Topic 1: Modern banking

This topic helps you to:

- compare the channels for managing money:
  - branch banking
  - telephone banking
  - internet banking
  - mobile banking
- understand security features and risks.

Channels that help in managing money

In this topic, we see how technology has changed the ways in which we can manage money.

Let's start by looking at some of the older, more traditional channels that are still used.

Branch banking

Most major banks have a 'branch' office in large towns and cities.

Some people prefer talking directly to another person face to face rather than over the phone. Others find limited branch opening hours too restrictive and

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inconvenient.The branch is where you can go to talk with the branch manager or a customer service adviser face to face about setting up payments, applying for a loan or opening a savings account.

Bank statements

A bank statement lists the transactions on your account.

Statements are very useful in monitoring the money that goes into and out of your bank account.

You should check each transaction on the statement against your receipts for the month to make sure that all of the debits and credits are correct.

Traditionally, bank statements were sent by post. In the modern banking world, most customers prefer the option of paperless electronic statements delivered via internet banking apps.

You can look at electronic statements going back over several years, so there is no risk of statements getting lost (unlike with paper statements).

Most banks prefer to offer electronic statements rather than paper statements because internet banking is so popular and it is not good for the environment to print so many statements. It is also far cheaper for the banks.

Similarly, many stores now offer receipts by email instead of on paper, so that you do not lose them later.

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Paper statements must also be stored securely, or shredded when thrown away, to protect the account holder from identity fraud.

Example bank statement				
Date	**Description**	**Money out**	**Money in**	**Balance**
12 June	Start balance			£355.32
13 June	Received salary		£1,958.52	£2,313.84
	Direct debit to Mortgage Co	£825.35		£1,488.49
	Direct debit to Energy Co	£67.50		£1,420.99
15 June	Card payment to Petrol Station	£42.90		£1,378.09
16 June	Online transfer to friend's bank account	£9.99		£1,368.10

Telephone banking

With telephone banking you ring a call centre and talk to someone about your bank account.

When you set up telephone banking, you will be given a customer membership number that you need for security reasons, and a method of identity verification (ie to prove it is you using the account).

Each bank sets its own verification methods. A combination of methods can be used. These include:

- passcodes or pass numbers (different to membership numbers)
- mobile phone number – to which an authentication code is sent via text message and you input it using the keypad
- debit card number that you must input

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- voice identification.

If the transaction is simple, such as finding out your balance, you can use an automated service to answer your query.

You may hear the following sorts of options:

If your transaction is complex, you can choose to speak to an operator. This means you can arrange almost any transaction you like.

However, the call centre might not be open 24 hours a day. Waiting times might be long during busy periods.

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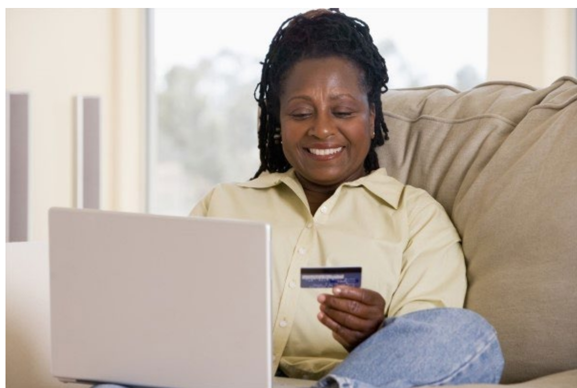
Internet banking



Internet (or online) banking lets you manage your accounts online.

If you have a computer and internet access, you can look at your accounts at any time.

As it has proved to be so convenient and popular, there are now many 'internet-only' banks that provide all their services using just this channel.

Work through the following activity to find out more about internet banking.

Go to the course site to complete the activity: Internet banking.

Mobile banking

Mobile banking provides customers with access to their bank accounts and lets them make transactions 'on the move' using a mobile device such as a smartphone, smartwatch or tablet, often using apps (applications).

Biometrics
Using one of your physical characteristics, such as a fingerprint, to prove it is you accessing the account.

As apps are downloaded directly to mobile devices, customers do not require web browsers to access their bank's services. Customers use a combination of customer numbers and passcodes, or increasingly biometrics, to make payments and access other bank services such as:

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- checking balances
- finding other bank statement information.

Customers need to be cautious when using mobile banking. Security procedures are only effective if customers keep their details secret to avoid fraud.

We look at types of banking apps in Topic 3b.

Go to the course site to complete the activity: Pros and cons of delivery channels.

Security features for telephone, internet and mobile banking

Let's remind ourselves of key features that keep modern banking secure.

You have learned about the various methods banks use to protect customers using these banking channels. These include:

- passwords
- security questions
- card readers
- voice identification
- biometrics, such as fingerprints.

Passwords ensure that nobody but you can access your account.

A 'strong' password is hard to guess and contains numbers and both lowercase and uppercase letters.

Chris has chosen a strong password based on his favourite film *The Hunger Games* and his favourite actor Jennifer Lawrence.

He uses '3' to replace the three 'e's because that makes the password stronger.

J3nniF3rHung3r

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Security questions protect your accounts further from potential fraud because they are hard to guess.

Even if a fraudster got hold of your other details, would they know your favourite food or your favourite song?

However, people now share many personal details through social networking.

Criminals may try to use this information to guess your password or security answer.

Remember to keep your social networking accounts as private as possible, and be wary of what information you share online.

Card readers provide good security, as long as you keep your **personal identification number (PIN**) secret. Your PIN is a four-digit number that gives you access to your accounts. When you open a bank account you are issued a PIN that you can change to something memorable. You must memorise it and not write it down.

Voice identification and **fingerprints** are harder for fraudsters to get around. These security methods can't be bypassed easily by tricking customers.

Congratulations

You have completed Topic 1!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

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Topic 2: Pay and pay calculations

This topic helps you to:

- calculate gross pay, net pay and deductions
- work out pay including tax
- explain sick pay and student loans
- understand the P45 and P60 tax documents.

What are earnings?

In Unit 1, we saw that 'earnings' means the money you get for doing a job.

Can you remember the difference between wages and a salary?

Check your understanding on the course site.

Gross pay and net pay

We have to pay part of our earnings to the government as income tax and National Insurance contributions (NICs). National Insurance is a form of tax.

These payments are collected by Her Majesty's Revenue & Customs (HMRC) through 'pay as you earn' (PAYE).

By law, employers must offer workplace pension schemes and contribute to them. Employees are enrolled into workplace pension schemes automatically and contribute part of their earnings, unless

- their earnings are too low; or
- they choose to opt out.

All these payments are called 'deductions'.

Gross pay is the amount we earn *before* any deductions.

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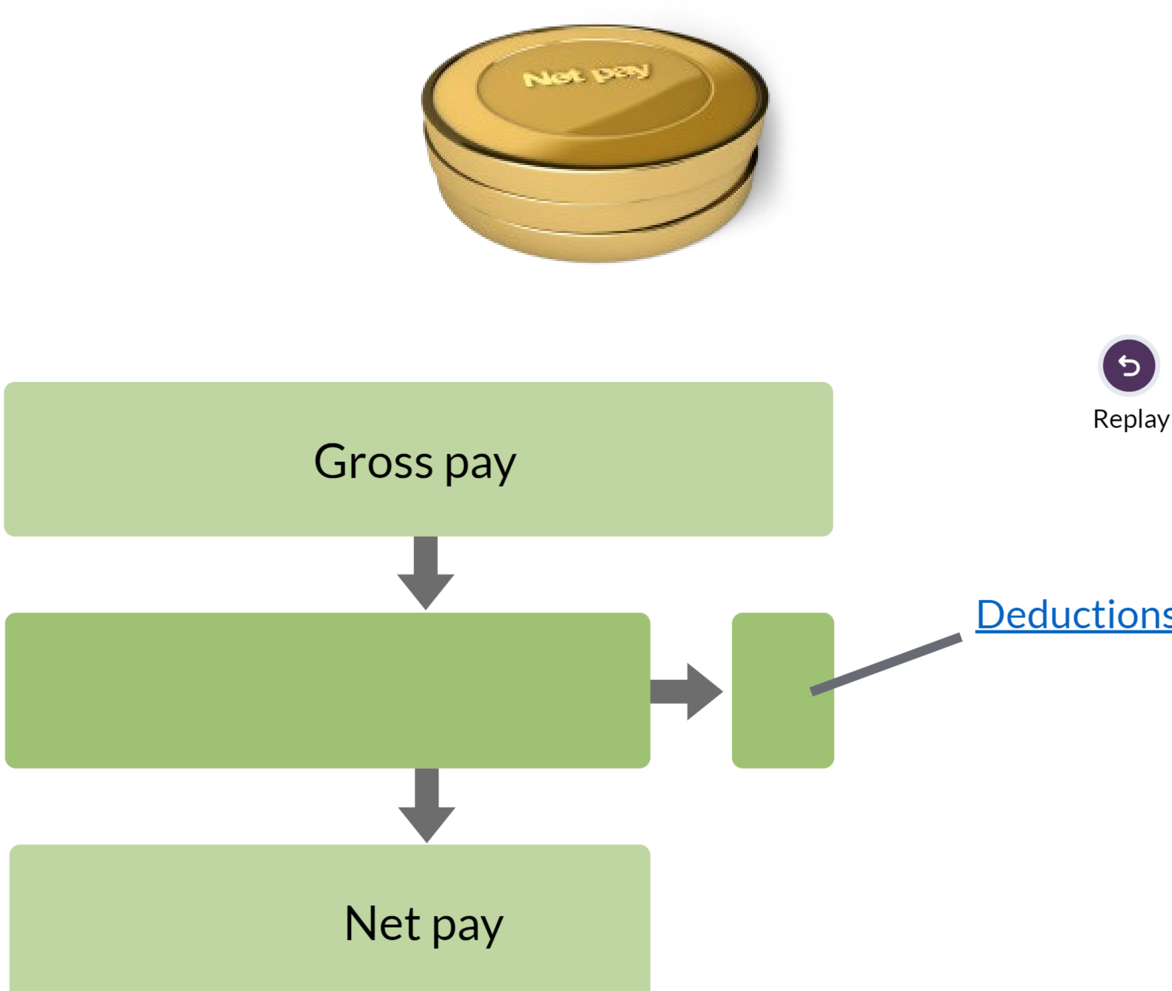
Net pay is the amount we receive *after* all deductions. This is the amount that actually gets paid into your bank account.



Go to the course site to complete the activity: Gross and net pay.

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Payslips

An employer must give each employee a written or electronic payslip showing details of the pay earned and the amounts deducted. People access electronic payslips through secure systems, such as by entering their work email address and a password.

A payslip must *at the least* contain:

- the gross amount of the earnings before deductions
- the reasons for, and the amounts of, all deductions
- the net amount of the earnings; and
- an explanation of how the earnings are paid.

Demi's payslip			
Dolby and Crane Limited		**Date: 01/06/20XX**	
Payment period		**Payment method**	
01/05/20XX to 31/05/20XX		Credit transfer	
Tax code	**Employee no**	**Employee name**	**NI number**
1257L	26	Demi Morgan	NS102030P
PAYMENTS		**DEDUCTIONS**	
Description	**Amount**	**Description**	**Amount**
Basic salary **T**	1,547.50	PAYE tax	100.00
		NI	90.06

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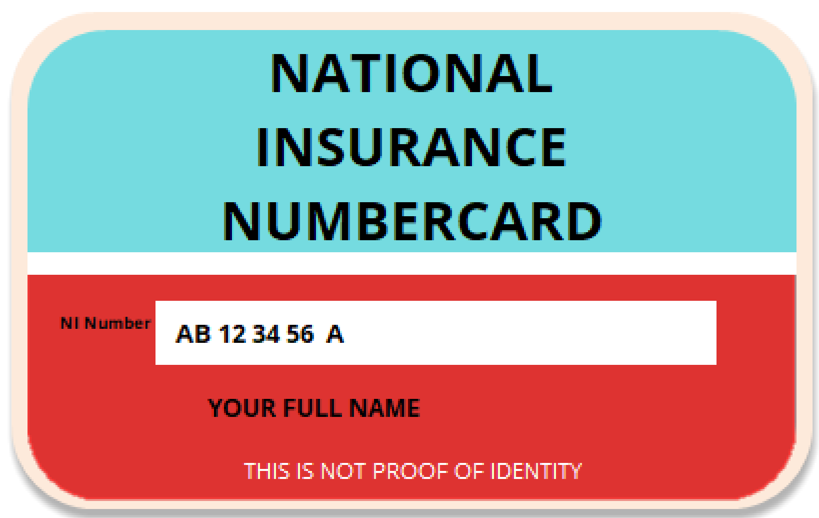
Gross pay	1,547.50	Total deductions	190.06
Net pay	**1,357.44**		
Taxable pay to date	3,095.00	Tax paid to date	200.00
		NI paid to date	180.12
T = taxable			

National Insurance (NI)

All employees have to pay NI, which the government uses to pay for things such as Universal Credit and state pension.

NI is worked out based on your weekly pay, and depends on how much you earn and whether you are employed or self-employed.

NI number



Your NI number is your own personal account number. The number is issued on a numbercard when an individual reaches 16 years old. The number and card must be kept safe.

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Your unique number ensures that the National Insurance contributions (NICs) and the tax you pay are properly recorded on your NI and tax account with the government.

It also acts as a reference number should you need to claim any government benefits, for example Universal Credit.

NI numbers are made up of two letters followed by six numbers and one letter.

Calculating NI

NI is worked out weekly. There are different 'classes' of NI; the class and the rate that you have to pay depends on whether you are employed or self-employed.

Most employees pay 'Class 1' contributions at a certain percentage of their earnings that fall between:

- the **primary threshold**
  and
- the **upper earnings limit.**

Let's use an example: weekly primary threshold of £184 and weekly upper earnings limit of £967.

On earnings between £184 and £967 a week, let's say the Class 1 rate is 12%.

On earnings over the upper earnings limit of £967 a week, let's say the Class 1 rate is 2%.

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Karim is employed and earns £20,800 a year. This works out as £400 a week. He does not have to pay NI on the first £184 per week.

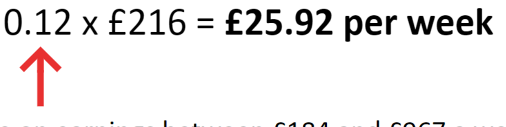
So:

£400 - £184 = £216

Weekly earnings ↑ ↑ Primary threshold

Karim has to pay 12% of £216:

0.12 x £216 = **£25.92 per week**

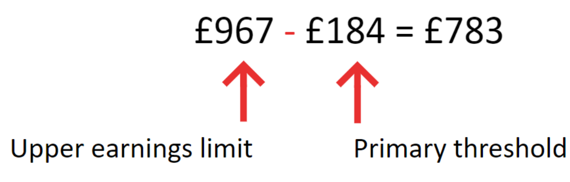


Class 1 rate on earnings between £184 and £967 a week

Mark is also employed. He earns £57,200 a year. This works out at £1,100 per week. He does not have to pay NI on the first £184 a week.

Mark has to pay 12% on earnings between £184 a week and £967 a week:

£967 - £184 = £783



Upper earnings limit ↑ ↑ Primary threshold

So, he pays 12% of £783:

0.12 x £783 = **£93.96 per week**

Class 1 rate on earnings between £184 and £967 a week

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Mark also has to pay 2% on earnings between £967 a week and £1,100 a week:

£1,100 - £967 = £133

Weekly earnings   Upper earnings limit

So, he pays 2% of £133:

0.02 x £133 = **£2.66 per week**

Class 1 rate over the upper earnings limit

So Mark pays:

£93.96 + £2.66 = **£96.62 per week**

Income tax

The amount of tax payable to Her Majesty's Revenue and Customs (HMRC) is calculated as a percentage of your income. The more you earn, the more tax you will need to pay.

Taxpayers receive a **personal allowance**, which is an amount of taxable income that they are allowed to earn or receive each year tax-free.

So a person's **taxable income** is their income minus their personal allowance.

Demi earns £18,570.

Her personal allowance is £12,570.

£18,570 - £12,570 = **£6,000 taxable income.**

Tax paid is worked out as a percentage of taxable income.

Let's look at some examples using specified tax bands.

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FACTFIND

You can find out the current tax bands at: https://www.gov.uk/income-tax-rates

Let's assume:

- for taxable income below £50,270, the tax rate is 20%

Basic-rate band

- for taxable income between £50,271 and £150,000, the tax rate is 40%

Higher-rate band

- for taxable income above £150,000, the tax rate is 45%.

Additional-rate band

You only pay tax at the higher rates on that part of your income which is in the higher bands.

Demi earns £18,570 and we worked out that her taxable pay is £6,000.

This is all in the Basic-rate band so she will pay all of her tax at 20%.

Her tax for the year is:

$$20\% \times £6,000 = £1,200$$

Because Demi is paid monthly, her employer takes monthly tax from her pay under the PAYE scheme:

$$£1,200 \div 12 = £100$$

If you look at Demi's payslip, you can see that this amount of tax has been deducted.

See how much tax Alfie pays

Alfie earns £72,570 and his taxable pay is:

£72,570 – £12,570 = £60,000

This means that Alfie pays tax in both the Basic-rate band and the higher-rate band.

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Basic rate band

Alfie has £50,270 pay in this band.

£50,270 x 20% = £10,054 tax

Higher rate band

Alfie has £9,730 pay in this band (£60,000 - £50,270).

£9,730 x 40% = £3,892 tax

Alfie's total tax for the year is:

£10,054 + £3,892 = £13,946

His tax paid each month is:

£13,946 divided by 12 equals £1,162.17

Tax codes

Your employer uses a tax code to calculate the amount of tax to deduct from your pay.

The tax code is made up of several numbers and a letter. The ‘L’ at the end tells the employer that the code includes the personal allowance.

Demi’s tax code is ‘1257L’ because she can earn £12,570 before starting to pay tax.

Multiplying the tax code numbers by ten tells the employer how much pay is tax-free.

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Emergency tax codes

You may be put on an emergency tax code if HMRC does not get your income details in time after a change in circumstances such as:

- a new job
- working for an employer after being self-employed.

Emergency tax codes are temporary. HMRC will usually update your tax code when you or your employer give them your correct details.

- If your change in circumstances means you have not paid the right amount of tax, you'll stay on the emergency tax code until you've paid the correct tax for the year.
- Emergency tax codes end in 'W1', 'M1' or 'X', rather than 'L'.

