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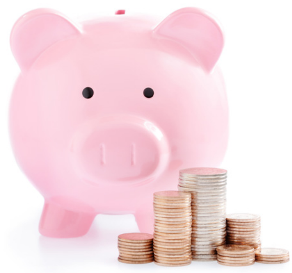

Let's talk Money Basics

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We all need money, yet many of us are never taught about money basics, we learn through trial and error when entering the real world. Taking time to understand the basics can help you manage your money better, spend less and save more. At Police Mutual we are here to help and in this guide we focus on:

- **Bank accounts – which account is right for you**
- **How to check and improve your credit score**
- **Everything you need to know about credit cards**
- **Scams – learn what to avoid in order to keep your hard earned money safe**

Bank Accounts

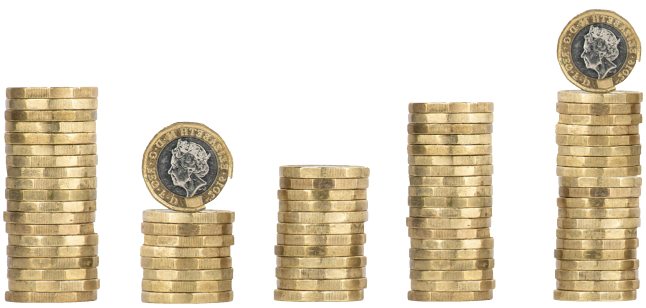
Current accounts

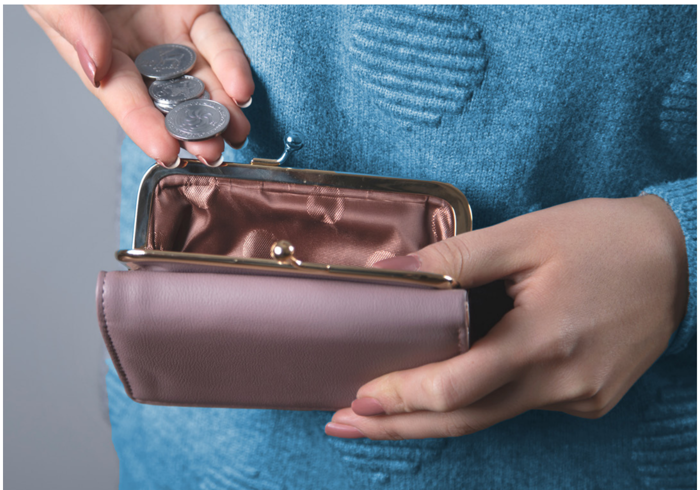
Most people use a current account with a bank or building society to manage their day-to-day money. It allows you to do all the basics, including paying bills by Direct Debit, receive automated payments such as your salary or benefits, paying for things with a debit card and withdrawing money from cashpoint machines.

To help you manage your money you can also make use of a secure banking app, to check and make payments and set up text alerts, to warn you if the amount of money in your account is running low.

Packaged accounts

Some current accounts offer extra features for which they charge a fee (often between £10 and £15 a month). These are known as packaged accounts. If you're thinking about opening a packaged account, be sure to check out how many of the additional benefits you would actually use and whether you can get them cheaper elsewhere. Extras may include travel insurance and car breakdown cover.





Fee-free basic bank accounts

A fee-free basic bank account may be worth considering if you can't open a standard current account, possibly because your credit rating is low or because you've not got a proven credit history. Once you've had a basic bank account for a while and the bank can see that you are able to manage your finances responsibility, they may offer you a current account. A basic bank account doesn't have an overdraft facility but does allow you to pay bills by Direct Debit and receive payments such as salary or benefits.

Bank accounts for students and graduates

Most banks offer a specific student account, usually with an interest-free overdraft up to an agreed amount. Banks often offer attractive accounts including free overdrafts to graduates to try to secure them as long-term customers.

Budgeting accounts

As their name suggests, these accounts are designed to help you budget. They let you divide your money into different 'pots'. You decide how much money goes into each pot by working out how much you need for your bills and how much is left over for spending or saving. They also allow you to pay bills by Direct Debit or standing order and receive payments such as salary or benefits. One disadvantage of these accounts is that they charge a monthly fee.

