Module 1: Today's banking world

This module will help you:

- Compare the different channels to manage your money:
  - Going to a bank branch
  - Banking over the phone
  - Online banking
  - Banking on your mobile
- Understand how banks keep your money safe and what risks to watch out for

Introduction

In this module, we'll be talking about how technology has changed the way we bank.

These days, we have lots of options beyond just visiting a local bank branch. You can now do your banking online, over the phone, or right from your mobile phone. We'll look at the different channels in which you can manage your money using these modern banking options and how you can make the most of each one.

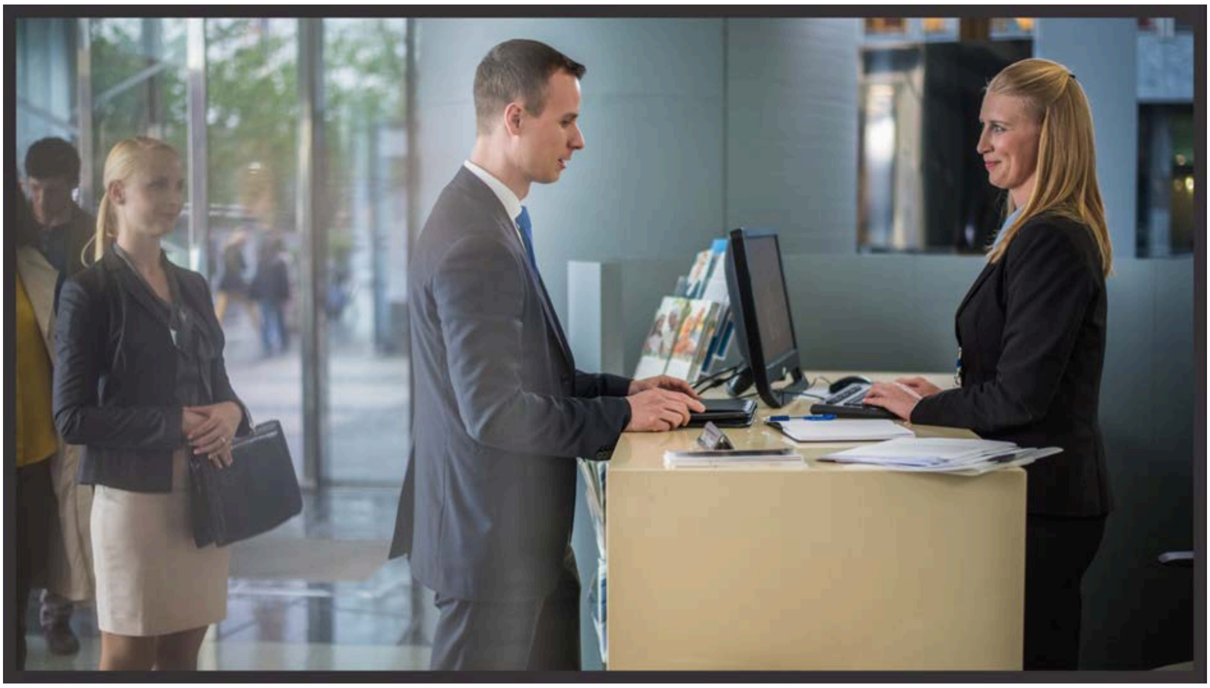
While modern banking gives us more choice and flexibility, it also brings new risks. Scammers and fraudsters are always trying to take advantage of new technology, so we'll go over some important tips on how to stay safe when you're banking or making payments online.

Being aware and staying alert can help keep your money safe.

Ways to manage your money

Let's look at how new technology has changed the ways we can handle our money. We'll start with some older methods that people still use today.

Visiting a bank branch



Most big banks have offices (called 'branches') in towns and cities.

Some people like talking to someone face-to-face instead of on the phone. Others find it restrictive that branches are only open at certain times.

At a branch, you can chat with the manager or a customer service adviser about setting up payments, asking for a loan, or opening a savings account.

Bank statements

A bank statement shows the transactions (all the money that's gone in and out) of your account.

Statements are great for keeping an eye on your money.

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

In the past, banks sent statements by post. Now, most people prefer to get their statements online through banking apps.

You can look at online statements from years ago, so you don't have to worry about losing them like paper ones.

Banks prefer online statements because they're cheaper and better for the environment. Many shops now offer to email you receipts too, so you don't lose them.

If you do get paper statements, keep them safe or shred them so that you're protected from identity fraud.

Example bank statement

Date	Description	Money out	Money in	Balance
5 July	Starting balance			£280.45
6 July	Part-time job wages		£325.00	£605.45
7 July	Mobile phone bill	£22.99		£582.46

9 July	Cash withdrawal	£40.00		£542.46
10 July	Online shopping	£35.75		£506.71
12 July	Birthday money from Gran		£50.00	£556.71
14 July	Bus pass	£32.50		£524.21

Phone banking

With phone banking, you ring a call centre and talk to someone about your account.

When you set up phone banking, you'll be given a customer membership number and a method of identity verification that you will need for security reasons.

Each bank has its own way of checking if it's really you. They might use:

- Pass numbers or passwords
- Your mobile number - they'll text you a code to type in
- Your bank card number
- Voice recognition

If you just want to know how much money you have, you can often use an automated service.

You might hear options like:

"Press 1 for your balance"	**"Press 2 to hear recent transactions"**	**"Press 3 to speak to someone"**

If you need to do something more complicated, you can talk to an operator. This means you can do almost anything with your account.

But remember, the call centre might not be open all the time. You might have to wait a while during busy periods.

Online banking

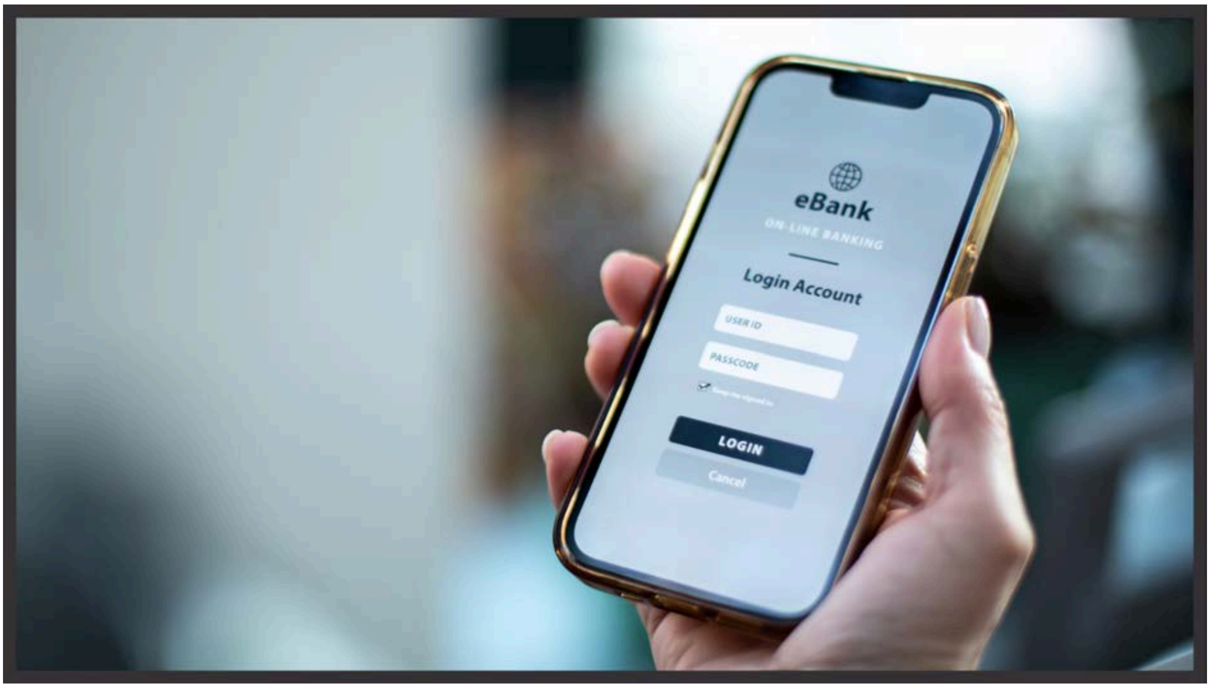
Online banking lets you manage your accounts online.

You can look at your accounts whenever you want.

It's so popular that some banks now only offer online services - they don't have any branches!

Go to the TLM Learn Hub site to complete the activity: Online banking.

Mobile banking



Mobile banking lets you use your account on devices like smartphones, smartwatches, or tablets, often using special apps.

Because you download these apps to your device, you don't need to use a web browser.

To use mobile banking, you might need to type in special numbers and codes, or use biometrics (using one of your physical characteristics such as fingerprint).

With mobile banking, you can:

- Check your balance
- See what you've been spending
- Make payments

But be careful when using mobile banking. Only you should know your login details to stop anyone else getting into your account.

We'll learn more about banking apps later on in the course.

Go to the TLM Learn Hub site to complete the activity: Advantages and disadvantages of delivery channels.

Security features for keeping your money safe

Let's remind ourselves how banks keep your money safe when you use phone, online, or mobile banking:

- **Passwords:** Make sure only you can get into your account. A good password has numbers, capital and small letters, and is hard to guess.
- **Security questions:** These protect you further because they're hard for others to know. But be careful what you share on social media - criminals might use this to guess your answers.
- **Card readers:** These are good for security if you keep your PIN secret. Your PIN is a four-number code that lets you use your account. Remember it, but don't write it down!
- **Biometrics:** Voice recognition and fingerprints are harder for people to fake.

Congratulations

You've completed module 1!

Ready to test your new knowledge? Go to the TLM Learn Hub site and have a go at the 'knowledge check' activity and end-of-module quiz to help cement what you've learnt.

Module 2: Earnings and pay calculations

This module will help you:

- Understand and calculate gross pay, net pay and deductions
- Learn how to work out pay including tax
- Get to grips with sick pay and student loan repayments
- Familiarise yourself with important tax documents like P45 and P60

Introduction

Did you know the average person spends 90,000 hours at work over their lifetime? That's why understanding how pay works is so important.

In this module, we'll dive into the world of money and work. We'll explore the difference between gross pay and net pay, and how payslips and National Insurance payments fit in.

Ever wondered why some of your money goes to the government? We'll break down tax bands and how they affect your earnings. And if you have a student loan, we'll explain how that impacts your paycheck too.

Two key documents to know are the P45 and P60. These help you keep track of your earnings and deductions over time. Understanding all of this now will set you up for better money management in the future.

Let’s get started!

What do we mean by earnings?

In Unit 1, we explored the concept of 'earnings' - the money you receive for your work. Can you recall the distinction between wages and salary? Test your knowledge on the online Learn Hub course site.

Understanding gross and net pay

A portion of our earnings goes to the government as income tax and National Insurance contributions (NICs). National Insurance is another form of taxation.

His Majesty's Revenue & Customs (HMRC) collects these payments through the 'pay as you earn' (PAYE) system.

Employers are legally required to offer workplace pension schemes and contribute to them. Most employees are automatically enrolled and contribute a part of their earnings, unless:

- They don't earn enough to qualify

  or
- They decide to opt out

We refer to all these payments as 'deductions'.

Gross pay

is your total earnings before any deductions.

Net pay

is what you actually receive after all deductions have been made. This is the amount that lands in your bank account.

Go to the TLM Learn Hub site to complete the activity: Gross and net pay.

Understanding payslips

Employers must provide each worker with a written or electronic payslip detailing their pay and deductions. Electronic payslips are usually accessed through secure systems, often requiring a work email and password.

A payslip must include at least:

- The total (gross) amount earned before deductions
- An itemised list of deductions and their amounts
- The final (net) amount of earnings
- Details on how the earnings are paid

Emma's payslip			
Green and Co. 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	78	Emma Chen	NS405060R
PAYMENTS		**DEDUCTIONS**	
Description	**Amount**	**Description**	**Amount**
Basic salary **T**	1,700.00	PAYE tax	130.50
		NI	52.10

Gross pay	1,700.00	Total deductions	182.60
Net pay	**1,517.40**		
Taxable pay to date	3,400.00	Tax paid to date	261.00
		NI paid to date	104.20
T = taxable			

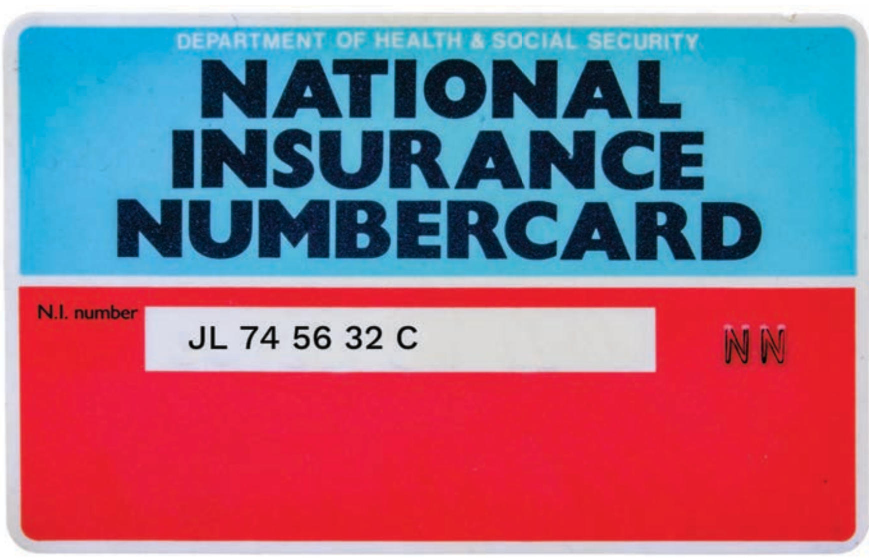
National Insurance (NI) explained

All employees contribute to NI, which funds various government benefits such as Universal Credit and the state pension.

Your NI contribution is based on your weekly earnings and varies depending on whether you're employed or self-employed.

Your NI number

Your National Insurance number is your unique personal identifier. It's typically issued on a card when you turn 16. Keep this number and card safe.



This unique identifier ensures that your National Insurance contributions (NICs) and tax payments are correctly recorded in your government account. It's also used as a reference for claiming benefits like Universal Credit.

NI numbers consist of two letters, six digits, and a final letter.

How NI is calculated

NI is worked out on a weekly basis. There are different 'classes' of NI, and the class and rate you pay depends on your employment status.

Most employees pay 'Class 1' contributions. These are calculated as a percentage of your earnings that fall between:

● The primary threshold

and

● The upper earnings limit

The current weekly primary threshold is £242 and the **weekly upper earnings limit** is £967.

On earnings between £242 and £967, the class 1 rate (how much employers deduct from employees' pay) is 8%.

On earnings over the upper earnings limit of £967, the class 1 rate is 2%.

Example 1: Sarah

Sarah earns £25,000 per year. Weekly earnings: £25,000 ÷ 52 = £480.77

1. Earnings up to £242 per week: No NI contributions
2. Earnings between £242 and £480.77: £480.77 - £242 = £238.77
   NI contribution on this portion: £238.77 x 8% = £19.10

Sarah's weekly NI contribution: £19.10
Sarah's annual NI contribution: £19.10 x 52 = £993.20

Example 2: Jake

Jake earns £56,000 per year. Weekly earnings: £56,000 ÷ 52 = £1,076.92

1. Earnings up to £242 per week: No NI contributions
2. Earnings between £242 and £967: £967 - £242 = £725 NI contribution on this portion: £725 x 8% = £58.00
3. Earnings above £967: £1,076.92 - £967 = £109.92 NI contribution on this portion: £109.92 x 2% = £2.20

Jake's weekly NI contribution: £58.00 + £2.20 = £60.20
Jake's annual NI contribution: £60.20 x 52 = £3,130.40

In summary:

- Sarah, earning £25,000 per year, pays £993.20 in annual NI contributions.
- Jake, earning £56,000 per year, pays £3,130.40 in annual NI contributions.

Understanding income tax

The amount of tax you owe to His Majesty's Revenue and Customs (HMRC) is calculated as a percentage of your income. Higher earners pay more tax.

Everyone gets a personal allowance - an amount you can earn each year without paying tax.

Your taxable income is what you earn minus your personal allowance.

Example:

Emma earns £20,400.
Her personal allowance is £12,570.
£20,400 - £12,570 = **£7,830 taxable income**

The tax you pay is calculated as a percentage of your taxable income.

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

Knowledge Quest

Visit https://www.gov.uk/income-tax-rates to find out the latest rates.

Band	Taxable Income	Tax Rate
Personal Allowance	Up to £12,570	0%
Basic Rate	£12,571 to £50,270	20%
Higher Rate	£50,271 to £125,140	40%
Additional Rate	Over £125, 140	45%

The higher tax rates only apply to the portion of your income that falls within those higher bands. You don't pay the higher rate on all of your earnings.

Example 1: Emma's Tax Calculation

Emma's annual salary: £20,400

Emma’s current personal allowance is £12,570.

1. Calculate taxable income: £20,400 (total income) - £12,570 (personal allowance) = £7,830 (taxable income).

   This falls in the Basic Rate band

2. Apply the basic rate of 20% to the taxable income: £7,830 x 20% = £1,566

Therefore, Emma will pay £1,566 in income tax for the year.

As an employee, Emma will pay her income tax in monthly payments of £130.5. If you look at Emma’s payslip, you will see that this amount of tax has been deducted.

Example 2: Lucy’s Tax Calculation

Lucy’s annual salary: 78,000

Lucy’s current personal allowance is £12,570.

1. Calculate taxable income: £78,000 (total income) - £12,570 (personal allowance)
   = £65,430 (taxable income).

   This means that Lucy pays tax in both the Basic Rate band and the Higher Rate band.

2. **Basic Rate** taxable income: Lucy has £50,270 pay in this band.

   £50,270 x 20% = £10,054 tax

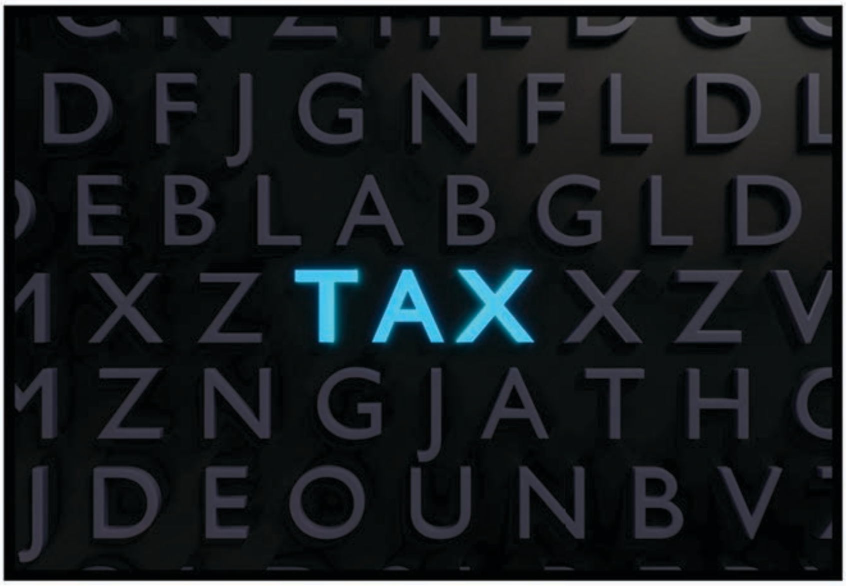
3. **Higher Rate** taxable income: Lucy has £15,160 pay in this band (£65,430 - £50,270).

£15,160 x 40% = £6,064 tax

Therefore, Lucy will pay £16,118 (£10,054 + £6,064) in income tax for the year.

As an employee, Lucy will pay her income tax in monthly payments of £1,343.17 (£16,118 divided by 12).

Decoding tax codes



Your employer uses a tax code to work out how much tax to take from your pay.

