

# Family Finance Jargon Buster

## **Agreement term**

The agreed fixed length of time in which you have to repay the finance.

## **APR**

Annual percentage rate, also known as interest rate. This is how much extra you will have to pay back each year on top of the amount you borrow, this is usually represented as a percentage of the amount outstanding.

## **Arrears**

Any money owed that is overdue.

## **Balance**

A balance is the amount of money in your current or savings account, or the amount of money you currently owe on your loan.

## **Bankruptcy**

People may file for bankruptcy if they are unable to pay their debts and owe a large sum of money. It means your finances are taken under the control of an 'official receiver', which is an officer of the court who manages your claim. Filing for bankruptcy may result in assets being sold to help repay the debt. If you are facing financial problems, it can help to contact the [National Debtline](#) or the [Citizen's Advice Bureau](#) for financial advice.

## **Continuous payment authority (CPA)**

This is a type of recurring payment that a merchant sets up on a customer's card account using their debit or credit card details. As part of this process, the merchant should get the customer's permission ('standing authority') to take payments as and when they are due.

## **Cash price**

This is simply the cost of the goods you are buying e.g. car before interest (APR) and any other charges are added.

## **County Court Judgements (CCJ)**

If you don't repay money you owe, you may end up with a type of court order known as a County Court Judgement or CCJ. This is visible on your credit record, but you should declare any CCJs when you apply for finance.

## **Cooling-off period**

Under the Consumer Credit Directive, you have a period of 14 days to reject and withdraw from a finance agreement without any penalties or charges.

## **Credit agreement**

This is the agreement between you and the financing lender.

### **Credit history**

This is the historical record of all your credit borrowing.

### **Credit rating or credit score**

A system used by banks and finance companies as part of the assessment application for loans and credit. This is based on your past credit history and existing debt. Lenders use the information held in your credit file to decide what rates to offer you. It includes information from the electoral roll, CCJs or bankruptcies and details of any current and previous creditors for up to 6 years.

### **Commission**

A commission is a service fee charged by a broker (e.g. Trade Centre Wales, Ron Skinner and Sons) or financial professional for the assistance of obtaining a financial asset (e.g. a car) purchase or sale. The commission information should be explained to you by the Broker.

### **Credit search**

When lenders view your credit history to help determine whether you can afford to repay the debt.

### **Customer deposit**

This is the initial payment you put down towards the goods at the start of the finance agreement.

### **Deposit contribution**

A deposit offered by the product provider, often the dealer, which they can put towards your finance agreement. The amount of deposit contribution largely depends on the offer and the product you are buying.

### **Documentation fee**

Sometimes there is a fee to process the paperwork for your finance agreement. This is known as the documentation fee which, for some of our products is added to the total loan amount.

### **Early settlement**

This is when you decide to end the finance agreement early, and pay off the rest of what you owe. Please contact us 01495 717 171 if you wish to settle the account early to enable us to provide you with an early settlement figure, as there may be a rebate of interest due to you.

### **Equity**

Once you've paid all debts associated with your product, it then becomes equity because it's an asset you own.

### **FCA**

The [Financial Conduct Authority](#). An independent body that regulates financial services in the UK, ensuring consumers get a fair and honest deal.

### **Finance agreement**

This is the agreement which covers the terms of the finance contract. It usually explains the monthly payments, cancellation terms and what happens at the end when the finance has been repaid and includes your rights.

**Flat rate**

Interest rates can vary for some finance agreements. With flat rate interest the interest rate should stay the same for the finance agreement.

**Hire purchase agreement (HP)**

This is sometimes shortened to HP. This finance deal normally involves putting down a deposit and then is repaid with fixed monthly instalments. You don't own the product until the debt is fully repaid. The Finance and Leasing Association's guide on Motor Hire Purchase via <https://www.financingyourcar.org.uk>.

**Joint application**

It is possible to apply and sign a finance agreement with two or more people. Together, they are responsible for repaying the loan or finance agreement, also called the Outstanding Balance.

**Negative equity**

Negative equity is when a product has lost value and is worth less than the amount you still owe for the finance agreement.

**Part exchange**

Trading in your old product e.g. a car and using it as a contribution towards a new one.

**Personal loan**

When cash is borrowed over a set period of time with interest charged and is repaid in regular instalments, usually monthly.

**Quotation**

Also known as a soft search. It's a type of credit search which does not leave a trace on your credit file. It is used to give finance companies an indication of risk and to decide how much they can offer you.

**Residual value**

This is the value of the product at the end of your loan or finance agreement.

**Secured loans**

A loan usually backed up with an asset that the lender can sell to cover repayment of the loan if the borrower is unable to pay e.g. car.

**Term length**

This is used to describe the length of time you will be paying off the finance agreement. For example, 18 months.

**Total repayable**

This is the total amount, including the loan, total cost of credit, interest and fees, which you will repay the lender.

**Unsecured loan**

Unsecured loans are when you do not have to offer up any kind of collateral/asset in order to get the money.