at the auction in person or on the telephone. Instead, they will tell the auctioneer how much they are willing to pay for the item before the auction starts.
compound depreciation	Also known as the 'reducing balance method', a way of writing off the value of an asset over time to reflect wear and tear in which a standard percentage rate is deducted from the net value of the asset at the end of each year.
compound interest	Interest that is paid not only on the principal sum borrowed, but also on the interest that accumulates over the life of the credit. This also applies to savings: interest is paid on both the principal sum saved and the accumulated interest that is not withdrawn from the savings account.
Consumer Credit Acts 1974 and 2006	Acts of Parliament (ie laws) that set out rules that lenders must follow when they offer loans to individuals.
cooling-off period	A period during which borrowers can think about the money that they have agreed to borrow and during which they can cancel the agreement if they decide that they are not happy. They are entitled to the return of any deposit that they may have paid.
county court judgment (CCJ)	A decision made by a court of law called a county court, which means that someone must pay the debt that they owe. If the person does not pay this debt, they are said to have an 'outstanding CCJ'. Lenders can check if people who want to borrow money have had these judgments made against them. The lender may decide not to lend money to people who have not repaid debts in the past, or it may decide to charge such a person particularly high interest.
credit	Money that someone borrows on a payment card, or by taking out a loan or mortgage.

credit card	A plastic card that is used to make payments. The cardholder can decide whether to pay the bank all of the money that they have spent using the card or to pay only some. If the cardholder pays only some of the money that they owe the bank, they are taking credit – ie borrowing the rest of the money – and will have to pay interest on it.
credit check	An inquiry made by a lender to confirm a consumer’s credit record.
credit history	See credit record
credit limit	The maximum amount of money that someone can borrow on a credit card.
credit product	One of the many different ways of borrowing offered by different lenders.
credit record	Information held by lenders about the money that people have borrowed in the past, and whether or not they repaid it on time and in full. Lenders share this information with other lenders.
credit sale	The most common type of credit agreement under which the customer buys goods at their normal price and then pays for them in instalments, usually with interest (although some schemes offer interest-free credit). The goods belong to the customer as soon as the agreement is made, so the goods are not easily repossessed if the customer has trouble keeping up with the repayments. The supplier can, however, take the customer to court to get back money owed.
creditor	A person or company to which money is owed when, for example, someone has purchased goods or services on credit – ie without paying cash.
creditworthiness	The likelihood that someone will repay the money that they borrow and is a good credit risk.
currency	A unit of money used by all of the people within a country to buy and sell goods and services, to save, and to borrow.
current account	A type of bank account that people use to keep their money safe until they want to make a payment. Account holders can make payments from current accounts by cash, cheque, or card.
customer inertia	Refers to one reason why some people (customers) tend not to move banks or accounts, or to make a change to their payment cards or loans. They may feel that they do not have time to make the change, or they may simply not care whether they should or should not do so.
D	
death certificate	A piece of paper that is the legal notice that a specific individual has died, which notes the cause of their death.

debit card	A plastic card that an account holder uses to check their account details, to withdraw cash, or to make payments from their account. Debit cards can be used in ATMs, in banks, in shops, restaurants, etc, over the telephone, by mail order and on the Internet.
debt recovery agency	An organisation that tries to collect debts from people who have defaulted on their loans for those companies that are owed money. A person who has borrowed money from a lender may be approached by one of these agencies and asked to pay.
deductions	The income tax and National Insurance contributions (NICs) that an employer deducts (takes off) from a person's salary or wages.
deferred payment	A payment that is 'put off' and which starts after a certain length of time. For example, some stores give customers the option to pay nothing during the first 12 months after buying the goods; payment must be made after this 12-month 'deferred' period.
demand and supply	Demand arises when people want to buy something and have enough money to buy it. Supply is the amount of the 'something' that is available to buy. Prices are higher if more people want to buy something and there is less of it around. Prices are cheaper if less people want to buy something and there is more of it around.
denomination	The face value of a coin or bank note, eg 1p, 2p, 5p, 10p, 20p, 50p, £1 and £2 in coins; £5, £10, £20 and £50 in notes.
deposit	Money paid into a bank account.
depositor	A person who puts money into a bank account.
depreciation	The decrease in the value of an item when it wears out or becomes out of date. Many things, such as cars, computers, and skateboards, are worth less when they are old than they were when they were new.
direct debit	An instruction to the bank to make a regular payment to an organisation. It is different from a standing order because the organisation that receives the money tells the bank how much money is required. Direct debits are therefore used when the amount to be paid varies. <i>cf</i> standing order
Direct Debit Guarantee	A promise made by the organisation being paid by direct debit that if the bank takes too much money from a customer's account, or takes it too early, the originator (the organisation being paid) will refund the money.
direct tax	Tax that is charged on people individually and directly, such as income tax, which is charged on a person's income.
dormant account	An account that has been opened and not used for some time (at least a year), but which has not been closed.
drawer	See payer