A tax code consists of numbers and a letter. The 'L' at the end indicates that the code includes the standard personal allowance.

Emma's tax code is '1257L', meaning she can earn £12,570 before she starts paying tax.

TIP!

To find out how much pay is tax-free, multiply the numbers in the tax code by ten!

If you've underpaid tax for one year, HMRC might adjust your tax code to collect the unpaid tax. They do this by reducing your personal allowance for the next year.

Emergency tax codes

HMRC may assign you an emergency tax code if they don't receive your updated income information promptly following a change in your circumstances, such as:

- Starting a new job
- Transitioning from self-employment to working for an employer

Emergency tax codes are not permanent. HMRC will typically update your tax code once you or your employer provide them with the correct information.

- If your change in circumstances results in an incorrect amount of tax paid, you'll remain on the emergency tax code until you've paid the proper tax for the tax year.

Emergency tax codes are identified by ending in 'W1', 'M1', or 'X', instead of 'L'.

In cases where an individual has underpaid tax in a previous year, HMRC can adjust their tax code to recover the unpaid amount.

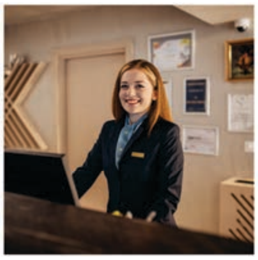
This is accomplished by decreasing the person's personal allowance for the following tax year.

Go to the TLM Learn Hub site to complete the activity: Calculating taxable pay.

What is overtime?

Overtime refers to hours worked beyond your normal schedule. It's often paid at a higher rate than your usual pay.

For instance, Liam works on a bank holiday for 'time and a half'. This means he earns one and a half times his normal hourly rate.



Sarah works on Christmas Day for 'double time', earning twice her usual hourly rate.

Go to the TLM Learn Hub site to complete the activity: Calculating basic overtime

Understanding sick pay

If illness prevents you from working, your employer must pay you Statutory Sick Pay (SSP) on the government's behalf.

To qualify for SSP, you must:

- Have been ill for at least four consecutive days
- Earn at least the minimum weekly amount
- Have informed your employer of your illness

Some employees receive better sick pay than SSP, as specified in their employment contract.

Knowledge Quest

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

Example: Ryan gets influenza

Ryan works for XXX Company
Normal monthly Gross pay: £2,000
SSP rate: £96.35 per week

June (Normal month): Total pay for June: £2,000

July (One week off sick): Workings:

1. Calculate daily rate: £2,000 ÷ 20 working days = £100 per day
2. Calculate pay for days worked: 15 days worked × £100 = £1,500
3. Calculate SSP for sick days: SSP is not paid for the first 3 days (waiting days) SSP is paid for 2 days (the rest of the week) 2 days × (£96.35 ÷ 5 working days) = £38.54
4. Total pay for July: £1,500 (days worked) + £38.54 (SSP) = £1,538.54

Comparison:
June Gross pay: £2,000
July Gross pay: £1,538.54
Difference: £2,000 - £1,538.54 = £461.46 less in July

Note, as the monthly gross pay has gone down in July, so too would the PAYE tax and NI tax.

Maternity and paternity pay

Employed women who have a baby are entitled to Statutory Maternity Pay for up to 39 weeks, allowing them to take maternity leave.

Eligible fathers can claim Statutory Paternity Pay by using any unused maternity leave if the mother returns to work before the 39 weeks are up.

Fathers can also take Statutory Paternity Leave for one or two consecutive weeks after the birth, receiving Statutory Paternity Pay during this time.

Some workers may not qualify for Statutory Paternity Leave and Pay, such as those on short-term contracts.

Other maternity pay options may be available depending on individual circumstances, including:

- Statutory Maternity Leave
- Shared Parental Leave and Pay

Student loan repayments

People with student loans from university or college start repaying only when their earnings exceed a certain annual threshold.

The repayment amount depends on their earnings.

Employers deduct these repayments from gross pay, similar to income tax and NI. The repayment goes to the government through PAYE.

Example: Priya's New Job

Priya recently started a new job at Fancy That Limited. Her previous salary of £25,000 was below the student loan repayment threshold, but with her new annual salary of £32,000, she is now required to begin making repayments.

Priya is on the Plan 2 Student Loan Plan which means that repayment starts when income exceeds £27,295 per year.

Priya's payslip			
Fancy That 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	22	Priya Patel	MK316250L
PAYMENTS		**DEDUCTIONS**	
Description	**Amount**	**Description**	**Amount**
Basic salary **T**	2,666.67	PAYE tax	323.83
		NI	194.24
		Student loan repayment	35.29

Gross pay	2,666.67	Total deductions	553.36
Net pay	**2,113.31**		
Taxable pay to date	5,333.34	Tax paid to date	647.66
		NI paid to date	388.48
T = taxable			

Calculating Priya's student loan repayments (Plan 2)

Priya's annual salary is £32,000, so we subtract the Plan 2 threshold of £27,295:

£32,000−£27,295 = £4,705 (income above the threshold)

Apply the 9% repayment rate to the income above the threshold:

£4,705 × 9% = £423.45 per year

Monthly student loan repayment: £423.45 ÷ 12 = £35.29 per month (as shown in red on Priya's payslip)

Knowledge Quest

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

National minimum and living wages

As we learned in Unit 1, there's a minimum wage requirement for all employees.

- The national minimum wage applies to UK workers aged 16 to 22, with the amount varying by age.
- The national living wage is the minimum rate for anyone in the UK aged 23 or over (unless they're in their first year of an apprenticeship).

Apprenticeship minimum wage

Apprentices work alongside experienced staff to gain job-specific skills while studying for a qualification. They're entitled to a minimum wage at a set apprentice rate and must receive holiday pay.

Knowledge Quest

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

Go to the TLM Learn Hub site to complete the activity:
National minimum and living wage

Understanding P45 and P60

Looking at Emma's payslip again, you'll see it shows:

- Her taxable pay for the tax year so far
- The tax and NI she's paid to date

Gross pay	1,700.00	Total deductions	182.60
Net pay	**1,517.40**		
Taxable pay to date	3,400.00	Tax paid to date	261.00
		NI paid to date	104.20
T = taxable			

This information is also included in the P45 and P60 documents, which are important tax records you should receive.

The P45 is given when you leave a job. It shows your taxable income and the tax and NI you've paid during the tax year.

Example: Tobias leaves his job

Tobias recently decided to leave his job as a receptionist to pursue a new role at a marketing firm. On his last day at the receptionist job, his employer gave him a **P45**, a document issued when someone leaves a job.

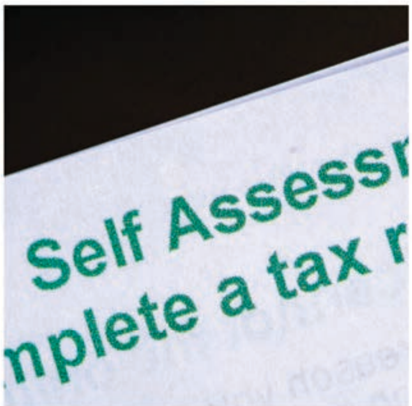
The **P45** contains important information such as Tobias' total earnings for the tax year so far, the amount of tax he has paid, and his tax code. It is essential for ensuring that Tobias is taxed correctly at his new job.

When Tobias starts his new role at the marketing firm, he will need to give this P45 to his new employer. This allows them to calculate his tax and National Insurance contributions accurately, preventing him from being placed on an emergency tax code, which could lead to overpaying tax. By handing over his P45, Tobias ensures a smooth transition between jobs with correct tax deductions from his salary.

The P60 summarises your pay and tax deductions for the entire tax year. Your employer should provide this at the end of each tax year for your records.

Go to the TLM Learn Hub site to complete the activity: Reading payslips

How self-employed individuals handle tax and NI



Self-employed people often have variable income throughout the year, so they can't know their total earnings until year-end.

Instead of PAYE, they complete a self-assessment tax return after the tax year ends, calculating their tax and NI obligations. They then pay HMRC at a later date.

Accurate record-keeping of earnings is crucial for self-employed individuals to complete their tax returns.

Some hire accountants or use specialised software to manage this process.

The government has introduced a digital system to replace paper and online tax returns.

Since April 2022, self-employed people must use this system. It requires quarterly tax information updates and a final yearly declaration using HMRC apps and website.

Congratulations

You've completed module 2!

Ready to test your new knowledge? Go to the TLM Learn Hub site and have a go at the 'knowledge check' activity and end-of-module quiz to help cement what you've learnt.

Module 3: Understanding card and non-card payments

Introduction

Have you ever thought about how we pay for things these days? Most of us hardly use cash anymore. Instead, we use different types of cards to buy things in shops and online.

In this module, we'll look at the different cards you might use, such as debit cards and credit cards. We'll also talk about the different ways to move money around, like standing orders and direct debits. Plus, we'll look at newer ways to pay, like PayPal.

It's important to know how these cards work, especially ones that let you borrow money. While you might not have to pay interest straight away, the costs can add up quickly if you're not careful.

Let's learn more about these different ways to pay and how to use them wisely.

Module 3a: Payment cards

This module will help you:

- Identify different types of payment cards
- Understand the concept of card limits
- Learn about various fees associated with card transactions
- Understand the implications of making only minimum payments

Introduction to payment cards

Payment cards are plastic devices used for financial transactions. Some let you use your own money, while others let you borrow money to pay for things.

Debit cards

Banks give you debit cards so you can use the money in your current account. It's like having cash, but safer and more convenient.

These cards are linked to specific accounts, identified by unique sort codes and account numbers printed on the card.

Debit card holders can:

- Withdraw cash from ATMs (Automated Teller Machines)
- Make purchases in shops, over the phone, by post, or online

Remote payments

For transactions where you're not physically present, such as online shopping, you'll provide details like the long card number and the three-digit security code on the back, rather than entering your PIN.

Cashback

Some retailers offer a 'cashback' service, allowing debit card users to withdraw cash (typically up to £100) when making a purchase. The cashback amount is added to the total transaction value.

Debit card limits and fees

The most you can spend on your debit card is how much money you have in your account. If you don't have an overdraft (extra money the bank lets you borrow), once your account is empty, that's it – no more spending until you add more money.

Occasionally, using your debit card for online purchases, such as buying concert tickets, may incur a small fee. This fee could be either a fixed amount or a percentage of the total purchase price.

Tapping to pay: Contactless cards

Contactless cards let you pay for small things quickly by just tapping your card on a reader. There's a limit on individual contactless transactions, which has been gradually increasing as the technology becomes more widespread.

For safety, you'll sometimes need to put in your PIN to prove it's really you using the card.

Other ways to pay, like Apple Pay or Google Pay, don't have limits when using biometric authentication (such as your fingerprint or face) to prove it's you.

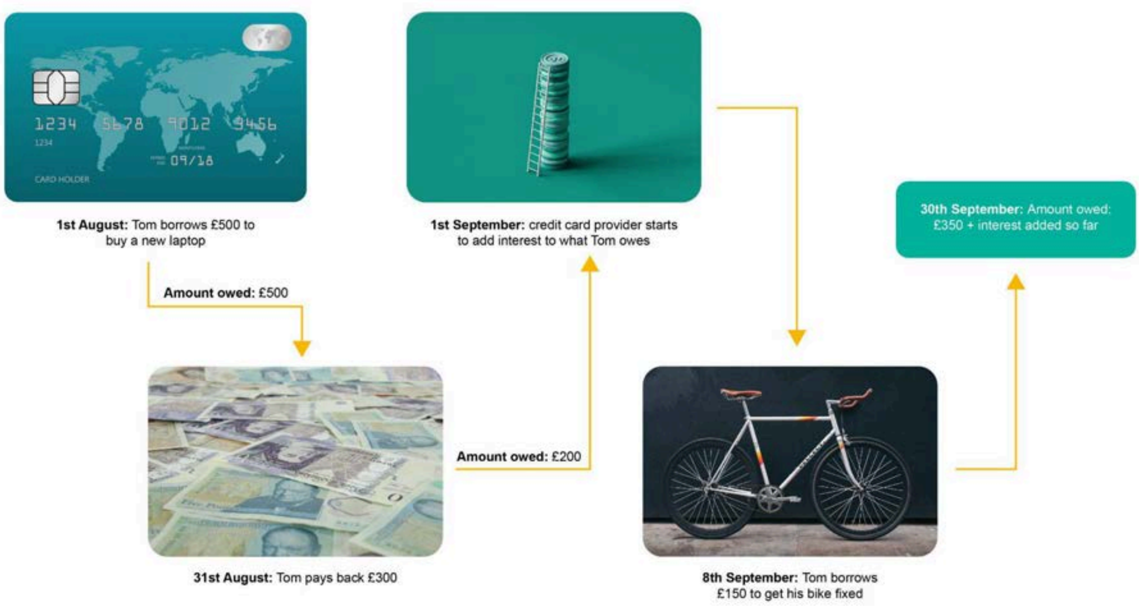
Look for the contactless symbol (it looks like a sideways Wi-Fi symbol) on cards and in shops to see where you can tap to pay.

Credit cards

Credit cards work differently from debit cards. Here's how:

1. **Borrow and spend:** With a credit card, you can borrow money to buy things, up to a certain limit set by the bank.
2. **Pay it back later:** Unlike a debit card where money comes out of your account right away, a credit card lets you pay for your purchases later.
3. **Flexible repayment:** You can choose how much to pay back each month, as long as you pay at least the minimum amount the bank asks for.
4. **Revolving credit:** As you pay back what you've borrowed, that money becomes available for you to use again. It's like having a reusable loan.

Watch out for interest - if you only pay the minimum amount each month, you'll have to pay extra money (called interest) on top of what you borrowed. This can add up quickly!



Using credit cards at ATMs

Withdrawing cash from an ATM using a credit card is termed a 'cash advance'. Most credit cards charge interest from the day of withdrawal for such transactions.

In contrast, regular credit card purchases usually have an interest-free period.

Credit Card Usage in shops

Similar to debit cards, credit cards have a chip and require a PIN for purchases, unless they're contactless.

Remote transactions

Like debit cards, credit cards have a long number on the front and a security code on the back for remote transactions. However, they don't display bank sort codes or account numbers as they're not linked to specific bank accounts.

Credit card limits and fees

When you receive a credit card, you're assigned a 'credit limit' - the maximum amount you can borrow on the card.

Exceeding this limit typically results in transaction refusal or an additional fee of around £12.

Credit card providers may increase your limit, but responsible lenders will only do so if they believe you can manage the higher repayment amount.

Interest is charged on outstanding balances unless you clear the full amount within a specified period, usually between 50 and 59 days.

Additional charges may include:

- Annual card fees
- Online purchase fees
- Cash advance fees
- Returned payment fees

Example:

Mark sets up a standing order with his bank to automatically pay £100 towards his credit card balance on the 15th of each month. He thinks this will help him manage his debt responsibly.

However, when the 15th of the next month arrives, Mark's checking account balance is only £80. He had forgotten about a subscription payment that came out a few days earlier, leaving him short of funds.

As a result:

1. The standing order payment of £100 to the credit card company fails due to insufficient funds.
2. Mark's bank charges him a £25 fee for the failed standing order.
3. The credit card company, not receiving the expected payment, charges Mark a £12 late payment fee.
4. Mark's credit score may be negatively affected due to the missed payment.

Mark ends up paying £37 in fees and still owes the original £100 to his credit card, putting him in a worse financial position than before.

Go to the TLM Learn Hub site to complete the activity: What Charges?

Repayment options

Credit card holders receive a monthly statement detailing their spending and amount owed. They have three repayment choices:

1. Repay the balance completely, avoiding interest charges.

2. Pay the minimum required amount, typically 2% to 5% of the outstanding balance. This approach results in a very long repayment period.

3. Pay more than the minimum but less than the full balance, reducing the debt more quickly than option 2.

Any amount paid to the credit card company is deducted from the outstanding balance and added to the available credit.

Go to the TLM Learn Hub site to complete the activity: Repayment options

Interest-free periods

Credit card borrowing is interest-free if you repay the entire amount within the specified interest-free period.

Introductory credit card offers

Some credit card providers offer temporary low introductory rates, even as low as 0%, to attract new customers or encourage balance transfers from other cards.

While these promotional rates can save money, the debt still needs repaying. It's crucial to check that the provider's standard interest rate isn't higher than your current one, as this could increase the overall cost of repaying the debt.

Go to the TLM Learn Hub site to complete the activity: Evaluating card pros and cons

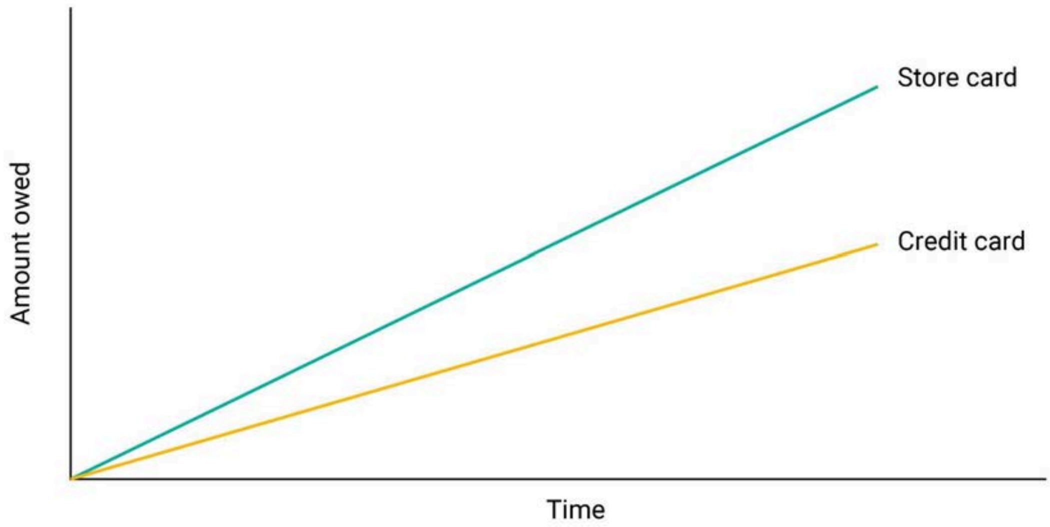
Store cards

Some stores offer their own cards that you can only use in their shops. These are called store cards.

At first, store cards might seem appealing. They often come with discounts on your first purchase. However, these discounts only save you money if you pay off the full balance within the interest-free period.

Store cards work like credit cards, but there are important differences:

Higher interest rates: Store cards usually charge more interest than regular credit cards.

