

**Topic 4: Everyday Banking**

<b>Learning outcomes:</b>	<b>Key terms:</b>							
<ul style="list-style-type: none"> <li>identify the key features of different types of current account; and</li> <li>begin to evaluate lifelong financial planning, by understanding that people’s everyday banking needs change as they pass through the various life stages..</li> </ul>	<p>AER</p> <p>ATM</p> <p>Basic bank account</p> <p>Budget surplus</p> <p>Cash card</p> <p>Cheque</p> <p>Current account</p> <p>Debit card</p> <p>Direct credit</p> <p>Direct debit</p> <p>HMRC</p> <p>Interest</p> <p>Joint accounts</p> <p>Money laundering</p> <p>Office of Fair Trading</p> <p>Overdraft</p> <p>Packaged account</p> <p>Premier account</p> <p>Prepaid cards</p> <p>Standing order</p> <p>Statement</p> <p>Student account</p> <p>Transaction</p> <p>Youth account</p>	<p>Annual equivalent rate is the interest that will be earned on the money in one year and takes into account how often the provider pays the interest (for example, monthly or annually), the effect of compounding the interest and any fees and charges.</p> <p>Automated teller machine, also known as a cash machine.</p> <p>A current account that allows people to store their money as an electronic balance and make payments by direct debit, standing order, prepaid cash card or by withdrawing cash. There is no debit card, cheque book or overdraft facility on this type of account.</p> <p>A sum of money available once all the essential expenditure in a given period, eg a month, has been made.</p> <p>A card used to withdraw cash from ATMs or branch counters.</p> <p>A written instruction to the provider (eg the bank or building society) to pay a specified amount to a specified person or organisation.</p> <p>A bank or building society account where people can store their money in the form of an electronic balance and withdraw it to make payments.</p> <p>A card that can be used to withdraw cash, to make face-to-face transactions in, for example, shops, and to make payments online or over the phone.</p> <p>An electronic payment into an account, for example a salary or benefit payment.</p> <p>An electronic payment out of an account. The amount and frequency of a direct debit payment can vary.</p> <p>Her Majesty’s Revenue and Customs – the organisation that collects taxes on behalf of the government.</p> <p>Money either paid to an account holder by the provider, or charged to the account holder by the provider. Interest is paid on savings accounts and some current accounts and charged on borrowing, eg an overdraft. Each provider decides the rate of interest it will pay or charge, depending on the type of account and, in some cases, the credit history of the individual account holder.</p> <p>Joint current accounts are held by two or more people. Most types of current account can be held in joint names.</p> <p>The process of making ‘dirty’ money (money gained from criminal activities) ‘clean’ – in other words making it look as though it has been acquired legitimately.</p> <p>The government department that monitored how businesses compete with each other. It was abolished in April 2014 and its responsibilities shared between the Financial Conduct Authority and a new organisation, the Competition and Markets Authority.</p> <p>A facility that allows an account holder to withdraw more money than they actually have in their account.</p> <p>A current account that offers extra benefits such as travel insurance, for which the account holder pays a monthly fee.</p> <p>A current account that offers additional benefits, such as a personal banker, for wealthy customers with an income or savings above a certain level.</p> <p>A card that has to have money credited to it before the card holder can use it to pay for goods. Once the initial sum of money on the card runs out, it can be topped up again. Some prepaid cards can be loaded with foreign currency and used abroad.</p> <p>An electronic payment out of an account. Standing orders are used to make regular payments of the same amount.</p> <p>A record of the transactions on an account, issued at regular intervals such as monthly or quarterly. The statement indicates whether a debit or credit to the account was made by cheque, withdrawal from an ATM, direct debit, etc.</p> <p>A current account designed for students in higher education that charges low interest or no interest on overdrafts, and offers other benefits such as low-cost contents or travel insurance.</p> <p>Buying or selling something.</p> <p>A current account designed for people under 18; no overdraft facility is provided as banks do not usually allow under-18s to borrow.</p>						
<b>Types of accounts:</b>								
<ul style="list-style-type: none"> <li>standard current accounts, offering a full range of payment methods including debit card and cheque book;</li> <li>packaged accounts, which charge a fee for including additional services with the account, such as travel insurance and car breakdown cover;</li> <li>basic bank accounts, which offer a cash card only and no overdraft or cheque book;</li> <li>student accounts, often with an interest-free overdraft;</li> <li>youth accounts (for people under 18 years old); and</li> <li>premium accounts (for wealthy customers).</li> </ul>								
<b>Abbreviations:</b>								
<ul style="list-style-type: none"> <li>Statements often use abbreviations to describe transactions, and each provider can devise its own.</li> <li>For example, money paid in by electronic transfer may be referred to as a <b>DC</b> (direct credit), Bacs transfer (Bacs is the central payment system used to process several different types of electronic payment, especially direct credits) or</li> <li><b>BGC</b> (bank giro credit). Direct debits may appear as <b>DDR, DD or BD</b>. Providers usually explain the codes on the statement and / or on their website or current account literature.</li> </ul>		<table border="1"> <thead> <tr> <th data-bbox="728 1072 1146 1104"><b>Opening an account:</b></th> <th data-bbox="1146 1072 2206 1104"><b>ID for opening an account:</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="728 1104 1146 1407"> <p>Before anyone can open any new account, including a current account, they must supply the provider with proof of their identity and address. This requirement is designed to prevent money laundering and is set out in the Money Laundering Regulations 2007. Providers need separate proof of identity and address so one document cannot be used to prove both.</p> </td> <td data-bbox="1146 1104 2206 1407"> <ul style="list-style-type: none"> <li>gas, electricity, water or phone bill that is less than three months old;</li> <li>council tax bill issued within the current financial year;</li> <li>driving licence issued in the UK (photo card and full paper counterpart with current address);</li> <li>current passport;</li> <li>employer’s ID card if the employer is known to the provider;</li> <li>pension or other social security book;</li> <li>medical card;</li> <li>HMRC documentation;</li> <li>insurance certificate issued in the last 12 months; or</li> <li>mail order statement that is less than three months old.</li> </ul> </td> </tr> <tr> <td colspan="2" data-bbox="728 1407 2206 1508"> <p><b>Switching and closing accounts:</b> Providers offer a free service for switching between accounts at different providers. They also offer a free switching process between accounts held at one provider. People who want to close their current account can do so at any time and at no cost, although they must pay any fees and other money that they owe.</p> </td> </tr> </tbody> </table>	<b>Opening an account:</b>	<b>ID for opening an account:</b>	<p>Before anyone can open any new account, including a current account, they must supply the provider with proof of their identity and address. This requirement is designed to prevent money laundering and is set out in the Money Laundering Regulations 2007. Providers need separate proof of identity and address so one document cannot be used to prove both.</p>	<ul style="list-style-type: none"> <li>gas, electricity, water or phone bill that is less than three months old;</li> <li>council tax bill issued within the current financial year;</li> <li>driving licence issued in the UK (photo card and full paper counterpart with current address);</li> <li>current passport;</li> <li>employer’s ID card if the employer is known to the provider;</li> <li>pension or other social security book;</li> <li>medical card;</li> <li>HMRC documentation;</li> <li>insurance certificate issued in the last 12 months; or</li> <li>mail order statement that is less than three months old.</li> </ul>	<p><b>Switching and closing accounts:</b> Providers offer a free service for switching between accounts at different providers. They also offer a free switching process between accounts held at one provider. People who want to close their current account can do so at any time and at no cost, although they must pay any fees and other money that they owe.</p>	
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