If someone has underpaid tax in one year, HMRC can use their tax code to collect tax that has not been paid.

It can do this by reducing the person's personal allowance for the next year.

Go to the course site to complete the activity: Taxable pay.

Overtime

Overtime is the amount of time that someone works beyond normal working hours. Payment for overtime can be at a higher rate than the usual rate.

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Todd is working for a 'time and a half' rate on a bank holiday.

This means he gets paid one and a half times his usual hourly rate.

Rebecca is working for a 'double time' rate on New Year's Eve.

This means she gets paid twice her usual hourly rate.

Go to the course site to complete the activity: Basic overtime calculations.

Sick pay

If you are ill and can't work, your employer must pay you **Statutory Sick Pay (SSP)** on behalf of the government.

To get SSP, you must:

- have been sick for at least four days in a row
- be earning at least a certain amount per week and
- have told your employer that you are sick.

FACTFIND

Visit https://www.gov.uk/statutory-sick-pay/eligibility to find out how much you need to earn per week to qualify for SSP.

Many employees are paid a better rate of sick pay than SSP, because it is stated in their employment contract.

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Sam works for Shop B Limited and earns £2,000 per month. He works 6 days a week. An extract from his pay slip for June 202X is shown here.

NEXT →

Sam's payslip for **June 202X**

Payment period		Payment method	
01/06/202X to 30/06/202X		Credit transfer	
Tax code	**Employee no**	**Employee name**	**NI number**
1257L	27	Sam Long	NS203040J
PAYMENTS		**DEDUCTIONS**	
Description	**Amount**	**Description**	**Amount**
Basic salary **T**	2000.00	PAYE tax	190.50
		NI	144.36
Gross pay	2000.00	Total deductions	334.86
Net pay	**1665.14**		

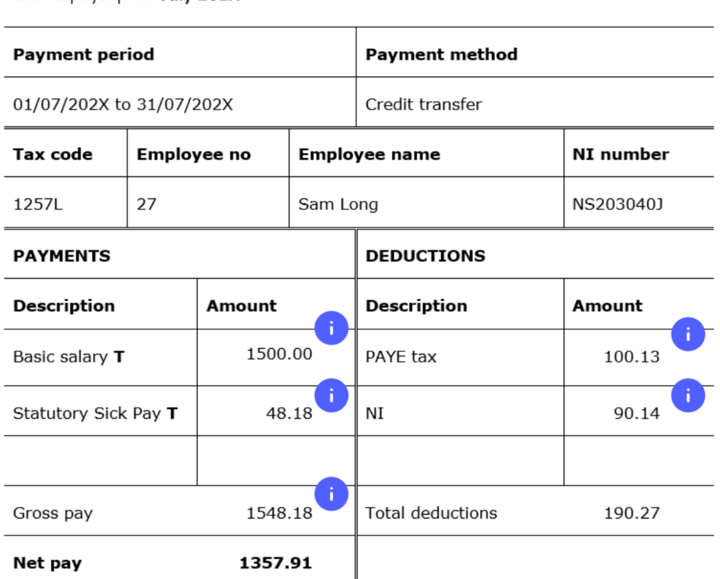
Unfortunately, Sam was unable to work for a whole week (6 working days) in July 202X as he was ill with influenza. Shop B Limited does not have a company sick pay scheme, so it only pays Statutory Sick Pay.

How much will Sam be paid for July 202X? Let's find out.

Click the icons to learn more.

← PREV

+ COMPARE PAYSLIPS



Sam's payslip for **July 202X**

Payment period		Payment method	
01/07/202X to 31/07/202X		Credit transfer	
Tax code	**Employee no**	**Employee name**	**NI number**
1257L	27	Sam Long	NS203040J
PAYMENTS		**DEDUCTIONS**	
Description	**Amount**	**Description**	**Amount**
Basic salary **T**	1500.00	PAYE tax	100.13
Statutory Sick Pay **T**	48.18	NI	90.14
Gross pay	1548.18	Total deductions	190.27
Net pay	**1357.91**		

Basic salary

Sam's salary has been reduced by the equivalent of 1 week's pay as a result of his sickness, because his company does not have a sick pay scheme of its own.

Statutory Sick Pay

Sam is entitled to statutory sick pay, which is payable from Day 4 of his illness; he does not qualify for the first 3 days sickness.

SSP is paid at £96.35 per week. As Sam works 6 days a week, he is entitled to half of this for days 4-6 of his absence (£48.18).

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Net pay
Sam's pay for July is £307.23 less than in June as a result of his sick leave.

PAYE tax
PAYE tax reduces as gross pay has reduced.

National Insurance tax
NI reduces as gross pay has reduced.

Maternity and paternity pay

If a woman is employed when she has a baby, her employer must pay **Statutory Maternity Pay** for up to 39 weeks so that she can take maternity leave to look after the baby.

Eligible fathers can claim **Statutory Paternity Pay** by using up any unused maternity leave if the mother chooses to return to work after less than 39 weeks.

In addition, fathers can take **Statutory Paternity Leave** for one or two consecutive weeks after the baby is born. They receive Statutory Paternity Pay during this period.

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Some workers may not be eligible for Statutory Paternity Leave and Pay, such as those who are working for an employer for a set number of weeks or months.

There are other maternity pay options depending on a person's eligibility, such as:

- Statutory Maternity Leave
- Shared Parental Leave and Pay.

Student loans

People who take out student loans for college or university start making repayments only when they earn more than a certain amount per year.

The amount they repay depends on how much they earn.

Their employer takes the repayments out of their gross pay in the same way that it deducts income tax and NI.

This repayment is paid to the government through PAYE.

FACTFIND

Find out how much you currently have to earn to start repaying a student loan and at what level you'll repay: https://www.gov.uk/repaying-your-student-loan/what-you-pay

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Sanjay did not need to repay any of his student loan until he was earning £27,295 a year.

He now earns £29,295 a year, and he makes student loan repayments at 9% of what he earns over £27,295.

£29,295 - £27,295 = £2,000

0.09 (9%) x £2,000 = £180

Student loan deduction

Sanjay has just started a job with a new employer in a research laboratory. He graduated two years ago with a chemistry degree, which he funded with a student loan. When he completed his studies, he decided to take some time off to travel. During this period he only earned a small amount of money undertaking casual jobs.

Sanjay's new salary is £29,295 a year, which means he now needs to begin repaying his student loan. An extract from Sanjay's first monthly payslip is shown here.

Click on the icon to learn more.

Sanjay's payslip

ABC Research Limited **Date:** 01/06/202X

Payment period		**Payment method**	
01/05/202X to 31/05/202X		Credit transfer	
Tax code	**Employee no**	**Employee name**	**NI number**
1257L	12	Sanjay Chetty	TD608090D

PAYMENTS		**DEDUCTIONS**	
Description	**Amount**	**Description**	**Amount**
Basic salary **T**	2441.25	PAYE tax	278.75
		NI	197.31
		Student loan repayment	15.00
Gross pay	2441.25	Total deductions	491.06
Net pay	**1,950.19**		

T = taxable

Student loan repayment

Based on his current salary, Sanjay needs to make student loan repayments of £180 per annum. This equates to £15.00 per month (180.00 / 12).

National minimum and living wages

We saw in Unit 1 that employees must be paid *at least* a minimum wage.

- The **national minimum wage** applies to all employees in the UK aged 16 to 22. The amount varies according to how old the employee is.
- The **national living wage** is the minimum paid to anyone in the UK aged 23 or over (and not in the first year of an apprenticeship).

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Apprenticeship minimum wage

An apprentice works with experienced staff to gain job-specific skills, and also studies towards a qualification.

Apprentices must earn a minimum wage at a set apprentice rate and receive holiday pay.

FACTFIND

Visit https://www.gov.uk/national-minimum-wage-rates to find out the latest minimum and living wage rates.

Go to the course site to complete the activity: National minimum and living wage.

P45 and P60

If you look at Demi's payslip again, it also tells her:

- the amount of taxable pay she has earned in the tax year so far and
- the tax and the NI that she has paid.

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Demi's payslip			
Dolby and Crane Limited		**Date: 01/06/20XX**	
Payment period		**Payment method**	
01/05/20XX to 31/05/20XX		Credit transfer	
Tax code	**Employee no**	**Employee name**	**NI number**
1257L	26	Demi Morgan	NS102030P
PAYMENTS		**DEDUCTIONS**	
Description	**Amount**	**Description**	**Amount**
Basic salary **T**	1,547.50	PAYE tax	100.00
		NI	90.06
Gross pay	1,547.50	Total deductions	190.06
Net pay	**1,357.44**		
Taxable pay to date	3,095.00	Tax paid to date	200.00
		NI paid to date	180.12
T = taxable			

This is for her information and is also put into the P45 and P60 documents.

These are two common tax documents that *must* be given to you.

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The **P45** is used when you stop working for an employer.

It shows the taxable income you have earned during the tax year, and the amount of tax and NI you have paid.

Matthias leaves his job at a shoe shop for a new job in a dental surgery.

When he leaves the shoe shop, he is given a P45.

He hands the P45 to the appropriate person at the dental surgery. This means his new employer can work out how much tax he should pay.

The **P60** is the summary of your pay and tax deductions in the tax year. Your employer should give you a P60 to keep as a record at the end of *every* tax year.

Go to the course site to complete the activity: Reading a payslip.

How do self-employed people pay tax and NI?

Self-employed people don't know how much work they will get in a year, so they won't know how much money they will earn until the year is over.

So instead of using PAYE, they fill in a self-assessment tax return at the end of the tax year, and calculate how much tax and NI they owe. They then pay the tax and NI to HMRC at a later date.

Self-employed people need to keep accurate records of their earnings in order to fill out the tax return.

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Some self-employed people hire an accountant to do this for them, or use accounting software to help them keep track.

The government has replaced the process of filing tax returns on paper or online with a digital system.

Self-employed people have had to use this system since April 2022. They must update their tax information four times a year and make a final declaration at the end of the year using apps and the HMRC website.

Congratulations

You have completed Topic 2!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

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Topic 3a: Types of payment card

This topic helps you to:

- compare types of payment card
- understand what a card limit is
- explain the different charges applied to card transactions
- understand what happens if you only make minimum payments.

What are payment cards?

Payment cards are plastic cards used to make payments. Some of them can be used to do more things than others.

Some let you access your own money.

Others are a way to borrow money.

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Debit cards

Providers such as banks give customers a debit card so they can access the money in their current account.

The debit card needs to be linked to a specific current account, which is identified by the bank sort code and account number shown on the card.

Account holders can use debit cards to withdraw cash using an ATM, and to make payments in person, over the phone, by mail order or online from the specified current account.

Paying at a distance

When you pay for something but the transaction is not face to face, you won't be asked for your PIN.

Instead, you will enter details including the long number on the front of the card, and the three-digit security number on the back.

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Getting cashback

YOUR LOCAL SUPERMARKET
For all your shopping needs

S/SKIMMED MILK £0.89
BOUNTY £0.58
GREEK YOGHURT £0.95
BREAD £1.15
NEWSPAPER £1.00
CASHBACK £10.00

BALANCE DUE £14.57
06/03/XY

Debit cardholders can get cash (typically to a maximum of £100) when they pay for goods in shops that offer '**cashback**'.

The amount of cashback is added to the total for the transaction.

Debit card limits and charges

The '**limit**' on any kind of card is the maximum you can spend on it.

Because a debit card is used to access your own money, your limit is how much you have in your current account.

Once you have spent all of the money in your account (if you don't have an overdraft facility), you cannot use your card for any more transactions until you have put some more money into your account.

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Sometimes there is a small charge when you use your debit card to pay for things online – such as airline tickets.

This might be a set fee, or a small percentage of the transaction value.

Contactless cards

Contactless cards let you pay for everyday items, such as coffee or newspapers, by holding your debit card close to a reader.

You can only use contactless for payments up to a certain amount. The limit per transaction has been gradually increasing as people get used to the technology and use cash less. Because you do not need to enter your PIN, certain purchases can be made quickly.

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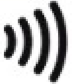
However, as a fraud prevention measure, from time to time you will need to put your card into the machine and enter your PIN to verify it is you, before you can use contactless again.

Other types of mobile payments, such as Apple Pay or Google Pay, do not have an upper limit when people use biometric security methods like fingerprint or facial recognition.

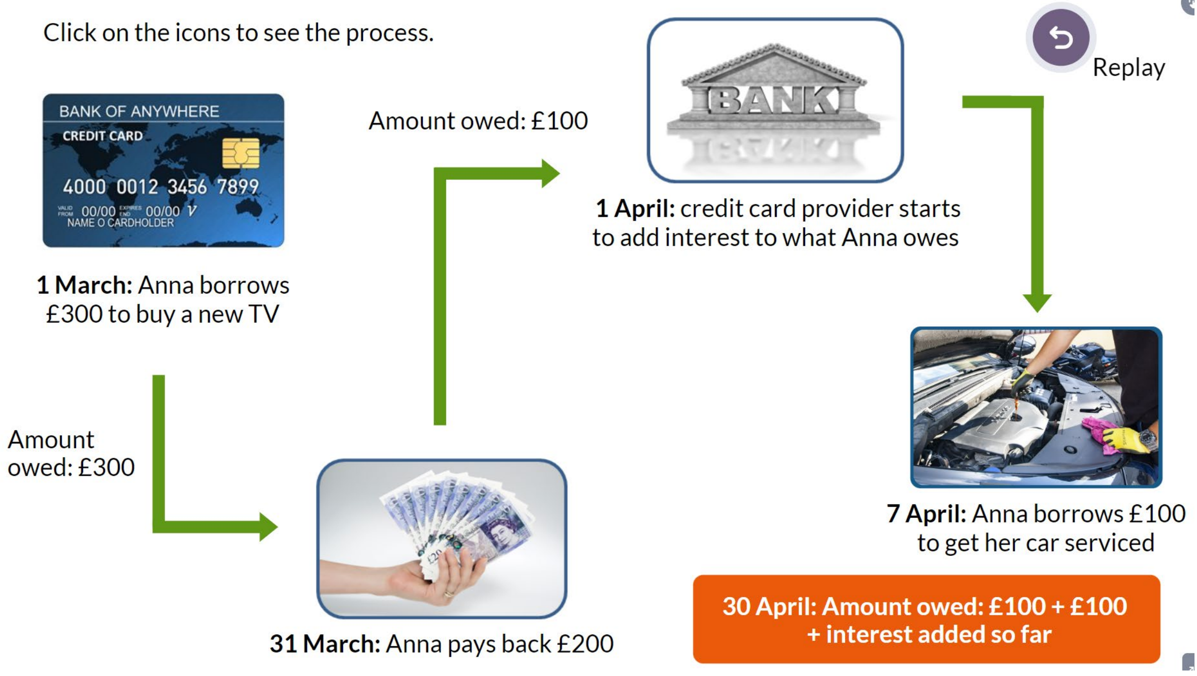
Contactless cards and the places that accept them display the contactless symbol.



Credit cards

Credit cards are a type of 'rolling credit': you can borrow money to buy things and pay it back over a period of your choice.

Rolling credit lets an account holder borrow money repeatedly up to a set limit while repaying a portion of the current balance due in regular payments. Each payment, minus the interest and fees charged, tops up the amount available to the account holder to borrow again.



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Where a debit card means you **buy now and pay now**, a credit card means you **buy now and pay later**.

But if you pay back only the minimum amount per month, the interest will build up.

Using credit cards in ATMs

If you withdraw cash from an ATM using a credit card, this is a '**cash advance**'.

With a cash advance, most credit cards charge interest from the day you withdraw the cash.

In contrast, with regular credit card transactions, there is normally a period during which no interest is charged.

Using credit cards in shops

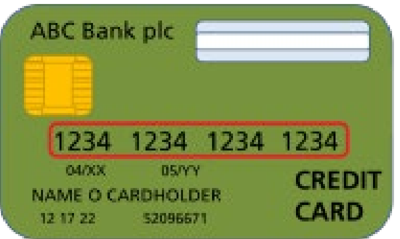
Like debit cards, credit cards have a chip and the cardholder must type in a PIN when they make a purchase – unless the card is contactless.

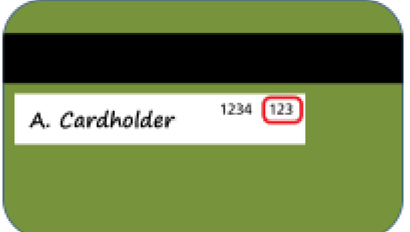
Paying at a distance

Also like debit cards, credit cards have a long card number on the front and a security number on the back.

These numbers are used when making a credit card transaction at a distance.

However, credit cards do **not** contain bank sort code or account number information, as they are not linked to a specific bank account.





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Credit card limits and charges

When you get a credit card, you are given a '**credit limit**': a maximum amount you can borrow on the card.

If you go over the limit your transactions will nearly always be refused, or you could be charged an additional fee of around £12.

Sometimes, the card issuer will increase your credit limit – but if the lender is responsible, this will only be if it thinks you can afford to pay back that much.

Credit cards charge interest on the money you owe unless you pay off the full balance within a certain time, usually between 50 and 59 days.

- Some credit card companies make an annual charge for providing the card.
- There may be other charges, such as when you buy things online.
- There is also a cash advance fee if you use the credit card to withdraw cash from an ATM.
- There is also a fee for returned payments.

Tyrone sets up a direct debit to make the minimum monthly payment to his credit card.

But after one month . . .

On the day the direct debit is due to come out of Tyrone's account, there is not enough money to pay it.

He is charged a returned payment fee by the credit card company.

Go to the course site to complete the activity: Credit card charges.

Repayment

A cardholder receives a statement every month showing what they have spent and what they owe the credit card company.

The cardholder has three options as to how they repay.

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Option 1

Repay the balance completely.

If they do this, they will not be charged any interest.

Option 2

Repay the minimum balance.

There is a minimum amount that the cardholder *must* repay.

This minimum payment is equal to more than one month's interest and is typically between 2% and 5% of the outstanding balance, depending on the card used.

If the cardholder does this, it will take them a very long time to repay the card balance.

Go to the course site to complete the activity: Minimum repayments.

Option 3

Repay a sum larger than the minimum balance.

Choosing this third option means the cardholder will repay the card balance more quickly than by making only the minimum payment.