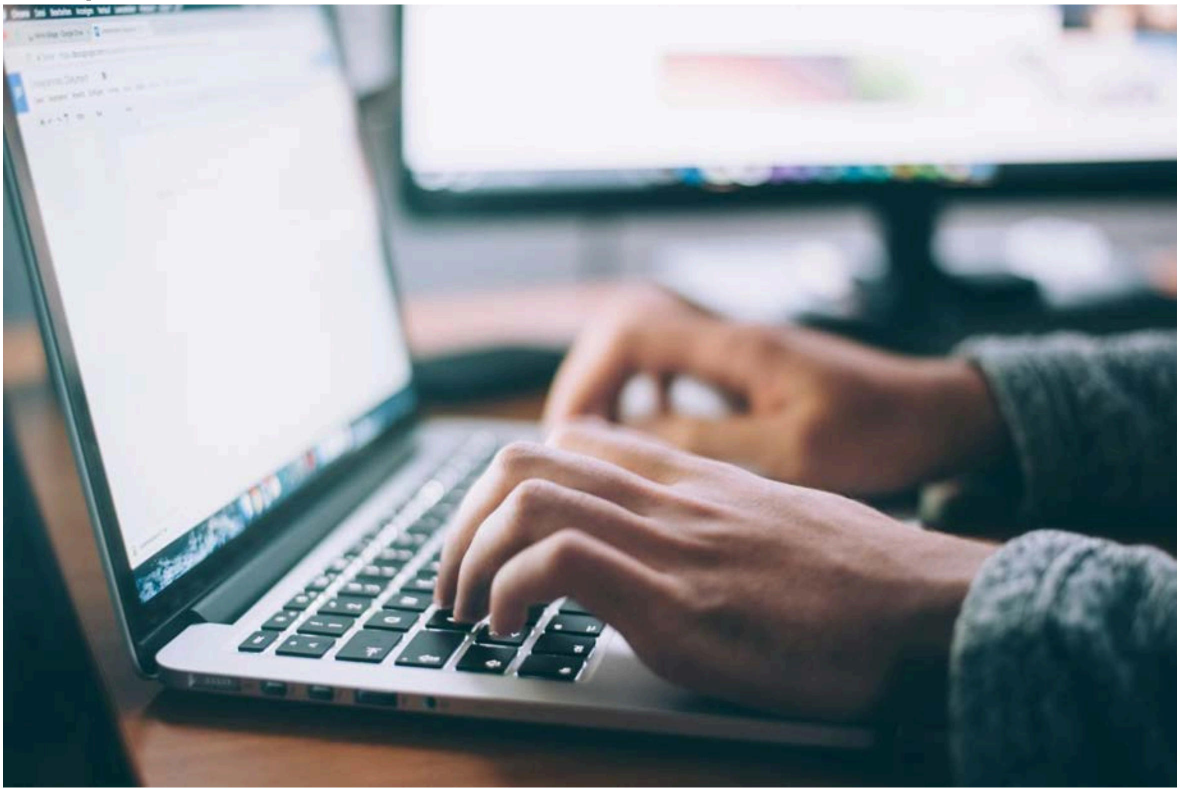


Minimum payments: If you only pay the minimum amount each month, you'll likely end up owing more on a store card compared to a credit card.

Lower credit limits: Store cards typically let you borrow less money than standard credit cards because you can only use them in one store.

Easier to get: Stores often make it simple to sign up for their cards. This can lead people to overspend or take on debt they can't afford.

Example:



Alex is browsing laptops at TechWorld. As he's about to purchase one, the cashier asks:

Cashier: "Would you like to apply for our TechWorld Plus card today? You'll get 15% off this laptop if approved."

Alex: "That sounds good. What else should I know?"

Cashier: "You can use it for all TechWorld purchases and earn points. Just fill out this quick application."

Alex applies and is approved on the spot. He saves £150 on his £1000 laptop purchase.

Over the next few months, Alex receives emails about exclusive TechWorld Plus card deals. He buys new headphones, a smartwatch, and a tablet, all at discounted prices.

Six months later, Alex checks his TechWorld Plus card statement. He's shocked to see:

1. The card's interest rate is 29.99% - much higher than his regular credit card's 18%.
2. The interest-free period was only 21 days, shorter than his credit card's 55 days.

3. He owes £2,300, including £400 in interest charges.

Alex realises that while he enjoyed the initial discount and subsequent deals, the high interest rate and short grace period have led to a large debt. He now needs to carefully budget to pay off the balance and reconsider his use of the store card in the future.

This example illustrates how store cards can lead to overspending and unexpected debt, despite initial savings and attractive offers.

Before getting a store card, it's important to consider:

- Can you pay off the full balance each month?
- Is the initial discount worth it if you end up paying high interest later?
- Might it encourage you to spend more than you planned?

Understanding these points can help you make smart decisions about using store cards.

Charge cards overview

Charge cards are similar to credit cards in how you use them for payments, but they have a key difference: you must pay off the entire balance each month.

Limits and fees

Charge cards often have high or unlimited spending limits and are typically offered to people with higher incomes.

Many charge cards offer rewards such as:

- Airport lounge access
- Travel insurance
- Dining credits

Unlike credit cards, they don't offer 'revolving credit' as the balance must be paid in full monthly, meaning no interest is charged.

Full payment requirement

A drawback of charge cards is the necessity to clear the balance each month, with significant penalties for failure to do so. Careful budgeting for regular payments is essential.

Annual fees

Charge cards usually come with substantial yearly fees, reflecting their target market of high-income earners. Fees are likely to be at least £100 annually.

It's important to ensure the benefits outweigh the costs.

Prepaid cards

Prepaid cards work differently. You load money onto the card before you can use it, and you can only spend what you've put on the card. This makes them excellent for budgeting because you can't overspend.

They're also useful for travel, providing a secure alternative to cash and often offering good exchange rates. Gift cards are a common type of prepaid card that many people are familiar with.

Go to the TLM Learn Hub site to complete the activity: Lucy's credit card

Cash cards

Cash cards only allow you to withdraw money from bank branches or ATMs. You can't use them to make purchases directly.

Banks often give these to account holders under 18 instead of debit cards.

With a cash card, you can only withdraw money that's actually in your account, plus any overdraft amount if you have one.

Go to the TLM Learn Hub site to complete the activity: Payment card options

Module 3b: Non-card payments and financial technology

This module will help you:

- Compare automated methods for different types of payments
- Understand the concept of clearing
- Recognise how various payment methods assist in financial management

Introduction to financial technology (Fintech)

Financial technology, or fintech, refers to technology that improves how banks deliver services to their customers. While technology has advanced rapidly in recent years, banks have been updating their services for decades.

Let's explore both new innovations and established methods of financial service delivery.

Mobile banking applications

Mobile banking apps allow customers to manage their money on the go.
Here are some examples:

Digital wallets: Apple Pay and Google Pay

Digital wallets like Apple Pay and Google Pay allow users to make payments using devices such as smartphones or smartwatches.

These services offer:

- Contactless payment functionality without physical cards
- Extra security features
- Potential for higher transaction limits compared to standard contactless payments. However, many retailers set the same low limit per transaction as for contactless payments.

Mobile statements

Some banks offer mini-statements sent directly to your mobile phone if you have an online bank account. This is handy when you can't get to a computer or cash machine.

Electronic money transfer tools

Banks have used computers and electronic transfers for a long time. Modern technology has made these transactions much faster.

ATMs (Automated Teller Machines)

In Unit 1, we learned that an ATM enables customers to withdraw cash from their accounts at any time. What do you recall about using ATMs? Visit the course site to review.

ATMs allow customers to:

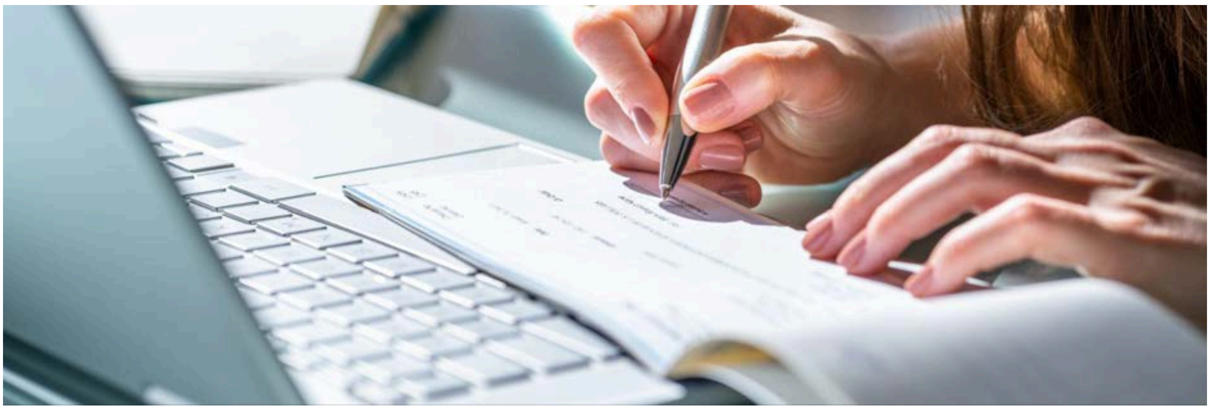
- Withdraw cash
- Check account balances
- Print mini-statements
- Change PINs
- Top up mobile phones
- Order cheque books

Faster payment systems

Faster Payments is a service that processes phone and internet payments quickly. Bills paid this way are usually settled on the same day or by the end of the next working day. Banks may set their own limits on these payments.

Cheques

While less common now, cheques remain an option when electronic transactions are impractical. However, the funds may take several days to clear, and some retailers no longer accept cheques.



Understanding the clearing cycle

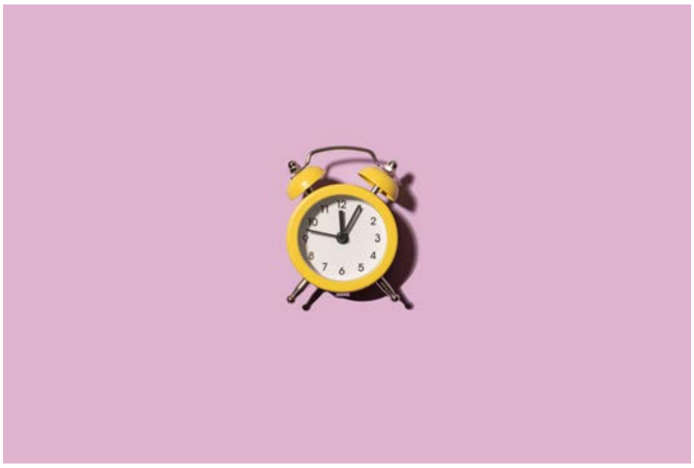
The clearing cycle is the process of transferring money from the payer's account (the person writing the cheque) to the payee's account (the person to whom the cheque is paid). Electronic payments generally clear faster than cheques.

These days, you don't always need to visit a bank branch to pay in a cheque. Many banks now offer a handy feature in their mobile apps that lets you deposit a cheque by simply taking a photo of it with your smartphone. It's like sending a 'selfie' of your cheque to the bank!

However, it's important to note that how quickly the money becomes available in your account can vary.

Cheque clearance times

The time it takes for a cheque to clear depends on whether you've paid it in at a branch or used the mobile app, and sometimes even on what time of day you do it. So, if you need the money quickly, it's worth checking with your bank about the fastest method.



Automated payment methods

Direct Debits

Direct debits allow companies to automatically withdraw funds from a customer's account to pay bills. The amount can vary based on the bill.

Standing Orders

Standing orders are instructions to a bank to make regular payments of a fixed amount to a specified account.

Bacs (Bankers' Automated Clearing Services)

Bacs handles automated payments made by banks and large organisations, including direct debits and standing orders.

CHAPS (Clearing House Automated Payment System)

CHAPS enables same-day, high-value payments.

Go to the TLM Learn Hub site to complete the activity: Non-card payments

Bank fees

Banks might charge for services such as:

- Setting up an account
- Maintaining an account
- Certain transactions

In the UK, most banks don't charge personal customers for standard payment methods like Faster Payments, cheques, direct debits, or standing orders. However, CHAPS payments usually have a fee.

Alternative payment systems: PayPal

PayPal is a service that securely stores your financial information, allowing you to pay or be paid without sharing your bank or card details directly with other people.

Example:

Zain has decided to clear out his old gaming consoles and accessories. He lists them on a popular online marketplace, hoping to make some extra cash. A user called 'GamerGirl2010' spots Zain's listing and messages him, interested in buying the lot.

Zain is excited but also a bit nervous. He's never sold anything online before and wonders how he'll know if it's safe to send the items. GamerGirl2010 suggests using PayPal for the transaction.

Here's how it works:

1. GamerGirl2010 agrees to buy Zain's gaming gear for £150.
2. She logs into her PayPal account and sends the payment to Zain's email address.
3. Within seconds, Zain receives an email from PayPal confirming that £150 has been paid into his account.
4. GamerGirl2010 also gets an email confirming that she's sent the money.

5. Zain checks his PayPal account and sees the payment has arrived safely.

Feeling reassured, Zain carefully packs up the consoles and posts them to GamerGirl2010. He's pleased with how smooth and secure the process was. Neither Zain nor GamerGirl2010 had to share their bank details with each other, making the transaction both easy and safe.

This example shows how PayPal can make online buying and selling simpler and more secure, especially for people new to online transactions.

Congratulations

You've completed module 3!

Ready to test your new knowledge? Go to the TLM Learn Hub site and have a go at the 'knowledge check' activity and end-of-module quiz to help cement what you've learnt.

Module 4: Understanding borrowing

Introduction

Sometimes we need to buy things we can't afford right now, like a car or house. This is when we might need to borrow money. But before we do, it's important to understand how much it will really cost us.

When you borrow money, you'll need to pay back more than you borrowed - this extra bit is called interest. Banks and other lenders show their interest rates as APR or EAR, which helps us compare different loans to find the best deal.

We also need to think about how things lose value over time. For example, a new car will be worth less in a few years' time. This matters when we're borrowing money to buy something.

In this module, we'll look at different ways to borrow money. We'll explore using an overdraft for short-term needs, taking out loans for bigger purchases, getting a mortgage to buy a house, and borrowing money with someone else.

Let's understand how to borrow money wisely and avoid any costly mistakes.

Module 4a: The basics of borrowing

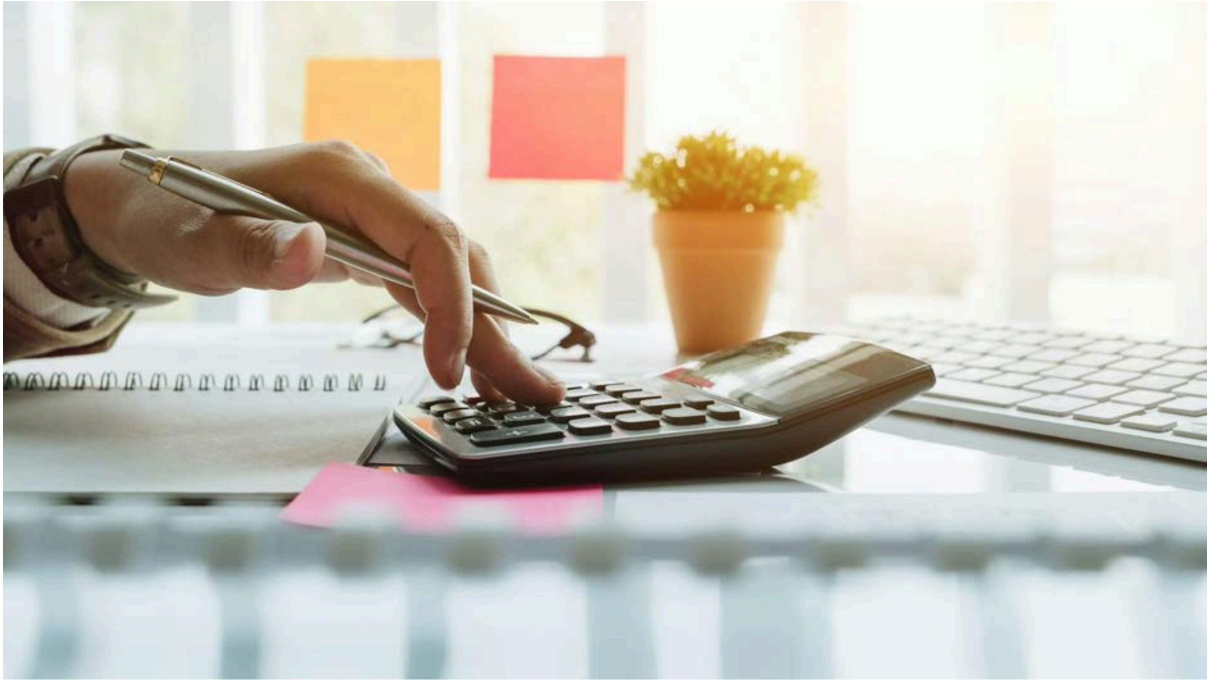
This module will help you:

- Get to grips with borrowing terminology
- Figure out if you can afford to borrow and understand interest payments
- Explain why using credit can be useful
- Learn about different ways to borrow money
- Tell the difference between short, medium, and long-term borrowing options

What's borrowing all about?

Remember when we talked about why people borrow money in Unit 1? Sometimes you might want to buy something big, like a laptop, but saving up for it could take ages. By borrowing, you get to enjoy your purchase sooner, but there's a catch – you have to pay back the lender, plus interest and sometimes extra fees.

Can you actually afford it?



Before you jump into borrowing, it's crucial to work out if you can manage the repayments on top of your other essential expenses. Create a budget and think about:

- Is your job stable?
- Will your income stay the same?
- Are there any new expenses coming up in the future?

The cost of borrowing: Interest

Lenders make money by charging interest on what you borrow. It's always shown as a percentage of the amount you've borrowed, and it's the yearly cost.

Let's look at a couple of examples:

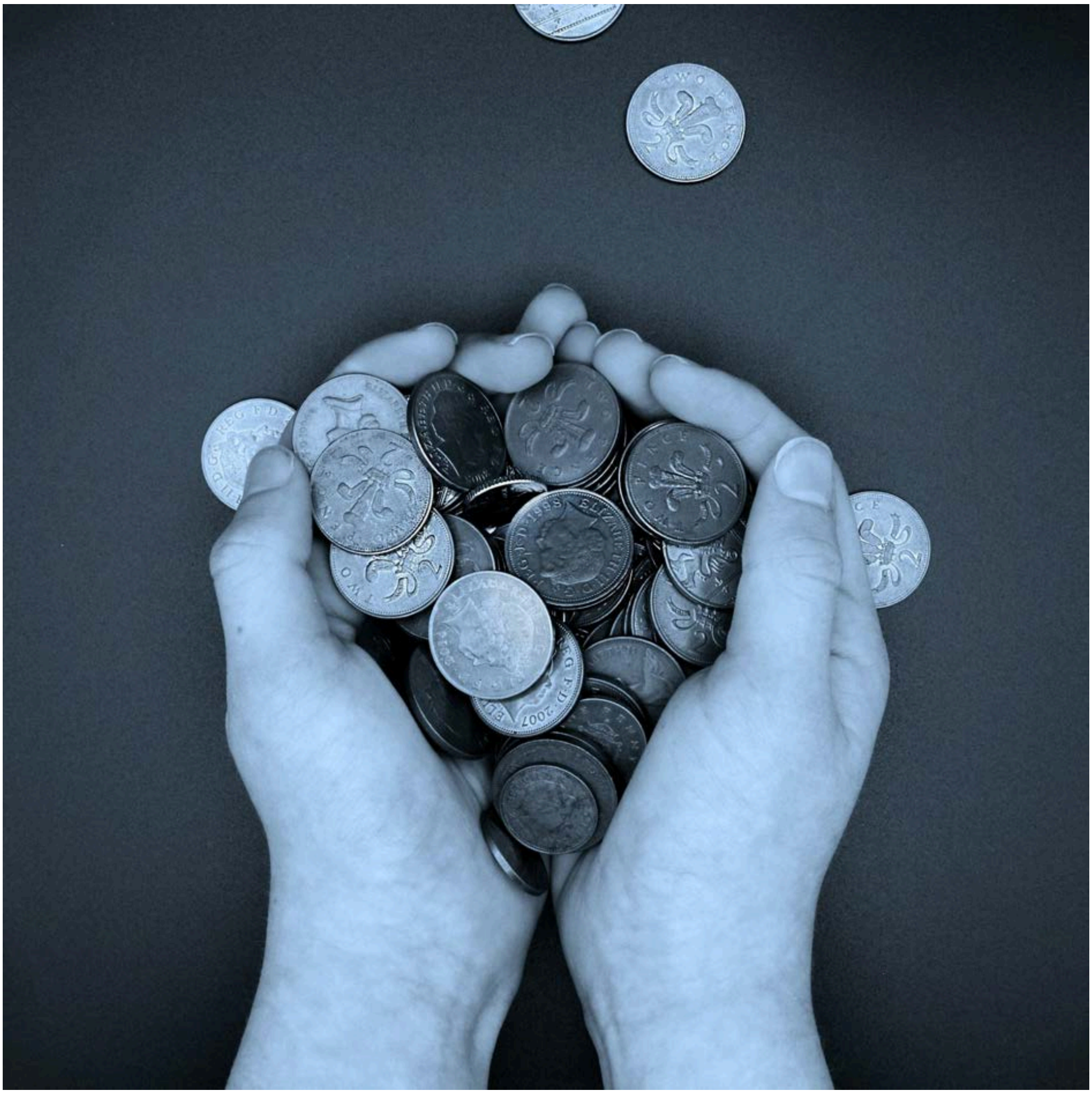
1. Zara borrows £1,800 at 8% interest:
    - Yearly interest: £1,800 x 0.08 = £144
    - Monthly interest: £144 ÷ 12 = £12
    - Total to repay over one year: £1,800 + £144 = £1,944
    - Monthly repayment: £1,944 ÷ 12 = £162

2. Kevin borrows £7,500 for a motorbike at 5% interest:
    - Yearly interest: £7,500 x 0.05 = £375
    - Monthly interest: £375 ÷ 12 = £31.25
    - Total to repay over one year: £7,500 + £375 = £7,875
    - Monthly repayment: £7,875 ÷ 12 = £656.25

Kevin's monthly payments are quite high, so he might need to spread them over a longer period. This means lower monthly payments, but he'll end up paying more interest overall.

