



## Citizens Advice Bureau

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dealing with | debt

in Northern Ireland



# JARGON BUSTER

### Jargon:

This fact sheet explains some of the financial terms that you might come across when you are dealing with financial matters.



Department of

**Enterprise, Trade  
and Investment**

[www.detini.gov.uk](http://www.detini.gov.uk)

### A – Z of financial terms

#### ACCOUNT

This is provided by a bank or building society which holds money for you. A current account is an everyday account which allows money to be paid in or taken out. It helps you budget and manage your money. A basic bank account is a special sort of current account which doesn't usually allow you to overdraw. A deposit account is usually for your savings.

#### AER

Stands for annual equivalent rate. This shows what the interest rate would be if the interest on savings were paid and added to savings at the end of each year. Actually, interest is frequently paid more often. The AER is worked out in a standard way so you can compare interest rates directly with each other. The higher the AER the better the return is on your savings.

#### APR

Stands for Annual Percentage Rate. This tells you the cost of a loan, taking into account the interest you pay, any other charges, and when the payments fall due. You can use the APR to compare the cost of one loan with another, for example, a loan with an APR of 15% is more expensive than one with an APR of 11%.

#### ARREARS

Money that you owe but did not pay by the due date.

#### ATM

Stands for Automated Teller Machine. This is a machine that pays out cash. To use an ATM, you need a cash card and a personal identification number, which is called a PIN number.

#### BALANCE

The amount of money you have in your account at any particular time or which you owe on your credit or store card. It will be shown on your statement.

#### BANKRUPTCY

Bankruptcy is a court order that you can apply for if you are in debt. Once you have been made bankrupt, an official called an 'official receiver' takes control of your money, property and deals with your creditors.

#### CASHCARD

A cash card allows you to draw money from cash machines (ATMs). Many banks set a daily limit as to how much you can take out, even if your account contains funds. A cash card is often issued as part of a basic account package.

#### CCJ

Stands for County Court Judgment. This is an order made by a judge which decides a claim brought in the county court.

#### CREDIT CARD

A plastic card issued by a bank, finance company or building society which allows you to buy things and pay for them later. Or you can use the credit card to draw money out from an ATM. If you use a credit card to withdraw money from an ATM, you'll normally be charged an extra fee each time. Your credit card issuer gives you a limit that you can spend up to on that account. If you go over the limit, your card will probably be refused.

Even if it isn't refused, you may still have to pay extra charges. Every month the bank or building society will send you a statement of your account. You must pay back at least a minimum amount each month and usually interest will be charged if you do not pay off the full amount borrowed.

#### CREDIT REPORT

The information stored about you with a credit reference agency. It will include voters roll information for your address, how you have handled credit in the last six years and a record of credit checks made about you with that agency. You have a right to see your credit report and correct anything that you can prove is wrong.

#### CREDIT REFERENCE AGENCY (CRA)

Allows creditors to share credit-related information to help them lend responsibly. This includes public records (for example, electoral roll entries), credit account information (for example, repayment records for loans, credit agreements, mortgages, or hire purchase) and records of recent credit checks that have previously been requested. CRAs make it possible for lenders to quickly make accurate lending decisions and also helps lenders guard against fraud.

#### CREDIT REPAIR COMPANIES

Companies offering, for a charge, to advise on how to erase bad credit from your credit record, how to get bank accounts without a credit check, how to remove court judgments, clear bad debts, arrange loans and how to make successful applications for credit. These organisations do not have any special powers and cannot do anything you cannot do yourself.



**DEBIT**

Money which is taken out of an account is debited from that account.

**DEBIT CARD**

A plastic card that can be used instead of cash when making a purchase. The amount spent is taken (debited) automatically by computer from your account.

**DEBT MANAGEMENT PLAN (DMP)**

A debt management plan is a way of deciding how to repay all your non-priority debts after giving consideration to your priority payments such as mortgage/rent, rates, fuel bills and other essential expenditure.

**DIRECT DEBIT**

Is an instruction to your bank to release money automatically from your bank account to pay a regular bill. This is useful for frequent bills which are for different amounts each time, for example, telephone bills. You arrange this with your supplier and give them your bank details.

**EJO**

EJO stands for Enforcement of Judgments Office. If you are taken to court a judgement may award a CCJ against you. If you do not pay the CCJ it can be passed to the EJO for enforcement see leaflet **Enforcing a Debt**

**FINANCIAL ADVISER**

An individual or firm that can assess your financial needs, recommend suitable products, and arrange for you to buy or invest in these products. Some advisers can also manage investments for you. Some financial advisers only offer products from the firm they work for, whilst others offer products from a limited number of providers or from the whole market. You can pay for financial advice in different ways – for example, some advisers charge a fee and others get commission from the financial provider if you buy that product. An adviser must be authorised by the Financial Services Authority (FSA).

**FSA**

The Financial Services Authority (FSA) is an independent non-governmental body, given statutory powers by the Financial Services and Markets Act 2000. The FSA's aim is to promote efficient, orderly and fair financial markets and help retail financial service consumers get a fair deal.

**HIRE PURCHASE AGREEMENT**

A form of credit agreement which allows you to pay for goods in instalments. Cars are often bought this way. You will not own the car until all the instalments have been paid. If you don't make the payments as agreed, the car might be taken away from you (repossessed) and sold. You can't sell the car without the permission of the lender until you have paid for it.