Anything the cardholder pays to the credit card company will be:

- subtracted from the amount they owe
  and
- added to the amount they have available to spend.

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Interest-free credit period

Borrowing on a credit card is free of interest if you repay the whole amount within the interest-free period.

Go to the course site to fill in the missing numbers.

Introductory offers

Some credit card providers offer introductory credit card rates as low as 0% to tempt new cardholders to:

- open an account; or
- transfer a balance from an existing credit card provider.

The introductory rate is usually temporary and may apply to purchases you make with the card or balances you transfer to the card.

Using promotional rates like this could help you save money, but the debt still needs to be repaid. You should check that the new provider's usual interest rate is not higher than that of the previous provider, as the overall cost of repaying debt could increase.

Go to the course site to complete the activity: Pros and cons of cards.

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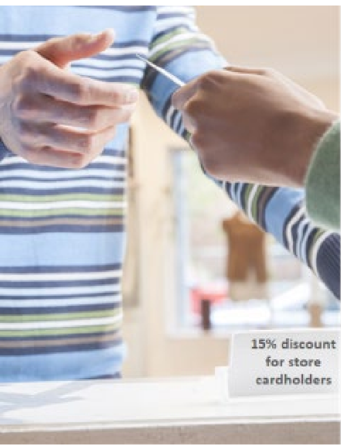
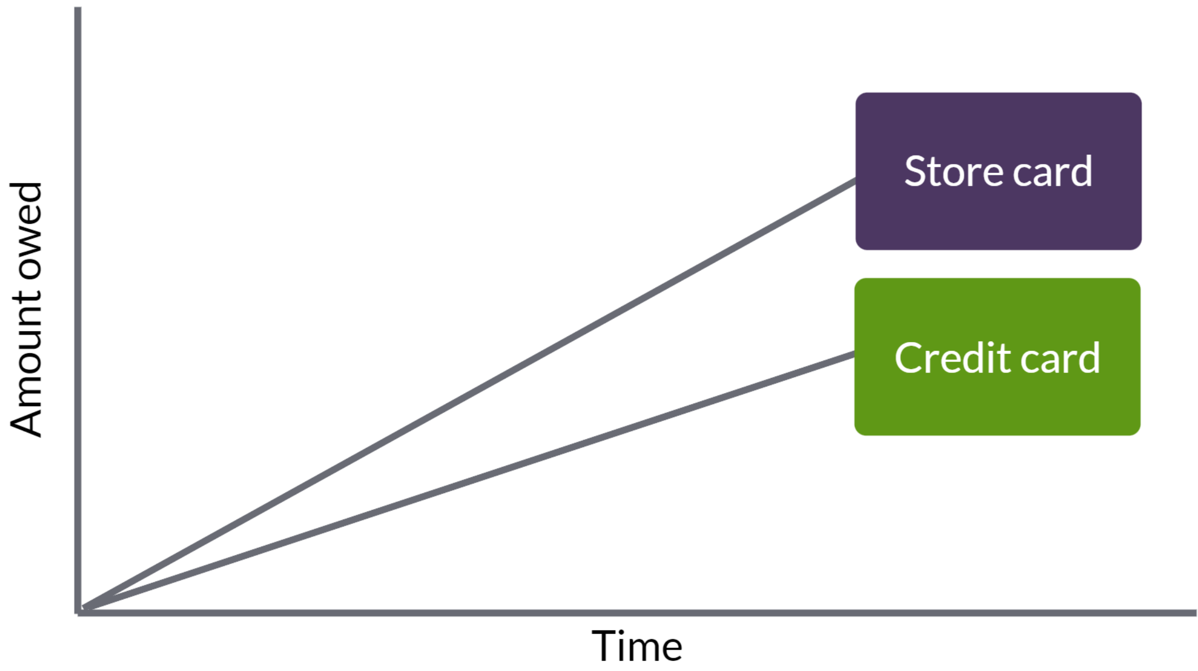
Store cards

Some stores issue cards that you can use only in that shop.



They may offer discounts on items that you buy using the card – especially at first. These will mean a genuine saving only if you pay off the balance in full by the end of the interest-free period offered by the store.

Store cards work like credit cards but tend to have higher interest rates. The amount owing will be higher if you only make minimum repayments, compared with making minimum repayments on a credit card.



The credit limit might be lower than a regular credit card, because you can only use the card in one shop.

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But because store cards are easy to sign up to, lots of people end up spending more than they planned.

Kerry is buying a bag at Splendid Style

Cashier: "Would you like to sign up for our splendid store card?"

Kerry: "What does that involve?"

Cashier: "You can sign up right now and get a 30% discount off your new bag if you pay with the card."

Kerry: "Wow!"

Kerry gets the store card and is happy with her discount.

She goes to the Splendid Style website and finds lots of other deals for store cardholders.

Over the next six months, Kerry uses her store card regularly.

But the Splendid card's interest rate is high, and the interest-free period is shorter than on a credit card.

Although Kerry is happy with the discounts and offers she got by using the store card, she is shocked to see how much money she owes.

Charge cards

A charge card is used for making payments in a similar way to a credit card, but you *must* repay the balance in full when the statement arrives.

Limits and charges

Charge cards have quite high credit limits – and some have no limit at all. Typically, they are offered to wealthy customers, who like the benefits of using a charge card.

Many charge cards offer points or credits that can be used towards expenses such as:

- access to airport lounges

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- travel insurance
- dining.

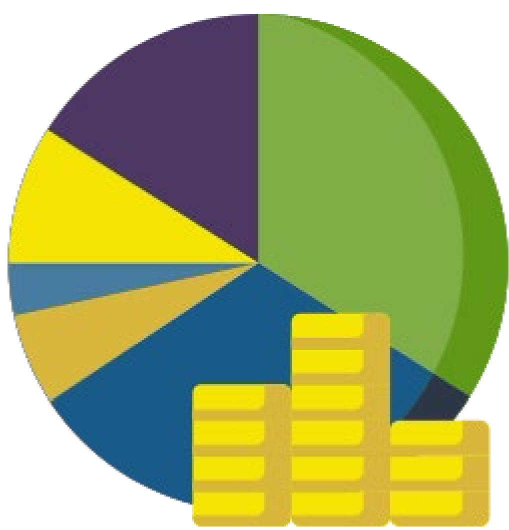
They are not 'rolling credit' like credit cards, because the balance must be paid in full each month. This means no interest is charged.

Paying off in full

A disadvantage of using a charge card is that the balance has to be paid off each month and the penalties are high if you fail to do so. Careful budgeting to make the regular payments is important.

High annual fees

Charge cards also tend to come with quite high fees that must be paid yearly. As charge cards are aimed at high-income earners, this is reflected in their cost, which is likely to be at least £100 per year.



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It is important to ensure that the benefits outweigh the costs.

Prepaid cards

With a prepaid card, you can spend only the amount that has been loaded onto the card.

This means there is no risk of getting into debt.

One type of prepaid card is a gift card.

Prepaid cards are a great way to budget – you get a statement showing the spending on the card, but there is no risk of spending too much.

They are also useful if you are going abroad. You won't have to carry cash and you should get a good rate of exchange for the local currency.

Go to the course site to complete the activity: Boyd's payment cards.

Cash cards

A cash card **only** allows the account holder to take money out from a bank branch or an ATM.

To use the money in their account, the cardholder must withdraw the money in cash.

The card itself can't be used to buy things in shops or elsewhere.

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Cash cards are often given to account holders under the age of 18 instead of a debit card.

When withdrawing cash using a cash card, you are limited to the amount that you have in your current account, plus the amount of any overdraft.

Go to the course site to complete the activity: Comparing payment cards.

Congratulations

You have completed Topic 3a!

Topic 3b will cover:

- financial technology (fintech)
- money-related mobile banking apps
- non-card payment methods.

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Topic 3b: Non-card payments

This topic helps you to:

- compare the automated methods available to make different types of payment
- understand the concept of clearing
- understand how payment methods help you to keep track of your finances.

Financial technology: fintech

Fintech is technology that helps banks improve their customers' experience by making it more convenient for them to access financial services.

Fintech is not a new idea. While the pace of change has increased rapidly in the 21st century because of technological innovations, banks have been changing the way they deliver services to their customers over many decades.

We will consider both recent and more established forms of service delivery brought about by improving technology.

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Mobile banking apps

Let's look at examples of banking apps that let customers move money wherever they are.

Paym

Paym is an app that allows current account holders to send and receive money, without charge, to anyone who has a current account with one of the main banks and building societies in the UK, provided that they have a mobile phone number and have registered online.

Transactions are completed without either party having to know the other's bank details.

Apple Pay

Apple Pay is a 'digital wallet' that lets users make payments (in shops, restaurants, etc) using certain Apple devices such as smartphones or smartwatches.

It is similar to contactless payments but without a debit or credit card, and with additional security. Customer payment information is kept private from the retailer.

Apple Pay can technically be used for transactions of any amount.

However, many retailers set the same low limit per transaction as for contactless payments.

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Google Pay

Google Pay is similar to Apple Pay. It is a fast, simple way to pay with your phone within apps, on websites and in stores.

There is no maximum transaction limit when paying with an unlocked phone. Payment information is protected with multiple layers of security.

Google has developed its own smartwatch too.

Statements to mobiles

Some banks will send mini-statements to mobile phones if you set up an online bank account.

This is very convenient if you are on the move and can't get to a computer or an ATM.

Automated tools to transfer money electronically

Banks have used computers and electronic transfers for a long time.

Technology now allows payments to be made faster than ever.

Automated teller machines (ATMs)

In Unit 1 we saw that an ATM allows a customer to withdraw cash from their account at any time.

What can you remember about using ATMs? Go to the course site to check.

An ATM also lets you:

- request a balance
- print a mini-statement

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- change your PIN
- top up your mobile phone and
- order a chequebook.

Faster Payments

All payments made by phone or via the internet are processed through Faster Payments. This service means bills will be paid on the same day the payment is made, or by the end of the next working day at the latest.

There is a limit for Faster Payments per transaction. The limit is very high for personal customers, so some banks set their own lower limits.

Cheques

Where an electronic transaction is not practical, people can use cheques to make payments into other people's accounts, although the payment will not be 'clear' for a few days.

Some retailers no longer accept cheques.

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Uri runs a window-cleaning business. He doesn't accept payment by debit or credit card, so if his customers don't pay in cash they write him a cheque.

Date 1/2/XY
To Uri Fenster
Amount £20.00
300061

XYZ Bank plc
Current account

30 High Street
Seaville
SO21 6TH

76 -54 -32

Date 1/2/XY

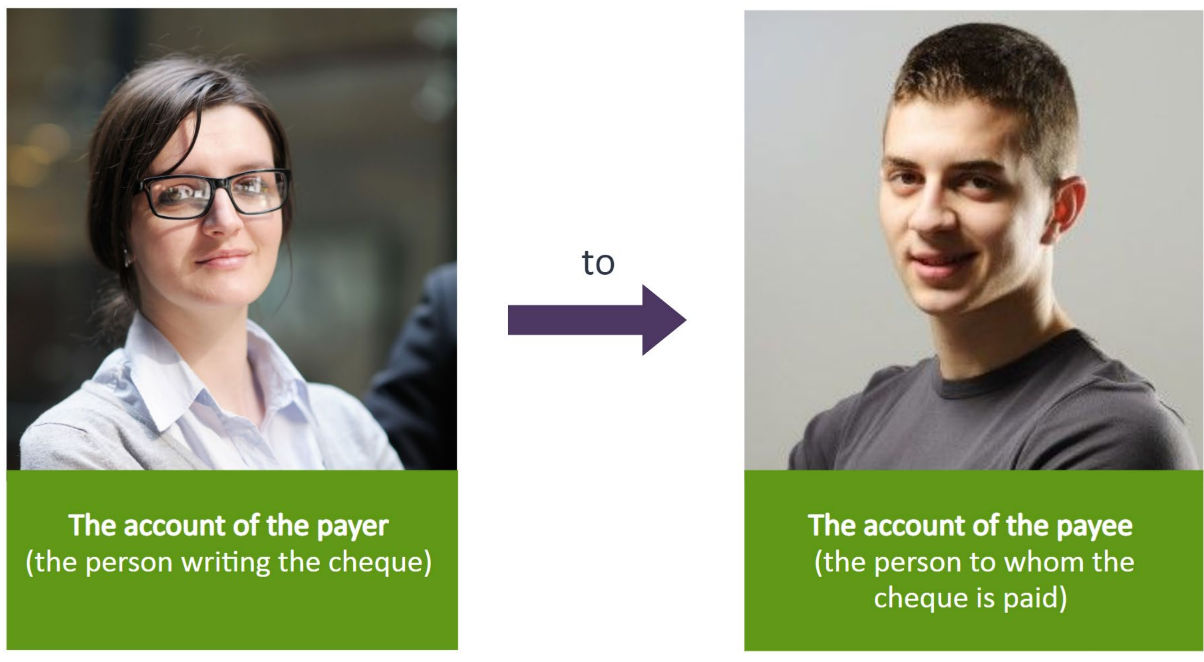
Uri Fenster
Twenty pounds only
A/C PAYEE
£ 20.00

Joanna McGregor

Cheque Number	Sort Code	Account Number
300061	76-54-32	12345678

What is the clearing cycle?

The 'clearing cycle' is the process by which money is transferred from:



Payments made by cheque are slower to clear than those using Faster Payments.

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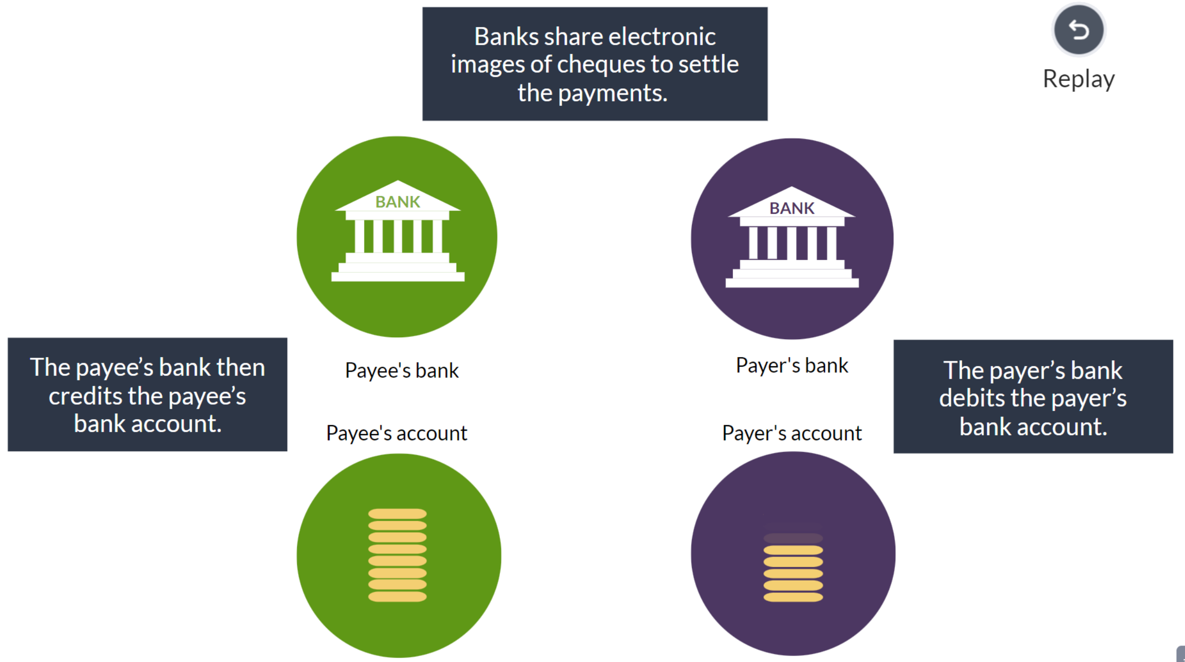

As well as customers paying in paper cheques at a bank branch, people can now take a photograph of a cheque using their smartphone and use the image to pay a cheque into their bank account through an app.

Cheque clearing times differ depending on the paying-in method used.

Cheque clearing times

It is Monday 4 June. Jamil has a cheque to pay in and has found out how quickly the money will be his to keep, depending on which paying-in method he uses and how quickly he pays the cheque in today.

While he has been told that branch cut-off times can vary, he has found out that the cut-off time for his local branch is 4.30pm. By researching, he has worked out the following.

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Paying-in method	Jamil pays his cheque in on Monday 4 June	Money shows in Jamil's account	Jamil can withdraw the money	The money is Jamil's to keep
At a branch	Up until 4:30pm	Almost instantly	From 11.59pm on Tuesday 5 June	By 11.59pm on Tuesday 5 June
	After 4:30pm		From 11.59pm on Wednesday 6 June	By 11.59pm on Wednesday 6 June
Banking app	Between midnight and 3:59pm		From 11.59pm on Tuesday 5 June	By 11.59pm on Tuesday 5 June
	Between 4:00pm and 11:59pm		From 11.59pm on Wednesday 6 June	By 11.59pm on Wednesday 6 June

Jamil has also found out that weekends (Saturdays and Sundays) can lengthen the time it takes before he can be sure the money is his to keep. For example, if he paid his cheque in on Friday 8 June using his banking app at 6.00pm, the money would not be his to keep until 11.59pm on Tuesday 12 June. The clearing cycle counts only business days (Monday to Friday).

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Direct debits

A direct debit lets a company, such as utility providers (gas, electricity and water), take money out of your account regularly to pay your bills. Direct debits are also used to make mortgage payments.

The amount debited can **change or stay the same** depending on the amount of the bill.

Direct debits are very convenient and ensure that payments are made on time.

Standing orders

A standing order instructs your bank to make regular payments to an account for the **same amount each time**.

Any person or company with a current account in the UK can set up a standing order.

You can use standing orders to make regular payments, for example:

For magazine subscriptions

For monthly savings

To family members

Standing orders can also be used to pay some other bills, but most companies prefer direct debits because they can control the payments themselves.

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Bacs (Bankers' Automated Clearing Services)

Bacs handles all of the automated payments made by banks and large organisations, such as direct debits and standing orders.

CHAPS (Clearing House Automated Payment System)

CHAPS lets you send urgent large payments that have to arrive on time and within a single day.

Solicitor: I need £235,000 today from your mortgage provider to complete your house purchase. **House buyer:** I've already asked my mortgage provider to send you the money by CHAPS today.