E

early repayment charge	A penalty charged by a lender if a borrower wants to repay a debt earlier than agreed. Repayment fees tend to be larger for loans that last for a longer period of time. An example is a repayment fee on a fixed-rate mortgage.
earnings	The money that you get for doing a job. It comes from the word 'to earn', which means to get something because you have worked for it.
eBay	An Internet marketplace, online in the UK at www.ebay.co.uk . People sell things on eBay either by auctioning items or by selling them at a fixed ('Buy It Now') price.
Education Maintenance Allowance (EMA)	An amount of money that the UK government pays to school or college students who need help with costs so that they can continue to study. This scheme closed to new applicants in England on 1 January 2011. It is, however, still available to certain students in Scotland, Northern Ireland, and Wales.
electronic transfer	A method of moving money between bank accounts using computer networks.
employee	A person who works for someone else.
employer	A person or organisation for which an employee works.
employment contract	A written agreement between the employee and the employer giving details about the job. It must state whether the employee is full-time or part-time.
employment law	The collective way of referring to all of the rules in the UK (and Europe) that relate to employment, such as the earliest age at which people can work and for how many hours they can work. The government sets strict rules to make sure, for example, that young actors work short hours and do not miss too much school.
enduring power of attorney (EPA)	A legal contract by which one person is given the right by another to act on that person's behalf, eg to operate a bank account. An EPA has no time limit, hence its name. Since 1 October 2007, the EPA has been replaced by the lasting power of attorney (LPA), but EPAs made before that date remain valid.
equivalent annual rate (EAR)	See annual equivalent rate (AER)
estate	The possessions and money of someone who has died.
euro	Deriving simply from the word 'European', the legal currency in the 18 countries known as the 'euro area'.

euro area	The euro area (also known as the ‘eurozone’) refers to the group of countries that use the euro as their currency. At the time of writing, there are 18 countries in the euro area, but this number will rise as more EU countries – and countries new to the EU – adopt the euro.
European Central Bank (ECB)	The central bank for the euro area countries, which decides on the interest rate paid and charged on deposits and loans made in euro.
European Union (EU)	The group of (at the time of writing) 28 nations that have joined together to form an economic community, with some common monetary, political, and social objectives. The EU began as the European Economic Community (EEC) in 1958.
exchange rate	The price of one currency in terms of another – ie the price that you have to pay in one currency to buy another. For example, an exchange rate of 1.15 between sterling and the euro means that £1 will buy you €1.15.
excise taxes	Expenditure taxes that are levied on particular products, such as fuel, alcohol, tobacco, and gambling.
executor	A person who is named in a will as responsible for carrying out the instructions given in the will.
executrix	A female executor.
exempt beneficiary	A beneficiary under someone’s will who does not have to pay (ie is ‘exempt’ from) Inheritance Tax (IHT), such as the spouse or civil partner of the deceased.
expenditure tax	A tax charged on the value of something that we buy, meaning that we pay the seller’s price plus the expenditure tax. Value added tax (VAT) is an expenditure tax.
expenses	Costs that have been paid by an employee because of the work that they have done, eg travel costs to a client’s office. If the employer agrees to repay these costs to employees, the money will appear on their payslips labelled as ‘expenses’.

