

MADE OF MONEY

SESSION 3: The next steps for your children

FACILITATOR CHEAT SHEET

Introduction to credit

Ask the group how they would describe credit (see definition below)

And/or

Spread out the credit jargon cards and:

- ask the group to identify those cards they understand and those they don't (see definitions below)
- ask the group which of those cards are a form credit and which aren't

If you have time ask the group to come up with some different types of credit.

Prompts could be:

- credit card
- store card
- overdraft
- bank loan
- hire purchase/weekly payment store (such as Brighthouse)
- borrowing from family and friends
- pawn shops/cash converters

Use this discussion to lead into the TV exercise

Remember we are helping people explore and understand credit so that they can better inform their children. Use of credit is not necessarily bad – though the impact of not being able to pay for it can be.

Definitions of jargon cards

Credit – obtaining goods or services before you pay for them

Borrow – obtaining money by promising that you will repay it

Interest - Money you pay, on top of the money you owe, for borrowing money. This can be 'fixed rate' (i.e. will stay the same throughout your loan) or 'variable rate' - the lender can change it if they notify you **not a form of credit**

APR – annual percentage rate - A measure of the interest and other charges you have to pay, **ON TOP** of the amount you borrow. It is shown as a percentage. You can use it to compare loan offers- lower is better **not a form of credit**



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CCJ – county court judgement - An order made by the county court saying you must repay a debt. It does affect your credit score but does not mean you have a criminal record **not a form of credit**

Cash point card – a card to take cash out of a your bank or post office account via a cash machine – watch out for those machines that charge! **not a form of credit**

Debit card - direct link to your bank account – when you shop or buy services the money is taken out of your account right away **not a form of credit**

Credit card - a way to buy things now and pay later. You can run up a bill to an agreed limit and pay it off afterwards, usually once a month on a particular payment date **this is a form of credit**

Universal credit - Universal Credit is a single monthly benefit payment for people in or out of work. Despite the name **it is not a form of credit**. It replaces some of the benefits and tax credits that you might be getting now, namely:

- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Income Support
- Child Tax Credit
- Working Tax Credit
- Housing Benefit

Direct debit - An instruction to your bank/building society to allow someone else to collect varying amounts from your account, as long as you have been given advance notice (usually 10 days). Often used for things that vary month-by-month, e.g. phone bills **not a form of credit**

Credit score - A score awarded to you by lenders to indicate how high a risk you are to lend to. A low score means you are more of a risk but it doesn't mean no-one will lend to you! **not a form of credit**

Overdraft - When you owe money to your bank through your current account **this is a form of credit**

Loan – something that has been lent especially a sum of money **this is a form of credit**