Go to the course site to complete the activity: Comparing non-card payment methods.

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Bank charges

Banks may charge their customers for things such as:

- account set-up
- account maintenance
- certain transactions.

In the UK, most banks do not charge personal customers for making payments using Faster Payments, cheques, direct debits or standing orders, but they do charge for CHAPS payments.

PayPal

PayPal stores your bank account, credit or debit card details securely. It allows you to pay or be paid safely and easily without sharing your financial information with other people.

Audrey is selling a pile of her unwanted books on an online auction site. The user 'books4life' bids for the books and wins the auction. But before Audrey sends the books, she wants to be sure that payment has been made. The buyer books4life chooses to pay by PayPal, and in a few clicks the transfer is made. Both Audrey and books4life receive an email letting them know that the money has been paid. Audrey is then happy to send the books.

Congratulations

You have completed Topic 3!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

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Topic 4a: Borrowing basics and costs

This topic helps you to:

- understand borrowing terminology
- understand affordability of borrowing and interest payments
- explain the benefits of using credit
- understand the types of borrowing product
- distinguish between sources of borrowing for the short, medium and long term.

What is borrowing?

In Unit 1 we talked about why people borrow money.

They might want or need to buy something, such as a car, but to savings up for it would take a long time.

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If you choose to borrow, you get to enjoy the item sooner, but you have to pay back the lender.

You also have to pay interest and sometimes other charges, too.

Ability to pay for a financial product

Customers should plan their finances carefully, and prepare a budget.

Before deciding to borrow, you should always work out if you can really afford the repayments on top of all your other essential expenses.

You must also look to the future:

- Is your job secure?
- Is your income likely to continue at the same level?
- Will you have additional expenses in the future that you do not have now?

Paying interest

Lenders make money by charging interest on their lending. Interest is always stated as a percentage of the amount borrowed. This is the cost per year.

Scenario 1

Alma borrows £2,400 at an interest rate of 10%. The interest cost each year will be:

£2,400 x 0.10 = £240

To calculate the monthly interest cost, we divide the yearly number by 12:

£240 ÷ 12 = £20

If Alma pays back the loan over one year, she will pay back the money she borrowed plus the interest, so the total will be:

£2,400 + £240 = £2,640

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This works out at £220 a month:

£2,640 ÷ 12 = £220

Scenario 2

If Ben borrows £9,000 to buy a car and the interest rate is 6%, the interest cost each year will be:

£9,000 x 0.06 = £540

So the monthly interest cost is:

£540 ÷ 12 = £45

If Ben pays back the loan over one year, the total to repay will be:

£9,000 + £540 = £9,540

This works out at £795 per month:

£9,540 ÷ 12 = £795

This monthly amount is far too expensive for Ben, so he will spread the payments over a longer period.
Paying back the loan over a longer period means Ben will be able to afford the monthly payments, but he will end up paying more in interest.

Go to the course site to complete the activity: Monthly interest costs.

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Overdrafts

Overdrafts are a very short-term way of borrowing. The bank lets you spend more than is in your account up to an agreed limit, usually until you next get paid.

Rob's boiler

Rob's boiler breaks down a week before payday. He only has £50 in his account, but the boiler will cost £150 to fix.

Because Rob has an authorised overdraft with his bank, he can use his debit card to pay for the repairs.

Call centre operator: "The total charge will be £150. I just need some details from your card."

Rob is now **£100 overdrawn**.

When Rob's monthly pay of **£770** goes into his account a week later, he clears the overdraft and still has **£670** to last him for the rest of the month.

An overdraft is convenient – you can just use your debit card or payment apps on a smartphone.

It also means you don't have to apply for credit each time you need it.

But if you use a large overdraft a lot of the time, you will pay high interest and find the overdraft hard to manage.

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Payday loans

Payday loans offer an alternative to an overdraft for short-term borrowing. They are typically provided for no more than a few months by specialist companies, not by banks.

The payday loan company lends a lump sum, which is repayable in equal instalments over an agreed term.

- They can be a lot more expensive than a bank overdraft and so need to be used with caution and for short periods.
- Interest rates of over 200% are common for this type of borrowing.

Credit cards and store cards

We looked at credit cards and store cards in Topic 3a. What do you remember about them?

Go to the course site to complete the credit and store cards recap quiz.

Personal loans

Personal loans are useful for buying items such as cars.

The term of the loan should be as short as you can afford and should take into account the expected **depreciation** of what you are buying. Depreciation is the

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decrease in monetary value of an item over time due to use, wear and tear or becoming old-fashioned.

Benefits of personal loans include that:

- you can choose from a variety of terms and
- the repayments are the same each month, so it is easier to budget.

Personal loans can be a big commitment and take up a chunk of your monthly income.

Before taking out a loan, ask yourself:

Hire purchase (HP)

HP is often used to buy items such as cars. Under an HP agreement, you pay a deposit and then pay instalments each month to the HP company.

During the term of the agreement, the item you are purchasing belongs to the HP company – you are only hiring it at this stage.

At the end of the term, you can either hand back the item to the HP company, or buy it for a small final payment.

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Mortgages

A ‘mortgage’ is a larger loan used to buy a property, usually over 25 or 30 years.

For most people, a mortgage is the only way they can afford to buy a house

FACTFIND

To get an idea of how expensive houses are in the UK, find the average house price online at: http://landregistry.data.gov.uk/app/ukhpi

Taking out a mortgage over a long period of time keeps the repayments lower.

If you take out a mortgage, you own the property – but if you stop making your repayments, the lender may ‘repossess’ (take back) the property and sell it to get its money back.

If you sell your house, you pay off the mortgage from the sale proceeds, then take out a new mortgage for your next house.

The rules around mortgage applications and how the loans work are very strict.

They are contained in their own rulebook called **MCOB** (Mortgages and Home Finance: Conduct of Business Sourcebook).

Congratulations

You have completed Topic 4a!

Topic 4b will cover:

- borrowing calculations
- depreciation of goods
- legal issues related to borrowing.

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Topic 4b: Borrowing types and legal issues

This topic helps you to:

- understand the total cost of credit by completing calculations for:
    - annual percentage rate (APR)
    - equivalent annual interest rate (EAR)
- explain how depreciation affects credit decisions
- understand how to compare borrowing products
- understand legal issues related to borrowing.

Annual percentage rate (APR) and equivalent annual rate (EAR)

Banks don't expect you to have a calculator with you when you are choosing the best way of borrowing and the best provider.

All lenders must tell you the **APR** for all types of consumer borrowing products. For overdrafts, lenders must also quote the **EAR** of borrowing from them.

APR is 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 shows the true cost of borrowing and all lenders have to calculate it in the same way.

The APR is worked out to include:

The interest rate

How often interest is charged

Any fees charged

In most ways EAR and APR achieve the same thing. But the way EAR is calculated is slightly different from APR because it does not include any fees and charges, like APR does. Therefore, EAR is the interest you would be charged over a year if your account were to remain overdrawn. It takes into account compound interest (interest on interest), along with the interest rate.

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Remember: EAR is not AER!

In this topic we will talk about EAR. This is not the same as AER, which we have looked at before.

- AER means annual equivalent rate and is the rate quoted for **savings accounts**.
- EAR means equivalent annual rate and is a rate quoted for **overdrafts**.

Knowing the APR or the EAR helps you to compare the costs of different lending products.

Example

Bank 1
Competitive rates!
Low interest!
Pay nothing for the first month!

Bank 2
Low-cost interest!
No hidden fees!
Student discount!

Customer
But what is the APR?

Fixed APR

The APR on a personal loan is '**fixed**' – it does not change during the loan. To work out your monthly payments, the lender will show you an APR table.

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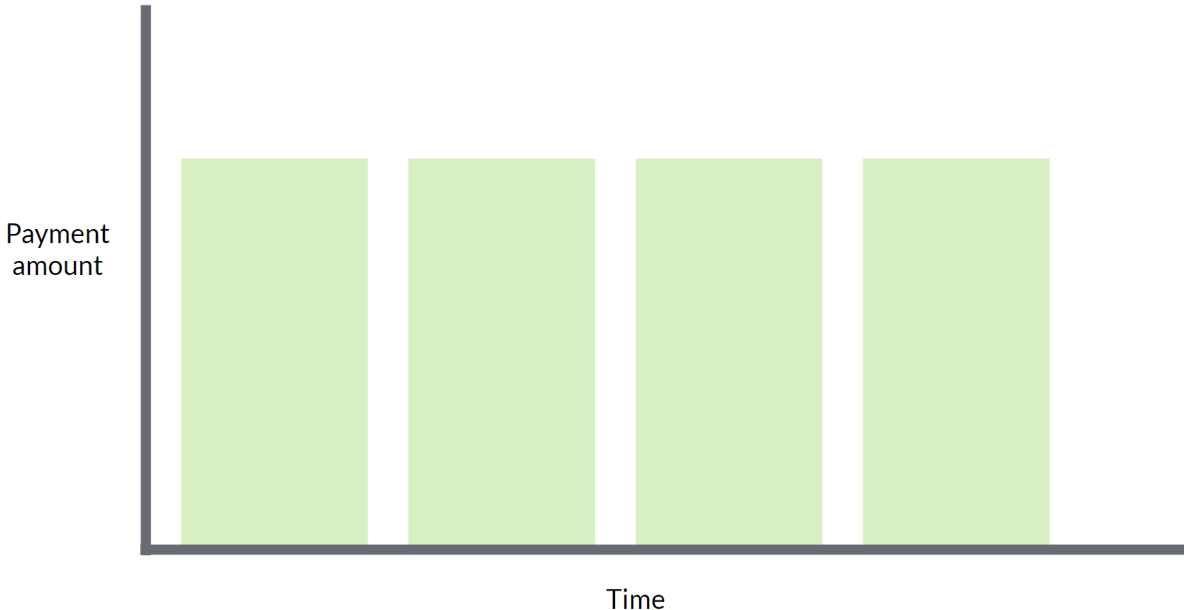
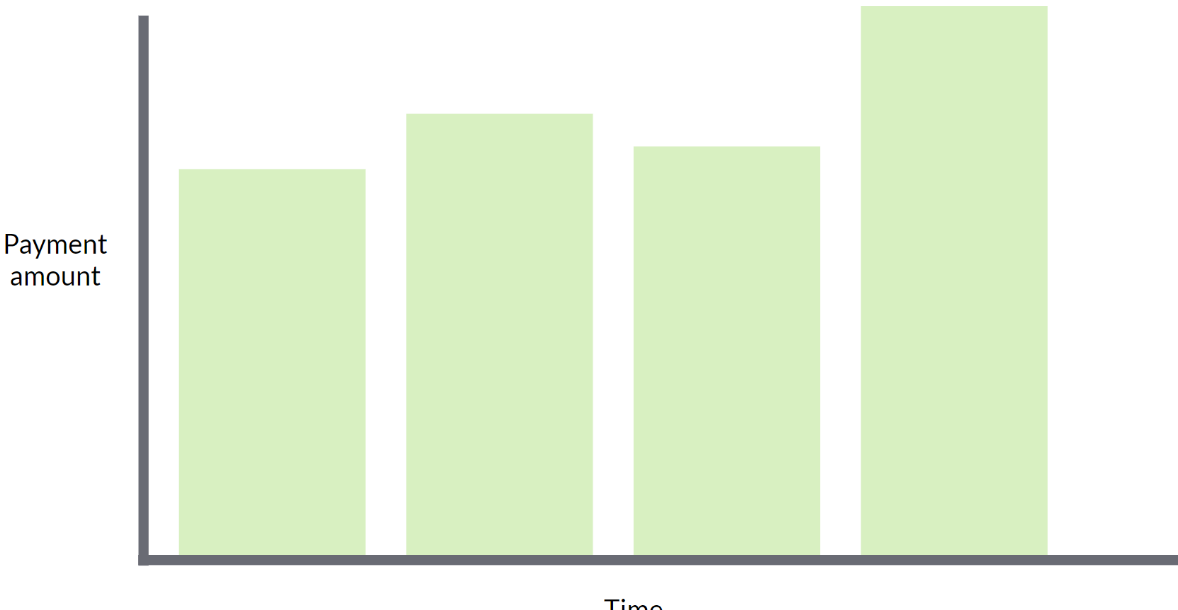


Go to the course site to complete the activity: Using an APR table.

Variable APR

If the interest rate on your borrowings can change, the APR is '**variable**'.



Your interest payments can go up or down each month, depending on the interest rate being charged at the time.

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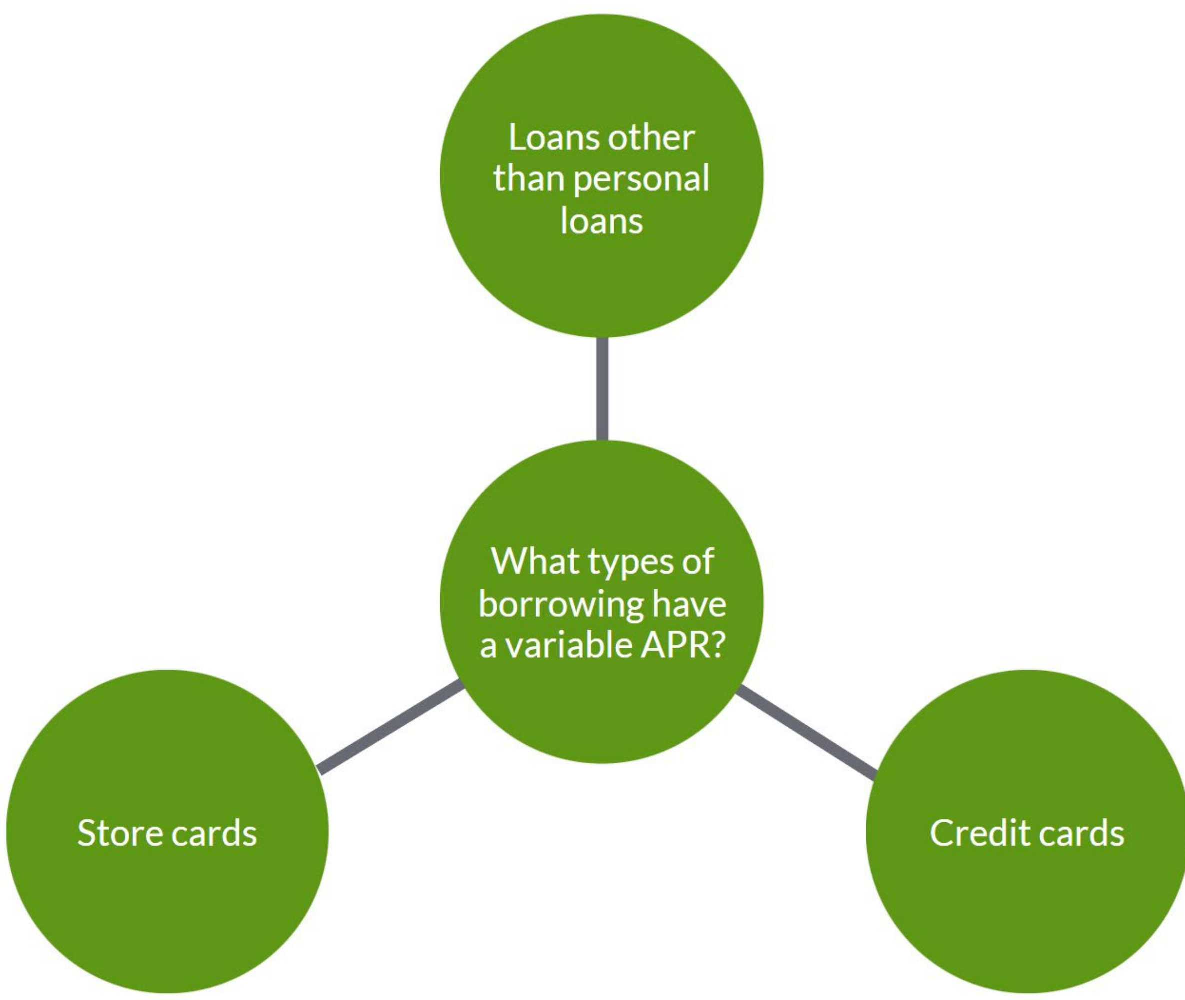

Because the debt on these products may take years to repay, the lender will not fix the interest rate.

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Representative APR

When a bank advertises a 'representative' APR, it has to offer that rate to **at least 51%** of customers who are successful in their loan application. The other 49% are likely to be offered a different (usually higher) APR.

The representative APR is useful for people who are comparing loans. However, it's not guaranteed that you'll receive the representative APR on your loan application – that depends on your personal circumstances.

Equivalent annual rate (EAR)

EAR is a standard method to quote interest rates for overdrafts.

The calculation includes:

The interest rate

How interest is calculated

The calculation is different from that for any other type of borrowing because an overdraft is attached to a current account, which might sometimes be in credit.

Dan has £1,000 in his bank account. What would happen if he spent certain amounts of money? Go to the course site to find out.

The EAR tells the customer what the charge for the borrowing will be if they use their overdraft *all the time*.

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Since April 2020, providers must not charge higher interest for an unauthorised overdraft than for an authorised overdraft.

Borrowing fees

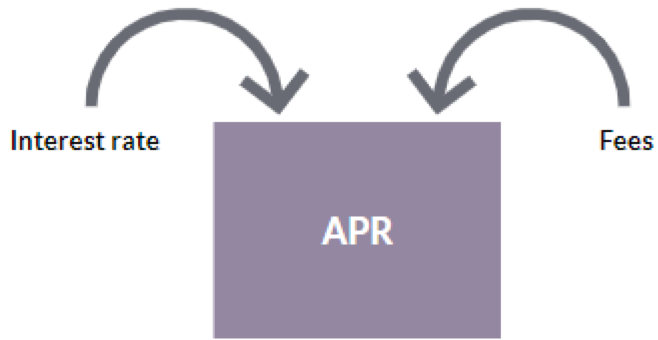
A lender may charge a fee for arranging the borrowing.

This is more likely for specialist lending, or for loans such as mortgages that involve legal paperwork.

There are also fees for credit cards.

A fee may be charged for arranging certain types of special interest rate.

These sorts of fees are included in the APR calculation.



But some other fees are only charged if the terms of the borrowing agreement are broken.

- Fees were traditionally charged for an unauthorised overdraft, because it is not agreed beforehand. But overdraft fees were banned in 2020.
- Fees may be charged for borrowing above an agreed credit limit on a credit card.