F

facility	A service offered by a bank, such as an ‘overdraft facility’ – ie the amount of money that the bank will allow the account holder to borrow using their current account, if they need to do so.
feedback	Comments that sellers and buyers leave about the transaction when buying or selling in an Internet marketplace, such as eBay, which mean that each party can check that the other is trustworthy.
finance company	A financial business that lends money via hire purchase agreements to customers who want to buy goods on credit.
finance house	An organisation that offers credit, eg Lombard Direct.

financial adviser	A person or company that gives advice to customers on financial services such as savings, investments, pensions, and insurance policies. <i>cf</i> independent adviser ; restricted adviser
Financial Conduct Authority (FCA)	The industry regulator, which replaced the Financial Services Authority (FSA) from April 2013, in charge of checking on the work done by all financial institutions, eg banks, building societies, insurance companies, and financial advisers. It also took over many of the responsibilities of the Office of Fair Trading (OFT) from April 2014.
financial footprint	The history that every customer of financial services leaves behind them, which shows how creditworthy they have been in their past financial transactions. The footprint can be picked up by a credit reference agency or in a credit search, so that a prospective lender can assess how good a customer the person is likely to be.
Financial Ombudsman Service (FOS)	An independent body set up to help to settle individual disputes between consumers and financial firms, the FOS looks at complaints in areas such as insurance, mortgages, and savings. It is not a watchdog, but aims to settle the disputes without taking sides. The service is free to consumers.
Financial Services Authority (FSA)	The official financial regulator in the UK until April 2013, established under the Financial Services and Markets Act 2000 and now replaced by the Financial Conduct Authority (FCA).
financial services provider	A business that offers its customers financial products, such as current accounts, loans, mortgages, and savings accounts. Banks and building societies are financial services providers.
fixed interest rate	A rate of interest that stays the same during the life of the product, eg 5 per cent for five years. Even if Bank Rate and other interest rates change, the fixed rate will stay the same.
forward	A financial instrument under which someone agrees to sell a currency for a certain amount of money on a date in the future.
full-time working	Working a full working day, each week, all year round, except for paid holidays.
G	
GBP	The abbreviation for the British pound in lists of foreign currencies.
granter	The legal name of a person giving a power of attorney.
gross	The amount of income, profit, or interest before any money is taken off – eg pay before deductions for tax or NICs.
H	
hacker	A person who commits computer crime and gains unauthorised access to data, whether to try to commit fraud or for the intellectual challenge of breaking into a computer.

hallmark	A mark that tells an expert when and where an item was made. For example, items made from silver have hallmarks on them.
hard currency	A currency that comes from a strong economy and keeps its value because people always want to buy it.
hedging	The process of guarding against the risk of loss on one decision by establishing another risk in the opposite direction. For example, if you have a savings account, but you are afraid that interest rates will fall and you will lose interest, you might take out a loan at the same time so that you will also gain if interest rates fall.
hidden charge	A charge that was not advertised and of which the customer was not aware.
hire purchase	A way of buying goods on credit under which the goods do not become the customer's property until the customer has finished making all of the repayments.
HM Revenue & Customs (HMRC)	A department formed on the 18 April 2005, following the merger of the Inland Revenue with HM Customs and Excise. It is responsible for assessing and collecting taxes.
household income	The total amount of money earned or received (including state benefits) by all members of a family living in the same household.
I	
<i>ifs University College</i>	A leading provider of financial education for those working within the industry (so that they can work to a good professional standard) and for those who are customers (to equip them with the life skills that they need to manage their finances). <i>ifs University College</i> organises and awards a range of financial qualifications for people working in banks, building societies and insurance companies, and also for financial advisers.
income tax	A direct tax collected by the government directly from people's earnings. The amount of income tax that someone pays depends on the amount of money that they earn. The government uses the money that it collects to pay for services that the country needs, such as schools, hospitals, the police, and other emergency services.
independent adviser	A financial specialist who works for themselves to give people advice on the financial products that might suit them. They are not tied to any particular company, and can advise on and sell products from a wide range of financial institutions.
indirect taxation	Taxes that are charged not on people personally or directly (as is income tax), but on what we spend (such as value added tax).
inheritance	The process through which, when people die, their money and possessions are given to other people,
inheritance tax (IHT)	A tax on the money and the value of all of the possessions that someone owns when they die (above a certain limit). The government collects the tax.

