FACILITATOR CHEAT SHEET

Jargon Busters exercise

The point of this exercise is to give people a chance to get used to some financial terms they may have heard of but not know what they mean. It can also open up discussion about some of the terms, and people then can find out more if they need to.

Here are the answers! (Extra information which is not on the card, but you may wish to let your group know about *are in italics.)*

APR: 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.
All lenders have to tell you what their APR is. The other thing that affects how much you pay back is the period of the loan- so a low APR is good but not if it's spread over a very long time!

CCJ: 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.
For more information about CCJ, see the back of your facilitator packs

Continuous Payment Authority (CPA): When you authorise a company to take regular payments from your credit or debit card, such as for a pay day loan. Does not offer the same guarantees if the amount or date of the payment changes as for another form of payment *i.e. direct debit*. CAN be cancelled.
People not realising they have signed up for CPA and then having difficulty cancelling it can be a problem. The advice from FSA is that "in most cases, regular payments can be cancelled by telling the company taking the payments. However, you have the right to cancel them directly with your bank or card issuer by telling it that you have stopped permission for the payments. Your bank or card issuer must then stop them – it has no right to insist that you agree this first with the company taking the payments."

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!

You can find out what may be affecting your credit score from two companies who hold this information: Experian or Equifax; however each lender have their own scoring system so it won't guarantee you can get credit!

Debt Relief Order: (DRO) Something you can apply for if you have less than £20,000 debt but can't afford to pay them. It costs £90, stops people chasing you and clears your debts after 12 months- but does affect your credit score long term.

For more information about DROs, see https://www.citizensadvice.org.uk/debt-and-money/debt-solutions/debt-relief-orders/

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, eg phone bills.

Early Repayment Fee: A fee that some lenders will charge if you want to pay back the loan early

Hire Purchase: A type of credit where you pay over a fixed period to 'hire' an item. Only at the end of the period (once you have paid in full for the item plus interest) does it belongs to you.
'Bright House' are one example of a shop that sell on hire purchase. If you don't keep up repayments they come and take the goods back.

Individual voluntary arrangement (IVA): An alternative to bankruptcy, this is a formal arrangement between you and your creditors. It allows you to pay back all or part of your debts over a fixed period of time, typically five years.
You need to have a certain amount of "spare" income per month for this to be suitable. If you are on a low income a DRO is more likely to be appropriate.

Interest: Money paid for the use of borrowed 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.

Overdraft: When you owe money to your bank through your current account

PPI: Insurance added to loans or goods which pays your repayments if you are sick or unemployed. It can be often added but is optional: you do not have to take it out!

If people do choose to take it out, look out for exclusions that mean you may not be able to claim should you need to.

Secured Loan: A loan secured against a big possession e.g. a home or car. If you do not keep up the payments the lender can repossess that possession and sell it to get its money back

Standing Order: An instruction to your bank/ building society to make regular fixed payments to someone. The amount and date it leaves is fixed but you can amend or cancel it at any time. Often used for things that are fixed month-by-month, e.g. rent payments.

Unauthorised Borrowing: When you go into debt (eg on a bank account) without permission
You should expect to pay hefty penalties if this happens. Your bank can charge you interest if you go overdrawn and might also refuse to honour any cheques you write – known as 'bouncing'. You will have to pay a fee of up to £30 for every cheque it returns unpaid.

Unsecured loan: A loan given without being secured on any possession. If you do not keep up repayments the lender can try to get their money back e.g. bailiffs or a county court judgement, but can't take back your house or car.