All fees must be stated clearly and you should consider them when choosing the right product for you.

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Total charge for credit

Any lender must also state the total cost of borrowing that will be repaid over the borrowing period.

Nicola has taken out a personal loan over a term of 12 months

Lender: 'The total cost of borrowing is £2,000.'

This works out as 12 monthly payments of £166.67 (£2,000 ÷ 12).

For personal loans the total charge is easy to understand.

However, for something like a credit card it can be more complex.

For a credit card, the lender may assume, for example, borrowings of £1,500 paid back by equal instalments.

So the 'total charge' stated by a credit card provider will only give you a guide, because no one knows how much you will actually end up borrowing.

Interest-free credit

Interest-free credit seems almost too good to be true.

In Unit 1 we looked at how these deals may not be as good as they seem.

Jerome buys a tablet on an interest-free deal that lasts for six months.

After six months, he has only paid off a third of the loan.

The lender, TabTastic, sends Jerome a letter reminding him that the interest-free period is over.

It states that he must repay the rest of the loan now.

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Dear Jerome,

It has come to our attention that your account (#24601) is overdue for payment. As the interest-free period is now over, you must send payment for the whole amount immediately as per the agreement.

Jerome can't afford to do this, so TabTastic adds a large amount of interest to his monthly payments from now on.

Some credit cards have a '0% APR' *introductory* period, to tempt you to apply for the card.

This can be a good way to borrow in the short term – but only if you can repay what you borrowed at the end of the introductory period.

Otherwise, the interest will very quickly build up after the introductory period ends.

Depreciation of goods

Depreciation is where the value of goods drops over time.

For example, a new car bought for £10,000 will be worth a lot less in two years' time.

The car's value will depend on:

- its model
- how many miles you have driven
- how well you have looked after it; and
- other factors.

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Lenders think about depreciation when deciding whether to offer a loan.

The loan should be for no longer than you will keep the item. Otherwise, you might end up with a higher amount to pay off than the item is now worth.

From the lender's point of view, people may be less likely to continue making payments on a loan if they no longer have the item that the loan was taken out to buy.

Go to the course site to complete the activity: Depreciation.

Appreciation of goods

The opposite of depreciation is appreciation.

This is where the item purchased *increases* in value over time.

Items that are likely to appreciate in value are rare or limited in supply – such as limited editions, classic cars, works of art and antiques.

Property also appreciates. Although property values may fall when a country is doing badly, they tend to appreciate over the medium to long term.

Comparing different products

When deciding which type of credit is best for your needs, consider the following questions.

How much do you want to borrow?

What do you want to borrow for?

Will that item depreciate in value?

How long do you need to borrow for (weeks, months or years)?

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How much can you afford to repay each month?

Can you afford to save up some money first to reduce the amount you need to borrow?

How many other types of borrowing do you already have?

Can you afford any more?

The answers to these questions will help you to decide which type of borrowing product you should have.

You will then need to find the best value for money by checking the APR or EAR.

Go to the course site to complete the activity: The cost of borrowing.

Legal issues related to borrowing

Secured and unsecured lending

Some loans are '**secured**' against an asset, such as a home or car.

- A home purchase is usually financed by a mortgage and a car might be financed using hire purchase (HP).

If you can't repay a secured loan, the lender can sell your asset to get its money back. This is called **repossession**.

Adverts for mortgages must warn you of this danger:

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Secured loans may have a lower interest rate than unsecured loans, because the security protects the lender if you stop making repayments.

With an **unsecured** loan, the lender relies on your promise to repay.

There is no asset that secures the loan, but the lender can take court action against you to get its money back.

Personal loans and small overdrafts are usually unsecured.

Credit agreement

A lender must send any borrower, electronically or on paper, a **credit agreement** as soon as it has agreed to lend.

The agreement must tell the borrower many things, including the following.

Who the lender is

Amount of credit or credit limit

Duration of lending

APR or EAR

Total amount repayable

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Repayment arrangements

Total charge for credit

The customer must agree to the terms and conditions.

The terms and conditions state all of the things that the lender and borrower must do.

For example:

- A term will state that the lender must quote the APR and the total cost of credit.
- Another will state that the borrower promises to make repayments every month and must inform the lender if they move house.

Joint-name borrowing

If more than one person is borrowing and the loan is in 'joint names', the credit agreement must be signed by all of the borrowers.

For every joint account, there is **joint and several liability** among the borrowers.

This means that all parties are responsible (ie 'liable') for the *whole* debt on a joint account.

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Sandra and Alex set up a joint account to pay bills on their rented flat. They each put in £200 a month.

After a year, Alex decides to travel to Australia and leaves the flat.

The next month, Sandra receives a bank statement for the joint account, showing an overdraft of £1,200.

It also shows that Alex drew out this money from an ATM in Australia.

Horrified, Sandra goes to see her bank manager but she is informed that she is liable to pay back the £1,200 herself.

Bank manager: 'You have joint and several liability.'

The bank can legally demand that Sandra pay this money because she has **joint and several liability** for the account. Sandra will have to pursue Alex for the debt herself.

Cooling-off period

Borrowing can be discussed and agreed in person at a lender's branch.

However, it is increasingly common for borrowing to be agreed 'at a distance', such as online or over the phone.

For most types of personal lending, such as personal loans, credit cards, payday loans, HP and store cards, the credit agreement gives you a **cooling-off period** of 14 days.

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During the cooling-off period, you can reconsider your decision to borrow and then decline the lender's offer without having to pay any costs.

Age limits

You have to be aged 18 or over to borrow from a lender.

This is because if you do not pay the loan back, the lender needs to be able to take legal action against you.

Most lenders also have a maximum age for borrowers.

The maximum age used to be in line with state pension age, but with people now working longer, many lenders are raising their maximum age.

Islamic finance

Islamic finance is a way to manage money that keeps within the moral principles of Islam. The moral principles many Muslims live their lives by are sometimes known as **Shariah** (Islamic law). So you may hear Islamic financial services described as 'Islamic finance' or 'Shariah-compliant'.

Islamic finance is based on a belief that money shouldn't have any value in itself. It's just a way to exchange products and services that do have a value.

- Linked to this way of thinking is the idea that you shouldn't make money from money *(riba).*
- This means that either paying or receiving interest should be avoided.

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Example: Buying a home through Islamic finance

When it comes to buying a home, there are a couple of alternatives to a traditional mortgage.

- In a **murabaha** agreement, the bank directly buys the property you want. Then the bank sells it to you at a profit and lets you pay the bank back in instalments.
- Or you can buy the property jointly with a bank, in a **musharaka** (partnership) contract. Over time you gradually pay the bank for its share of the property.

In both cases, the bank charges you extra to cover its costs and to reflect the fact you're living in a property the bank partly owns.

Congratulations

You have completed Topic 4!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

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Topic 5: Using money abroad

This topic helps you to:

- understand how to exchange money into a different currency
- explain how to use money abroad
- explain terms related to currency and foreign exchange
- know where to exchange money abroad
- understand variable exchange rates and exchange rate risk
- explain how to use cards and travellers' cheques abroad
- understand the potential costs of using a mobile phone abroad.

Note: the foreign exchange examples in this topic aim to get you thinking about the calculations.

In real life, you will only be able to exchange banknotes, not coins – if you have leftover coins after travelling abroad, you might want to save them for another holiday.

What is a currency?

A **currency** is a unit of money used by all of the people within a country (or a group of countries).

Each currency has a different name, three-letter standard designation and value. Some currency types also use a symbol. For example:

- The euro is the legal tender currency used in countries of the European Union that have agreed to be part of the **eurozone**. The symbol for a euro (EUR) is '**€**'.
- The currency in the USA is the US dollar (USD). The symbol for a dollar is '**$**'.
- A lot of other countries use the name 'dollar' for their currency – such as Australia (AUD), Canada (CAD) and Jamaica (JMD) – but they are all different currencies.

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- Other countries use different names for their individual currencies. For example, the currency in:

- The **pound sterling** is the official name for the British pound, which is the currency of the UK, Jersey, Guernsey and the Isle of Man. Its three-letter standard designation is **GBP**. The sign for sterling is '**£**'.

NOTE: in this topic we will assume a home currency of the pound sterling.

Exchanging currencies

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If you visit another country, you will want to pay hotel bills and buy food and souvenirs.

This means you need the currency of that country.

You do this by **exchanging** your own currency for the foreign currency.

Exchange rate

The **exchange rate** is the price for buying or selling the different currencies.

Exchange rates change all the time.

There are markets in currencies and, every day, thousands of people and businesses sell one currency and buy another.

I'd like to buy £100 worth of Czech korunas

I want to sell my leftover US dollars for pounds

The exchange rate between two currencies depends on how many people are buying and selling them. Popular currencies are in greater demand and this has an impact on the exchange rate.

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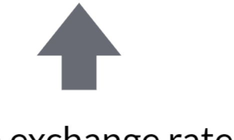
A currency that is more popular than your own has a **high exchange rate** (it will cost you more in your own currency to buy it).



High exchange rate

A currency that is less popular than your own has a **low exchange rate** (you will get more of that currency in exchange for your own).

Low exchange rate

Calculating currency exchanges

When you go to buy a foreign currency, you are told the exchange rate for that currency.

This is the rate at which the currency market makers, such as a bank or currency exchange, will *sell* that currency to you. You are *buying* and the market maker is *selling*.

You can calculate the price of buying that currency as:

Amount of sterling x Exchange rate = Price of buying the currency

A bank may be *selling* euros at a rate of 1.18. This means you will get €1.18 for each £1 that you exchange.

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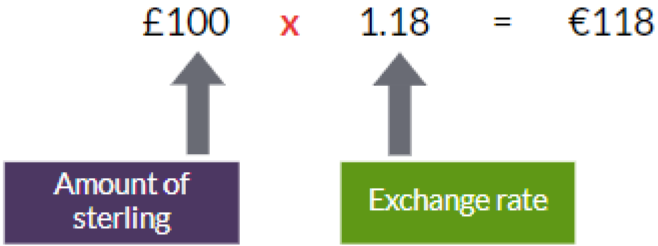
So, if you have £100 to exchange into €, you multiply the number of pounds that you want to exchange by the euro exchange rate:

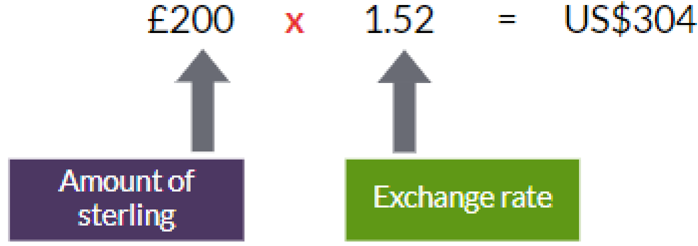


You will get €118 for your £100.

Or say you want to exchange £200 into US$.

A foreign exchange is *selling* US dollars at a rate of 1.52.

So, the calculation is:



You will get $304 for your £200.

If you have currency left over after your trip abroad and you want to swap it back to sterling, you will take it to the market maker and ask it to *buy* the currency back from you.

This time, you are *selling* and the market maker is *buying*.

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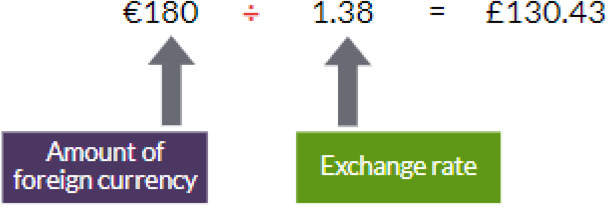
If you look at the noticeboard outside anywhere that exchanges currencies, you will see two columns of rates.

Currency	Sell rate	Buy rate
euro	1.1939	1.3788
US dollars	1.3714	1.5765
Australian dollars	1.9001	2.1851
Chinese yuan	8.7076	10.7466
Danish krone	8.9023	10.2382
Hong Kong dollars	10.6673	12.2106

Let's say you have €180 left over from a holiday in France. You want your bank to *buy* them back from you.

The bank's buying rate for euros that day is 1.38 (see the table above).

This time, you divide the number of euros that you have by the exchange rate:



You will get £130.43 for your €180.

Or say you have US$800 that you want to exchange back into sterling.

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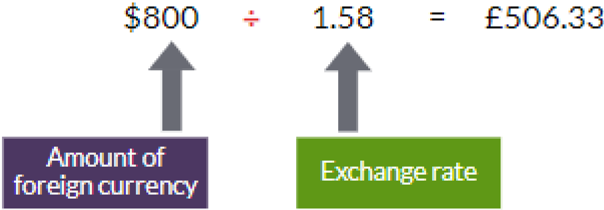
The bank's buying rate for US dollars is 1.58 (see the table above).

You divide the number of dollars by the exchange rate:



You will get £506.33 for your $800.

Go to the course site to complete the activity: Calculating currency exchanges.

How currency exchanges make money

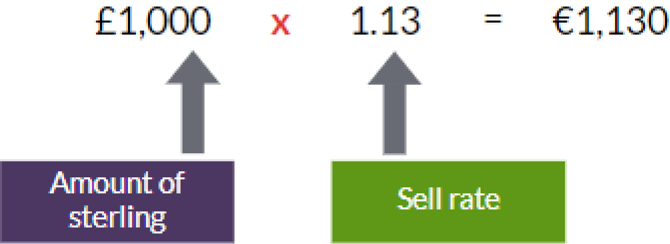
Market makers make money out of foreign exchange by charging a *different* exchange rate for buying and for selling a certain currency. The difference between the offered buying and selling prices is known as the **spread**.

Say that you swap £1,000 into euros with your bank and then, later on the same day, you swap the euros back into sterling at the same bank.

The bank's sell rate is 1.13

The bank's buy rate is 1.30

The bank *sells* you the euros at 1.13:



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The bank *buys* the euros back at 1.30:

The bank has made a profit of:

£1,000 – £869.23 = **£130.77**

Commission

Many banks do not charge commission for foreign exchange. They build the profit margin that they want into their spread.

However, some other currency exchanges cover their costs and make additional profit by charging **commission**. This reduces the amount of money that you get.

Commission is an extra charge on top of the stated price.

Earlier, we looked at changing £200 into $304.

Let's say the currency exchange takes 2% commission on that transaction. This would be calculated as:

2% x $304 = $6.08

So you will actually get only:

$304 – $6.08 = **$297.92**

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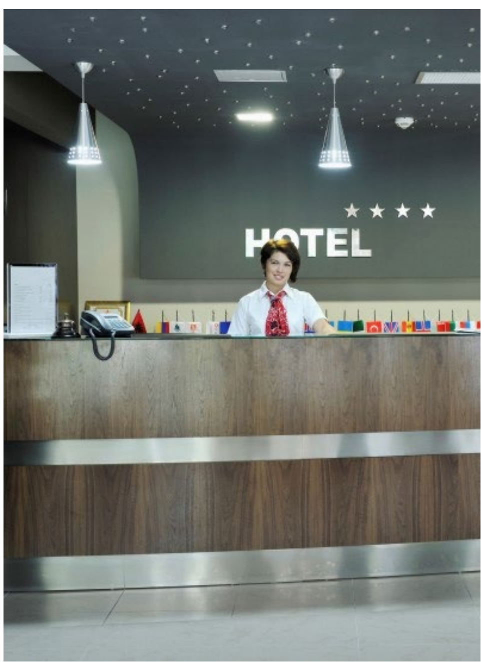
Warning

When you are abroad, be careful of currency exchanges that charge a high commission.

Using money in different countries



When you go to another country, you have to find out what currency is used there.

To make sure you have the local currency to spend when you arrive, you can:

- buy notes in that currency
- use a payment card while you are abroad
- buy travellers' cheques.

You may need to change some money when you arrive in a different country.

You can usually do this at the reception desk of the hotel where you are staying, but you might not get the best exchange rate.

It is usually better to find a bank or a foreign exchange office.

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Buying cash

You can buy notes in foreign currencies before you go or after you arrive.

You pay with sterling and receive the currency that you need.

You can buy most major foreign currencies at a bank, at a main Post Office, at some large shops or at bureaux de change.

You will see the French name '**bureau de change**' all over the world to describe a place where you can change money.

Important

Check before you go!

Sometimes there is a limit to how much cash you can take to a foreign country.

A few countries have a **closed currency**, which you can only get in the country that uses it, and you can't take it with you when you leave.

Examples include Cuba, Ghana and Zimbabwe.

Generally, it is useful to get hold of some notes before you go, so you can get used to the different look of the money and feel better prepared.

Cash is convenient because you can spend it anywhere – but it is not safe to carry too much at once.

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It is a good idea to keep checking the exchange rate of the currency that you want to buy, to see if you can buy it when the bureau de change's sell rate is higher.

Using a payment card abroad

Debit card

You can use your debit card abroad at ATMs, and in shops and hotels.

You will need to match up the symbol on your card with the ATM, or within the information in the shop.

The amount that you spend will be converted into sterling when it is debited from your bank account. The rate of exchange used is that on the day the transaction is debited.

Sally uses her debit card to spend $80 on the entrance fee to a Florida theme park.

An amount of £57 is debited from her bank account.

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Credit card

If you have a credit card, you can use it anywhere showing the symbols for MasterCard or Visa.

Any amounts that you spend will be converted into sterling and included in your next credit card statement. The rate of exchange used is that on the day the transaction is debited.

Prepaid cash card

A prepaid cash card is pre-loaded with cash and then used to withdraw the money at an ATM (using a PIN) or to make purchases.

Once all of the pre-loaded money has been spent or withdrawn, the card cannot be used again until more money is loaded onto it.

The rate of exchange used is that on the day the card is loaded with credit.

Tuesday 15th July 20XY

Exchange rate 1.2576

Wendell loads his prepaid cash card with £100 on Wednesday, when the sell rate to euros is 1.26.

Currency	Bank or bureau Sell rate	Bank or bureau Buy rate
euro	1.26	1.48

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So the amount of euros on Wendell's card is:

By the time Wendell arrives at his destination on Thursday, the sell rate has dropped to 1.19.

Currency	Bank or bureau Sell rate	Bank or bureau Buy rate
euro	1.19	1.42

So if he had loaded his cash card *now*, he would only get:

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Wendell got a better deal by preloading his card.

If the sell rate had gone up on Thursday, he would have got a worse deal.