instant access	The ability to withdraw money whenever a saver wants to do so without giving the bank notice.
Inter-Bank Data Exchange (IBDE)	An electronic method of passing the information written on cheques between banks. It is operated by APACS.
interest	The price of borrowing money. (a) Borrowers pay lenders interest on top of repaying the money that they borrowed. (b) Providers pay savers interest for keeping their money in a savings account.
interest rate	A description of the interest that will be charged, given as an annual percentage of the amount borrowed, such as '3 per cent'.
interest-free credit	A type of loan on which no interest is charged as long as the borrower repays the loan on time and in full. If the borrower does not meet these conditions, interest is charged – often at a very high interest rate. These types of loan tend to be offered by shops selling items such as furniture and electrical equipment.
international currency	A currency that is acceptable in both its own country and in other countries.
Internet bank	A bank that is available only online, such as Egg.
Internet banking	Managing an account (or accounts) online, which requires a computer with Internet access. Account holders can register with their bank for online access to their account at a branch, over the phone, or via the bank's website. Account holders are given a membership number and a passcode, and they will have to make up their own memorable word for security purposes. Once they have accessed their bank accounts, they can transfer money, pay bills, get statements, etc, online.
intestate	A word used to describe someone who has died without leaving a will. In this situation, the law dictates who will receive the deceased person's money and assets subject to the 'intestacy rules'.
issuer	The bank that issues a card.
J	
Jobseeker's Allowance (JSA)	The main benefit that the government pays to people of working age who are unemployed and actively looking for work.
junior individual savings account (junior ISA)	Tax-free savings account for children, with an annual contributions limit and from which money cannot be withdrawn before the child's 18th birthday.

K

Know Your Customer (KYC)	The FCA rule that all banks – by law and because of banking regulations – have to be sure of the identities of their customers. It also relates to familiarity with the customer’s needs so that responsible recommendations can be made.
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L

lasting power of attorney (LPA)	A legal contract by which one person is given the right by another to act on that person’s behalf, eg to operate a bank account, if they become unable to do so themselves. An LPA is set up by the ‘donor’ whilst they are still of sound mind.
late payment fee	A penalty fee charged for making repayments on a loan or credit card after the date agreed. For example, credit card repayments must be made by a date given on the cardholder’s statement; if the cardholder misses the deadline, a late payment fee is charged and extra interest is due on the borrowing.
legal fee	A fee charged by lenders to cover the costs of legal work, such as the cost of drawing up a loan agreement (a legal document) that a borrower must sign, or the costs of legal searches when someone is applying for a mortgage to finance a home purchase.
lifetime earnings	The total amount of money that someone earns during their lifetime.
loan shark	An illegal moneylender who takes advantage of people who are not able to borrow from banks and building societies because they earn very little or have a bad credit record. Loan sharks offer loans at very high interest rates.
logging in/on	Typing information into a computer to identify who the user is and so to get access to financial information.
logging out/off	Entering into a computer the command to end a session, which means that the computer no longer recognises who the user is. Logging off prevents someone from accessing information that is private.
long-term savings	Savings built up over a number of years, such as £10,000 needed for a deposit for a house. Long-term savings accounts usually pay a slightly higher interest rate.
lot number	The number given to each item on sale in an auction.

M

MasterCard	One of the main brands of credit card accepted worldwide.
medium-term savings	Savings built up over a period of time, maybe a year or more, such as £1,000 for a computer or a car.

mental capacity	The ability of someone to make logical decisions. Those who are not so able are known as 'mentally incapable'. Doctors and lawyers can decide whether someone is capable or not. If someone is considered incapable of making financial decisions, the courts may appoint someone to look after that person's money.
merchant	The shop, or other supplier, that accepts a card as payment.
merchant acquirer	The bank that the merchant uses to process the card payment.
minor trust	A trust that is set up for a young person ('minor' is the legal word for someone who is not yet aged 18).
mixed purse	The selection of cash, travellers' cheques, and a debit or credit card, if you have one, that banks advise you to have when travelling to another country. Your purse, wallet, or handbag should contain a mixture of different payment methods to make sure that you can pay all of your bills.
money laundering	The situation in which people who gain money from criminal activities transfer their money into a lawful bank account so that they can use it without attracting suspicion – ie turning 'dirty' money into 'clean' money.
money transmission	The process of moving money, eg for making payments. Banks provide us with ways in which to pay and receive money.

