Glossary of Terms

**AER (Annual Equivalence Rate)**
This is the rate of interest you will earn on a savings product.

**Bacs Payments**
A direct transfer into your account from someone paying you.

**Balance**
The sum of money showing on a bank or credit card statement. A positive balance refers to the amount you have in your bank account. A negative balance refers to the amount you owe.

**Bank Charges**
Charges applied by a Bank if you have gone overdrawn on your account, over your agreed overdraft limit or do not have enough money in your account to honour a direct debit or cheque.

**Credit Card**
A plastic card used instead of cash to buy things. You buy, and then pay later when you receive a statement from the credit card provider showing what you owe. A credit card is a form of borrowing. You can apply for one from a bank, building society and certain high-street stores. If they accept your application, they (your card issuer) will set you a credit limit (the maximum amount you can borrow).

**Debit Card**
A card issued by a bank or building society which you can use to withdraw cash or to pay for your shopping or services or to get 'cashback'. The money is usually taken from your current account's available balance. Using your debit card to pay for goods and services means that the amount will be deducted from your bank account so you won't be accruing any debt like you would on a credit card.

**Direct Debit**
A way of paying bills from your current account. You sign a form allowing the company you are paying to take the money directly from your account on specific dates. They then take the money from your account automatically on the agreed
dates. They have to notify you in advance before changing the amount or the payment dates.

**Interest**
Interest refers to both the charge made by lenders on money you borrow from them and the amount earned by your savings. Interest can be variable (goes up or down) or be fixed.

**Overdraft**
An overdraft allows you to withdraw more money than you have paid into your account - the bank allows you to borrow money from them when your money has run out. The bank will usually charge you interest and sometimes other fees as well if you do this.

**Standing Order**
A way of paying bills from your current account. You sign a form sent to you by the company you are paying. This sets out the amount to be paid and the payment dates. You give this to your bank or building society which then pays the amounts on the agreed dates. The amount stays the same until you tell the bank or building society to change it.

**Unauthorised overdraft**
Spending more money than you have in your account without the bank’s permission. If you don’t have enough money in your account, the bank can refuse to pay cheques, direct debits and other payments you want to make. This could also result in expensive charges.