This type of card is protected if stolen, but it may not offer as many other protections as a debit card or a credit card.

As with any theft or fraud, you need to report it to the provider as soon as possible.

> Important
>
> Tell your bank!
>
> It is safest to let your bank know when you are going on holiday.
>
> Otherwise, it is possible that an ATM in a foreign country may 'swallow' your card because of a suspicion of fraud.

Buying travellers' cheques

Travellers' cheques are an older form of spending money abroad that some people still use.

They are pieces of paper worth specific amounts, such as $20, $50 or $100.

They are issued in your name, each cheque has an individual serial number and you sign each cheque.

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The value of the cheque is printed on the front.

You need to sign the travellers' cheques as soon as you receive them.

You need to sign the travellers' cheques a second time in front of the person who is cashing them.

Each cheque has a unique serial number. You should keep a note of these in case they are lost or stolen.

On holiday, you can exchange them at a bank or at your hotel for the local currency equivalent of the value of each cheque.

Travellers' cheques are safer than carrying cash, because if they are lost or stolen you can report the missing cheque numbers and they will be cancelled.

You can then be issued with new cheques and you won't lose the money.

But in the modern world people tend to use other methods, such as payment cards, which may offer better exchange rates.

Changes in variable exchange rates

We have seen how rates can change every day, because of the trade in foreign currency markets.

This means the exchange rates are **variable** – they vary all the time.

Rates can also differ between providers.

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If you have some money to change, it is a good idea to shop around and try to get the best rate available.

Go to the course site to complete the activity: Comparing exchange rates

Exchange rate risk

Because exchange rates are always changing, you might benefit when you go on holiday but lose out when you come back. This is **exchange rate risk**.

When we are exchanging small amounts, losing out is annoying and we may think that we lost money.

If the amounts are larger, you may think about waiting before changing the currency back into sterling.

Using a special exchange rate, known as a forward rate, is one way to remove exchange rate risk. Businesses use this method a lot if they are buying and selling overseas.

> Florence and Kenneth have decided to buy a villa where they holiday in Spain.
>
> They go to their bank and arrange a special exchange rate to buy €100,000 in three months' time.
>
> The rate may not be as good as the current rate of £1 = €1.11, but it means they have a guaranteed rate with which they can do all of their sums.

Go to the course site to complete the activity: Exchange rate risk.

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Mobile costs abroad

If you use your mobile abroad you are '**roaming**'.

This means you are connected to an overseas network instead of your home network.

The costs for roaming can be huge.

You need to find out the cheapest options available in the country you are visiting.

Be aware that you may be charged just to *receive* calls or voicemail messages on an overseas network.

Also check your mobile provider's roaming charges and whether it offers any special deals.

Hi from ROAM-PHONE! We hope your holiday is off to a great start. Text us now and get data plus calls and texts to the UK and EU for just £3 a day. Otherwise, calls cost 16.6p/min to make and 4.4p/min to receive, texts cost 5.2p and data starts from £2.50 per 50MB.

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The safest option is to switch off your mobile's 3G or 4G signal, and connect only to free local WiFi networks.

Hotels usually give guests access to their WiFi network – but check whether it is free.

You won't be roaming when you use the internet through WiFi.

While you are on free WiFi, you can make use of apps that let you call and send instant messages over the internet.

Congratulations

You have completed Topic 5!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

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Topic 6a: The need for budgeting

This topic helps you to explain:

- why people choose to make a budget
- the difference between essential and non-essential bills
- the importance of monitoring budgets
- the possible consequences of not budgeting effectively.

What is a budget?

Budgeting involves estimating income and expenditure over a certain time. So it's about planning future income and spending.

People usually make a budget and then check whether they need to change it regularly. Budgets can be made for:

A person

A group of people

Any business or organisation that makes and spends money

Making a budget

A budget predicts the income someone might be able to rely on in the future and where it might be spent. This is also known as 'cash flow analysis' because it looks at what cash is coming in, what is going out and the overall effect.

When a person budgets, they record *all* their sources of income and *all* their expenses over a set period. Many people are paid monthly, so a monthly budget would be appropriate, particularly if they arrange to pay their regular bills by direct debit or standing order.

If a budget has more income than expenditure, it is in surplus – there is extra money.

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If there is no surplus and a person is just making ends meet, the budget is balanced.

If a person is spending more than they have coming in, then one of two things is happening: they are either using savings or they are using debt. Either way, the budget is in deficit.

If someone finds they are spending more than they have coming in, they may need to make changes. They have two options:

- get more income

  or
- spend less money.

Let's look at some examples of different types of budgets.

Example: Surplus budget

Rob prepares a monthly budget as he is paid monthly and pays his utility bills by direct debit. He also receives £350 a month in rent from his flatmate, Jim.

His usual income and expenditure are as follows:

Income		Expenditure	
Salary	£2,300	Mortgage	£785
Rent	£350	Car loan	£285
	-	Electricity and water	£150
	-	Council tax	£120
	-	Broadband, TV and telephone charges	£90
	-	Gym membership	£60
	-	Travel costs	£150
	-	Entertainment and leisure	£200
	-	Clothes	£100
	-	Food and household expenses	£250
Total income	£2,650	Total expenditure	£2,190

Rob's monthly budget is in **surplus** by £460 (£2,650 - £2,190).

Rob chooses to invest this surplus in a savings account each month.

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Example: Deficit budget

Rob's flatmate, Jim, has decided to prepare a monthly budget for the first time, as he is paid monthly. Jim has two part-time jobs. Rob encouraged Jim to prepare a budget because Jim is always saying he hasn't got any money.

His income and expenditure for this month are as follows:

Income		Expenditure	
Part-time job 1	£700	Rent	£350
Part-time job 2	£200	Mobile telephone charges	£35
		Credit card payment	£65
	-	Gym membership	£60
	-	Travel costs	£100
	-	Entertainment and leisure	£150
	-	Clothes	£80
	-	Food	£120
Total income	£900	Total expenditure	£960

Jim's monthly budget is in **deficit** by £60 (£900 - £960).

The budget explains why Jim has no money, as his expenditure is exceeding his income. Jim realises that he is funding the deficit by using his credit card.

Example: Balanced budget

Jim knows that he cannot continue with a deficit budget and decides to act.

He decides to:

- **obtain more income** by working extra hours in his second part-time job; and
- **spend less money** by reducing his entertainment and leisure expenditure.

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His income and expenditure for the following months are as follows:

Income		Expenditure	
Part-time job 1	£700	Rent	£350
Part-time job 2	£230	Mobile telephone charges	£35
		Credit card payment	£65
	-	Gym membership	£60
	-	Travel costs	£100
	-	Entertainment and leisure	£120
	-	Clothes	£80
	-	Food	£120
Total income	£930	Total expenditure	£930

Jim **obtained more income** by working extra hours in his second part-time job.

Jim **spent less money** by reducing his entertainment and leisure expenditure.

Jim's budget from now on is **balanced** as his income and expenditure are the same. His budget will be sustainable, as long as his income and expenditure do not change.

A sustainable budget is one that we can maintain into the future if our circumstances stay the same, because it's being responsible with our money.

For example, if Jim decided to cut his food bill to nothing, this would not be sustainable as we all need food to survive.

Why do people choose to budget?

Most individuals have **essential bills** that they must pay on a regular basis. These include:

- **Mortgage or rent: Failure to pay these means individuals could lose their home.**
- **Loans: Failure to make repayments could lead to court action or a poor credit history.**

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- **Taxes: Not paying council tax could lead to a fine or imprisonment.**
- **Utility supplies: Failure to pay for electricity could result in the supply being cut off.**

It is very difficult to reduce these bills, so making a budget helps people to ensure they have sufficient income to cover these bills as a minimum.

People should budget for essential bills before deciding what to spend on non-essential items, such as entertainment and leisure.

Go to the course site to complete the activity: Budgeting options.

Staying organised

Because essential bills are often a large part of people's total spending, people also choose to budget to be well-organised. This can help them not to worry about paying the bills.

One way to achieve this is to set up monthly direct debits for regular bills, even if all these bills are not due to be paid monthly.

Example: spreading bills through the year

Rob's electricity provider bills him quarterly and his water provider bills him half-yearly.

His bills for the last 12 months were as follows:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Electricity	£500			£400			£300			£300		
Water	£150						£150					
Total	£650	0	0	£400	0	0	£450	0	0	£300	0	0

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Instead of facing high bills for electricity and water in four months of the year, Rob has agreed to meet the total annual cost of £1,800 by making **monthly direct debit payments** of an equal amount of **£150** every month (£1,800 ÷ 12 months = £150 per month).

This arrangement helps him budget more efficiently, as he can predict his essential expenditure more accurately. It also gives Rob peace of mind to know that he can afford the regular payments.

Monitoring budgets

Making a budget is not a one-off exercise because:

- **levels of current expenditure** can change due to prices increasing
- **new expenditure** is involved in buying new services (such as a phone contract) or taking out a new loan (involving monthly repayments)
- **non-essential expenditure** is reduced through personal choice (eg by discontinuing a gym membership)
- **income levels** can rise or fall (eg through a payrise or reduced hours).

This means people need to monitor and update their budget regularly, particularly when their circumstances change because of any of these reasons. This will ensure that their budgets remain in **surplus** or **balanced**.

Monitoring provides an early warning sign of a budget **deficit**. If we spot a deficit situation in advance, we can take action to reduce non-essential expenditure to bring the budget back into balance.

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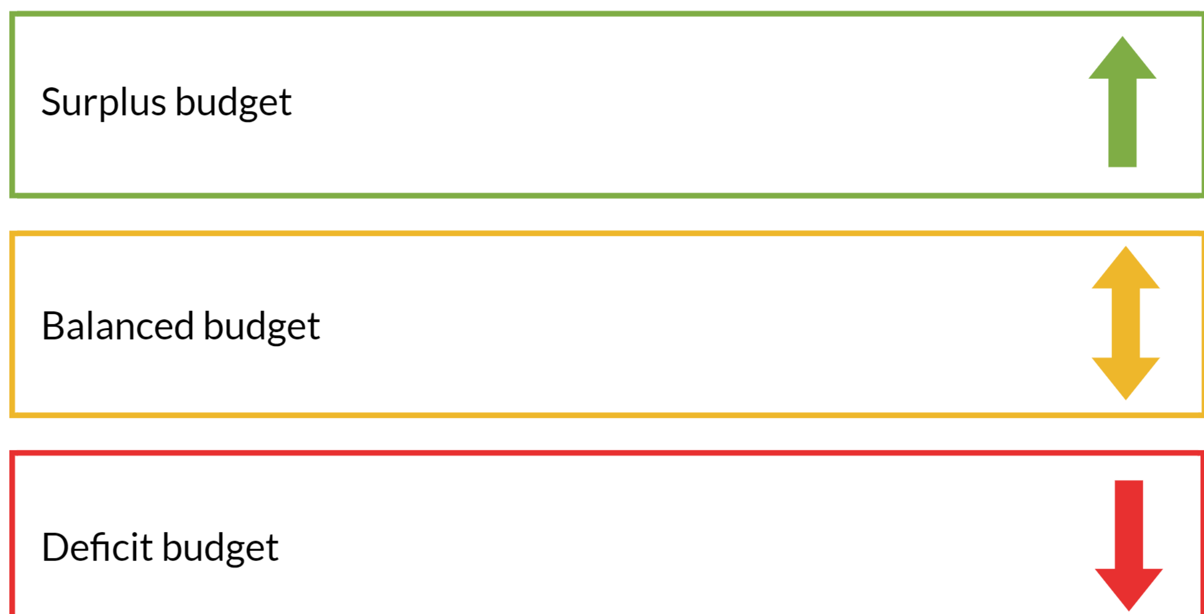

Attitudes to risk and financial planning

Everyone has their own approach to managing their finances, and people's attitudes to the importance of budgeting differ widely. The following examples show two very different approaches.

Example: Jabira is risk-averse

Jabira is cautious with her money. She only buys things she really needs and is very focused on saving a portion of her salary each month.

She has set herself a clear financial goal to save enough for a house deposit within the next four years. She is prepared to spend less now to achieve this goal. She uses a savings account at her bank as she does not like the idea of the potential risk of losing money through investments.

She has an active social life but thinks that some of her friends spend far too much money that they can't really afford. Her general view is that you must save up to pay for the things that you want in the future.

Jabira is **risk-averse** as she does not want to take risks.

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Example: Malcolm is a risk-taker

Malcolm likes to spend money. He earns a good salary, and his income has enabled him to get several credit cards and personal loans.

Malcolm has no savings and tells his friends he prefers to have an expensive lifestyle today. He admits that he likes to use borrowed money to increase his spending on luxury items such as holidays, a sports car and the rent on an expensive flat.

He makes the minimum payments on his credit cards each month and generally waits for banks to chase him before agreeing to pay them back. His view is that there are plenty of banks and credit card companies prepared to lend money, so you may as well borrow to pay for the things you want today.

Malcolm is a **risk-taker** as he accepts the consequences of not being able to repay his debts in the future.

Consequences of not budgeting effectively

Failing to budget can lead people to worry about their finances, which can affect some people's mental health.

No matter a person's attitude to risk and financial planning, everyone has to pay their bills and debts eventually or face serious consequences. These include:

Court action

Having assets taken away such as your home (in the case of secured lending)

A bad credit history and a poor credit score, which could lead to a refusal of future credit or more expensive borrowing terms (such as higher interest rates)

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What is a credit score?

We look at credit history and credit scores elsewhere, but essentially lenders use credit scoring to decide whether to accept a lending application.

The credit score measures the risk the provider will take if it lends to you. Each lender will have a credit score 'pass' mark.

Other reasons to budget effectively

Budgeting is not only about making sure you can pay your bills on time.

The need to budget is key for all financial planning. At its simplest, budgeting reflects the need to have enough money to buy what we need for daily living.

Many individuals also understand the need for contingency planning, ie a 'plan B' for things like:

Unexpected bills, such as car repairs

Regular income stopping for a while, through unemployment or sickness

Failure to carry out simple budgeting can lead to unplanned debt, such as overdraft and credit card borrowing, which is expensive and could be avoided if a contingency fund (often called a 'rainy day fund') was in place.

But budgeting also provides a way to fund other goals such as making very large purchases, enjoying leisure pursuits and holidays, or providing for a secure retirement.

Go to the course site to complete the activity: Budgets.

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Congratulations

You have completed Topic 6a!

Topic 6b will cover:

- the consequences and costs of overspending
- other events that might cause financial difficulties
- why a provider might think a customer has financial difficulties
- action a customer or a lender might take where an individual is in financial difficulty.

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Topic 6b: Financial difficulties and their consequences

This topic helps you to explain:

- the consequences and costs of overspending
- other events that might cause financial difficulties
- why a provider might think a customer has financial difficulties
- action a customer or a lender might take where an individual is in financial difficulty.

Financial difficulties

If you spend money that you can't really afford to spend, you might find yourself unable to pay back your loans and other credit.

Good planning and budgeting can help you to avoid getting into **financial difficulty**.

Planning and budgeting require:

- discipline
- self-control
- prioritising your spending.

It is harder to prioritise your spending if your work situation is insecure.

Isabel works on a zero-hours contract. One week her employer might offer her 30 hours' work, but the next week it might offer no hours at all.

Last week

The phone rings . . .

"We've got 30 hours for you this week if you want to work"

"Great, I'll be there"

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This week

Isabel waits anxiously for the phone to ring but it doesn't.

Isabel finds it harder to manage her money because she doesn't know how much she will earn each month.

Overspending

'Overspending' means spending more than your income, or more than your budget allows.

Evan has a big night out planned with his friends. He has budgeted to spend

£60 on a new outfit.

While he is out shopping, he sees a pair of shoes that he really wants. The shoes cost £30, so he ends up spending £90 in total.

Over the next few weeks, Evan is a bit more careful with his money.

He buys fewer coffees and takes fewer trips to the cinema, and he is able to bring his finances back on track.

But financial problems occur if a person does not have enough income to pay for their spending.

They might then choose to borrow on a credit card or an overdraft in order to keep on spending.

An authorised overdraft used for a short period can be a solution to overspending.

So can a credit card, because it allows you to spread borrowing across a few months.

But the longer for which you borrow, the more interest you will have to pay on the borrowing.

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If you keep on borrowing to fund further spending, your repayments will go up and up.

Go to the course site to complete the activity: Overspending and minimum payments.

Failure to pay

If you fail to make repayments on loans, credit cards and other forms of borrowing, the first thing that will happen is interest will continue to build up and compound (which means interest on interest).

In the longer term, failure to pay will mean that you will be turned down for future credit applications, because you have a bad track record (ie credit history).

In the worst-case scenario, you may face legal action if you do not co-operate with a lender to find a repayment solution.

What are there charges for?

- Going over your credit card limit
- Returned payments
- Each reminder letter the lender sends about your failure to pay

Defining ‘financial difficulty’

A person can be considered to be in ‘financial difficulty’ when their income does not cover:

- reasonable living expenses

  and
- payments on financial products.

This can be because of increased spending or lower income after a change in lifestyle.

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The causes of financial difficulty can include:

Loss of employment or poor job security, such as zero-hours contracts

Serious illness

Bereavement

Relationship breakdown

Overspending

Signs of financial difficulty might include:

Items being returned unpaid because of lack of funds

Failing to meet repayments on borrowing

Repeatedly going over credit card or overdraft limits

Making cash withdrawals on a credit card (which can be very expensive)

What can a person in financial difficulty do?

There are many organisations and sources of advice for people in financial difficulty.

There are a few things you should do if you experience financial difficulty.

Get in touch with your lender(s) straight away

Brian can't afford to pay for his mortgage *and* make his credit card repayments.

He rings his credit card provider and tells them he can't afford this month's bill.

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Explain in full about your financial circumstances

Brian explains that he lost his job last month and has not found a new one yet.

He also mentions that, because his wife left him three months ago, he now pays double the amount in mortgage payments than he used to.

Brian calls the StepChange Debt Charity helpline to seek free debt advice.

He could also use:

- Citizens Advice
- the Debt Advisory Centre
- the Money Advice Trust to name just a few.

Lenders do not want to lose money because a borrower can't repay.

They try to work out the best way to help a borrower in financial difficulty to repay. They might suggest that a borrower approach a support organisation for advice, as well as offering advice themselves.

Lenders might also:

- lower the repayments and increase the length of the loan

  or
- put all of a person's borrowing into one account to be paid back over a longer period of time.