**INTEREST RATE**

This is the percentage that is paid on savings or loans. A savings account that was offering 8% would give you a better return than one which was offering 5%. Similarly borrowing money at 22.5% is going to cost you more than borrowing at 18%.

**INTEREST**

The reward you get for keeping your money in, for example, a bank or building society. Also the cost you pay when you borrow money through a loan or credit agreement.

**NON- PRIORITY DEBTS**

Non-priority debts are those where non-payment will not result in the loss of your home, liberty, essential goods or services. The people you owe the money to can take you to court to recover the debts by obtaining a County Court Judgment but you can't be sent to prison for non-payment.

**OCCUPATIONAL PENSION**

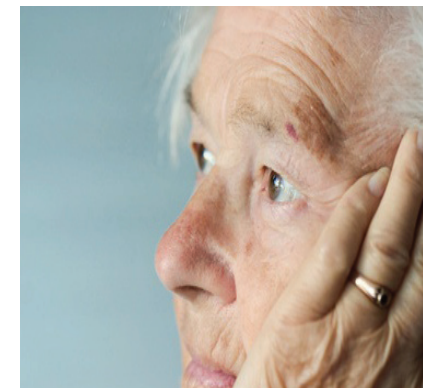
A pension from a scheme set up by an employer, for example, a local authority pension or a teacher's pension. Employees have to join the scheme to be eligible and may have to make contributions towards the pension. The scheme may pay a fraction of the final salary as a pension (calculated taking into account the number of years worked) or build up a cash fund used to buy an annuity. An annuity is a special type of investment which can pay out a regular sum over the lifetime of the owner.

**OVERDRAFT**

If more money is withdrawn from your current account than you have put in, you will go overdrawn. You can ask the bank if they can arrange to lend you some money for a short time. This is known as an authorised overdraft. You pay an agreed rate of interest on the overdraft. If you go overdrawn without asking the bank in advance, they might refuse to pay your cheques and charge you a high interest rate on the money that you owe them. This can also have a bad effect on your credit history.

**PENSION**

A pension is an income paid out after someone retires. The Government gives tax relief on money paid into a scheme designed to provide a pension. A pension is a "locked box" form of savings because you cannot spend any money in the fund until you have reached the minimum age (often 50). You can often take part of the proceeds as a cash lump sum but the rest must be taken as income. There are different types of pension schemes, for example, an occupational pension; a stakeholder pension and a personal pension.





## **PIN**

Personal Identification Number – a secret number, which you use with a cash machine card. You type it in and the ATM checks that the card number and PIN are the same.

## **PRIORITY DEBTS**

These are debts which carry the strongest penalties if payment is not made, for example, eviction from your home, disconnection of gas or electricity, or imprisonment for non-payment of court fines or rates. Priority debts should be paid off before other types of debt (non-priority debts).

## **RE-FINANCING**

Negotiating a new loan to pay off an existing loan or loans.

## **SAVINGS**

Any money you put aside for future use for example a deposit/savings account. 'Rainy day' savings are useful for emergencies and need to be easily accessible, while longer-term savings can be built up to give a 'nest egg'.

## **SAVINGS ACCOUNTS**

Savings are often kept in a bank, building society or national savings account. The amount you put in does not fall in value but may grow as interest is added.

## **SECURED LOAN**

Money borrowed from a lender, using your property as an extra guarantee of repayment. If the amount is not paid in full, the lender may take the property back (repossess it) and sell it.

## **CONSOLIDATION LOAN**

A single loan which replaces (consolidates) all your outstanding credit cards, housing, loan repayments and other debts into one monthly payment.

## **CREDIT**

If your account is in credit, it means that you have money available to spend. If you obtain goods or services on credit, it means that someone, for example, a bank or credit institution, has given you the money to buy something. You must pay the money back, usually with interest.



## **STANDING ORDER**

A method of paying regular amounts from your bank account automatically. You instruct your bank to pay the money for you to a particular person or company. It is your responsibility to change the payment if it needs to be altered.

## **STATE RETIREMENT PENSION**

A pension paid to you by the Government when you reach retirement age. The amount you get will depend on your national insurance record (or on that of your marriage partner).

## **STATEMENT**

A document from the bank or building society, which shows all your recent payments into, and withdrawals from your account. You should check it against your own records.

## **STORECARD**

A plastic card issued by a shop that lets you buy goods at that store on credit. You must either pay the full amount, or something back each month.

## **SUB-PRIME LENDING** (non-status or impaired credit lending)

Lenders willing to make loans to people who are unable to obtain credit from mainstream lenders, such as high street banks or building societies, because of a poor credit record.

## **TAX CODE**

This code tells your employer how much tax-free pay to give you during each pay period. Your tax code is worked out from your tax allowances and other tax adjustments.

## **TAX CREDITS**

These are means-tested allowances administered by HM Revenue and Customs. Working Tax Credit is available to single people or couples who work enough hours to qualify. It includes help with the cost of disability and childcare. Child Tax Credit is available to single people or couples with children whether or not they are employed. Additional amounts may be included for disabled children. Entitlement to both tax credits is calculated using annual income figures.

## **UNSECURED LOAN**

Money borrowed from, for example, a bank, which is not secured against your home. The lender may take court action against you for payment if you don't pay the money back as agreed.

