Finance glossary

Term	Definition
Adverse credit	This term refers to your credit history. Also known as a poor credit history or bad credit record, it can be affected by CCJs, house repossession orders, IVAs or repayment arrears.
Agreement	Another term for 'contract', an agreement is a legal document that makes a loan official. The agreement confirms the terms of the loan between you and the lender. When you sign a loan or credit agreement, you are accepting that you are legally responsible for paying back the money borrowed, and any interest and fees applicable. **APR:** APR stands for Annual Percentage Rate, and represents the cost of borrowing per year as a percentage of the amount borrowed. APR is a complicated calculation that takes into account interest payable on the amount borrowed, other fees that are applied, and a number of other factors. APR isn't always the most accurate way of representing the cost of borrowing, but can be useful when comparing loans or credit cards with similar terms.
Arrears	Arrears is a term that means money that is owed, that should have been paid earlier. If you've missed or only partially paid a repayment on a bill or loan, then your account will be in arrears until you get back up to date. Having accounts in arrears too often or for too long can make it more difficult to get credit in the future. Late and missed payments are recorded on your credit report, which lenders often check and use to help them make a decision about whether to lend money to you, or not.
Bounced cheque	A cheque 'bounces' when your bank account doesn't have enough money in it to cover payment of the amount the cheque is for. If this happens, the bank will normally return the cheque to the payee, marked 'unpaid'. Most banks will also usually charge a fee for this.
CCJs	A County Court Judgement (CCJ) is issued by a County Court for failing to repay a loan or outstanding debt. A CCJ will affect your credit rating and may affect your ability to get a loan or mortgage. CCJs can be enforced by bailiffs.
Charges	In finance, charges and fees are usually the same thing, and are applied to your account by your bank or lender in line with the type of account or loan you have. Banks and lenders provide a number of services to their customers, and some come with charges attached. These can include interest, transmission fees, service charges, and for some credit cards, annual card fees. If a service is misused or the terms of an agreement are broken, then that's where things like overdraft charges and late payment charges come in.
Credit	Credit is money borrowed from a bank or credit provider on the condition that it's paid back in accordance with the agreement. Types of credit include loans, both secured and unsecured, credit cards and pawnbroking. Credit limit: A credit limit is the maximum amount of money that you can borrow on a credit card, or from a particular lender, and will be determined by the lender based on a number of factors.
Credit Reference Agency	A Credit Reference Agency, or CRA, is an agency that collects data from various sources and provides information on learner consumers to form their credit report. The three main agencies in the UK are Experian, Call Credit and Equifax.

Finance glossary (continued)

Term	Definition
Credit report	This document, compiled and held by Credit Reference Agencies, gives a summary of your credit history and financial behaviour. It includes your personal details such as your address and date of birth, information on your borrowing and payment histories, the length of your credit history, information on the total credit you have available to you and how much of that you've used. Some of the things that are not included in your credit report are your salary and details of savings accounts you hold. Under the Consumer Credit Act, you have the right to see the file held on you by credit reference agencies for £2.
Credit score	Your credit score is a number between 300 and 1000, calculated from the information held in your credit report, which indicates the probability of a borrower being able to pay back the loan. The higher the number, the higher the probability that the borrower will repay. In the UK, the average credit score is 700. 800 is thought to be a good score, while a score over 850 is considered excellent.
Debt consolidation	Debt consolidation means to take out one loan to pay off a number of other loans or debts. A consolidation loan can usually secure a lower fixed rate of interest and gives the security of more manageable monthly payments.
Debt Management Plan	A Debt Management Plan (DMP) is a repayment scheme offered by a debt management company. They will negotiate your repayments over a number of years to enable you to make payments to your creditors more affordable.
Early repayment	An early repayment means paying back a loan before the balance is due. Some lenders may charge a fee for doing this.
Interest	The extra money that is paid to you by a building society or a bank, when you save your money with them. Or the extra money you have to pay back when you have borrowed money. Interest can also be money you pay to borrow money, and is usually expressed as a percentage of the amount borrowed. Interest is normally included in the total cost of borrowing.
Loan	Money that is lent to someone else or you borrow, but it has to be paid back (often with interest). A personal loan – otherwise known as an unsecured loan – is taken out by an learner over a fixed term. This type of loan is available from a bank, building society or other financial institution without security. They are covered by the terms of the Consumer Credit Act. A lump sum will be loaned in return for you agreeing to make regular repayments, usually by direct debit. Personal loans are usually available from £500 up to £25,000 (security will often be needed for larger loan amounts) and are repayable over a set period of time, usually between six months and 10 years.
Loan period/loan term	The loan period, or loan term, is the length of time you've agreed to borrow money for. It can last from a few days to a number of years depending on the terms of your agreement and the type of loan you are taking. In most cases, interest will accrue throughout the term of the loan.
Loan shark	A moneylender who charges extremely high rates of interest, typically under illegal conditions.

Finance glossary (continued)

Term	Definition
Maxed out	When a credit limit is reached or exceeded, it is said to be 'maxed out'. Many lenders will not allow further money to be taken against the credit limit until the account holder pays off enough of the balance to be under the limit again. In some circumstances, the creditor or lender may agree to extend the credit limit, or allow additional withdrawals or purchases, but might charge a fee for this.
Minimum payment	The least you can pay towards a loan or bill without incurring penalties.
Mortgage	A loan from a building society or a bank when someone wants to buy a house or flat.
Outstanding amount	The outstanding balance is the amount remaining on a debt that has not yet been repaid in full.
Overdraft	An amount of money that a building society or bank lets you 'borrow', in case you spend more money than you have. The 'borrowed money' is usually charged extra for.
Payday loan/payday advance	A payday loan, or payday advance, is a type of short-term, unsecured loan, which is usually repayable on the borrower's next payday. Payday loans are usually for relatively small amounts of money, and are intended to be used only for unexpected expenses to cover a borrower's expenses until their next payday.
Penalty charges	Penalty charges are charges applied to your account with a bank or lender if the service is misused or the terms of your agreement with them are broken. Common penalty charges include late payment fees, over-limit fees and overdraft fees.
Rate	Rate refers to the level of interest charged by a lender, and is usually expressed as an Annual Percentage Rate (APR).
Repayments	The amounts of money you need to pay weekly or monthly until all the money you borrowed is paid back (and often with interest added).
Repayment date	This is the date that you agree to repay either the full balance, or an instalment towards, your loan.
Typical APR	Typical APR is a term lenders use to describe the APR offered to at least two thirds of their customers when they use risk-based pricing, and is intended as a guideline rather than a promise. The APR you are offered is based on a number of factors that help the lender decide how high-risk a borrower they think you will be, so it could be higher or lower than the Typical APR.
Underpayment	Underpayment is a payment less than the minimum amount required to avoid penalties.