But if a borrower ignores the problems, they are likely to get worse.

What if . . .

Brian decided *not* to tell his credit card provider or a debt charity about his financial difficulties?

Brian ignores his financial problems in the hope that they will get better in a couple of months.

He keeps searching for a new job and he also considers self-employment. But meanwhile:

- his interest quickly adds up

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- his bills pile up and
- he soon finds he can't afford his credit card bill *or* his mortgage repayments.

In this way, financial difficulty can 'snowball' into a really serious problem.

Running away – by ignoring a lender's letters, not returning telephone calls or even moving house – is probably the worst thing you could do.

Lenders will always find you: they employ professionals to trace people.

A borrower might prefer to see an independent debt adviser rather than speak to the lender, especially if there are several lenders involved.

A debt adviser will talk through all of the borrower's finances and work out the best way to approach the lenders.

Legal options for an individual

An individual can also take certain legal actions to help them sort out their finances.

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Individual voluntary arrangement (IVA)

An **IVA** is an agreement with **creditors** (ie the lenders owed money) to repay debts in part or in full.

With the help of an adviser, you can draw up a list of creditors and suggest a reasonable repayment plan to them.

Go to the course site to complete the activity: Repayment split between lenders.

Bankruptcy

If a person cannot pay their debts (or it will take many years to do so) because they are overwhelming, the person may apply for **bankruptcy**.

Bankruptcy clears all debts and gives a person a fresh start.

But it cannot be kept a secret, as bankruptcy is a matter of public record.

If you become bankrupt, you will lose all of your valuable possessions apart from some minor exceptions such as:

- clothes
- bedding and furniture
- a car or other vehicle to travel to work, but worth no more than quite a small amount.

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Also, you may not be able to apply for certain jobs in the future.

Because Vladimir can't pay his creditors, they file for his bankruptcy.

The court appoints a '**trustee in bankruptcy**' who deals with Vladimir's possessions.

The trustee gathers together what Vladimir owns and sells it to pay the money that he owes his creditors.

During the year of Vladimir's bankruptcy, the trustee decides how his finances should be managed.

He can't apply for credit again until the bankruptcy ends.

Even after the bankruptcy ends, Vladimir will find it extremely hard to get credit in future.

If he is accepted for credit, he will be classed as 'high risk' and have to pay very high rates of interest.

The bankruptcy will stay on his credit record for six years.

Debt relief order

Official receiver
An officer of the Insolvency Service, which is a government agency that deals with people in financial distress and helps lenders get their money back.

A **debt relief order** is a simpler form of bankruptcy, for people who owe less than a certain amount.

To qualify, the person must also have very little spare income each month.

Once the order is granted by an official receiver, the **debtor** (the person who owes the money) does not have to make any other repayments toward their debts while the order is in place.

If the debtor's circumstances do not change, their debts are written off when the debt relief order comes to an end after 12 months.

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FACTFIND

Go online and visit www.gov.uk/options-for-paying-off-your-debts/debt-relief-orders to find out more about how a person qualifies for a debt relief order.

Legal options for lenders/creditors

Lenders and creditors have a number of options available to try to get back money that borrowers owe them.

County court judgment (CCJ)

A **CCJ** is where a lender or creditors takes you to court, and if the court agrees that there is an unpaid debt, it will order you to pay it back.

A notice will then be put on your credit record to state that there is an unpaid CCJ.

This can seriously affect your future applications for credit.

A lender must get a CCJ before taking other legal action to recover its money, such as applying for repossession.

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Repossession

Repossession is the legal action that a mortgage lender can take if you do not keep up with your repayments.

At first, the lender tries to help you.

"We can extend your repayment term, or reduce your interest payments for a while"

If those steps don't improve things, the bank may encourage you to sell your home voluntarily and repay the bank from the sale money.

As a last resort, the case may go to court. This may happen if you don't co-operate.

If the court agrees with the lender that you have failed to pay your mortgage and that the lender did everything it could to help you, the court will allow the lender to make you leave your home.

The lender will then sell your house, pay off the mortgage debt and, if there is any money left from the sale, give you the change.

Often, there is no change.

The house may even sell for *less* than the mortgage, meaning that you still owe the mortgage lender money even after you have lost your home.

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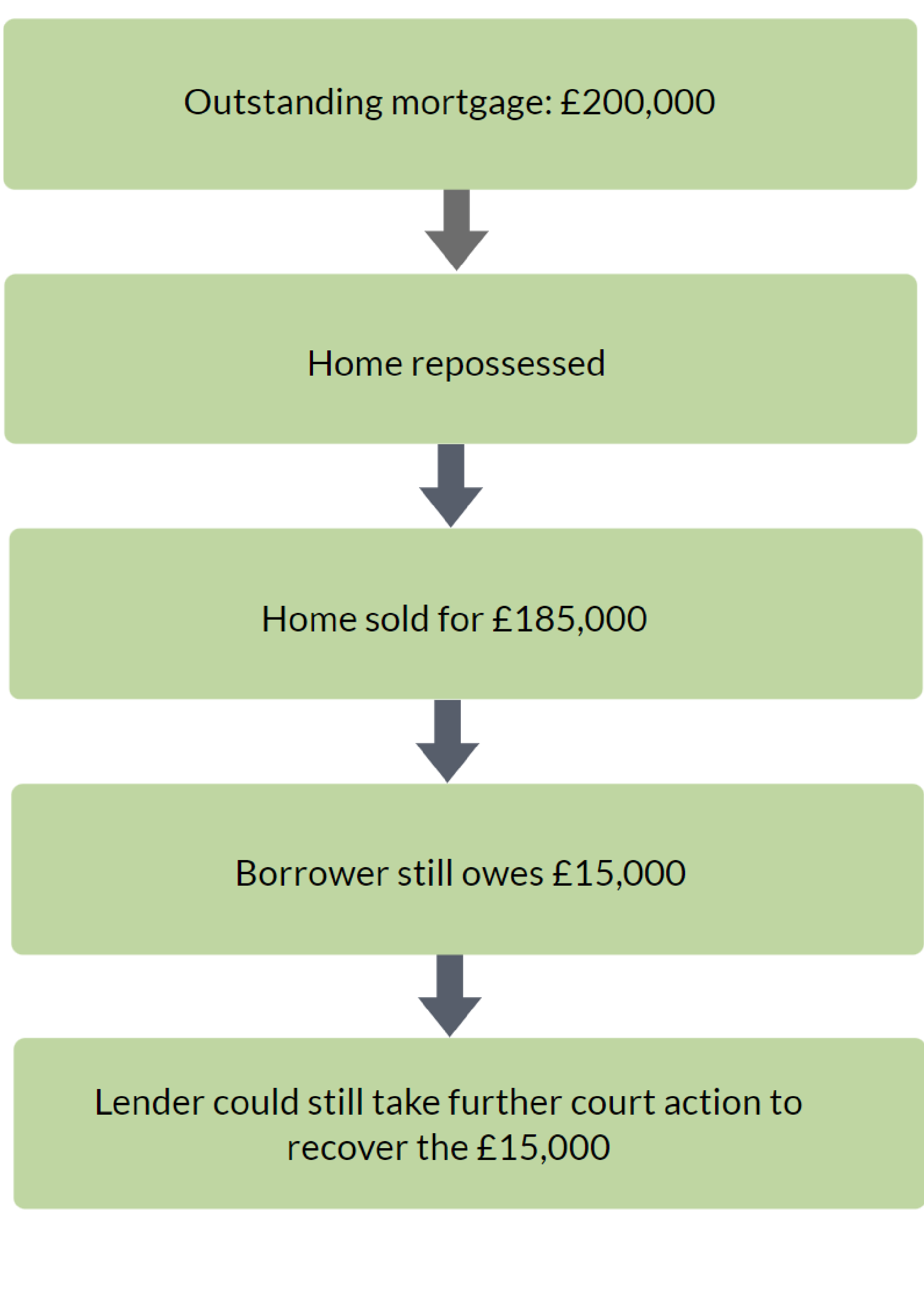

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Legal options in other countries

The legal ways to deal with debt may differ from country to country.

In this topic we have looked at options that apply to England, Wales and Northern Ireland.

FACTFIND

You can go online to find out the legal options for a Scottish debtor here, and what action a creditor in Scotland may take here.

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Activity

Go to a search engine and research the legal options for debtors and creditors in:

- your own country (if you do not live in England, Wales or Northern Ireland)
  or
- a country that interests you.

Congratulations

- You have completed Topic 6!
- Complete the end-of-topic quiz and activity to expand your learning for this topic.

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Topic 7: Financial advice and protection

This topic helps you to:

- find out where to get financial advice
- understand the advantages and limitations of different sorts of advice
- understand protection for bank deposits, savings and investments
- understand protection against poor financial advice and misleading financial products.

Making the right choices

Keeping our money safe is about applying what we have learned throughout Units 1 and 2 of this course.

Borrowing only if we can afford to

Spending sensibly

Insuring when we need to

Saving for our future

Budgeting responsibly

We need to make the right choices with our money, and advice is available to help us.

Where can we get advice?

Financial matters can be complicated. We should try to understand the basics, but advice can help us to manage our money and to find the most suitable financial products.

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Friends and family

We often first turn to friends and family for advice. People with more financial experience than us may offer good advice on budgeting, saving or borrowing.

Limitations

Friends and family can only speak from their personal experience. Everyone's circumstances are different, so the advice you receive may not be right for you.

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Unqualified advisers and social media

Some individuals and organisations – often advice charities – offer financial guidance. Unlike advice from friends and family, it is impartial and can be useful if the source has a good reputation.

Limitations

Guidance is different to financial advice. Guidance gives you information about the options available to you but it should not recommend any option over another.

Guidance services are not regulated. This means if things go wrong with your financial choice, you may not be able to complain or seek compensation.

Too good to be true?

Be careful of advice given on social media. People talking about very high returns are likely to be too good to be true and may not fully explain the risks involved with different types of investment.

Just like advice from family and friends, these sources might not offer advice that is right for you.

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Getting the best advice

Getting the best advice available is especially important for more complicated products, such as mortgages.

A mortgage might be right for your friend, but it might not be right for you at the moment if your circumstances are different.

Seeking *expert* advice is highly recommended.

Go to the course site to complete the activity: Is the advice suitable?

Financial advisers

Financial advisers give advice on many kinds of money matters for a fee.

They recommend financial products (eg borrowing, investments or insurance) to suit you.

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Aisha goes to a financial adviser.

They ask for information including:

Age

Marital status

Job and earnings

How many children do you have?

Hobbies

How much do you have in savings?

They also ask about Aisha's aims for the future, such as:

Do you want to buy a home?

When do you want to retire?

Do you want to save for a big holiday?

Do you want to provide money for your family after you die?

- Some financial advisers are **independent**. They offer advice based on all of the financial products available.
- Other financial advisers are **restricted**. They offer advice based on just a few of the financial products available.

A financial adviser *must* tell you whether they are independent or restricted.

Standards of advice

Using a restricted financial adviser doesn't necessarily mean you'll get 'bad' advice. All financial advisers must have a similar minimum level of qualifications and meet the same standards.

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It just means that the choices presented may be limited, and this might not be in your best interests.

Financial advisers are usually paid a fee by their clients for the services they offer. The fee relates to how complex the work is and the time it takes. For example, a large pension transfer will cost more in advice fees than arranging a small mortgage.

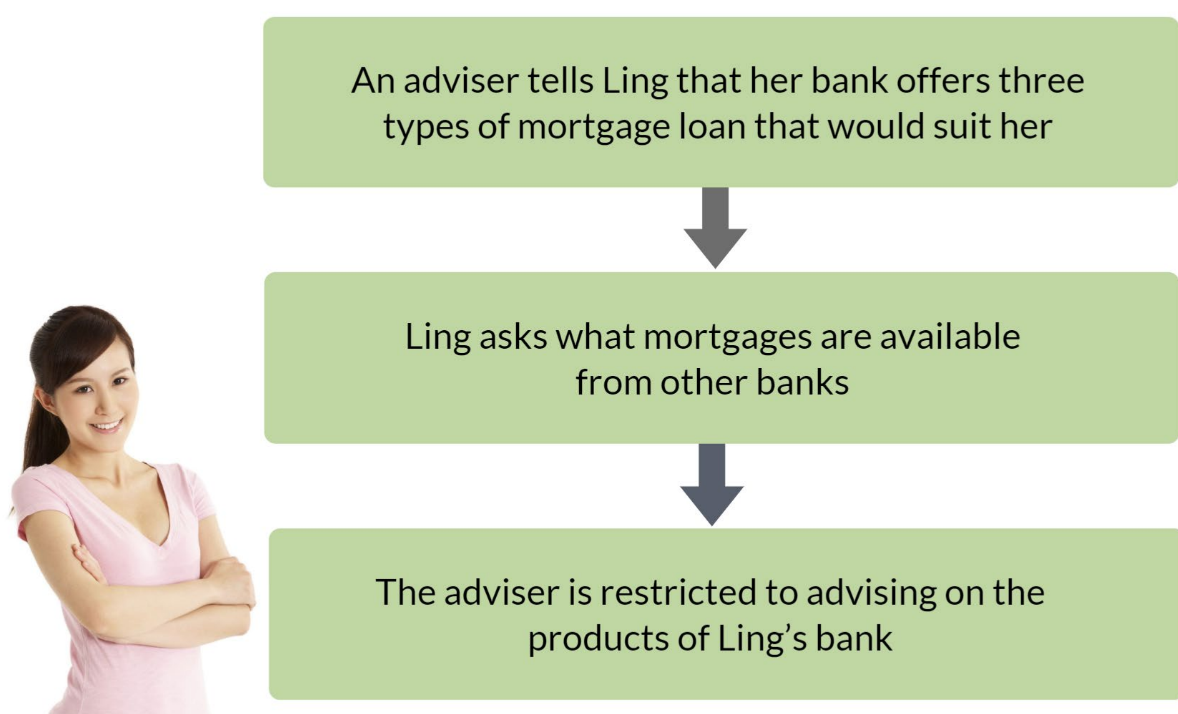
A financial adviser *must* tell you what their fee will be.

In addition, financial advisers can earn commission if financial products are purchased based on their advice. This is paid by the providers of the financial products.

Banks and building societies

Lots of people don't look for a financial adviser, but they are offered the chance to meet with one in their local bank or building society branch.

These advisers are usually restricted to offer advice about products provided by their particular bank or building society.



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Go to the course site to complete the activity: Independent or restricted?

Citizens Advice

Citizens Advice is a UK charity offering free advice to those who need help with money issues.

It focuses on financial problems, but it also offers general advice on pros and cons of products such as credit cards and loans.

Jack owes lots of money on his credit card, and also on a payday loan. He finds he cannot afford the repayments.

Jack visits his local Citizens Advice and speaks to someone who tells him:

- his rights
- his options

  and
- what he should say to the people he owes money.

Limitations

Citizens Advice uses volunteers, not financial advisers.

They can point you in the right direction and offer tips if you have money problems, but they cannot offer specific advice on financial products.

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The Money Charity

The Money Charity is the UK's financial capability charity. Its vision is for everyone to achieve financial wellbeing by managing their money well.

It offers general advice online, and also runs face-to-face workshops and training for schools, colleges and adult community groups.

StepChange Debt Charity

StepChange offers advice on debt and money management in the UK via a freephone helpline.

If you don't want to call the helpline, the StepChange website provides an online advice tool that takes 20 minutes to complete and offers a debt solution based on your situation.

The StepChange service is confidential, so the charity will never tell anyone else about a person's debt problems.

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Other sources of advice

Terms and conditions
This legal writing states what you are agreeing to when you buy a financial product.

Lots of websites can help you to make financial decisions.

They talk about the pros and cons of different products, and tell you to check the 'terms and conditions'.

- Which? gives advice on financial products, as well as comparing all sorts of other products.
- MoneyHelper offers free guides on lots of financial subjects.
- This is Money gives information on financial products and answers questions that people post.
- MoneySavingExpert aims to save its readers money by looking at the best deals.

FACTFIND
Take a look at https://www.moneysavingexpert.com/ to see some of the deals available.

What are some subjects on which you can get advice?

How to budget and take control

Managing your bank account

What's the best way to finance buying a car?

Pensions in the workplace

Should you save money, or pay off your borrowing?

How to reduce the cost of your personal loans

What to look out for when buying insurance

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What are some problems for which you can get advice?

Having too much borrowing

Dealing with people who you owe money

Bankruptcy, ie when you have no money left

Owing money to rent your home

Owing money on payments to buy your home

Understanding jargon, ie the words people may use when talking about money matters

Financial protection

Consumers of financial services products are protected in a number of ways, because of the importance of financial products in people's lives.

Financial Conduct Authority (FCA)

The **FCA** is the industry regulator, responsible for regulating the behaviour (ie **conduct**) of firms and individuals within the financial services industry.

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The FCA's strategic objective is to make financial markets work well so that consumers get a fair deal. To achieve this, the FCA uses regulation to:

- **protect consumers** from unfair practices
- **improve the integrity** of the UK financial system so that consumers can trust it
- **promote effective competition** in the interests of consumers (ie the more healthy competition there is between financial services providers, the better deals customers should get).

Financial regulation is important because most financial products are quite complicated and the words used in the documentation are not easy to understand.