Go to the TLM Learn Hub site to complete the activity: Interest costs

Overdrafts: The short-term solution



An overdraft lets you spend more than what's in your account, up to an agreed limit. It's handy because you can use your debit card or payment apps as usual. But watch out – if you're always using a big overdraft, you'll rack up high interest charges and might struggle to get back in the black.

Payday loans: Handle with care

Payday loans are another short-term option, usually for a few months. You borrow a lump sum and pay it back in equal instalments. But be careful – they're often way more expensive than overdrafts, with interest rates over 200% being common. Use these sparingly and only for short periods.

Credit cards and store cards

We covered these in Module 3a. They're useful for short-term borrowing and can offer perks, but remember to pay them off in full each month to avoid high interest charges.

Personal Loans: For Bigger Purchases

Personal loans are great for things like buying a second-hand car. You can choose how long you want to borrow for, and the repayments stay the same each month, making budgeting easier. But remember, they're a big commitment. Before taking one out, ask yourself:

- Do I really need this?
- Is there a cheaper alternative?
- Can I definitely afford the repayments?

When you're taking out a loan, try to keep it as short as possible while still being able to afford the repayments. This is because the thing you're buying will probably lose value over time - this is called depreciation.

Depreciation is when something becomes worth less money as time goes on. This can happen because:

- You've used it a lot
- It's gotten a bit worn out
- It's not as fashionable or up-to-date anymore

For example, if you buy a new mobile phone, it'll be worth less in a year's time than when you first bought it. By keeping your loan term short, you're less likely to end up owing more money than the item is worth.

Hire Purchase (HP): Try Before You Buy

HP is often used for things like furniture or electronics. You pay a deposit, then monthly instalments. You're basically hiring the item while you pay for it. At the end, you can either give it back or make a small final payment to own it outright.

Mortgages: The Big One

A mortgage is a massive loan used to buy property, usually over 25 or 30 years. For most people, it's the only way to afford a house. The long repayment period keeps monthly costs lower, but you'll pay more interest overall.

Remember, if you stop making payments, the lender can take back the property. Mortgage rules are strict and they have their own rulebook called **MCOB** (Mortgages and Home Finance: Conduct of Business Sourcebook).

Knowledge Quest

To understand the cost of housing in the UK, check the average house price online at: http://landregistry.data.gov.uk/app/ukhpi

Go to the TLM Learn Hub site to complete the activity: Types of borrowing

Module 4b: Borrowing options and legal considerations

This module will help you:

- Understand the real cost of borrowing money by learning about:
  - APR (Annual Percentage Rate)
  - EAR (Equivalent Annual Rate)
- Understand how depreciation affects borrowing
- Learn how to compare different ways of borrowing money
- Know your rights and responsibilities when you borrow money

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

When you're thinking about borrowing money, it's important to know exactly how much it will cost you. Banks have to give you clear information about this, but they use some terms that might sound a bit confusing at first. Let's break them down:

APR (Annual Percentage Rate): This is the yearly cost of borrowing, including interest and any other fees. It's like a price tag for loans and credit cards. All lenders have to calculate it the same way, so it's great for comparing different options.

EAR (Equivalent Annual Rate): This is used specifically for overdrafts. It shows how much interest you'd pay over a year if you stayed overdrawn, including compound interest (where you pay interest on the interest). Unlike APR, it doesn't include extra fees.

Don't mix up EAR with AER:

- AER is for savings accounts - it shows how much interest you'd earn.
- EAR is for overdrafts - it shows how much interest you'd pay.

Why this matters: Imagine two banks trying to get your business:

Bank 1: "No fees for 3 months! Low interest after that!"

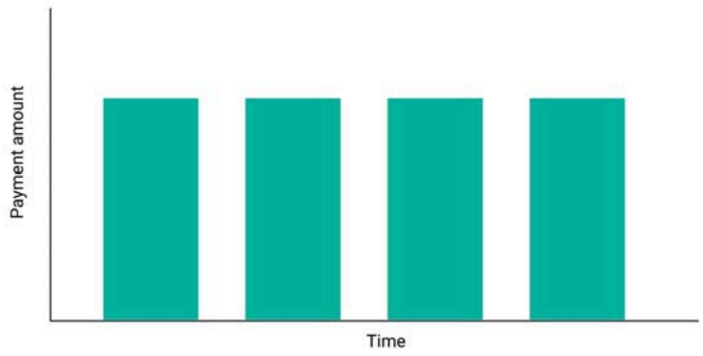
Bank 2: "Great rates for students! No hidden costs!"

Instead of getting caught up in the marketing, you can ask both: "What's the APR?" This gives you a clear way to compare which option is actually cheaper in the long run.

Remember, when it comes to borrowing, knowing these rates helps you make smarter choices with your money. Don't be fooled by flashy adverts - look for the numbers that really count!

Fixed APR

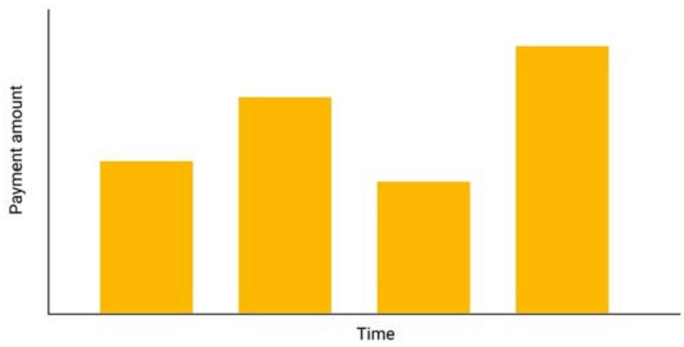
When you get a personal loan, the interest rate, shown as APR, is 'fixed'. This means it won't go up or down while you're paying off the loan. To help you understand what you'll be paying each month, the bank or lender will give you a chart. This chart breaks down your payments based on this steady APR, so you can see exactly what you owe and when.



Variable APR

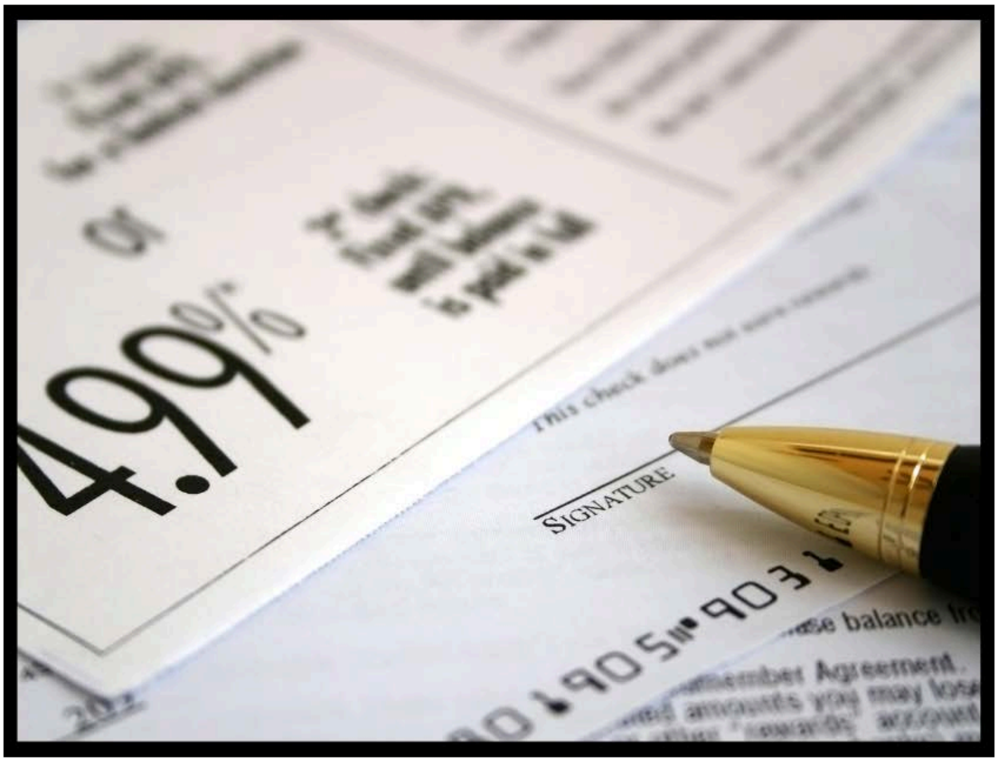
When the APR on your loans can shift, we call it 'variable'.

This means the amount you pay in interest might increase or decrease each month, based on the current interest rate.



Since these debts often take a long time to pay off, the bank or lender doesn't set a fixed interest rate for the whole period.

Representative APR



When you see a bank advert with a 'representative' APR, it means they must give that rate to at least half (51%) of the people who get approved for the loan. The other half might get a different rate, which is often higher.

This representative APR is handy for looking at different loans side by side. But remember, you're not guaranteed to get this exact rate when you apply. The APR you're offered depends on things like your income and credit history.

Equivalent annual rate (EAR)

EAR is a special way banks talk about interest rates for overdrafts. It looks at two things:

- **The interest rate itself**
- **How they work out the interest**

It's not quite the same as other loan calculations because an overdraft is linked to your everyday bank account, which might sometimes have money in it.

For example: Let's say Olivia has £2,000 in her account. What happens if she spends different amounts?

The EAR tells Olivia what she'd pay if she used her overdraft all the time.

Since April 2020, banks can't charge you more for going over your overdraft limit than they do when you stay within it.

Go to the TLM Learn Hub site to complete the activity: What is the cost of different loans?

Extra costs when borrowing money

Sometimes banks charge you for setting up a loan. This happens more often with special loans or big ones like mortgages that need lots of paperwork. Credit cards can have fees too.

You might have to pay a fee for getting certain interest rates. These fees are part of the APR you see advertised.

But watch out - there are other fees you only pay if you don't follow the rules:

- For example, you might be charged if you spend more than your credit card limit allows.

Banks have to tell you clearly about all these fees. It's important to think about them when you're choosing which loan or credit card to get.

The full price of borrowing

Banks have to tell you how much you'll pay back in total over the whole time you're borrowing.

For example: Tom gets a personal loan for two years. The bank says: "The total cost of borrowing is £3,600." This means Tom pays £150 each month for 24 months (£3,600 divided by 24).

It's easy to understand the total cost for personal loans. But for credit cards, it gets a bit tricky.

With credit cards, the bank might guess you'll borrow £1,000 and pay it back bit by bit. So the 'total cost' they tell you is just a rough idea. Nobody knows exactly how much you'll end up borrowing on your credit card.

Interest-free credit - When borrowing looks free

Interest-free credit might sound brilliant, but there's often a catch. We talked about this in Unit 1.

For example: Emma buys a new phone on a deal with no interest for a year. After 12 months, she's only managed to pay off half of what she owes.

The shop, MobileWorld, sends Emma a message saying her interest-free time is up. They tell her she needs to pay the rest of the money now.

Emma can't afford to do this, so MobileWorld starts charging her lots of interest on her monthly payments from then on.

Some credit cards offer a '0% APR' at the start to get you interested. This can be a good way to borrow for a short time - but only if you can pay back what you borrowed before this special period ends. If you can't, the interest can add up quickly once the deal is over.

Depreciation

Depreciation is a fancy word for when items become worth less over time.

For example: Let's say Aisha buys a new computer for £800. In two years, it won't be worth nearly as much. How much it's worth then depends on:

- What model of computer it is
- How often Aisha has used it
- How well she's taken care of it
- Other factors too

Banks think about this when they decide whether to give you a loan. They don't want the loan to last longer than you'll keep the item you're buying. If it does, you might end up owing more money than the item is worth.

Banks worry that people might stop paying back their loan if they no longer have the item or if it's not worth much. That's why they're careful about how long the loan lasts.

Go to the TLM Learn Hub site to complete the activity: Depreciation

Appreciation

Sometimes, items you buy can actually go up in value over time. This is the opposite of depreciation, and we call it appreciation.

What kind of objects might become worth more? Usually, it's things that are rare or in short supply - like:

- Special limited edition products
- Classic cars that people admire
- Paintings and other artworks
- Antiques and collectibles

Houses and flats can also go up in value. Even though property prices might drop when the country's having a tough time, they usually become worth more if you keep them for a while.

Choosing the right product

When you're trying to pick the best type of credit for you, ask yourself these questions:

Thinking about these questions will help you figure out which borrowing option suits you best. After that, you'll need to compare the APR or EAR to find the cheapest deal.

Go to the TLM Learn Hub site to complete the activity: Borrowing costs

Understanding the risks of borrowing

Have you ever wondered how people afford expensive purchases like houses or cars?

Some loans are 'secured' against valuable assets, such as a house or car.

- Buying a house typically requires a mortgage.
- Purchasing a car might involve hire purchase (HP).

The crucial point to understand is this: if you can't repay a secured loan, the lender can seize and sell your asset to recover their money. This process is called repossession, and it's as serious as it sounds.

This is why mortgage advertisements always include a stark warning: "Your home may be repossessed if you do not keep up repayments on your mortgage."

Secured loans often have lower interest rates. The reason? The lender has the reassurance of your asset as a safeguard if you stop making payments.

In contrast, there are **unsecured loans**. These are based on trust - the lender is relying on your promise to repay. While there's no specific asset to claim if you default, they can still take legal action to recover their money.

Personal loans and small overdrafts typically fall into the unsecured category.

Remember, borrowing money is a significant responsibility. Always carefully consider the implications before taking on any debt, and ensure you fully understand the terms of any agreement you're entering into.

The paperwork behind borrowing: What you need to know

When you borrow money, it's not just a handshake deal. There's an important document called a **credit agreement** that comes into play. Let's break it down.

As soon as a lender agrees to let you borrow, they must send you this credit agreement. It could be a digital version or a good old-fashioned paper copy.

This agreement isn't just a formality - it's packed with crucial information, including:

The lender's identity	**How much you can borrow**	**How long you have to pay it back**	**The APR or EAR (fancy terms for interest rates)**

The total amount you'll end up paying	**How and when you need to make repayments**	**The total cost of borrowing (interest and fees combined)**

Now, this agreement isn't one-sided. Both you and the lender have to agree to certain terms and conditions. These spell out what each of you must do.

For instance:

- The lender must clearly state the APR and the total cost of credit.
- You, as the borrower, promise to make regular repayments and keep the lender updated if you change address.

Remember, this agreement is a legally binding contract. Before you sign on the dotted line, make sure you understand every detail. Don't be afraid to ask questions!

Joint borrowing

When two or more people take out a loan together, it's called a 'joint loan'. All borrowers must sign the credit agreement.

For joint loans, there's something called 'joint and several liability'. This means that each person who took out the loan is responsible for paying back the whole amount, not just their share.

For example: Tom and Zoe are best friends who decide to buy a second-hand car together for £3,000. They take out a joint loan from the bank to pay for it.

They agree to split the cost equally, each paying £100 per month towards the loan. After six months, Tom loses his part-time job at the local shop and can't afford to pay anymore.

Zoe goes to the bank, thinking she only needs to pay her half. But the bank manager explains that because of joint and several liability, Zoe is responsible for the full remaining balance of £1,800.

This means Zoe has to pay back all the money, even though half of it was meant to be Tom's responsibility. If she wants Tom to pay his share, she'll have to sort that out with him herself.

Cooling-off period - The right to withdraw

Sometimes you can arrange to borrow money by visiting a bank or building society. But these days, it's more common to set up loans online or by phone, without meeting anyone face-to-face.

When you agree to borrow money for personal reasons - like getting a credit card, taking out a loan, or buying something on a store card - you usually get a 14-day 'cooling-off' period. This applies to most types of personal borrowing.

During these 14 days, you can change your mind about borrowing the money. If you decide you don't want to go ahead, you can tell the lender and cancel the agreement without having to pay anything.

For example: Jack applies for a credit card online and gets approved for a £1,000 limit. Three days later, he realises he doesn't really need it and is worried about overspending.

Jack contacts the credit card company and tells them he wants to cancel. Because he's still within the 14-day cooling-off period, he can do this without any cost or penalty.

Remember, this think-it-over time is there to protect you. It gives you a chance to really consider if borrowing money is the right choice for you.

Old enough to borrow?

To get a loan from a bank or other lender, you need to be at least 18 years old. This is because if you can't pay back the money, the lender might need to take you to court. They can only do this if you're an adult.

Most lenders also have a top age limit for borrowers. In the past, this was often the same as when people started getting their state pension. But because many people are working longer these days, some lenders are changing their rules to let older people borrow too.

Islamic finance

Some people follow special rules about money based on their religious beliefs. For Muslims, there's a way of handling money called Islamic finance. It follows guidelines from Islamic teachings, sometimes called Shariah (Islamic law).

In Islamic finance, people believe that money shouldn't be valuable on its own. It's just a tool for buying and selling things that are actually worth something.

This means that Muslims try not to make money just from having money (riba). So, they avoid paying or getting interest when they can.

Buying a home

If you're looking to buy a house through Islamic finance, there are two main options:

1. The "buy-for-you" plan (murabaha): The bank purchases the house you've chosen. They then sell it to you for a higher price, allowing you to pay them back in smaller amounts over time.
2. The "shared ownership" plan (musharaka): You and the bank buy the house together as partners. Over time, you slowly buy the bank's portion of the house until you own it completely.

With both these options, you end up paying more than just the house price. This extra money covers the bank's costs and accounts for the fact that you're living in a property that the bank partially owns at first.

Remember, while these plans are different from standard mortgages, they still involve paying more than the original house price in the long run.

Congratulations

You've completed module 4!

Ready to test your new knowledge? Go to the TLM Learn Hub site and have a go at the 'knowledge check' activity and end-of-module quiz to help cement what you've learnt.

Module 5: Understanding money abroad

Introduction

When we go on holiday abroad, we usually need to change our pounds into the local money. Different countries use different types of money - for example, many European countries use euros.

To change your money, you'll need to look at the exchange rate. This tells you how much foreign money you'll get for your pounds. These rates change every day, a bit like prices in shops. In this module, we'll look at how to change your money before you travel, where to get the best rates, different ways to pay when you're abroad…like using cash machines or cards, how to avoid paying too much in fees and tips for using your mobile phone abroad without big costs.

Let's learn how to get the most from our money when we're in another country!

This module will help you to:

- Understand how to exchange your pounds for foreign currencies
- Explain how to use money in different countries
- Understand terms related to currencies and foreign exchange
- Understand where to exchange money when abroad
- Understand variable exchange rates and the risks involved
- Know how to use cards and travellers' cheques in other countries
- Understand mobile phone costs when travelling abroad

Note: When we discuss exchanging money, we're referring to banknotes only. If you return from a trip with foreign coins, consider saving them for future travel or starting a collection.

What is a currency?

A currency is the system of money used in a country (or groups of countries). Each currency has its own name, a three-letter code, and a specific value. Some currencies also have symbols.