N

National Insurance contributions (NICs)	A percentage of the money that they earn that people aged 16 and over must pay to the government, which uses it to pay for pensions, unemployment benefits, sickness benefits, etc. The amount of NICs that a person contributes during their working life will affect the amount of State Pension that they will receive when they retire and their eligibility to certain other benefits during their life.
National Minimum Wage	The lowest amount of money that an employer can pay an employee for their work per hour. The government introduced the minimum wage to make sure that 'employees have decent minimum standards and fairness in the workplace'.
National Savings and Investments (NS&I)	An organisation that offers savings and investment accounts and Premium Bonds. HM Treasury backs the organisation, so the money that is saved or invested is extremely safe. Some NS&I products are tax-free.
negative equity	The situation in which the market value of someone's home is less than the amount owed on the mortgage used to buy it. If the owner sells the house, there will not be enough money from the sale proceeds to pay back the whole mortgage still owing, so the owner will have to find the difference from another source. Negative equity often forces people to stay in a property until its value increases to at least the outstanding mortgage amount.

O

occupational pension	An employer's pension scheme into which employees pay an amount from their earnings every month and into which the employer might also pay an amount of money on the employee's behalf. When employees retire, they are either paid a pension that represents a proportion of their final salary for the rest of their lives, or they are given the money that has accumulated so that they can invest it to provide them with an income.
opportunity cost	The value of the thing that we choose to buy in terms of the thing(s) that we give up in order to buy it.
opt-out	A decision not to take part in a particular financial plan. For example, someone who decides to 'opt out' of a pension scheme decides not to pay into it.
originator	A company that is paid by direct debit, such as a utility company. The customer sets up a direct debit arrangement with their bank, so that the originator can request payments from the customer's bank account to cover bills.
overdraft	A facility that allows current account holders to take out more money from their account than they have paid into it. The bank will allow the account holder to borrow money from it in this way only up to a certain limit, known as the account holder's 'overdraft limit'.
overdrawn	The state of an account from which the account holder has drawn (taken out) more money than they have in it – ie they have used some of the bank's money.
over-indebtedness	The situation in which people owe more money than they can afford to pay back.
overtime	The extra hours that an employee might work on top of their normal working day, for which they may get a higher hourly rate.

P

P45	A form given by the former employer to an employee who leaves a job, which shows the employee's tax code and other tax information that the new employer will need.
P60	A form produced for each employee every year, which shows the tax and NICs that the employee has paid during the previous tax year. Employers should send out P60s by 31 May each year, showing tax and NICs for the tax year ending the previous 5 April.

packaged bank account	Current account with which, in return for a small monthly fee, the bank offers additional benefits to the account holder, such as various insurances and protections, including against fraud, and event tickets.
paid leave	Time off work to which the employee is entitled, but for which they will still be paid as if they were working.
pawn	To give an item to a pawnbroker as security for a loan (vb); the item given to a pawnbroker as security for a loan (n)
pawnbroker	A business that will lend money against a valuable item, which the borrower deposits as security.
pay as you earn (PAYE)	The system by which income tax is deducted from a person's salary every month.
payee	The person or organisation named in the 'pay' space on the cheque, who receives the money.
payer	Also known as the 'drawer', the account holder making the payment on a cheque.
paying in advance	Paying for a product or service before receiving it, such as buying a ticket for a train journey before starting the journey.
paying now	Paying for goods and services at the time the customer gets them, which is the simplest way of making purchases, such as when someone buys a magazine in a shop and pays cash at the till.
paying on credit	Paying after the customer has received a product or service, such as using a credit card to buy clothes in a shop. The credit card company lends the cardholder the money to buy the clothes (also known as 'buying on credit') and the cardholder pays the credit card company back later.
paying-in slip	A paper form that is filled in when an account holder puts money (cash and cheques) into a bank account. It shows the details of the amount being paid in and in what denominations.
PayPal	A secure system for making and receiving payments online.
payroll	The process through which the employees of an organisation are paid; the department responsible for making the payment; the computer program used to make the payment.
payslip	Also known as a 'pay statement', a document showing details of an employee's earnings in the last month or week and the amounts that the employer has deducted, eg for income tax and NICs.
pension	An income that someone receives when they retire, for which they need to save when they are working. There are several ways in which people can save for retirement: they pay NICs, which entitle them to State Pension; they may also pay into an occupational pension scheme or a personal pension plan every month, and then use the money that accumulates over a number of years to provide an income when they are no longer working.