By setting standards for financial services firms, the FCA makes sure that:

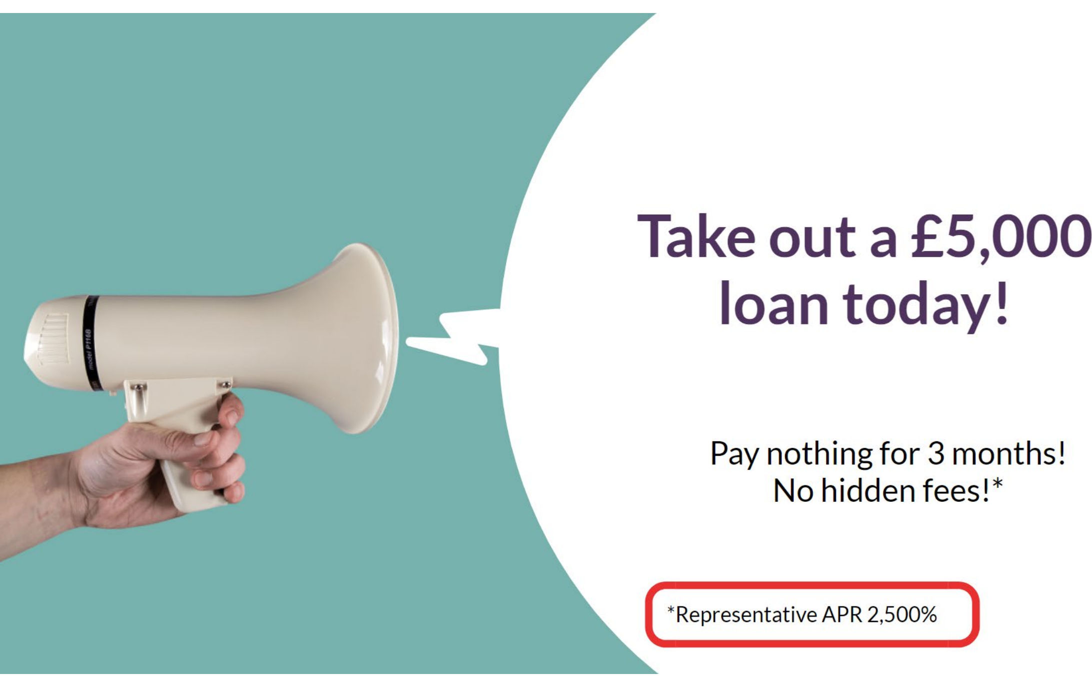
People understand what they are buying

What they are buying is suitable for their needs

They are not misled

The FCA will take action against firms if they do not meet its standards.

If Big Bad Finance plc started advertising a new loan in the following way, a conduct regulator would say that the marketing material was **misleading**, revealing the negative parts only in the small print.



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Firms must put the wellbeing of their customers at the heart of how they run their businesses.

If the FCA thinks that a specific financial product poses too much risk to a customer, it will stop firms from selling it.

The FCA will also step in if any of a firm's marketing material is misleading for customers and not describing the true facts.

Protection against poor financial advice, financial loss and fraud

There are other sources of help if things go wrong with financial services, especially where people suffer loss because of poor advice or service. These sources of help enhance general financial regulation.

Financial Ombudsman Service (FOS)

The **FOS** is a free and easy-to-use service that settles complaints between consumers and businesses that provide financial services. The FOS resolves disputes fairly and impartially. It has the power to put things right.

It is free to customers.

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An unhappy customer must complain to the firm first, so that the firm has a chance to put things right.

Customer: 'I am complaining because I think you misled me when you sold me a personal loan.'

Weeks pass . . .

Bank employee: 'We have looked into the matter and do not think you were misled.'

If complaining to the firm does not resolve the issue, the next stage is to go to the FOS.

Customer: 'I am taking my complaint to the Financial Ombudsman Service because you did not resolve it.'

The FOS aims to make a fair and balanced decision based on the facts of each case.

If it decides that the financial firm acted wrongly and that the customer lost out, it will tell the firm how to put things right.

But if the FOS thinks the firm treated the customer fairly, it will say so.

FOS decisions are binding on the firm (ie the decision is final) but not on the customer. The customer has the right to pursue legal options, even if the FOS finds that the firm is in the right.

Financial Services Compensation Scheme (FSCS)

The **FSCS** pays compensation up to certain limits if a business regulated by the FCA goes out of business owing customers money and can't pay them back.

The scheme covers savings, insurance policies, investments and mortgages.

The FSCS pays out when everything else has failed. Maximum compensation limits per eligible person are as follows.

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Savings	£85,000
Insurance policies	Up to 100% of eligible claims
Investments	£85,000
Mortgages	£85,000

Five years ago, a financial adviser recommended that Georgia and Javid take out a particular mortgage.

It is now clear that the advice was unsuitable, and the couple have lost money as a result.

However, the financial adviser's firm has since gone out of business.

Because Georgia and Javid can't get their money back from the firm, they apply to the FSCS to compensate them for their losses.

Go to the course site to complete the activity: Financial protection and compensation.

What are customers' responsibilities?

We have seen that protection is available for customers in certain situations.

But buyers of financial products must still take responsibility for their financial decisions.

You need to ask questions and think carefully before buying a new financial product.

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What sort of things should you ask?

Does the product meet my needs?

What are the charges and how are they paid?

If there are regular payments, what happens if I can't keep paying them?

Is this the best deal?

You are also responsible for reading all of the paperwork and signing it only if you are happy.

- If there are any words or phrases you do not understand, ask for an explanation.
- You should not feel under pressure to sign straight away.

What happened when George didn't ask enough questions?

"I was delighted to get a mortgage, so I didn't ask many questions at the time.

Two years later, my repayments increased by £150 per month. I didn't realise the mortgage was on a discounted interest rate for two years. Now the discount is over, I'm paying the normal rate.

I should have asked more questions!"

Congratulations

You have completed Topic 7!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

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Topic 8: Investing money

This topic helps you to explain:

- the difference between saving and investing
- why people choose to invest
- different types of investment
- different investment choices
- the risks involved in investing money
- what cryptocurrency is.

Differences between saving and investing

In Unit 1, we looked at the reasons why you should **save** money. In Topic 6 of Unit 2, we explored the need for budgeting. Savings are a feature of good budgeting.

Features of savings

Saving involves putting money aside, bit by bit.

You usually save up to pay for something specific, such as a holiday, a deposit on a home, or to cover emergencies that might crop up (like car repairs).

Saving usually means putting your money into a savings account in a bank or building society.

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Typical reasons for saving money are to:

- ensure funds are available to pay for **present-day needs**, such as unexpected bills; these savings are an emergency (rainy day or contingency) fund
- save for **future planned expenditure**, such as holidays and larger household items
- earn **interest on money** that is not immediately needed.

Features of investments

Investment is where money is used to buy shares, property and other products where their value is hoped to rise.

Larger investments are managed by investment companies. All these products are put into a large fund, so people who are investing hope that the value of the fund will rise.

In contrast with savings, investments are made over a **longer term** and should be in addition to any emergency or 'rainy day' money you hold. Reasons for investment are different for different people, but a common aim is to put money aside to fund retirement.

You should be happy to tie up these funds for a minimum of five years and in most cases longer to ensure a reasonable chance of a good return. The 'return' is the amount you make on top of what you invested.

As the value of investment products can go down as well as up, short-term values can change a lot.

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- Investing is similar to saving in that you're putting away money for the future, but you are looking to earn a **higher return** in exchange for taking on more risk. Investments can be made bit by bit or as lump sums, such as from an inheritance.
- Saving usually results in you earning a lower return but with almost no risk. Investing gives you the opportunity to earn a higher return, but you take on the **risk of loss** to do so. People who invest can choose how much risk they want to take.

Why do people choose to invest?

The aim of investing is to try to make some of your money grow by buying products that might increase in value over time. This means you should expect a relatively high rate of return in:

- interest earned
- capital growth, meaning how much the value of your investment grows over time; or
- a combination of the two.

While the gains from investing can be bigger than saving, the value of investments can go down as well as up. People may be prepared to accept this risk because investment products can achieve much higher returns than savings accounts.

Investing can be complex, so people tend to use a specialist such as a financial adviser to help them make the right choices for their long-term investment goals, such as pension planning.

Investors also try to protect their money from the impact of **inflation**. Inflation means that as prices rise over time (such as the average price of a loaf of bread), your money becomes worth less. This is because you can buy less with it than you could before.

Example: Inflation

Kasem buys ten loaves of bread for £10, as each loaf of bread costs £1.

Two years later, a loaf of bread now costs £1.10 because of inflation. Kasem can now only afford nine loaves of bread (9 x £1.10 = £9.90) so Kasem's £10 is now worth less than it was before. This shows that Kasem's £10 is now worth less in 'real terms'.

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Different types of investment

Investments can be made in a huge range of products. The products broadly fall into four main categories:

Term deposits

Bonds

Stocks and shares

Property

Investment funds invest in some or all of these, possibly in the United Kingdom or across the world.

Term deposits

For **investment**, banks and other providers offer fixed-rate, fixed-term deposit products with different features to those of basic savings accounts.

Features of fixed-rate, fixed-term deposits:

- **You can put money away for a set time in return for a fixed amount of interest. Typical periods range from six months to five years.**
- **The interest rates can be more attractive than typical bank savings accounts, but you won't be able to access your money for the whole of the term.**
- **Generally, the longer you can leave your money untouched, the better the interest rate you will receive.**
- **You will also need to work out how long you can realistically afford to leave your money untouched.**

Term deposits offer a lower rate of return compared with other types of investment as they involve little risk.

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Many investors choose to hold some of their investments as term deposits because of their relative safety and to provide them with comfort in unstable times.

Bonds

Bonds are issued by the government and are a secure investment, as the government 100% guarantees everything you invest.

Basically, the investor lends money to the government in exchange for a regular return in the form of interest. The investor is paid the money on an agreed future date, typically between 5 and 30 years from the date of investment.

Stocks and shares

Public limited company
A UK company that sells shares to the general public on the stock market.

Ordinary shares are issued by public limited companies. Investors who buy shares are buying a share in the ownership of the company.

There are risks associated with shares as their value can go up and down, sometimes dramatically in the same day.

As company owners, shareholders can get a return in two ways: dividends and capital gains.

- **Dividends:** a percentage of the company's profit that is paid to shareholders.

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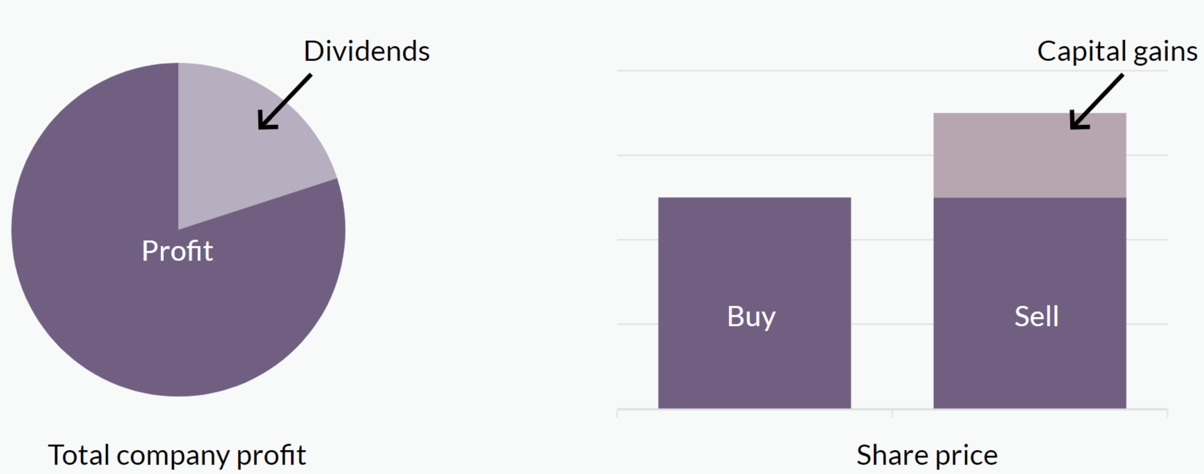
- **Capital gains:** the money made when you sell the shares at a later date, if the price you sell them for is higher than the price you first paid.



Public shares are traded on the stock market, which means the price depends on how the market feels the company is performing. This may not relate to the value of the company.

So, shares could end up being worth more or less than a shareholder paid for them, or they could lose all their money if the company fails.

Investment in stocks and shares involves higher risk than investment in cash and bond investments. Investors need to weigh up the pros and cons of making this type of investment and decide whether they are willing to accept higher risk in return for potential higher rewards.

Advantages of shares	Disadvantages of shares
• **Potential for capital gains** –shares offer the potential for significantly higher growth than deposit-based investments. • **Potential for income** through dividends.	• **Potential for capital losses**, partial or total – not suitable for those who do not wish to take risks. • **Dividends may not be paid**. • **Prices can change** significantly,

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	especially over the short term. • Should be seen as **longer-term investments**, so not suitable for people who may need to use the money soon.

Stocks and shares ISAs

In Unit 1 you learned about cash individual savings accounts (ISAs).

The government also lets investors use stocks and shares ISAs, to enable them to invest tax-free up to a certain limit each tax year.

Property

Investment in property can provide a return through:

- **rent** from a tenant who pays to live there
- **gains** on the amount originally paid when the property is sold.

Property is a large and costly investment. It is not easy to get access to the gains quickly. Investments are possible in both:

Residential property: homes that people live in

Commercial property: such as offices and industrial units

As with investments in stocks and shares, investment in property involves higher risk than investment in cash and bond investments.

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Potential profit and loss from property

Go to the course site to complete the activity: Investment types.

Green investment

Green (or eco) investing is where people choose to make investments in companies that support environmentally friendly products and practices.

A lot of human activities cause pollution and carbon emissions that are harmful to the planet. Green companies encourage new technologies that aim to make us less dependent on carbon. They work towards more sustainable alternatives.

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Green aims

Examples of green investment include investing in companies involved with:

Waste management

Pollution reduction

Water resource management

Protection of the ocean

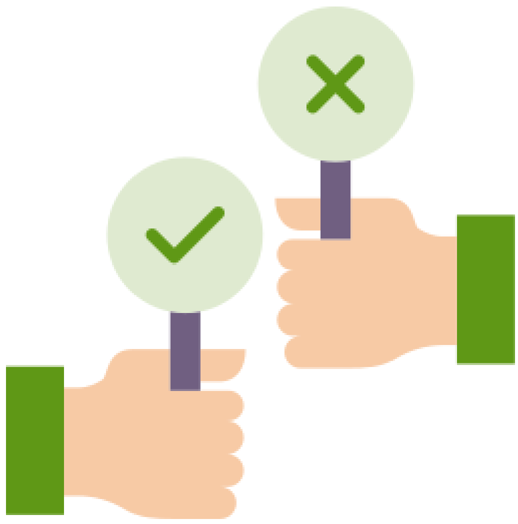
Alternative energy research

Fossil fuel reduction

Investors may buy green bonds or hold stock in environmentally friendly companies to support green projects.

Profit is not the only motive for green investors: it is a form of ethical investment. However, green investing may beat the returns available from more traditional assets.

Ethical investment



Ethical investing is similar to green investing but the concept is wider than the environment. Ethical investing is about using your personal moral principles (that is, your 'ethics') as the basis for investment choices. This means ethical investing depends on the investor's views on what is right and wrong.

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Some investors may:

- choose not to invest in certain industries; or
- invest entirely in sectors that meet their own ethical stance.

For example, some ethical investors avoid companies that are involved with activities such as gambling, alcohol or firearms.

However, an investment's ethics are not related to how it might perform. Ethical investors are prepared to sacrifice potentially high returns to uphold their ethical principles.

Pooled investments

In pooled (or collective) investments, multiple different investors 'pool' their money together. Expert fund managers oversee the investments.

The fund manager invests the money in a variety of investments. They can usually invest in a wider range of investments than any one person due to the higher levels of money available.

Why are pooled investments useful?

Pooled investments are usually more suitable for the average investor than direct investments for the following reasons.

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Risk is spread

Because the fund manager is able to invest in a wider range of shares, bonds, etc, than an individual, it is less likely that all investments in a pool will perform poorly. When an individual invests in one or two investments, they can easily perform badly.

Economies of scale

The costs involved with a collective investment (such as fees) tend to be lower as they are spread across all the investors. This is known as an economy of scale.

Professional fund managers

Inexperienced investors will not have to make investment decisions, other than which fund to choose. The fund manager combines many investments within a pool to reduce the risk.

The two main types of pooled investment are called unit trusts and investment trusts.

Risks of investing money

Throughout this topic we've looked at the additional risks involved with investing rather than saving, and also the additional potential rewards.

Investment risk is the possibility of losing the money you invest. You might not get back what you put in. You might also not earn what you expected to at the start.

Investment outcomes are uncertain for a number of reasons:

Markets could do something unexpected

A company you own shares in could hit the headlines for the wrong reasons

Currency changes could impact the value of your investment (if you invest in companies overseas)

Remember that investment risk and reward are closely linked. You can't have one without the other.

- Typically, the **lower the risk**, the **lower the potential returns**.

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- The **higher the risk**, the **higher the potential returns** – but what you can expect and what you actually get may be different.

Balancing risk and reward

Investors need to balance being careful enough to protect the value of their money and looking for high returns.

Finding the right balance between the highest possible return and lowest possible risk depends on an investor's personal attitude to risk and how long they can invest for.

Go to the course site to complete the activity: Investment risk.

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Cryptocurrency

Cryptocurrency is another type of investment that is becoming popular. Cryptocurrency is a digital version of money in the form of virtual tokens or coins. You can use it to buy or sell items from people or companies that accept such payments.

There are a range of cryptocurrencies, including bitcoin and ethereum, each with individual values and rules. Bitcoin is currently the most widely used.

Cryptocurrencies use cryptography to keep their information reliable and safe. To make a bitcoin payment, for example, bitcoins are transferred digitally to someone else using an app or website and the person's unique bitcoin address. Digital signatures can be used to keep the transactions safe, and let other people check that the transactions are real.

These secure, online payments are made without using other parties such as banks. Cryptocurrencies are generally not issued by any central authority, such as the Bank of England, meaning in theory governments can't interfere with or manipulate them.

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Advantages and disadvantages of using cryptocurrency

Advantages	Disadvantages
A cryptocurrency transaction is generally quick and straightforward. For example, bitcoins can be transferred from one person to another using only a smartphone or computer.	The value of cryptocurrencies can change a lot, so some people do not feel it is safe to turn 'real' money into bitcoins.
Every cryptocurrency transaction is recorded in a public list called the blockchain. This makes it possible to trace the history of bitcoins to stop people from spending coins they do not own, making copies or undoing transactions.	The cryptocurrency market is not regulated by the Financial Conduct Authority (FCA) so there are no rules to protect users and investors.
Blockchain aims to cut out organisations such as banks, which means there are no payment processing fees.	Cryptocurrency exchanges are vulnerable to cyber attacks, which could lead to investments being lost forever.
Cryptocurrency payments are becoming more widely used.	Cryptocurrencies can be vulnerable to scams. Scammers use platforms like Facebook, Instagram and Twitter to trick people into these investments.

Cryptocurrency can be a very risky investment and you should only consider investing if you're willing and able to lose any money that you put into it.

Congratulations

You have completed Topic 8!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

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