

# Financial Services Glossary

## A short glossary of basic banking terms - Long Version



### A

#### **Account History**

The payment history of an account over a specific period, including the number of times the account was past due or over the limit.

#### **Account Holder**

All persons designated and authorised to transact business on behalf of an account. Each account holder's signature needs to be on file with the bank. The signature authorises that person to conduct business on behalf of the account.

#### **Account number**

A bank account number is a number that is tied to your bank account. If you have several bank accounts, such as personal, joint, business (and so on), each account will have a different account number.

In the UK, most bank account numbers typically contain eight digits. Digits.

Generally, a bank account number will only be relevant when used in conjunction with a sort code. If you need to find your bank account number, you'll typically be able to see it on bank statements and on your online or app banking.

#### **Accrued Interest**

Interest that has been earned but not yet paid.

#### **AER**

AER stands for annual equivalent rate. As opposed to APR and EAR, AER is used for savings. In fact, most banks will pay you to keep your money with them - and this is done through AER. The AER represents how much you would earn if you put your money in a savings account and didn't touch it for a year.

#### **APR**

APR stands for annual percentage rate, and it's a rate that helps you understand how much it will cost you to borrow money over a year, including interest and other potential fees. APR is a standardised way to illustrate the cost of borrowing and all lenders, such as banks and other financial institutions, are required to tell their customers what their 'representative' APR is.

#### **ATM (Automated Teller Machine).**

Known as a cashpoint in the UK it is a convenient location for basic banking transactions, such as withdrawing cash, depositing checks or making balance inquiries. Many banks offer access to a network of fee-free ATMs.

#### **Authorisation**

The issuance of approval, by a credit card issuer, merchant, or other affiliates, to complete a credit card transaction.

#### **Available balance.**

The amount of money you have in your bank account that is available to spend or withdraw. If you have recently deposited a cheque or made purchases, those transactions may still be marked as pending and may not be included in your available balance.

#### **Available Credit**

The difference between the credit limit assigned to a cardholder account and the present balance of the account.

#### **Availability Date**

Bank's policy as to when funds deposited into an account will be available for withdrawal.

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## A short glossary of basic banking terms - Short Version



SIGNING BANKS

### B

#### **BACS**

The Bankers Automated Clearing Service (BACS) is a free service for making direct credits and debits. Bacs payments are one of the most common ways of sending and receiving payments in the UK. A BACS payment is a bank-to-bank transfer between banks in the UK. There are two main Bacs payment types, Direct Debit or Bank Transfer. Payments using BACS will usually take three to four working days to credit the beneficiary's account.

#### **Balance**

The amount of money you have in your account at a particular time. Sometimes a balance given by a bank will include payments that have been made to your account but are not yet available because they haven't cleared. This means that the money has not been received by the bank and is not available to spend. The money which has cleared and that you can spend is sometimes called your available funds or available balance.

#### **Balance transfer**

A balance transfer is when you move an existing balance from one credit card to another. This is usually done to obtain a lower interest rate on the outstanding balance. Transfers are sometimes subjected to a Balance Transfer Fee.

#### **Bank sort code**

Your bank sort code can be found on your chequebook/paying-in book or statement. A sort code is a 6-digit number that identifies your bank. It's usually split up into pairs; the first two digits identify which bank it is and the last four digits refer to the specific branch of the bank, where you opened the account.

#### **Bank Statement**

Periodically the bank provides a statement of a customer's deposit account. It shows all deposits made, all checks paid, and other debits posted during the period (usually one month), as well as the current balance.

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### C

#### **Card Security Code**

Your Card Security Code is the last three numbers that appear on the back of the card you are using to make the payment.

#### **CHAPS payment**

The Clearing House Automated Payment System (CHAPS) is used to transfer cleared sterling funds within the UK, for same-day settlement. There is usually a charge.

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## A glossary of basic banking terms - Short Version



### **CHIP and PIN**

CHIP and PIN is a system which allows you to approve purchases made with your credit or debit card by entering a four-digit PIN number which only you know. This is more secure than just a signature which could be forged. For security, you shouldn't write your PIN number down or tell it to another person.

### **Clearing time**

The time it takes for the money paid into an account to clear and be available for use.

### **Credit rating**

Credit rating is a rating system used by financial institutions, to judge an individual or company's creditworthiness. Depending on how many points the applicant gets when his/her personal details are run through the rating system, the financial institution will either accept or reject the risk. Financial institutions rely on computerised credit rating systems and cooperate with each other in providing details of bad credit risks.

### **Credit Application**

A form to be completed by an applicant for a credit account, giving sufficient details (residence, employment, income, and existing debt) to allow the seller to establish the applicant's creditworthiness. Sometimes, an application fee is charged to cover the cost of loan processing.

### **Credit Card Issuer**

Any financial institution that issues bank cards to those who apply for them.

### **Credit Limit**

The maximum amount of credit that is available on a credit card or other line of credit account.

### **Credit Report**

A detailed report of an individual's credit history prepared by a credit bureau and used by a lender in determining a loan applicant's creditworthiness.