personal allowance	An amount of money that someone is entitled to earn without paying income tax. The Chancellor of the Exchequer announces the personal allowance for income tax each year in the Budget.
personal identification number (PIN)	A four-digit code used to identify the correct owner of a card at an ATM or when paying by card in a shop.
personal loan	A loan made to a person and not to a company, normally for between one and seven years. Personal loans are used to finance the purchase of consumer items such as a computer or a car.
personal pension plan	A type of long-term saving that has tax advantages: the government allows people to earn tax-free interest on their pension plans to encourage them to save. When a saver retires, they are given a lump sum that they invest to give themselves an income.
phishing	A type of financial fraud – ie a type of identity theft in which the criminal steals all of someone’s passwords and credit card details, and then pretends to be that person, making purchases of expensive items that are charged to the victim.
pound	Also known as ‘sterling’, the name for the currency used in the UK.
power of attorney	A written document that formally names someone as a legal representative to act on someone else’s behalf, either because that person is incapable of acting for themselves, or because they might be abroad for some time and want someone to look after their financial affairs in their absence.
probate	The legal process of proving that a will is genuine, which gives powers to executors to carry out the provisions of the will.
provenance	A term meaning the history of an item, as used by auction houses and people who work in the antiques trade. If an item such as a painting has an interesting history or was owned by a famous person, people might pay more for it.
purchasing power parity	A way of comparing one currency with another by finding out how much it would cost to buy the same product using each. For example, if a bottle of water were to cost £2 in the UK and €3 in France, the PPP would be £1 = €1.50.
R	
real value	What an item is worth in terms of other goods and services, and not in terms of money.
receipt	An amount paid into a bank account or received by someone being paid by someone else.
referendum	A process through which the government asks every adult in the country to vote on a particular issue.

repossession	The situation in which a lender takes away someone's home because the individual has not repaid a mortgage loan secured on that home. The house is then usually sold to repay the debt.
reserve price	A minimum price set for selling an item at an auction.
restricted adviser	An adviser who is tied to either one single provider (formerly a 'tied adviser') or several different providers (formerly a multi-tied adviser'). These advisers are not independent, because they do not select products or clients from the whole market, but only products from the company or companies to which they are tied. <i>cf independent financial adviser</i>
risk–reward relationship	Simply stated, the higher the risk, the higher the interest rate and potential gain on an investment; the lower the risk, the lower the interest rate and possible gain on an investment.
S	
savings account	An account that pays a higher rate of interest than a current account: some allow instant access; others require account holders to give the provider notice before they can withdraw their money (or else forfeit some of the interest that they have earned). Savings accounts do not provide a chequebook or debit card, but account holders can make transfers into their current account from them.
secured debt	Debt for which security has been granted, giving the lender the legal right to take the goods used as security from you if you cannot repay the loan. For example, a mortgage loan is secured on the property bought using the loan, meaning that borrowers who cannot keep up their mortgage repayments can lose their homes.
self-assessment	The process by which people who are self-employed, and people with savings and investments, calculate the income tax that they owe to HM Revenue and Customs.
self-employed	Working not for an employer, but instead for yourself.
shift	A period of work in a pattern of working that splits the day differently from the usual '9 to 5'. Each period is one shift and, in this way, a factory (for example) can be operated continuously by different groups of people in turn.
short-term savings	Savings that someone builds up over a period of weeks or months, such as £40 to buy a new computer game or a few hundred pounds to pay for a holiday.
small claims court	A special court in which a lender can seek repayment of a small sum (up to £5,000) from a borrower. If a borrower owes less than this limit and is unable or unwilling to pay, the lender can take the case to the court to recover what they are owed. They need to give written proof that the debt exists.
soft currency	A currency that is weak and falling in value, often seen in poor countries.