Here are a few examples:

- Euro (EUR): Used in many European Union countries. Its symbol is '€'.
- US Dollar (USD): The currency of the United States. Its symbol is '$'.
- British Pound Sterling (GBP): Our currency in the UK. Its symbol is '£'.

It's worth noting that while many countries use 'dollar' in their currency names (like Australia (AUD) and Canada (CAD)), these are all separate currencies with different values.

- Other countries use different names for their individual currencies. For example, the currency in Poland is the currency 'zloty' (PLN).

Exchanging currencies

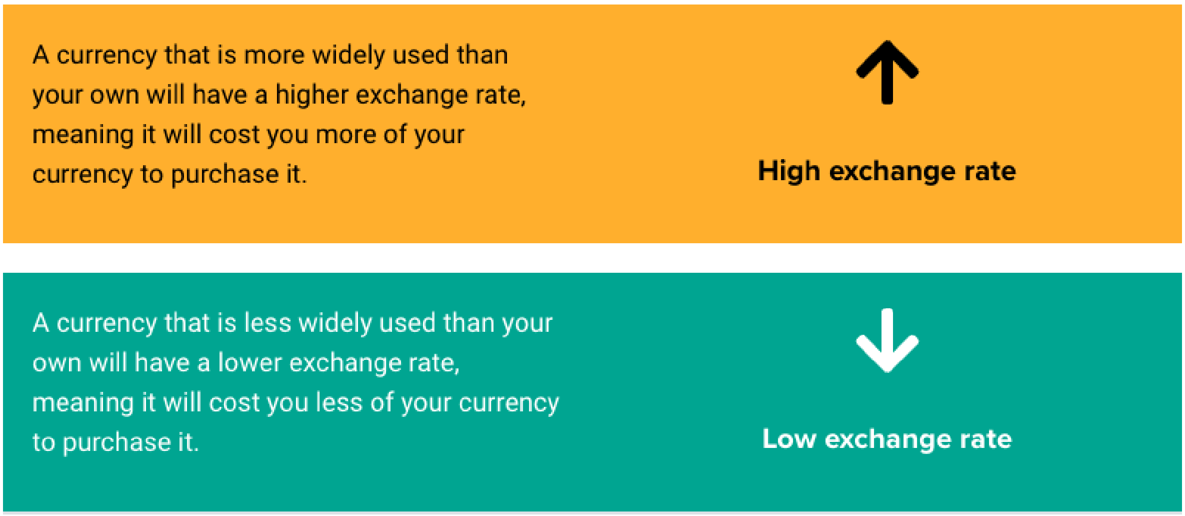
When you visit another country, you'll need to use their local currency to pay for things. This means exchanging your pounds for the currency of the country you're visiting.

Understanding exchange rates

The exchange rate tells you how much of one currency you can get for another. Exchange rates change frequently due to various economic factors. There's a global market where currencies are bought and sold, which affects their relative values.

[Insert a clear diagram explaining currency exchange]

More widely used currencies often have higher demand, which can influence their exchange rates.



Calculating currency exchanges

When you're buying foreign currency, you'll be given an exchange rate.

This is the rate at which market makers like banks or currency exchanges will offer you the foreign currency. When you get foreign money, you're buying it from the market maker and they're selling it to you. Think of it like a shop, but instead of selling goods, they're selling different types of money.

Here's how to calculate how much foreign currency you'll receive:

Your pounds × Exchange rate = Foreign currency you'll receive

Let's look at some examples:

1. Olivia wants to change £100 into euros. The exchange rate is 1.15.

£100 × 1.15 = €115

Olivia will get €115 for her £100.

2. Rahul wants to change £200 into US dollars. The exchange rate is 1.30.

   £200 × 1.30 = $260

   Rahul will get $260 for his £200.

If you have leftover foreign money after your trip, you can change it back to pounds. This time, you're selling and the bank is buying. The rates for buying and selling are usually different.

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

Currency	Sell rate	Buy rate
euro	1.2567	1.4321
US dollars	1.4102	1.6235
Australian dollars	2.0134	2.3205
Chinese yuan	9.1543	11.2386
Danish krone	9.3451	10.7654
Hong Kong dollars	11.2345	12.8901

Let's say Zara has €150 left from her holiday in Italy. The bank's buying rate for euros that day is 1.4 (see the table above).

€150 ÷ 1.4 = £107.14

Zara will get £107.14 for her €150.

How currency exchanges make money

Market makers make money by having different rates for buying and for selling a certain currency. The difference between these rates is called the 'spread'.

For example, if you exchange £1,000 into euros and then change it back on the same day:

The bank's selling rate for euros: 1.15

£1,000 × 1.15 = €1,150

The bank's buying rate for euros: 1.25

€1,150 ÷ 1.25 = £920

The bank has made £80 profit (£1,000 - £920 = £80).

Commission

Some currency exchanges also charge a commission, which is an extra fee on top of the exchange rate. This reduces the amount of foreign currency you get.

For example, if Aisha changes £200 into dollars and gets $260, but the exchange charges 2% commission:

2% of $260 = $5.20

$260 - $5.20 = $254.80

Aisha will actually get $254.80 instead of $260.

!Be careful of currency exchanges that charge high commission when you're abroad!

Go to the TLM Learn Hub site to complete the activity: Exchange rates

Using money abroad

Before you travel, find out what currency is used in the country you're visiting. To have local currency when you arrive, you can:

- Buy foreign currency notes before you go
- Use a payment card while you're abroad
- Buy travellers' cheques (though these are less common now)

You might need to exchange money after you arrive. You can usually do this at your hotel, but you'll often get a better rate at a bank or currency exchange office.

Buying cash

You can buy foreign currency notes before you leave or after you arrive. You can usually get major foreign currencies at banks, main Post Offices, some large shops, or at bureaux de change (French for 'currency exchange offices').

Important: Check before you go! Some countries limit how much cash you can bring in. A few countries have 'closed currencies' that you can only get once you're there and can't take out when you leave, like in Cuba or Zimbabwe.

It's useful to get some foreign cash before you go so you can get used to it. Cash is handy because you can use it anywhere, but it's not safe to carry too much.

Keep an eye on exchange rates to see if you can buy when the rate is good.

Swiping globally: Mastering international card payments

Debit card

You can use your debit card at cash machines (ATMs) and in shops and hotels abroad. Look for familiar symbols on your card that match those on the ATM or in the shop.

The amount you spend will be changed into pounds and debited from your bank account. The exchange rate used is the one on the day the transaction is processed.

Example: Jasmine uses her debit card to spend €70 on a museum ticket in Paris. £60 is taken from her bank account.

Credit card

You can use a credit card anywhere that accepts major cards like Visa or MasterCard. The amount you spend will be changed to pounds and added to your next credit card bill.

The exchange rate used is the one on the day the transaction is processed.

Prepaid cash card

A prepaid cash card is loaded with money before you travel. You can use it to get cash from ATMs or make purchases. Once you've spent all the money on it, you can't use it again until you add more.

These cards are protected if stolen but may not offer as much protection as debit or credit cards. Always report any theft or fraud to the card provider as soon as possible.

Important: Tell your bank you're going on holiday. Otherwise, they might think your card is being used fraudulently and block it.

Travellers' cheques

Travellers' cheques are an older way of taking money abroad. They're paper documents worth specific amounts, such as $50 or $100.

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

Here's what else you need to know about them:

1. You'll see the amount of money the cheque is worth printed clearly on the front.
2. When you get your traveller's cheques, you need to sign them straight away. This is your first signature.
3. When you want to use a cheque, you'll need to sign it again in front of the person who's giving you the money. This second signature helps prove it's really you.
4. It's a good idea to write down all the unique numbers of your cheques and keep this list separate from the cheques themselves. If your cheques get lost or stolen, you can use these numbers to report them and get replacements.

When you're on your holiday, you can exchange your traveller's cheques for local money at banks or often at your hotel. They'll give you the same amount in local currency as the value printed on the cheque.

They're safer than cash because if you lose them, you can report the missing cheque numbers and get new ones.

However, most people now prefer to use cards, which often offer better exchange rates.

Changes in exchange rates

Exchange rates change all the time due to currency trading. This means the exchange rates are variable – they vary all the time.

If you're changing money, it's a good idea to compare rates from different places to get the best deal.

Go to the TLM Learn Hub site to complete the activity: Which exchange rate?

What is exchange rate risk?

Because exchange rates change, you might get more or less money than you expect when you exchange currencies. This is called exchange rate risk.

For small amounts, this might just be annoying. For larger amounts, like buying a holiday home, it can make a big difference.

Example:

Liam and Emma are buying a villa in Spain for €300,000.

Today, that costs about £260,000. But in three months when they're ready to buy, it could cost £280,000 or £245,000, depending on how the exchange rate changes.

Forward rate

One way to remove exchange rate risk is to secure a special exchange rate, known as a forward rate. These are special deals that fix the exchange rate for a future date.

Many companies use forward rates when doing business abroad. This helps businesses avoid surprises from changing currency values when buying or selling overseas.

For example: Let's use the example above - Liam and Emma have saved up £255,000 and want to buy a villa in Spain that costs €300,000. At present, the exchange rate is £1 = €1.15.

Current situation:

- Villa cost: €300,000
- Current exchange rate: £1 = €1.15
- Cost in sterling: €300,000 ÷ 1.15 = £260,870

Liam and Emma have nearly enough money now, but the sale won't be finalised for 6 months. They're worried that the euro might become more expensive against the pound by then.

So, they go to their bank and enquire about a forward rate. The bank offers a 6-month forward rate of £1 = €1.12. This means:

Forward rate deal:

- Liam and Emma agree to buy €300,000 in 6 months
- Guaranteed rate: £1 = €1.12
- Locked-in cost: €300,000 ÷ 1.12 = £267,857

Now, let's look at two possible scenarios after 6 months:

Scenario 1: Euro becomes more expensive against the pound

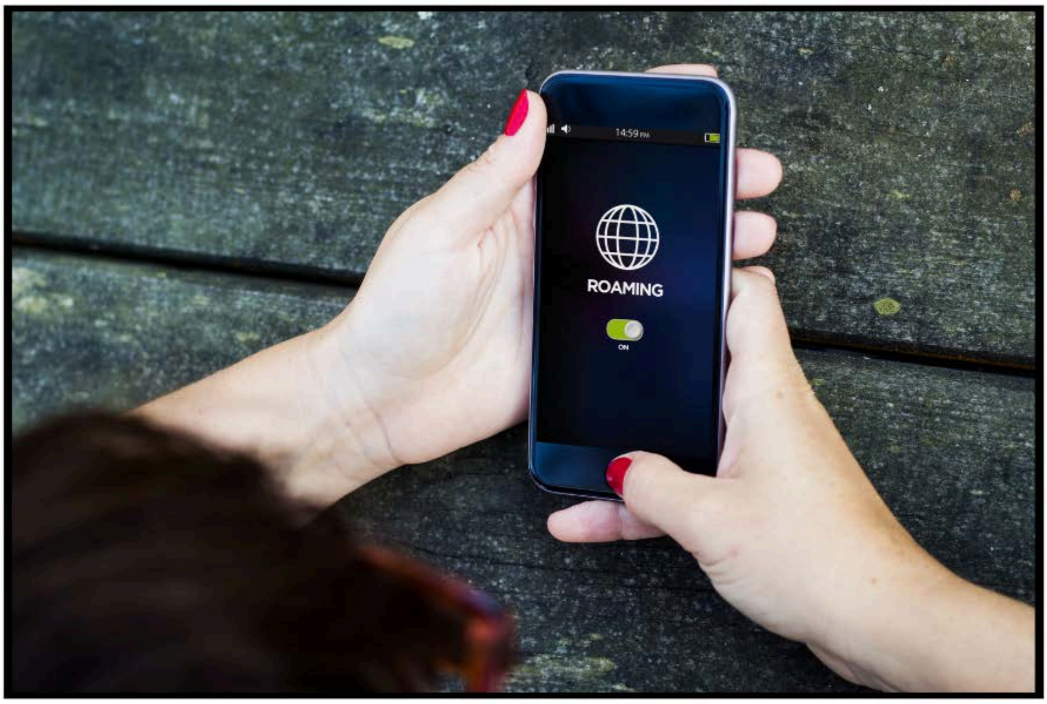
- Actual rate after 6 months: £1 = €1.08
- Without forward rate: €300,000 ÷ 1.08 = £277,778
- With forward rate: Emma still pays £267,857
- Emma saves: £9,921

Scenario 2: Euro becomes cheaper against the pound

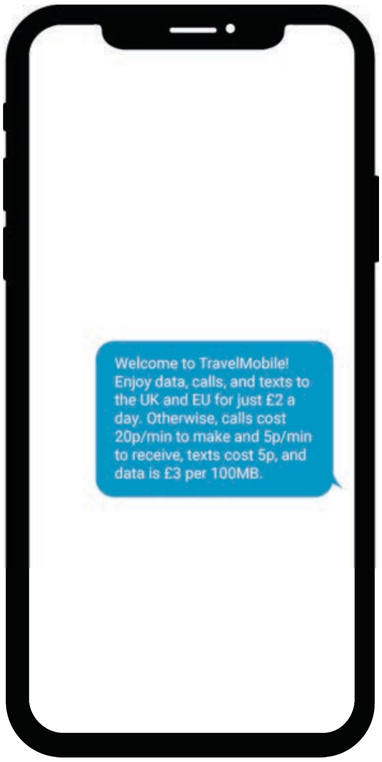
- Actual rate after 6 months: £1 = €1.18
- Without forward rate: €300,000 ÷ 1.18 = £254,237
- With forward rate: Emma still pays £267,857
- Emma pays extra: £13,620

The forward rate protects Emma from a fall in the pound's value against the euro, ensuring the villa remains affordable. However, if the pound's value rises against the euro, Emma can't take advantage of the better rate.

Roaming fees: Managing phone costs abroad



Using your mobile phone in another country is called 'roaming'. It can be very expensive if you're not careful.



"Welcome to TravelMobile! Enjoy data, calls, and texts to the UK and EU for just £2 a day. Otherwise, calls cost 20p/min to make and 5p/min to receive, texts cost 5p, and data is £3 per 100MB."

Tips for using your phone abroad:

1. Check your provider's roaming charges before you go
2. See if your provider offers any special deals for the country you're visiting
3. Be aware that you might be charged for receiving calls or voicemail messages
4. The safest option is to turn off your mobile data and only use free Wi-Fi
5. Use internet-based apps for calls and messages when on Wi-Fi

Congratulations

You've completed module 5!

Ready to test your new knowledge? Go to the TLM Learn Hub site and have a go at the 'knowledge check' activity and end-of-module quiz to help cement what you've learnt.

Module 6: Budgeting and managing financial challenges

Introduction

We all need to be careful with our money to avoid getting into trouble. Sometimes people spend more than they can afford and end up struggling to pay their bills and debts.

This is why making a budget is so important. It helps us keep track of what money we have coming in and what we're spending. In this module, we'll explore how to manage our money wisely and understand what can go wrong if we don't stick to a budget. We'll examine why some people end up with money problems, what happens if we can't pay our bills or debts, and where to get help if we're worried about money.

Sometimes money troubles happen because of things we can't control, like losing a job or going through a divorce. We'll talk about what to do in these situations and how to deal with companies we owe money to.

Let's learn how to spot money problems early and what steps we can take to sort them out.

Module 6a: The importance of budgeting

This module will help you to understand:

- Why people choose to make a budget
- The difference between essential and non-essential bills
- Why it's important to keep an eye on your budget
- What might happen if you don't budget well

What's a budget?

Budgeting is all about estimating how much money you'll get (income) and how much you'll spend (expenditure) over a certain time. It's essentially creating a financial plan for your future.

People usually make a budget and then check if they need to change it every so often. You can make budgets for:

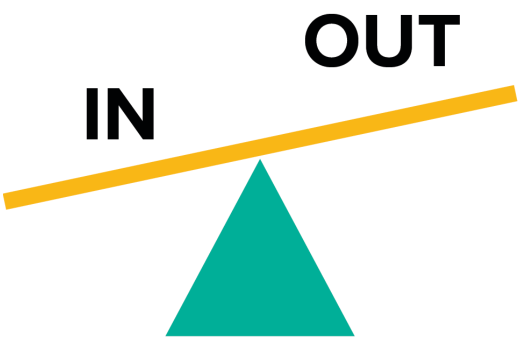
One person	A group of people	Any business or organisation that deals with money

Creating a budget

A budget tries to predict how much money someone might have coming in and where they might spend it. This is also called 'cash flow analysis' because it looks at what money is coming in, what's going out, and what that means overall.

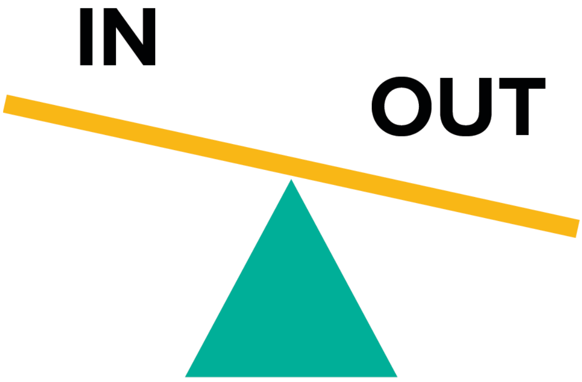
When someone makes a budget, they write down *all* their sources of income and *all* their expenses over a set time. Many people get paid monthly, so a monthly budget often works well, especially if they set up their regular bills to be paid automatically each month.

A deficit budget happens when you're spending more than you're earning. This usually means you're either using up your savings or borrowing money to cover your expenses.



A balanced budget means your income matches your expenses exactly. You're covering all your costs, but not saving anything extra.

A surplus budget is when you have more money coming in than going out. It's like having extra cash left over after buying everything you need and want.



If you find yourself spending more than you're earning, it's time to consider some financial adjustments. There are two main strategies to address this:

1. Increase your income: Explore ways to bring in more money.
2. Reduce your expenses: Look for areas where you can spend less.

Let's look at some examples of different budget situations.

Example: Deficit budget

Emma's monthly budget:

Income		Expenditure	
Job	£2000	Rent	£800
		Groceries	£300
		Utilities	£150
		Transport	£200
		Entertainment	£250

		Credit card	£500
Total income	£2,000	Total expenditure	£2,200

Emma is spending £200 more than she earns each month, creating a deficit.

Example: Balanced budget

Emma's adjusted monthly budget:

Income		**Expenditure**	
Job	£2000	Rent	£800
		Groceries	£250
		Utilities	£150
		Transport	£180
		Entertainment	£150
		Credit card	£470
Total income	£2,000	Total expenditure	£2,000

To balance her budget, Emma made the following changes:

1. Reduced grocery spending by meal planning and using cheaper brands
2. Cut transport costs by walking more and using public transport
3. Decreased entertainment expenses by finding free or low-cost activities
4. Negotiated a slightly lower credit card payment with her provider

By making these adjustments, Emma has created a balanced budget without increasing her income. This approach helps her live within her means and avoid accumulating more debt.

Example: Surplus budget

Emma's budgeting success has caught the attention of her brother, Alex. Recently, Alex faced a financial setback when his car unexpectedly broke down, resulting in a large repair bill. Inspired by his sister's success, he decides to create his own budget. His main goal is to build an emergency fund to prepare for unexpected expenses.

He sets himself a clear target: to save enough money to cover 1 month of living expenses. This emergency fund will act as a buffer, allowing him to handle unforeseen costs without getting in the way of his other financial goals or relying on debt.

Alex's monthly budget:

Income		Expenditure	
Job	£2500	Rent	£800
		Groceries	£250
		Utilities	£150
		Transport	£150
		Entertainment	£200
		Council tax	£120
		Phone and internet	£60
		Insurance	£50
		Gym membership	£40
		Miscellaneous	£280
Total income	£2,500	Total expenditure	£2,100

Alex works out that he is in surplus by £400 per month.