### **Credit Score**

A number that measures an individual's creditworthiness. Banks use a credit score to help determine whether you qualify for a particular credit card, loan, or service.

## **D**

### **Debit**

A debit may be an account entry representing money you owe a lender or money that has been taken from your deposit account.

### **Debit card**

A debit card is a plastic card that allows you to withdraw money from your account instantly at a Cashpoint/ATM.

### **Deferred Payment**

A payment is postponed until a future date.

### **Direct Debit**

A Direct Debit is a method of payment where you give a company permission to withdraw money from your account and pay it into their account. Only companies can be paid using this method, not individuals. Payments are normally made on the same day of each month, quarter or year, depending on the payment frequency you have selected.

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### E

#### **EAR**

EAR stands for equivalent annual rate and, like APR, it's an interest rate that's used when you borrow money.

More specifically, EAR is the interest you would be charged over a year if your account were to remain overdrawn.

However, EAR does not include any fees and charges, like APR does. Therefore, if you go into unarranged overdraft, your bank will also add charges.

#### **Electronic Funds Transfer (EFT)**

The transfer of money between accounts by consumer electronic systems-such as automated teller machines (ATMs) and electronic payment of bills-rather than by check or cash

#### **Electronic signatures.**

Under certain national laws, electronic signatures or e-signatures have the same legal validity as signatures on paper contracts. Online contracts may have the same legal status as paper contracts.

### F

#### **Financial Regulatory Agency**

An organisation authorised by statute for ensuring the safe and sound operation of financial institutions chartered to conduct business under that agency's jurisdiction. In UK is the Financial Conduct Agency

#### **Fixed Rate Loan**

The interest rate and the payment remain the same over the life of the loan. The consumer makes equal monthly payments of principal and interest until the debt is paid in full.

#### **Fixed Rate Mortgage**

A mortgage with payments that remain the same throughout the life of the loan because the interest rate and other terms are fixed and do not change.

### G

#### **Gross annual income**

Your gross annual income is the amount you receive each year before tax is deducted. If you receive a pension or other benefits you can add the total you would receive in one year and include this as your income.

#### **Gross rate**

Gross rate means that we will not deduct tax automatically from your interest. You are responsible for paying any tax due to HM Revenue and Customs.

#### **Guarantor**

A party who agrees to be responsible for the payment of another party's debts should that party default.

### I

#### **IBAN**

IBAN stands for International Bank Account Number. It's an internationally standardised and recognised system that's used to ensure that international payments end up in the correct recipient account.

Your IBAN not only identifies your bank account, but it also contains all the details to locate your country, bank, branch and exact account number. An IBAN can contain up to 34 characters in both letters and digits.

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The way an IBAN looks can vary from country to country, but in the UK all IBAN numbers typically follow the format outlined below:

- The first two characters are letters that identify the country.
- The next two digits are the check-number, which is unique from person to person.
- Then comes the bank code, which can be letters or numbers. In the UK, the standard is letters.
- The next six digits are your regular sort code
- Lastly, the final eight digits are your regular bank account number.

### **Interest**

When you save money in an interest-earning account, such as a savings account interest helps your savings grow over time. Your savings multiply over time by earning interest on top of the amount deposited, year after year.

### **Interest rate**

Interest is money paid for the use of money. You pay interest on the money you borrow and you receive interest on the money you save, so it can make sense to compare rates and shop around for the best ones. Interest is often expressed as a percentage rate. However, it's very important that you're aware of the different representations of interest rates - whether you're considering taking out a loan, applying for an overdraft or looking for a savings account.

### **International Transfers**

Anyone who wants to transfer money internationally usually needs to use an IBAN number and SWIFT/BIC code to do so, because this is how banks communicate on a global scale. This means that if you're sending money abroad, you'll need to know your recipient's IBAN and SWIFT/BIC code to ensure that the transfer ends up in the correct account, in the right bank. Likewise, if you're receiving money from abroad, your payee has to know your IBAN and SWIFT/BIC details, in order for you to receive the payment.

### **Investments**

Investments are financial assets that are purchased and sold by investors, with the goal of earning a return on investment (ROI). Common types of investment include stocks, bonds, mutual funds, index funds, exchange-traded funds and real estate. There are also various alternative investments like gold, commodities, fine art, wine and more. Unlike bank savings and checking accounts, investments are not always insured and have a risk of loss.

## **J**

### **Joint account**

An account with two or more owners that own the account equally, with the same rights and obligations of using the account.

## **K**

## **L**

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### M

#### **Maturity**

The date on which the principal balance of a loan, bond, or other financial instrument becomes due and payable.

#### **Memorable information**

The first time you log onto Internet Banking you're asked to select some memorable information. This will be a word, place or phrase that is easy for you to remember. Each time you log on you will be asked to provide three random characters from your memorable information.

#### **Minimum Balance**

Some accounts require a minimum amount of money required to be paid in.

#### **Minimum Payment**

The minimum dollar amount that must be paid each month on a loan or other debt.

