FINANCIAL JARGON

Navigating the world of finance can be made all the more complicated by industry jargon. We've unpicked the names and terms to create an easy-to-use financial jargon buster for you to use. In this guide, you'll find the financial term and a version in plain English so that you will have all the information you need to make financial decisions.

ACCEPTANCE RATE

The rate, or percentage of people, who have their application for credit successfully accepted by a lender

AD-HOC PAYMENT

An ad-hoc payment is a payment that is made to a loan or credit card outside of your normal monthly repayment conditions. An ad-hoc payment can be made at any time in for any amount. Although an ad-hoc payment will be taken off your total amount owed, it will not replace your normal monthly repayment and you will still be expected to meet this payment. If your ad-hoc payment clears the balance, however, you will not have to continue with your repayment schedule.

ADJUSTABLE RATE

An adjustable rate – like a variable rate - is an interest rate that can change as it depends on an index. This means that both the interest rate and monthly repayments could go up or down.

ADVERSE CREDIT RATING

An adverse credit rating normally applies to people who have not got a strong track re3cord of credit repayments. Adverse credit ratings normally occur following something that has a negative impact of a credit file, such as a default or County Court Judgement (CCJ). An adverse credit rating can make it hard to secure future loans.

AGREEMENT

Agreement is another way of saying "contract", the legal agreement document that between lender and borrower. An agreement sets out the loan terms and, when you sign a loan agreement, you are confirming that you are legally required to pay back the loan amount, along with interest and fees as applicable.

APR

APR means Annual Percentage Rate. It shows the cost of borrowing on an annual basis as a percentage of the total amount borrowed. APR is a complex calculation that includes interest payable on the loan amount borrowed, any fees that are applied as well as other factors. While useful, APR isn't always totally accurate, but it can be helpful when comparing loans and borrowers.

ARRANGEMENT FEE

An arrangement fee can be added, by some lenders, to set up a credit agreement. These may be hidden or published away from more clearly displayed rates. Always check your lender for hidden fees.

ARREARS

Arrears money that is owed and that should have been paid before this point. This occurs if payments are missed or are only partially made. An account is considered to be in arrears until the missed amount if paid in full. If not paid back quickly, arrears can make it hard to take out further loans, with late and missed payments noted on your credit report. Lenders use credit reports to help them decide about lending or not.

ASSET

An asset is a 'thing' of value owned by the borrower that is guaranteed against a credit agreement. A secured loan needs an asset – a large loan may require a house or property. Your asset is at risk of being taken by the lender if you do fail to make your repayments.

BACS

The Bacs company operates Direct Debit in the UK and the Bacs Direct Credit Scheme, which pays salaries and pays suppliers invoices. Commonly known as Bacs.

BALANCE

A balance can either refer to the amount of money in your bank or savings account, or the amount of money that you owe a lender to pay off your loan completely.

BALANCE TRANSFER

A balance transfer is when you move balances from one credit or store card onto another. This could be in order to move your credit onto a better interest rate. Sometimes credit card companies offer enticing rates (i.e., 0% interest for six months) to encourage you to become a customer.

BANKER'S DRAFT

A banker's draft is having a bank write a cheque on your behalf. You pass them your money, and, in return, they supply a check for that amount to give to the payee. A banker's draft is secure and cannot bounce.

BORROWER

A borrower is a customer or a loan applicant or customer and is the terms used for a person or people applying for a loan.

BOUNCED CHEQUE

When a cheque “bounces”, it means that a bank account does not have enough money to cover the value of that the cheque has been written for.

BUDGET

A budget is a collection of figures that helps you to see and understand the amount of money you have incoming so that you can understand how much you have going out. You can also work out from a budget what savings you could be making.

CAR FINANCE (CAR LOAN)

A loan that is only for buying a car. These are offered by car dealerships as well as other lenders.

CASH ADVANCE

A cash advance is money that is given out as part of a line of credit that has already been agreed.

CCJ (COUNTY COURT JUDGEMENT)

A CCJ is a court order that can be registered against you if you cannot make repayments on money that you owe. A CCJ states what is owed, how repayments should be made, and it includes a deadline. A CCJ stays on your file for six years, unless you can pay the full amount within a month of the Judgment. You are at risk of losing your assets if you do not keep to your agreed repayment plan.

CHARGES

Financially speaking, charges and fees are the same thing. Charges are applied, by your lender, to your account according to the kind of account or loan you have. Both banks and lenders add charges to different services and can be called interest, transmission fees, service charges or annual credit card fees. Charge, like overdraft charges and late payment charges, can be added if an agreement has been broken.