sort code	Six-digit numbers that are used to identify each branch of each bank in the country.
standing order	An instruction given by an account holder to the bank to make a payment of a regular amount on a regular basis. <i>cf</i> direct debit
standing order mandate	The form that you fill in and give to the bank to set up a standing order.
State Second Pension (S2P)	An additional pension benefit paid to employees at state retirement age, based on their earnings and record of National Insurance contributions (NICs).
statement of account	Also known simply as a 'statement', or as a 'bank statement', a list of all payments into and out of an account over a period of time, showing the balance after each transaction.
Statutory Sick Pay (SSP)	The minimum amount (set by the government) that employers must pay staff who are off work because they are ill and which employers can then reclaim from the government. Many employers pay staff more than this legal minimum. The employee's employment contract gives details of the amount of sick pay that will be paid and for how long.
sterling	Often the 'pound sterling', the currency used in the UK.
stopped cheque	A cheque that a bank or building society refuses to pay because an account holder has asked it to stop payment. For example, if an account holder were to pay by cheque for goods and the goods were to turn out to be faulty, the account holder could contact the bank and ask it to stop the cheque so that the money would not be transferred to the seller's bank account. A cheque can be stopped only if the drawer's bank is contacted within a couple of days after writing the cheque – ie before the cheque clears.
store card	A plastic payment card that is similar to a credit card, but which is issued by a particular shop. A customer may be eligible for special offers at a shop when using their store card, but the interest rates quoted by store cards tend to be expensive and can be up to twice the rates charged by other credit cards.
straight-line depreciation	A way of measuring the reduction in value over time by reducing the asset's value by the same amount of money each year until, at the end of the asset's life, it is worth nothing.

T

tax band	The various amounts of earnings above the personal allowance amount that are taxed at different rates. For example, for 2015/16, the first £31,785 above an individual's personal allowance is taxed at 20 per cent and the next £118,215 is taxed at 40 per cent. Taxable earnings above £150,000 are taxed at 45 per cent.
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tax return	A paper or online form that tells HM Revenue and Customs what someone has earned so that it can make sure that they pay the correct amount of tax.
telephone banking	A delivery method that allows customers to access their accounts by telephone and to make transactions by talking to someone in a call centre. The bank gives the customer a special security membership number and password, so that bank staff can make sure that they are speaking to the rightful owner of the account.
threshold	The amount of money that marks the point at which something comes into effect. For example, graduates start making student loan repayments to the government only when they earn more than the threshold of £16,910 a year.
ticket tout	Someone who buys tickets to an event in order to resell them at a large profit, illegally.
transaction	A movement of money from one account to another, such as: a payment, in which the money moves from the buyer's account to the seller's account, or a transfer, in which money is moved from a current account to a savings account, or a standing order or a direct debit.
travellers' cheque	A convenient and safe way of taking money abroad. You can buy the cheques at a bank or the Post Office, and they can be denominated in either sterling or a foreign currency. You can then exchange them for local currency anywhere in the world, and can often use them to pay directly for goods and services.
trust	An arrangement under which named adults are made responsible for looking after money or assets for other people, such as an inheritance for young people until they reach the age of 18 or an age specified in the will.
trustee	A person who looks after a trust.

U

unsecured debt	Debt under which the lender has no right to take possession of property that the borrower owns if they do not repay the loan. Credit cards are an example of unsecured borrowing. It is more risky for the lender. <i>cf</i> secured debt
US dollar (USD)	The currency used in the USA and the currency often used to quote prices for some items that are bought and sold globally (such as oil).

V

valuation	The process during which an expert who knows a lot about a particular item tells the owner how much they think it is worth, or how much it might make at auction.
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value added tax (VAT)	An indirect expenditure tax charged on goods and services, which becomes part of the price that purchasers pay. The standard rate in the UK increased from 17.5 per cent to 20 per cent on 4 January 2011.
variable interest rate	An interest rate that can change during the lifetime of the loan. When Bank rate changes, so does the variable interest rate.
Visa	One of the main brands of credit card accepted abroad.