#### **Missing Payment**

A payment that has been made but not credited to the appropriate account.

#### **Mortgage**

A form of loan used in a property transaction. The property is the security for the loan, so the lender has a right to take possession of the property if the borrower fails to pay off the loan.

#### **Mortgagee**

The lender in a mortgage loan relationship.

#### **Mortgagor**

The borrower in a mortgage loan relationship.

### O

#### **Online bank**

On-line banks, also called digital or internet banks, operate primarily via the internet. You can manage your accounts at an online bank from a computer or mobile device from anywhere at any time.

#### **Overdraft**

An overdraft is when a customer borrows from the bank, usually through their current account, by arranging to take money or make a payment from the account which exceeds the money in the account. There are two kinds of overdraft: an arranged overdraft which a customer can set up in advance for a specific amount they know they need and an unarranged overdraft, where the bank agrees to lend you money to cover payments you want to make, but for which you don't have enough money.

### P

#### **Payee**

The person or organisation to whom a cheque, draft, or note is made payable.

#### **Payment Due Date**

The date on which a loan or instalment payment is due. It is set by a financial institution. Any payment received after this date is considered late; fees and penalties can be assessed.

#### **Personal loan**

A personal loan is a convenient way of borrowing money for almost any purpose, and fixed monthly repayments mean it's easy to budget your finances without having to worry about changes to interest rates.

#### **Personal Identification Number (PIN)**

Generally, a four-character number or word, the PIN is the secret code given to credit or debit cardholders enabling them to access their accounts. The code is either randomly assigned by the bank or selected by the customer. It is intended to prevent unauthorized use of the card while accessing a financial service terminal.



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### **Phishing**

Phishing scams are emails that may appear to be real, but they ask you to enter personal information or they have links to websites that may look genuine but aren't. When you click on a link or enter your personal details, the information is sent to someone other than your bank or other service providers.

### **Power of Attorney**

A written instrument which authorises one person to act as another's agent or attorney. The power of attorney may be for a definite, specific act, or it may be general in nature. The terms of the written power of attorney may specify when it will expire. If not, the power of attorney usually expires when the person granting it dies.

Q

## R

### **Reconciliation**

The process of analysing two related records and, if differences exist between them, finding the cause and bringing the two records into agreement. Example: Comparing an up-to-date check book with a monthly statement from the financial institution holding the account.

### **Refund**

An amount paid back because of an overpayment or because of the return of an item previously sold.

## S

### **Safe (or Safety) Deposit Box**

A type of safe usually located in groups inside a bank vault and rented to customers for their use in storing valuable items.

### **Service Charge**

A charge assessed by a depository institution for processing transactions and maintaining accounts.

### **Statement**

A summary of all transactions that occurred over the preceding month and could be associated with a deposit account or a credit card account.

### **Sort code**

A sort code is an important factor of your bank account. A sort code is a 6 digit number that identifies your bank. It's usually split up into pairs; the first two digits identify which bank it is and the last four digits refer to the specific branch of the bank, where you opened the account.

Some online banks are branchless and all of our customers share the same sort code. You can typically find your sort code on bank statements and in your online or app banking. Many banks also print the sort code on the front or back of the bank card together with the account number.

### **Standing order**

A standing order is an instruction you give to your bank to pay a fixed amount to someone else on a regular basis, for a set amount of time. The payments are taken from your account on agreed dates, usually monthly.

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### SWIFT

SWIFT stands for Society for Worldwide Interbank Financial Telecommunication. It's a network that helps banks and financial institutions communicate securely. One way this is achieved is through SWIFT codes. These SWIFT codes make international transfers simpler by ensuring that they arrive at the correct bank and branch. As opposed to IBAN numbers, SWIFT codes only relay the bank's information. A bank's SWIFT code is unique and can contain eight or 11 characters, which all convey specific details of the bank.

All SWIFT codes roughly follow the same format, which can be outlined like this:

- The first four characters are the bank code.
- The next two characters are the country code.
- Then comes the location code. This can be numbers and letters.
- Optionally, there is also a three character branch code.

You will typically be able to find your SWIFT code on bank statements and on your online or app banking. Most often it will be in the same place as your IBAN number.

### Is BIC the same as SWIFT?

You might also have heard about BIC in relation to SWIFT. BIC is short for Bank Identifier Code, and it's essentially the same thing as a SWIFT code. The two are used interchangeably and are therefore often referred to as SWIFT/BIC.

### T

#### Terms

The period and the interest rate arranged between creditor and debtor to repay a loan

u

### V

#### Variable Rate

Any interest rate or dividend that changes on a periodic basis

w

x

y

z

Deaf people have been amongst those traditionally marginalized from the financial services sector through a mix of inaccessibility, presumptions of limited need, capacity to manage finances and mindsets that did not view them as a profitable consumer base.

**Signing Banks** is an Innovative, Human – Centric, Technology program which aims to promote full financial inclusion to people with disabilities in particular to d/Deaf people, including traditional and alternative banking services, online payment services, financial transactions, and mobile banking.



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