CONSOLIDATION LOAN

A consolidation loan is a loan that one borrower uses to pay of more than one debt. A consolidation loan should have a better interest rate repayment terms to make it easier and faster to clear the debt. Consolidation loans can also help to reduce the monthly repayment amount.

CPA (CONTINUOUS PAYMENT AUTHORITY)

A CPA is between the lender and the borrower and is an automatic payment that permits the lender to withdraw amounts from a borrower’s bank account, using debit card details. Agreed through the loan application, CPAs can be useful for customers. Be aware of the level of commitment attached to a CPA. You can also remove this authority at any time.

CREDIT

Credit is money borrowed from a bank or lender and subject to a repayment agreement

CREDIT CHECK

Lenders will most likely check an applicant's credit report to decide if they are a viable loan option. Credit checks will be recorded on credit reports and too frequent credit applications can impact a credit score negatively.

CREDIT LIMIT

The credit limit is the most amount of money that can be borrowed on a credit card or from a lender. It depends on certain factors as set out by the lender and is set by the lender.

CREDIT REFERENCE AGENCY

A Credit Reference Agency (CRA) is an agency that collects personal and financial data from different sources to create a personal credit file and credit report on individuals. The three main UK credit agencies are Experian, Call Credit and Equifax.

CREDIT REPORT

A credit report, compiled and kept by the Credit Reference Agencies, is a summary of your credit history and financial dealings – such as borrowing and repayments- as well as personal information, like address and DOB. It will show your loans, the amount of money you can borrow and the amount you have borrowed. Salary or savings are not included in your credit report. For a small fee, you can see your Credit Report, held by the Credit Reference Agencies.

CREDIT SCORE

A credit score is the number that shows your probability of repayment. Based on your credit report, a high number suggests that you are more likely to be able to repay your loan and are a good applicant. The three main credit reference agencies in the UK are Experian, Call Credit and Equifax. Each CRA uses a different score systems, so your score will be different in each agency.

CREDITORS

A lender – a business or organization – who has agreed to lend money to someone and agreed a repayment schedule and terms.

DEBT

The money that owed to a someone, a lender or a company

DEBT MANAGEMENT PLAN

A Debt Management Plan (DMP) can be set up debt management company or organized by you. A repayment scheme, a DMP is a set of negotiated payments that sets out more affordable repayments over a number of years. It impacts your credit score negatively but can help you control your finances.

DATA PROTECTION ACT

The law developed to protect the personal data kept by organisations, companies or a government. The 'data protection principles' are the eight rules which govern the Act.

DEBIT CARD

A debit card can only take what you have from your bank account and does not offer credit that you do not have. It is used in place of cash.

DEDUCTIONS

Deductions are the amounts of money that are taken from your gross income before it reaches your wages or salary. Shown on your payslip. deductions include income tax, National Insurance, student loan repayments and pension contributions.

DIRECT DEBIT MANDATE

This is the process of creating a regular repayment with your bank that pays your lender or service provider automatically.

DEFAULT

A default is when you fail to meet the terms of the credit agreement. An example is failure to make agreed repayments on time or in full.

DOORSTEP LOAN

These are usually local lenders that visit your home to lend and collect money. Doorstep loans attract higher rates than other lenders.

EARLY REPAYMENT

An early repayment is when you pay back a loan before the balance is due to be paid back. Lenders can charge a fee for this, but you may be entitled to a rebate, so do check the type of loan and the terms and conditions of the loan.

EXTENSION

An increase on the amount of time you have to repay a loan.

FCA

The Financial Conduct Authority (FCA) is the regulatory authority for the UK's financial services industry in the UK. They aim to protect consumers, keep the industry on an even keel and ensure healthy competition between financial companies. See www.fca.org.uk.

FISA

The Finance Industry Standards Association (FISA) is the independent body who promotes best practice within the finance industry.

FSA

The FSA has now split into two separate regulatory authorities: The Financial Conduct Authority, www.fca.org.uk, and the Prudential Regulation Authority, www.bankofengland.co.uk.

FIXED RATE INTEREST

Fixed rate interest is the interest rate payable or receivable on an account and it will be fixed for a set period of time.

GUARANTOR

A guarantor is someone agrees to financially back a borrower if they cannot make a repayment. They are legally required to make a payment to keep the account up to date. This will be a condition of the credit agreement. The guarantor has to be aged between 18 and 75 and have a good credit history.

GROSS INCOME

Your gross income is the total amount earned from employment, before tax or deductions are taken away.

IFA (INDEPENDENT FINANCIAL ADVISOR)

An IFA provides financial advice and offers financial products including pensions, insurances and mortgages.