Alex chooses to invest this surplus into a separate savings account so that he's better prepared for future financial surprises. He works out that after 6 months, he will have £2,400 saved which slightly exceeds his one-month goal.

Why budget?

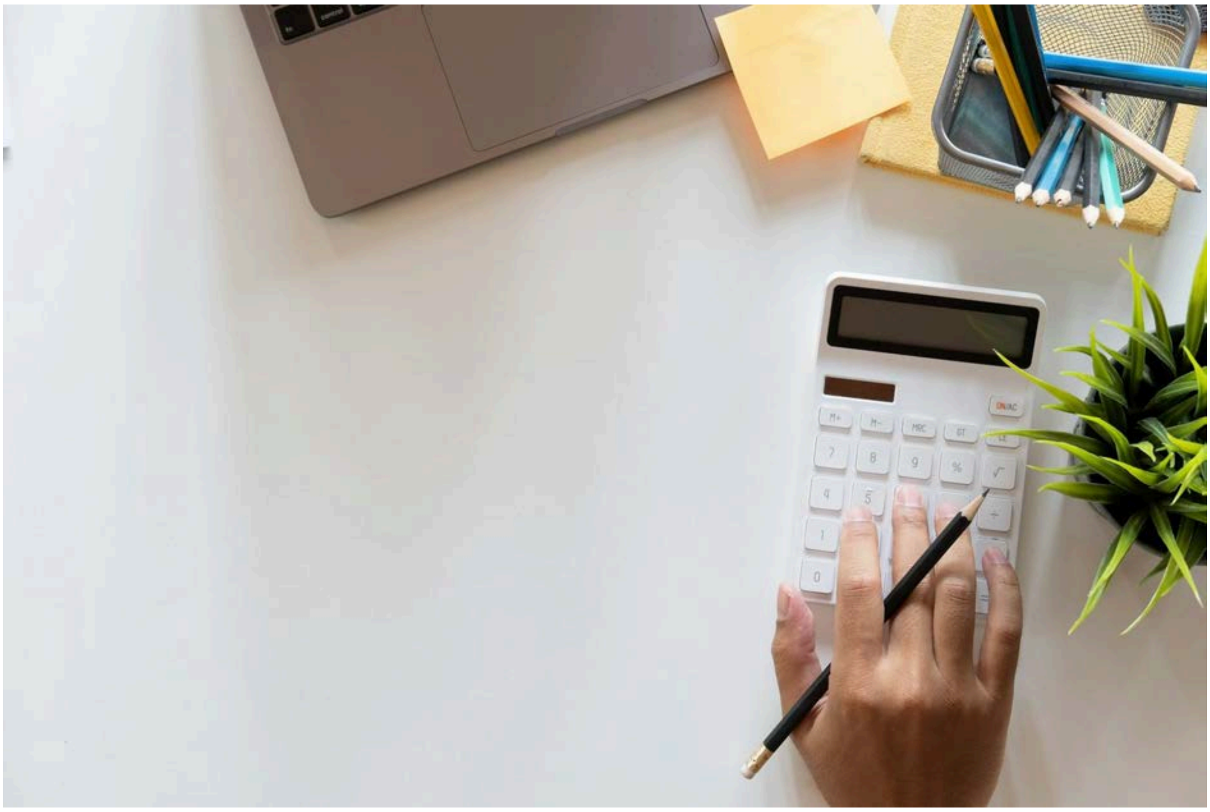
Most people have **essential bills** they must pay regularly. These include:

- **Loans:** If you don't make repayments, you could face court action or get a bad credit history.
- **Mortgage or rent:** If you don't pay these, you could lose your home.
- **Utility bills:** If you don't pay for electricity, your supply could be cut off.
- **Taxes:** Not paying council tax could lead to a fine or even prison time.

Sorting out a budget helps you make sure you've got enough money for the bills you can't avoid. It's tough to cut these costs, so it's best to work out how much you need for them first. Once that's sorted, you can see what's left over for non-essential things, such as going out or buying treats.

Go to the TLM Learn Hub site to complete the activity: Options when budgeting

Managing your money



Essential expenses such as bills often take up a large portion of our income, so many people use budgets to stay organised. This helps them feel less worried about paying for everything.

A good trick is to set up monthly payments for all your regular bills, even if they're not due every month.

Here's how it can work:

For example: Amy's electricity bill comes every three months, and her water bill twice a year. Her total yearly cost for these is £1,900. Instead of getting hit with big bills a few times a year, Amy pays £158.33 each month (£1,900 divided by 12 months). This way, she knows exactly what's going out and when, which makes budgeting much easier.

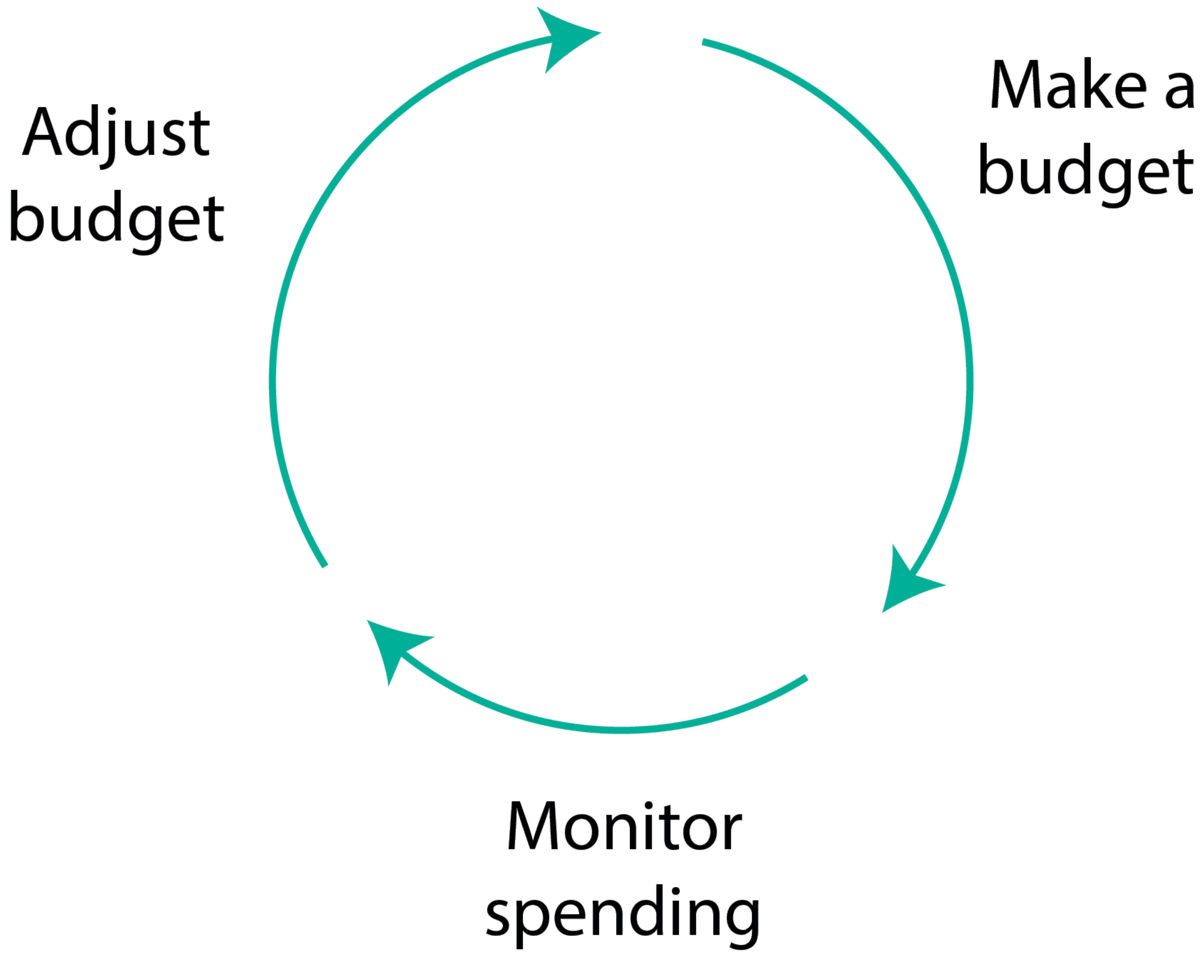
Keeping an eye on your budget

Making a budget isn't something you do just once because:

- **Current expenses** can change due to prices going up
- **New expenses** come from buying new services (like a phone contract) or taking out a new loan (involving monthly repayments)
- **Non-essential spending** might be reduced through personal choice (e.g. by cancelling a gym membership)
- **Income levels** can go up or down (e.g. through a pay rise or reduced hours)

This means people need to check and update their budget regularly, especially when their situation changes for any of these reasons. This will help make sure their budgets stay in **surplus** or **balanced**.

Regularly checking your budget helps you spot a **deficit** early on. A deficit occurs when your spending exceeds your income. By identifying this problem in advance, you can quickly reduce unnecessary expenses to restore balance to your budget.



Money mindsets and financial planning

Everyone handles their cash differently, and people's views on budgeting can vary widely. Let's look at two contrasting approaches to money management.

Example: Olivia's cautious approach

Olivia is careful with her money. She buys what she needs first and tries to save some of her pay each month.

She has a clear money goal: save enough for a house deposit in five years. To do this, she's ready to spend less now. Olivia puts her savings in a fixed-rate account at the bank because she doesn't want to risk losing money in other investments.

Olivia likes going out with friends, but thinks some of them spend too much. She believes it's better to save up for things you want to buy instead of using credit cards or loans.

Olivia is **risk-averse** preferring to play it safe with her money.

Example: Alex likes to take risks

Alex likes to spend money. He earns a lot, which has let him get many store cards and loans without needing to give anything as security.

He doesn't save any money and tells his friends he'd rather enjoy life now. Alex uses borrowed money to buy expensive things like fancy clothes, new tech gadgets, and lots of short holidays in cities.

He usually only pays the smallest amount he has to on his store cards. He often waits until the companies he owes money to contact him before he pays them back. Alex thinks there will always be places willing to lend him money, so he might as well use it to have fun now.

Alex is a **risk-taker** accepting the potential consequences of his financial choices.

What might happen if you don't budget well

Not keeping track of your money can lead to financial stress, which can be bad for how you feel overall.

No matter how you think about money risks or planning, everyone has to pay what they owe at some point. If you don't, some serious consequences can happen:

You might get taken to court	You might have assets taken away from you, such as your house (if you used it to get a loan)	Your credit history could look bad, and your credit score could go down. This might mean you can't borrow money in the future, or it could cost you more to borrow (such as having to pay higher interest)

What's a credit score?

We'll talk more about credit histories and scores later, but here's the basic idea:

When you ask to borrow money, companies look at your credit score to help decide if they should lend to you. Your credit score shows how risky it might be for them to lend you money. Each company that lends money has its own idea of what a credit score 'pass' mark is.

Other reasons to budget well

Budgeting isn't just about paying bills on time.

It's very important for all parts of planning your money. Essentially, budgeting helps ensure you have enough money for the things you need every day.

Many people understand the importance of having a backup plan - a 'Plan B' - for situations such as:

- Unexpected costs, for example fixing your boiler
- Temporary loss of income, perhaps due to job loss or illness

If you don't budget, you might resort to unplanned, expensive borrowing, such as using your overdraft or credit cards. You can avoid this by saving up some extra money, often called a 'rainy day fund'.

Budgeting also helps you save for other goals, such as significant purchases, leisure activities, holidays, or having enough money when you retire.

Go to the TLM Learn Hub site to complete the activity: Budgets

Module 6b: Consequences of financial difficulties

This module will help you to understand:

- The results and expenses of overspending
- Other situations that might lead to money troubles
- How financial organisations spot customers in difficulty
- Steps individuals and lenders might take when someone faces money problems

Money troubles: What are they?

Spending more than you can afford might leave you unable to repay loans or other credit. Good money management and planning can help you avoid these pitfalls.

Effective money management requires:

- Self-discipline
- Thoughtful spending choices
- Careful budgeting

However, some work situations can make this trickier.

For instance, Jamie works on a zero-hours contract at a local café. One week he might get 25 hours of work, but the next week he might not be called in at all.

When spending gets out of hand

'Overspending' means using more money than you earn or have budgeted for. Let's look at an example:

Roxy has planned a day out with her friends. She's set aside £40 for a new top. While shopping, she spots a lovely scarf for £15. She ends up spending £55 in total.

Over the next few weeks, Roxy cuts back on her usual cinema trips and buys fewer coffees out. This helps her get her finances back on track.

But more serious money troubles can happen if someone consistently spends more than they earn. They might then turn to credit cards or overdrafts to keep spending.

Using an authorised overdraft for a short time can sometimes solve temporary overspending. Credit cards can also help by letting you spread costs over a few months.

Remember though, the longer you borrow, the more interest you'll pay. If you keep borrowing to fund more spending, your repayments will grow larger and larger.

What happens if you can't pay?

If you miss repayments on loans, credit cards or other borrowing, interest will keep building up. This includes interest on the interest you already owe, which is called compound interest.

In the long run, failing to pay can harm your credit history. This means you might be turned down for future credit applications because lenders see you as a higher risk.

In the worst cases, if you don't work with the lender to find a solution, you could face legal action.

What are there charges for?

Exceeding your credit card limit	Payments that bounce back	Each reminder letter they send about missed payments

These extra charges can quickly add up, making your debt even harder to manage.

Spotting financial difficulty

Someone might be in 'financial difficulty' when their income doesn't cover:

- Basic living costs
- Payments on financial products like loans or credit cards

This can happen due to increased spending or lower income after a life change. Some common causes include:

Job loss or unstable work, like zero-hours contracts

Major illness

Loss of a loved one

Relationship breakdown

Consistently overspending

Signs that someone might be struggling financially include:

Bank returning payments due to lack of funds	**Missing loan or credit card repayments**
Repeatedly going over credit card or overdraft limits	**Using a credit card to withdraw cash (which can be very expensive)**

Dealing with money troubles

If you find yourself in financial difficulty, there are several steps you can take:

1. **Contact your lenders right away**

For example, Priya realises she can't afford both her rent and credit card bill this month. She calls her credit card provider to explain the situation.

2. **Be honest about your circumstances**

Priya tells them she's on reduced hours at work due to the business struggling. She also mentions that her flatmate moved out last month, so she's now covering the full rent herself.

3. **Seek advice from debt charities**

Priya decides to call the National Debtline for free, impartial advice. Other helpful organisations include:

- Citizens Advice
- StepChange Debt Charity
- Money Advice Service

Lenders want to avoid losing money when borrowers can't repay. They often try to find ways to help, such as:

- Reducing monthly payments and extending the loan term
- Combining all debts into one account with a longer repayment period

However, ignoring financial problems usually makes them worse.

What Not to Do

Let's consider what might happen if Priya decided not to tell her credit card provider or seek help:

Priya hopes her situation will improve soon, so she ignores the mounting bills. She keeps looking for extra work, but meanwhile:

- Interest on her debts grows rapidly
- Unpaid bills pile up
- She soon can't afford even minimum payments on her credit card

This is how money troubles can quickly turnl into a serious crisis.

Avoid the temptation to 'run away' by ignoring letters, dodging phone calls, or even moving house. Lenders have professionals who can trace people, and avoiding the problem will only make things worse.

If you're dealing with multiple lenders, you might prefer to speak with an independent debt adviser. They can review your entire financial situation and help you develop the best approach for dealing with all your lenders.

Remember, facing your financial challenges head-on is always better than trying to hide from them. There's always a solution, even if it's not immediately obvious.

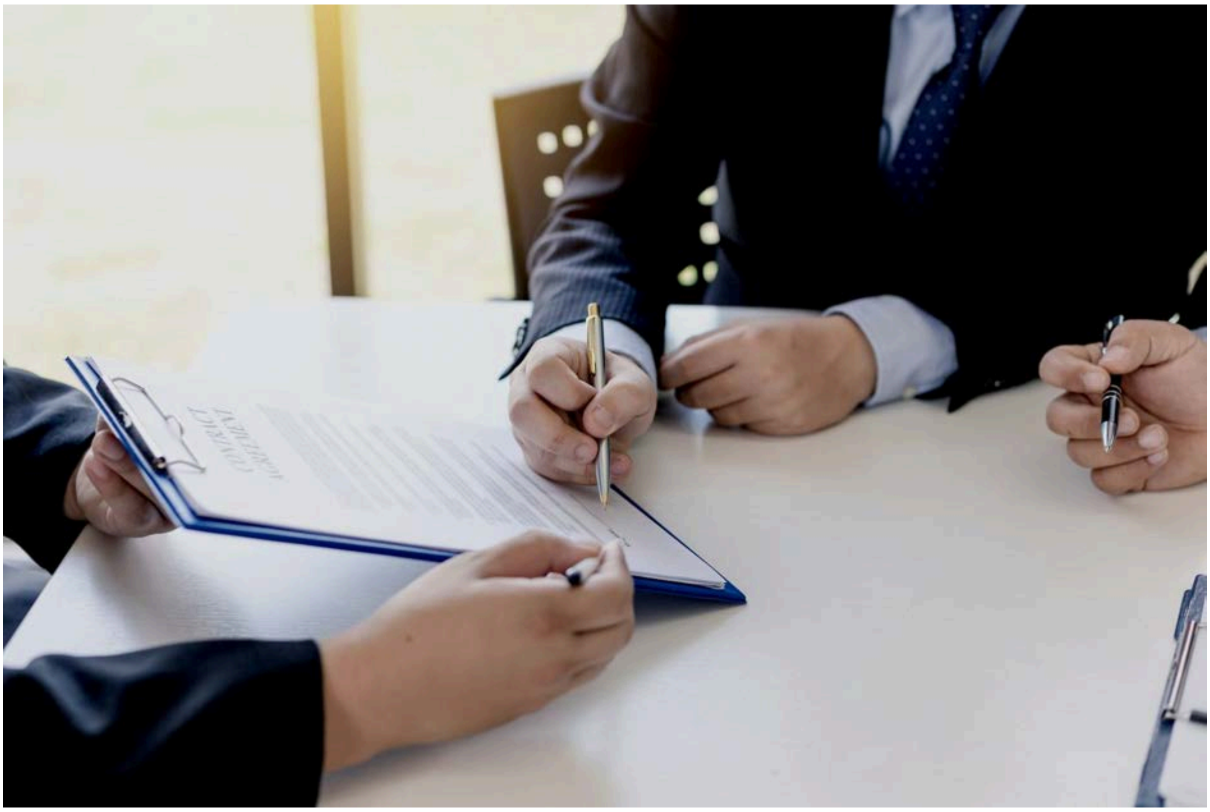
Legal paths for tackling debt

When financial troubles become overwhelming, there are several legal options available. Each has its own consequences and requirements, so it's crucial to understand them fully.

We’re going to look at:

1. **Individual Voluntary Arrangement (IVA):** An IVA is a formal agreement between you and your creditors to repay debts over a set period.
2. **Bankruptcy:** Bankruptcy is often seen as a last resort when debts are unmanageable. It has serious consequences but can offer a fresh start.
3. **Debt Relief Order (DRO):** A DRO is a simpler form of bankruptcy for those with fewer debts and assets.

Individual Voluntary Arrangement (IVA)



An IVA is a formal agreement between you and your creditors to repay debts over a set period. Here's how it works:

1. With help from a qualified adviser, you list all your creditors and debts.
2. You propose a realistic repayment plan.
3. If creditors agree, the IVA becomes legally binding.

Bankruptcy

Bankruptcy is often seen as a last resort when debts are unmanageable. It has serious consequences but can offer a fresh start. Here's what you need to know:

- It clears most debts, giving you a clean slate.
- Your valuable possessions may be sold to repay creditors.
- You keep basic necessities like clothing, bedding, and essential household items.
- You might keep a modest car if it's necessary for work.
- It's public record and can affect future job prospects.
- Getting credit in the future will be very difficult.

