Financial Services

Accounts

Your account is your own personal place in a building society or bank that keeps your money safe and gives you a range of services, e.g. letting you deposit and withdraw money, transfer money to someone else's account and set up direct debits and standing orders to pay bills. Your money may also earn extra money in the form of interest:

- The amount of interest you get depends on how much money there is and what interest rate they are offering.
- Some accounts allow you instant access to your money. With others, you need to give notice before you can get your money.
- Most banks and building societies are regulated by the Financial Services Authority (FSA), which means your money is protected in case the bank or building society is unable to repay you.

Shop around for the highest interest rates and always read the 'terms and conditions' to make sure it is the right account for you. (For more information about interest, see Work Sheet WC2 - Interest Rates.)

Mortgages

Mortgages are loans to buy a property, but the money has to be paid back along with interest, usually over many years.

There are three types of interest rates for mortgages:

- 'Variable' rates, where interest rates go up or down
- 'Tracker' rates, which follow the Bank of England's current interest rate
- 'Fixed' rates, which stay the same for a set period of time

If someone can't keep up their mortgage payments, the property may be 'repossessed'. That means it goes back to the mortgage lender, who sells the property to get the money back.

Insurance

Insurance is a way of protecting against the risk of something happening that could cost you money. To have insurance cover you take out a **policy** (an agreement with an insurance company) and pay a **premium** (an amount of money). This means that you're covered for financial loss, this can include the cost of replacement, repair or expensive bills. (For more information about insurance, see Work Sheet WC1 - Insurance.)

Investments

Investing is buying something that you hope will increase in value over time and make you more money. This can be a risky process; although you could make more money, you could also lose all or some of it. This could be by buying things like antiques, vintage cars, artwork, land or property, or by buying shares in a company via the stock market. (For more information about business investment, see Fact Sheets FC1 - Business and the Economy and FC3 - Risk and Return.)

Loans

Loans are money lent to someone usually for big items that would take many years to save for, such as cars, holidays or starting a business (there are also student loans available for those who are studying). The loan (the amount borrowed) has to be paid back, as well as interest. Credit cards, store cards and buying on credit are another form of loan, as they let you spend money you might not have, which must be paid back later (usually with interest). Students can also get a grant for education, but this is different to a loan because you don't have to pay it back.

Overdrafts

The building society or bank agrees that you can spend a certain amount extra to what you have in your account, but you have to pay it back with interest and there is usually a charge for setting it up in the first place.