INTEREST

Interest works two ways. It could be the amount you earn from your savings and investments OR it can be the amount of money that you are changed to borrow an amount of money. Interest is most often a percentage of the amount borrowed and included in the total cost of borrowing.

IVA (INDIVIDUAL VOLUNTARY ARRANGEMENT)

An IVA is a form of insolvency that helps people who are having financial difficulties with unsecured debts. You must be unable to repay your debts and you need an Insolvency Practitioner (IP) to arrange your individual voluntary arrangement.

LENDER

Lenders are organisations or businesses that offer credit to people who wish to borrow money.

LOAN AGREEMENT

A loan agreement is the contract between an applicant (potential borrower) and a lender. Regulating the promises made on both sides, it sets out how much will be repaid and when, the interest rate and the terms of repayment.

LOAN PERIOD/ LOAN TERM

The loan period, also known as the loan term, is the set length of time that you have borrowed money for. This could be days or decades. You will accrue interest during the term of the loan.

MAXED OUT

When you reach your credit limit, you are said to be "maxed out". Often lenders will prevent further money being borrowed until you reduce your balance to a more suitable amount. Sometimes, lenders can agree to extend the credit limit but may charge a fee for this arrangement.

MINIMUM PAYMENT

This is the smallest amount of money that you can repay towards a debt without incurring penalties.

NET INCOME

Your net income is the amount of money that you make from your salary or wage after all deductions have been made. These deductions include tax, National Insurance and pensions. Net income is also often known as "take-home pay".

ONLINE LOAN

An online loan is a loan that has been applied for over the internet. Online loans often have a more streamlined application process and decision-making can be faster. There are no face-to-face meetings required.

OUTGOINGS

These are your financial commitments as a borrower. These include regular payments, such as mortgage payments and facilities bills as well as household expenses.

OUTSTANDING BALANCE

This is the amount of debt that remains on a loan that has not yet been paid in full.

PENALTY CHARGES

These are charges that are applied to your bank or loan account if you misuse the service or break the terms of your agreement. Penalty charges include late payment fees, going-over-limit fees and overdraft fees.

PERSONAL LOAN

An unsecured loan is a loan taken out by an individual, from a bank or other lender, and used for a big purchase, such as a car, holiday, extension or debt consolidation.

PRA (THE PRUDENTIAL REGULATION AUTHORITY)

The PRA is part of the Bank of England and responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets and monitors standards, supervising financial institutions at firm level.

PRINCIPAL

The actual amount of money borrowed is also known as the principal of a loan.

PRIVACY POLICY

A privacy policy a legal document that sets out how a party (say a lender) collects, uses, shares, stores and manages customers' data. It is part of a legal requirement to protect customer privacy.

RATE

This is the amount of interest charged by any given lender. It is expressed as a percentage and is also known as an Annual Percentage Rate (APR).

REPAYMENT DATE

The repayment date is the date by which you agree to have paid your loan in full or it is the date on which your regular repayment falls.

REPAYMENT PLAN

The repayment plan sets out your agreed regular payments to your lender. The repayment plan depends on the amount borrowed and the length of time of the loan.

REPRESENTATIVE APR

Representative or typical APR is the amount of APR that lenders gave over 51% of their customers. APR is based on several factors to help lenders decide your risk factor. This will then determine your APR and could be either higher or lower than the representative APR.

SECURED LOAN

A secured loan uses borrows against a customer's property as security. These loans can often come with the lowest rates and so can be useful for homeowners. However, a secured loan does mean that your property is at risk if you miss payments on a secured loan.

SHORT TERM LOAN

A short-term loan is a loan with a repayment period of less than a year. This means they are usually for smaller amounts and tend to attract high interest rates. Please check the fine print of a short-term loan for repayment terms and the charges if you go over the term.

TOTAL AMOUNT REPAYABLE

The total amount originally borrowed, plus all interest and fees that will be charged across the full loan term, or the cost of borrowing the money plus the money.

TRANSACTION

A transaction is the exchange of money, whether borrowed or paid. Credit transactions include the loan deposit in your account, a credit card purchase or loan repayments.

UNDERPAYMENT

An underpayment is a payment that less than the minimum amount required to avoid penalties and could incur charges.

UNSECURED LOAN

An unsecured loan does not require the borrower to offer an asset or guarantor as security for the deal. Personal loans tend to be unsecured loans.

VARIABLE RATE

Mortgages often attract variable rates. These are interest rates that may change over time, meaning that your repayments could go both up or down. Variable interest rates can be good if the Bank of England's interest rate declines, which means your interest payments go down, however monthly payments may also increase!