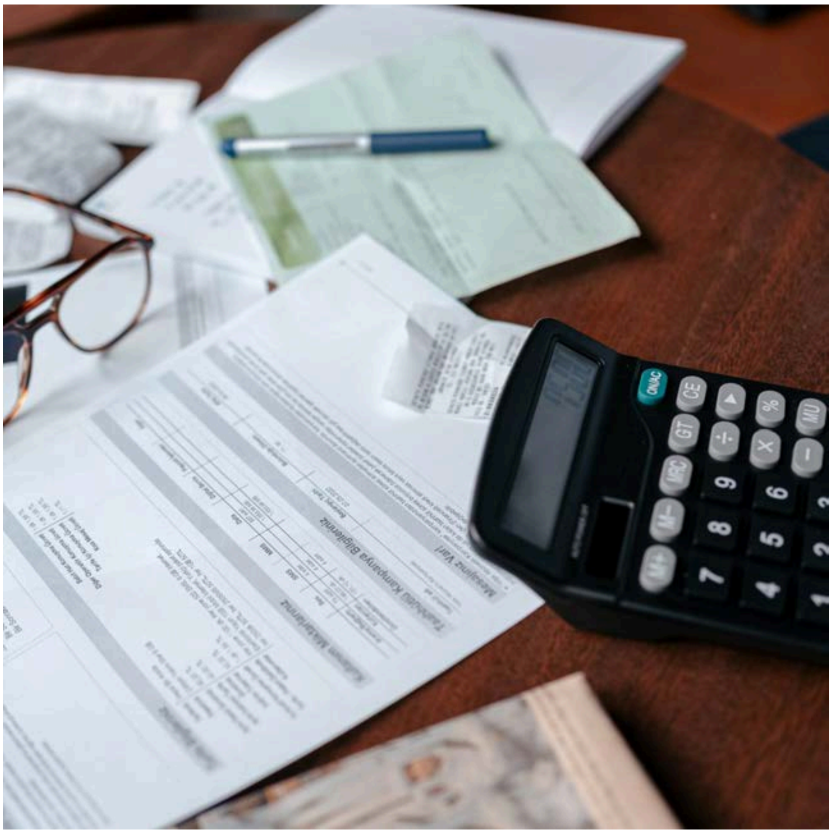
For example - Maya can't pay her creditors, so they file for her bankruptcy. The court appoints a trustee who:

- Gathers Maya's assets
- Sells them to repay creditors
- Manages Maya's finances during the bankruptcy year

Maya can't apply for credit until the bankruptcy ends, and it stays on her credit record for six years.

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

Debt relief order (DRO)



For those struggling with smaller debts, a Debt Relief Order (DRO) offers a more straightforward alternative to bankruptcy. This option is designed for people who:

- owe less than £50,000
- have very little income left after covering basic living expenses.
- do not own a home

If you meet these criteria, you can apply for a DRO through an approved debt adviser. They'll help you submit your application to an official receiver - a government officer who handles insolvency cases. This official receiver plays a crucial role in managing financial distress cases and helping lenders recover funds where possible.

Once your DRO is approved, you'll enter a 12-month period where you don't have to make any payments towards the debts included in the order.

If your financial situation hasn't improved by the end of this year-long period, the debts covered by the DRO are usually written off entirely.

Remember, while a DRO can offer relief, it does impact your credit rating **for six years.** Always seek professional advice to understand if this is the right option for your specific circumstances.

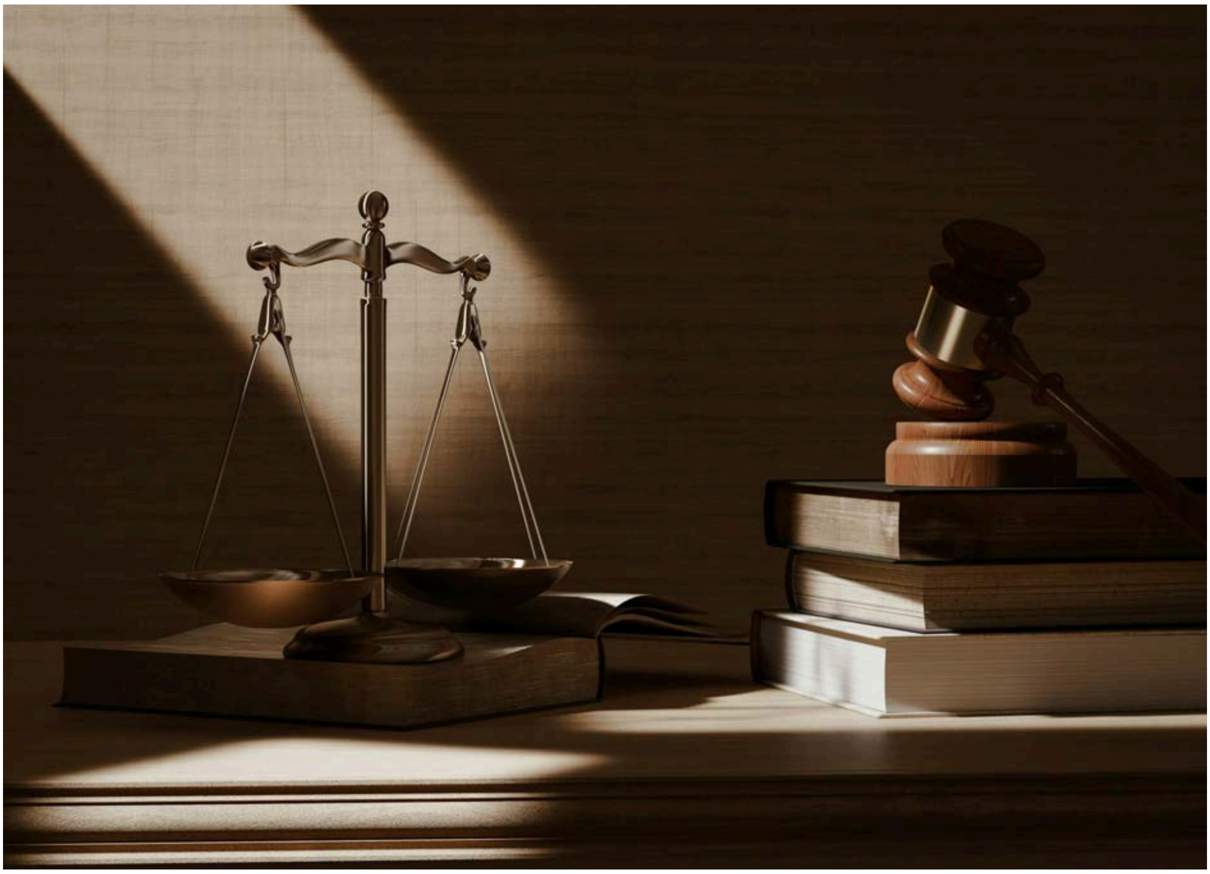
Knowledge Quest

To learn more about who can apply for a Debt Relief Order and the specific requirements, visit www.gov.uk/options-for-paying-off-your-debts/debt-relief-orders

Legal options for lenders

When borrowers can't or won't repay, lenders have legal options too.

County Court Judgment (CCJ)



If a lender takes you to court over unpaid debts and wins, you'll receive a CCJ. This orders you to repay the debt and is recorded on your credit file, making future borrowing very difficult.

Before a lender can take more serious steps to recover their money, like repossessing your home, they must first obtain a CCJ.

Repossession

For secured loans like mortgages, lenders can repossess the asset (usually your home) if you fall behind on payments. The process typically follows these steps:

1. The lender tries to help (e.g., extending the loan term or reducing payments temporarily).
2. If that doesn't work, they may suggest voluntarily selling your home.
3. As a last resort, they may go to court for a repossession order.

If granted, you'll have to leave your home. The lender will sell it to recover the debt. If the sale doesn't cover the full debt, you may still owe the difference.

For example - Aisha's home is repossessed and sold for £230,000, but she owed £240,000 on her mortgage. She still owes the lender £10,000, which they could pursue through further legal action.

Remember: These options can vary slightly in Scotland and other countries. Always seek professional advice before making any decisions about debt management or legal proceedings.

Knowledge Quest

Use a search engine to explore the legal options available to people in debt in your Scotland. Look into what rights both debtors and creditors have.

Alternatively, pick a country that intrigues you and investigate how they handle debt-related issues. You might be surprised by the different approaches used worldwide.

Congratulations

You've completed module 6!

Ready to test your new knowledge? Go to the TLM Learn Hub site and have a go at the 'knowledge check' activity and end-of-module quiz to help cement what you've learnt.

Module 7: Financial guidance and security

Introduction

Making decisions about money isn't always easy. Even though we've learned about budgeting, saving and borrowing, sometimes we need extra help to make the right choices.

In this module, we'll look at where to get good advice about money. While friends and family mean well, they might not always know what's best for our situation. Sometimes we need proper financial advice from experts who can look at our whole money situation, help us understand complicated financial products, and give us advice that's right for us.

We'll also learn about where to find trusted money information and what to do if something goes wrong with a bank or financial company. It's important to know how to make a complaint if we're not happy, and what protection we have if a financial company goes bust. We'll also talk about our own responsibilities when making money decisions.

Let's understand how to get the right help when we need it and know our rights when dealing with financial companies.

This module will help you to:

- Discover where to get financial advice
- Compare the pros and cons of various advisory options
- Explore safeguards for your monetary assets, including bank accounts, savings and investments
- Familiarise yourself with protections against unsuitable financial advice and misleading product offerings

Sources of financial guidance

Money matters can be complex. While it's important to grasp the basics, seeking advice can help us manage our finances and choose suitable financial products.

Family and friends

Most of us ask our family and friends for money tips first. People we know who are good with money can often share useful ideas about spending less, saving more, or dealing with loans.

Potential drawbacks

Keep in mind that family and friends can only share from their own experiences. Since everyone's situation is unique, their advice may not always suit your circumstances.

Informal advisers and online platforms

Some individuals and organisations, often charities, offer financial advice too. Unlike tips from family, this advice is usually fair and unbiased. It can be really useful, especially if they have a good reputation.

Potential drawbacks

Money tips and official financial advice aren't the same thing. Tips and guidance just tell you what's out there, not what you should pick.

> Be careful with money ideas on social media. If someone promises huge profits, it might be risky or even a scam. They often don't tell you about the dangers.

Remember, guidance services don't have official rules. So if their advice causes problems, you might not be able to complain or get your money back.

Just like asking friends or family, these other sources might not know what's best for you personally. Their tips might not fit your specific money situation.

Seeking expert guidance

Getting good advice is really important for complicated money matters like mortgages.

It's a good idea to talk to a money expert in these cases. They can help you figure out what works best for you.

A home loan that's perfect for your friend might not be right for you. Everyone's money situation is different.

Professional financial advisers

Financial advisers provide guidance on various money matters for a fee. They recommend financial products (such as loans, investments, or insurance) tailored to your needs.

For example - Olivia consults a financial adviser who asks for information including:

- Age
- Marital status
- Occupation and income
- Number of dependents
- Hobbies
- Current savings

They also ask about Olivia's future goals, such as:

- Home ownership plans
- Retirement timeline
- Savings goals for major expenses
- Provisions for family after death

There are two types of financial advisers:

Independent advisers offer advice based on all available financial products.	**Restricted advisers advise on a limited range of financial products.**

A financial adviser must disclose whether they are independent or restricted.

Quality of advice

Using a restricted financial adviser doesn't necessarily mean you'll receive poor advice. All financial advisers must meet similar minimum qualifications and follow the same standards.

However, the options presented may be limited, which might not always serve your best interests.

Financial advisers usually ask for payment for their services. They have to tell you clearly how much they charge.

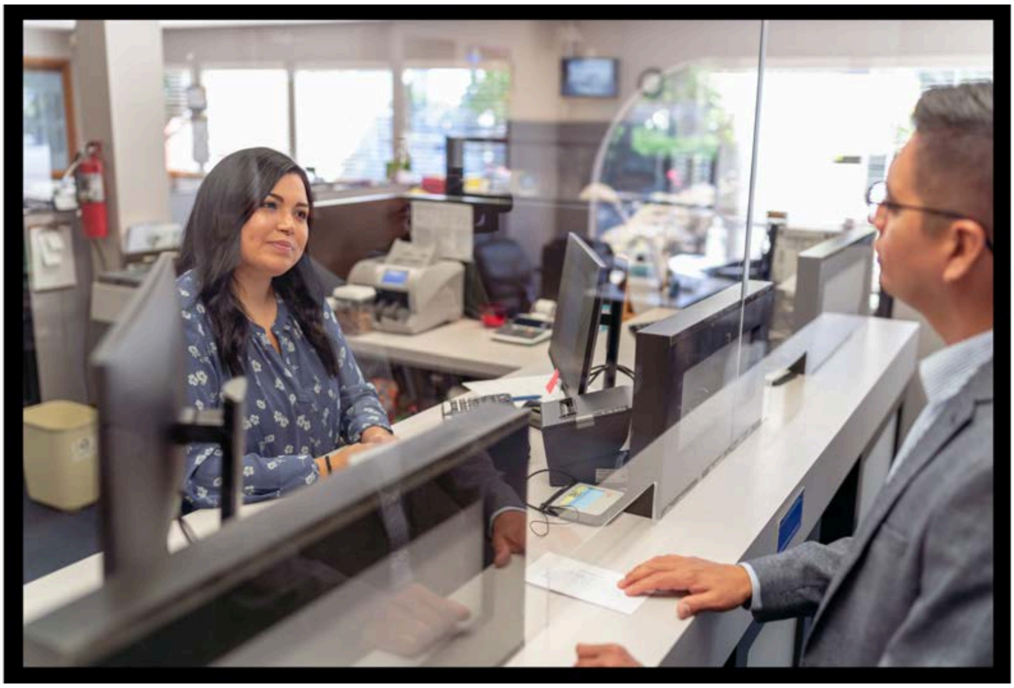
The cost can change depending on how complicated the job is and how long it takes. For example, helping with a big retirement fund move will be pricier than setting up a small home loan.

Sometimes, these advisers also get a commission from financial companies when you buy products they suggest. This extra payment comes from the companies selling the financial products, not from you directly.

High street banks and building societies

Often, banks and building societies offer to set you up with their own money expert when you visit a branch. You might not have been looking for advice, but they suggest a meeting.

These experts usually can only tell you about their own bank's products. They're limited in what they can recommend to you.



Go to the TLM Learn Hub site to complete the activity: Restricted or independent?

Citizens Advice

If you're having money troubles, there's a UK charity that can help. It's called Citizens Advice, and they give free guidance on financial matters.

For example - Sam is having a hard time paying back his credit card debt and a payday loan. He goes to his local Citizens Advice for help.

There, an advisor would explain Sam's rights, his choices, and how to talk to the people he owes money to.

This charity doesn't just help with money problems. They also give general advice about different financial products. For example, they can tell you the good and bad points of things like credit cards and loans.

Potential drawbacks

The advisors at Citizens Advice are typically trained volunteers, not certified financial experts.

While they can offer general guidance and suggest helpful resources for those with money concerns, they aren't qualified to recommend specific financial products or provide detailed financial planning advice.

The Money Charity

There's a charity in the UK that focuses on helping people manage their money well. It's called The Money Charity.

This group doesn't just stick to one way of helping. They put advice on their website for anyone to read. But they also go out to meet people face-to-face.

You might find them running workshops in schools, colleges, or community groups for adults. Their goal is to help everyone in the UK get good at handling their finances and feel secure about their money situation.

StepChange debt charity

If money worries are getting you down, StepChange offers free support across the UK.

StepChange keeps everything you tell them strictly confidential.. You can open up about your money troubles without stress.

They've got a few ways to help. If you like talking to people, you can call their free helpline and chat with an advisor.

More of a digital person? Their website has a quiz you can take. It usually takes about 20 minutes to finish. When you're done, you'll get advice that's tailored just for you, based on your money situation.

Additional sources of advice

When looking at a financial product, it's crucial to understand all the details. These are often found in the 'Terms and Conditions' - a document that explains the rules you're agreeing to.

Several websites can help you make better financial decisions. These sites usually:

- Compare the good and bad points of different financial choices
- Stress how important it is to read the terms and conditions

Here are some trustworthy websites you can use:

1. **Which?**
    - Good for: Thorough reviews of financial services and other products
    - Special feature: Also looks at many everyday items you might buy
2. **MoneyHelper**
    - Good for: Lots of helpful financial information
    - Special feature: Everything on the site is free to use
3. **This is Money**
    - Good for: The latest money news and details about financial products
    - Special feature: Has a section where they answer readers' questions
4. **MoneySavingExpert**
    - Good for: Finding the best value financial options
    - Special feature: Aims to help people spend less money

Remember, while these websites offer useful information, they can't replace personal advice from a financial expert who knows your specific situation.

What kind of financial guidance is available?

- Bank account management
- Budgeting and financial management
- Deciding between saving and debt repayment
- Reducing personal loan costs
- Car finance options
- Key considerations when purchasing insurance
- Workplace pensions

What financial problems can you seek advice on?

- Understanding financial jargon
- Rental payment arrears
- Managing excessive debt
- Negotiating with creditors
- Mortgage payment difficulties
- Bankruptcy procedures

Protecting customers

Financial services customers are protected by several rules and regulations. This protection exists because financial decisions can have a big impact on someone's life. The government has created laws to ensure that financial companies treat their customers fairly and handle their money responsibly.

The Financial Conduct Authority (FCA)

The FCA is the industry regulator (like a watchdog for the financial world). They make sure banks and other money companies play fair. The FCA's job is to:

1. Shield customers from unfair practices
2. Make sure the UK's financial system is trustworthy
3. Encourage companies to compete, so customers get better deals

Financial products can be quite complex, so the FCA sets rules to ensure:

Customers understand what they're buying	Products suit customers' needs	No one gets misled

If a company breaks these rules, the FCA will take action.

For example - if Dodgy Investments Ltd was selling high-risk financial products to pensioners without properly assessing their financial situation or explaining the risks involved, the FCA would step in. They would likely investigate the company's sales practices, potentially fine them for misconduct, and require them to compensate affected customers. The FCA might also order Dodgy Investments Ltd to retrain their staff and improve their customer suitability checks to prevent future mis-selling.

The FCA can stop companies from selling financial products that they think are too risky for everyday people. If a company's adverts don't tell the whole truth about their products, the FCA will step in to sort it out.

Financial firms must always put their customers first in everything they do.

The FCA makes sure companies follow this rule when running their business.

Help when money problems happen

Sometimes things can go wrong with financial services. People might lose money because of bad advice or poor service. There are special ways to help when this happens. These are on top of the usual rules that banks and other money companies must follow.

The Financial Ombudsman Service (FOS)

The FOS is an independent, cost-free service that helps settle disagreements between customers and financial companies. Their goal is to resolve disputes fairly and without taking sides.

Here's how it works:

1. If you're unhappy with a financial service, you must first complain directly to the company. For example: Customer: "I think you weren't honest when you sold me that personal loan." Later... Company: "We've looked into it and don't think we did anything wrong."
2. If you're still not satisfied, you can then take your case to the FOS:

   Customer: "I'm not happy with your response, so I'm going to the Financial Ombudsman Service."

If the FOS thinks a money company did something wrong and the customer lost out, they'll tell the company how to fix it. This decision is final for the company - they have to do what the FOS says.

But if the FOS believes the company treated the customer fairly, they'll say that too.

Even if the FOS says the company was right, the customer can still go to court if they want to. The customer doesn't have to accept what the FOS decides.

The Financial Services Compensation Scheme (FSCS)

The Financial Services Compensation Scheme (FSCS) acts as a safety net for customers. If a financial company regulated by the FCA goes bankrupt and can't pay back its customers, the FSCS can step in to help. They offer compensation up to set amounts for different types of financial products.

This protection covers a range of financial services, including:

- Money in savings accounts
- Insurance plans
- Investment products
- Home loans (mortgages)

The FSCS is usually the last resort. They get involved when there's no other way for customers to get their money back from a failed company.

Maximum compensation limits per eligible person are currently as follows:

Product Type	**Maximum Compensation**
Savings	£85,000
Insurance policies	Up to 100% of eligible claims
Investments	£85,000
Mortgages	£85,000

For example: Imagine Sarah, a recent university graduate… she decided to open a savings account with a small, lesser-known bank offering attractive interest rates. She deposited £15,000 - her entire savings from part-time work and graduation gifts.

A year later, this bank unexpectedly collapses due to financial mismanagement. Sarah is shocked to find she can't access her money, and the bank can't repay its customers.

This is where the FSCS steps in. Since the bank was regulated by the FCA, Sarah is eligible for compensation. She files a claim with the FSCS, and because her savings fall within the protected limit, she receives her full £15,000 back.

This example shows how the FSCS protects ordinary people when financial institutions fail, ensuring they don't lose their hard-earned money due to circumstances beyond their control.

Go to the TLM Learn Hub site to complete the activity: Financial protection

Consumer responsibilities

Even though there are some rules to protect you when buying financial products, you still need to be responsible for your money decisions. It's really important to ask questions and think carefully before you buy anything like a bank account, loan, or credit card.

Here are some good questions to ask:

1. Does this actually help me with what I need?
2. How much does it cost? Are there any hidden charges?
3. If I have to pay every month, what happens if I can't afford it one time?
4. Is this the best deal I can get, or should I look around more?

It's your responsibility to read everything carefully before you sign.

- If you see words you don't understand, always ask what they mean.
- Don't let anyone pressure you into signing if you're not sure.

Here's a story about why this matters:

Harry's mistake: “I opened a savings account because it offered a fantastic 3% interest rate. I put all my summer job earnings in there, thinking I'd make loads of money. After a year, I checked my account and was shocked to see I'd earned much less than I expected. It turned out the 3% rate only applied to the first £1,000, and anything over that earned just 0.1%. I really should have read the account details more carefully before signing up!”

Congratulations

You’ve completed module 7!

Ready to test your new knowledge? Go to the TLM Learn Hub site and have a go at the ‘knowledge check’ activity and end-of-module quiz to help cement what you’ve learnt.

Module 8 - Money investment strategies

Introduction

We all know that saving money is important, whether it's for something we want to buy soon or for our future. But sometimes keeping money in a savings account doesn't give us much extra money back, especially when interest rates are low.

In this module, we'll look at another way of trying to grow our money - investing. When we invest, we might be able to earn more money than we would from savings, but there's also a chance we could lose some of our money. This is what we call risk.

We'll explore different ways to invest money and why it's so important to get proper advice before we start. Many people choose to spread their money across different types of investments, a bit like not putting all their eggs in one basket. This can help protect their money if one investment doesn't do well.

While investing can be a good choice for some people, it's not right for everyone. We'll help you understand when investing might be suitable and what you need to think about before making any decisions.

Let's learn how investing works and how to make smart choices with our money.

This module will help you to understand:

- How saving differs from investing
- The motivations behind investing
- The various investment options available
- The potential risks of investing
- What cryptocurrency is all about

Building Your Financial Future: Saving and Investing

When it comes to managing your money, two key strategies are saving and investing. Both can help you achieve your financial goals, but they work in different ways and serve different purposes.

Saving: Your Financial Safety Net

Saving is a practical way to achieve your goals, whether short-term or long-term. It could be for a gap year trip or that new laptop you've been eyeing. The idea is to regularly set aside some money - it might be from your allowance or earnings from a part-time job. Over time, this habit builds up a financial reserve that can help turn your plans into reality.

When it comes to saving, most people opt for bank or building society accounts. This common practice serves several purposes:

- To have cash on hand for sudden expenses, like when your mobile phone decides to take a swim
- To prepare for big future costs, such as university fees
- To earn a bit of interest on money you’re not using straight away

Investing: Growing your wealth

Investing takes your financial strategy a step further. It involves using your money to buy assets like shares, property, or other financial products that have the potential to increase in value over time.

Often, larger investments are managed by professional investment companies. They pool money from many investors into a large fund, aiming to grow its overall value.

Unlike savings, investments are typically made for the long haul - often five years or more. Many people invest with an eye on funding their retirement or achieving significant financial goals.

It's crucial to understand that while investments can potentially earn higher returns than savings accounts, their value can also decrease. This means there's more risk involved, but also the possibility of greater rewards.

What motivates people to invest?

The primary goal of investing is to make your money grow by purchasing assets that may increase in value over time. This growth can come from:

- Interest earned
- Capital growth (increase in the value of your investment)
- Or a combination of both

While investing can potentially yield higher returns than saving, it's important to remember that investments can lose value as well as gain it. People are often willing to accept this risk because investment products have the potential to achieve much higher returns than standard savings accounts.

Investing can be quite complex, which is why many people seek advice from a financial adviser to help them make choices that align with their long-term investment goals, such as planning for retirement.

Another reason people invest is to protect their money from inflation. Inflation means that prices rise over time, which can reduce the purchasing power of your money.

For example:

Imagine Olivia buys 15 music streaming subscriptions for £150, as each subscription costs £10. Two years later, due to inflation, each subscription now costs £11. With her £150, Olivia can now only buy about 13 subscriptions (13 x £11 = £143). This shows that Olivia's £150 is now worth less in 'real terms' than it was before.

Types of investments

There are many different investment products available, but they generally fall into four main categories:

- Term deposits
- Bonds
- Stocks and shares
- Property

Investment funds may invest in some or all of these, either in the UK or across the world.

Term deposits

Imagine you have some money saved up, and you're wondering what to do with it. One option is a financial product called a "term deposit."

A term deposit is an agreement you make with a bank. You allow them to hold your money for a specific period, and in exchange, they promise to pay you additional money (interest) for doing so.

How Does it Work?

- You select a timeframe for which you'll leave your money with the bank. This could range from a few months to several years.
- The bank specifies exactly how much extra money (interest) you'll earn during this period.
- Here's the important part: once you agree, you can't withdraw your money until the specified time has elapsed.

Why Consider a Term Deposit?

- It's generally considered safer than many other investment options.
- You know precisely how much additional money you'll have at the end of the term.
- In most cases, the longer you agree to leave your money, the more interest you'll earn.

Things to Think About

- Can you genuinely manage without this money for the entire agreed-upon period?
- Other types of investments might offer higher returns, but they often come with increased risk.
- Term deposits are particularly popular during times of economic uncertainty because they offer more predictable outcomes.

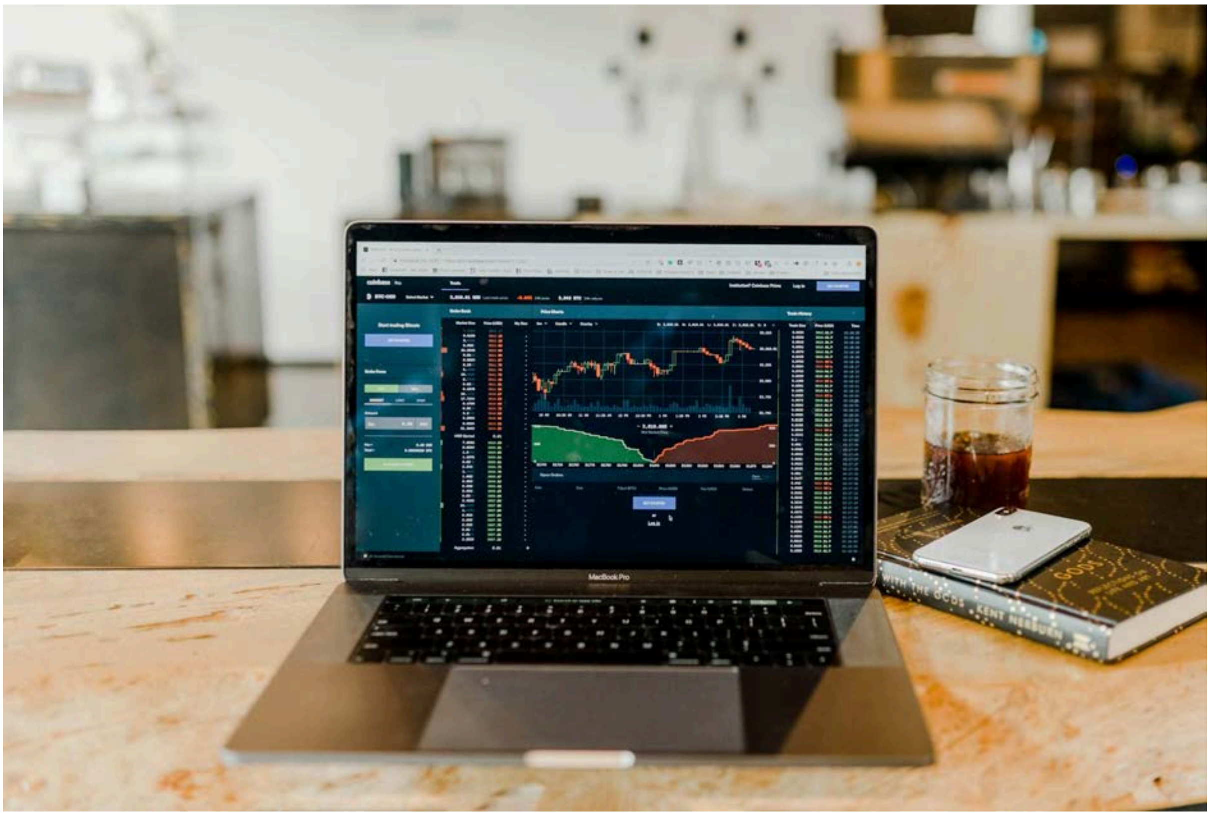
Bonds

Bonds are issued by the government and are considered a secure investment because the government fully guarantees your investment.

Put simply, when you buy a bond, you're lending money to the government. In return, you receive regular interest payments. On an agreed future date, usually between 5 and 30 years from when you invested, you get your original investment back.

Stocks and shares

Public limited companies issue ordinary shares. When you buy shares, you're buying a portion of ownership in that company.

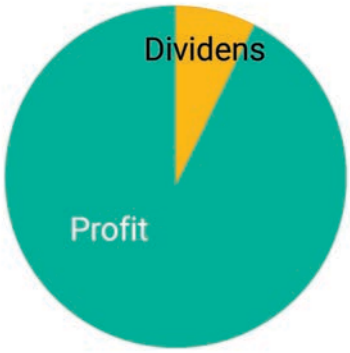


Public Limited Company = a UK company that sells shares to the public on the stock market

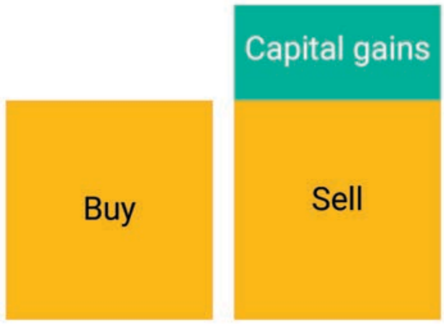
There are risks associated with shares as their value can fluctuate, sometimes dramatically, even within a single day.

As a shareholder, you can potentially benefit in two ways:

- **Dividends:** A share of the company's profits paid to shareholders.
- **Capital gains:** The profit you make if you sell your shares for more than you paid for them.



Total company profit



Share price

Public shares are traded on the stock market and their price changes based on what people think about the company. Sometimes this price doesn't match how well the company is really doing.

This means you might make money if you sell your shares for more than you paid. But you could also lose money if you have to sell for less. If the company goes bust, you could lose everything you put in.

Buying shares is riskier than saving money in a bank. You need to decide if the chance to make more money is worth the risk of losing some.

Stocks and shares ISAs

Earlier in the course, we covered cash Individual Savings Accounts (ISAs).

The government also provides a tax-efficient option for investors called stocks and shares ISAs. These allow people to invest in the stock market without paying tax on their gains, up to an annual limit set by the government.

Property

When you invest in property, you can potentially make money in two ways:

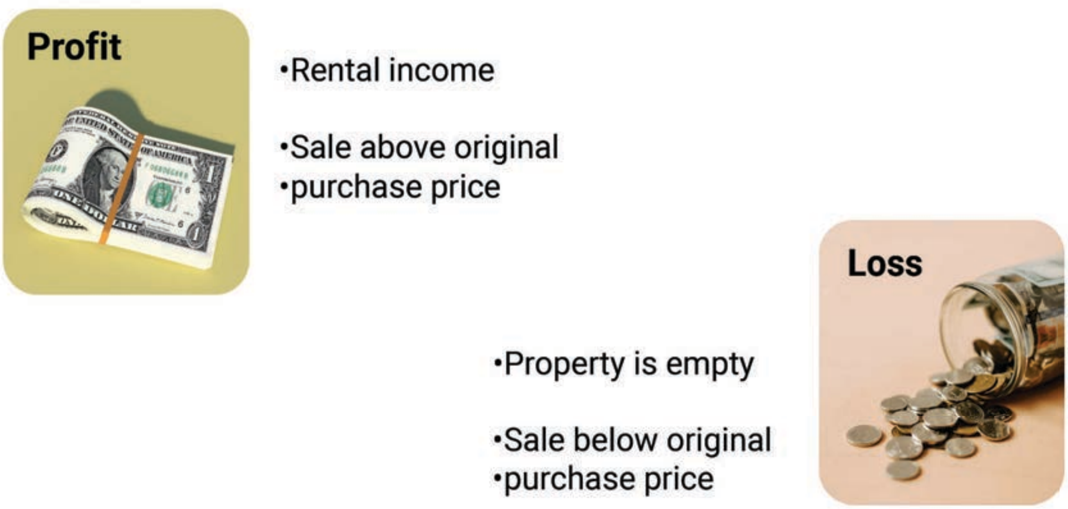
1. By collecting rent from people or businesses who use the property
2. By selling the property for more than you paid for it, if its value increases over time

Keep in mind that buying property usually requires a significant amount of money upfront. Unlike some other investments, you can't easily turn a property into cash quickly if you need the money.

You can invest in different types of properties:

- Homes where people live (residential property)
- Buildings used for business purposes, like shops or warehouses (commercial property)

It's important to note that property investment, similar to buying stocks and shares, carries more risk than safer options like savings accounts or government bonds. The value of property can go up and down, and there's no guarantee you'll make a profit.



Go to the TLM Learn Hub site to complete the activity: Types of Investments

Going Green: Investing in a Sustainable Future

Our everyday actions often release pollutants and carbon dioxide, putting a strain on our planet. But there's a way to push back: green investing. This approach lets you support companies that are working to heal and protect the environment.

By buying bonds or shares in eco-friendly businesses, you can back innovative technologies aimed at reducing our dependence on carbon-based energy. These investments span a variety of sectors, including:

Alternative energy	Water conservation	Pollution control
Ocean protection	Waste management	Fossil fuel reduction

Green investing means putting your money into things that are good for the environment. It's not just about making money - it's also about doing what you think is right. But here's an interesting twist: sometimes these green investments can actually make more money than regular ones. So while you're helping the planet, you might end up with more savings too.

Basically, green (or eco) investing can be good for two reasons: it helps look after the Earth, and it might grow your money. It's a way to use your savings to support businesses that care about the environment, while still trying to make your money grow.

Money with Morals: The Power of Ethical Investing

Ethical investing takes the idea of conscious investing even further. It's about choosing your investments based on your personal moral compass. Think of it as aligning your money with your values on a broader scale.

Some investors might decide to steer clear of companies involved in activities they're not comfortable with - like gambling or weapons manufacturing. Others actively seek out businesses that match their beliefs and principles.

It's important to remember that just because an investment is ethical, it doesn't automatically mean it'll perform better or worse financially. Some ethical investors are okay with the possibility of earning less if it means staying true to their values. Many ethical investors feel that the satisfaction of supporting causes they believe in is worth just as much as - or even more than - financial gains.

In the end, ethical investing is about finding a balance between growing your money and feeling good about where that money is going. It's a personal choice that lets you shape the business world with your investments, even if it might mean compromising on returns sometimes.

Pooled investments

In pooled (or collective) investments, multiple investors combine their money, which is then managed by expert fund managers. This approach offers several advantages:

- **Spread risk:** Fund managers can invest in a wider range of assets, reducing the likelihood of poor overall performance.
- **Economies of scale:** Costs tend to be lower as they're spread across all investors.
- **Professional management:** Inexperienced investors don't have to make complex investment decisions beyond choosing which fund to invest in.

The two main types of pooled investments are **unit trusts** and **investment trusts**.

Risks of investing

Investment always carries some level of risk. You might not get back what you put in, or you might not earn what you expected. This uncertainty can arise from various factors:

- Unexpected market changes
- Negative news about companies you've invested in
- Currency fluctuations affecting overseas investments

Remember, risk and potential reward are closely linked in investing.

Generally, lower-risk investments offer lower potential returns, while higher-risk investments offer the possibility of higher returns - but also the chance of greater losses.

Investing is like walking a tightrope. On one side, you want to keep your money safe - that's being careful. On the other side, you're trying to make your money grow - that's going for higher returns. The trick is finding the right balance between the two.

Everyone has their own "sweet spot" for balancing safety and growth. It depends on two main things: how comfortable you are with taking risks, and how long you can leave your money invested. Some people are okay with bigger risks if it means a chance at bigger rewards. Others prefer to play it safer, even if it means slower growth. It's about what works best for you and your goals.

Go to the TLM Learn Hub site to complete the activity: Risks of investing

Investing in cryptocurrency

Cryptocurrency is a digital form of money that exists as virtual tokens or coins.

Cryptocurrencies like **Bitcoin** and **Ethereum** are two popular types of digital money. Each one works a bit differently and has its own value. Right now, more people use Bitcoin than any other cryptocurrency.

Cryptocurrencies use cryptography (complex coding) to keep transactions secure and are generally not controlled by central authorities like banks or governments.

Paying with Bitcoin works similarly to sending money online, but through specialised apps or websites. Instead of using a sort code and account number, you use the recipient's unique Bitcoin address - a personal code for receiving digital money.

To ensure security and legitimacy, cryptocurrencies use digital signatures. These function as a super-secure, high-tech verification method. Digital signatures serve two crucial purposes:

1. **They protect your transaction from tampering**
2. **They allow other network users to verify that each exchange is genuine**

This system provides a foolproof way to prove you authorised the transaction and prevents any manipulation of your digital currency.

Advantages:

1. **Efficiency and Simplicity:** Cryptocurrency transactions are typically fast and uncomplicated. Users can transfer digital coins like Bitcoin between parties using just a mobile device or computer.
2. **Transparency and Security:** Every transaction is recorded on a public ledger called the blockchain. This technology enables tracing of coin histories, preventing unauthorised spending, duplication, or reversal of transactions.
3. **Cost Reduction:** Blockchain technology aims to eliminate intermediaries like banks, potentially reducing or eliminating transaction fees.
4. **Growing Adoption:** Cryptocurrency payments are gaining wider acceptance and use in various sectors.

Disadvantages:

1. **Price Volatility:** Cryptocurrency values can fluctuate dramatically, making some people hesitant to convert traditional currency into digital coins.
2. **Lack of Regulation:** The cryptocurrency market isn't regulated by financial authorities like the FCA, leaving users and investors without typical protections.
3. **Security Risks:** Cryptocurrency exchanges can be targets for cyber attacks, potentially resulting in permanent loss of investments.
4. **Vulnerability to Fraud:** Cryptocurrencies are often used in scams. Fraudsters exploit social media platforms to lure unsuspecting individuals into dubious cryptocurrency investments.

Cryptocurrency is a high-risk investment. Only consider putting money into it if you're prepared to potentially lose your entire investment.

Congratulations

You've completed module 8!

Ready to test your new knowledge? Go to the TLM Learn Hub site and have a go at the 'knowledge check' activity and end-of-module quiz to help cement what you've learnt.