Fees, charges and overdraft costs

Fees can vary a lot between banks and between accounts, with one of the highest fees being charged for going over your agreed overdraft limit (if you have one). You may be able to save hundreds of pounds with an account that better suits your needs.

Before choosing your bank account ensure you check the overdraft rates charged and interest rates payable.

The future of banking

Banking is changing, moving from classic style banking to open banking which means you can check all of your finances in one place using a choice of approved Apps.

Overdrafts

An overdraft is a type of credit that's linked to a bank account. It allows you to spend more money than is in your account, up to an agreed limit. It's important to remember that overdrafts are a type of debt and that they are repayable 'on demand'.

There has been a recent overhaul in how banks deal with overdrafts including how they display available funds to customers. In future the available balance will no longer show your arranged overdraft. The idea behind this rule change is to help customers understand how much money they have available before they start using their overdraft debt.

App-only banks

App-only banks popularity is increasing, these types of banks don't have a high-street presence instead you complete all of your banking transactions using the App provided by the bank.

There are many different App-banks in the market, for more details on which account to choose, click here.

Most traditional high street banks also offer Apps.

Benefits of app-based banking

Account dashboard and aggregation – you can see accounts from multiple banks and building societies in one mobile app or online

- **Spending analysis** – categorise transactions and payments across multiple accounts so you can see exactly how much you're spending on certain things
- **Shopping around for services** - for example, if you're looking for a new energy provider on a comparison site, your spending habits will be automatically analysed and you'll be able to find the best offers, without having to manually enter all your information.
- **Track financial goals** – if, you're saving up for something, you can create a goal and monitor your progress.
- **Spending limits** – see how much you're spending over a period of time, once regular payments, such as rent and bills, are taken into account.

Comparing your accounts

Many banks offer deals to attract new customers, but be sure to check if there are strings attached. Look beyond any short-term offer and make sure that, when it ends, the account will still be the best for you. Deals may include, a cash incentive, higher interest for a period or a monthly credit of usually around £5.

Customer service

Before choosing a bank you may have to check out their customer service rating and you can do that here. The rating takes into account things like service performance when dealing with complaints.

Decide how you want to deal with your bank

Do you like dealing with a person in a branch or would you prefer the convenience of telephone or internet banking? Not all banks will have a branch near you or let you have internet access to your account. When you're looking for your account, check how the bank lets you access it and which ways are important for you, this could be telephone banking, internet or mobile banking, access to a cashpoint machine near you that's free of charge, by post or via branch service.

Comparison websites are a good starting point for anyone trying to find a current account tailored to their needs. Use the bank accounts fees and charges comparison tool here to see all the fees and charges that apply to bank accounts – it shows everything from overdraft fees to foreign cash withdrawal charges.

Is it worth switching your bank account?

If you're unhappy with the service you are getting from your current bank or building society, it's easy to change. Your new bank will do the work for you and there's no need to deal with your old bank.

Is your bank offering everything you need. If not, think about switching. It takes just seven working days to switch your account under the Current Account Switch Service. Almost all banks and building societies offer this. You choose the date you want to switch, and agree this with your new bank. They will arrange to move all your incoming and outgoing payments to your new account. It's backed by a guarantee that means you'll be refunded any interest and charges on your old and new accounts if anything goes wrong. Find everything you need to know about switching bank account here.

If switching is not for you, there still may be steps you can take with your existing bank account to minimise fees and charges. Read here on how to make the most of your bank account.

Understanding your credit score and how to improve it

Your credit score is based upon from information held in your credit report, also known as your credit file.

Your credit score will help a lender see how reliable you are at managing your finances and is likely to influence their decision if you are looking for a loan or a credit card. Your personal credit score is built on your credit history. A decent credit score is essential for your financial well-being because the higher it is, the more likely you are to be in control of your finances.

Your credit score can differ between agencies, depending on the criteria used in assessing you. The elements from your credit report that shape your credit scores are called credit score factors. Some factors that may affect credit scores are:

- **Your total debt**
- **Types of accounts**
- **Payment record**
- **Age of accounts**

The information held on your credit file might be used to decide:

- **whether to lend to you**
- **how much to let you borrow**
- **how much interest to charge you.**

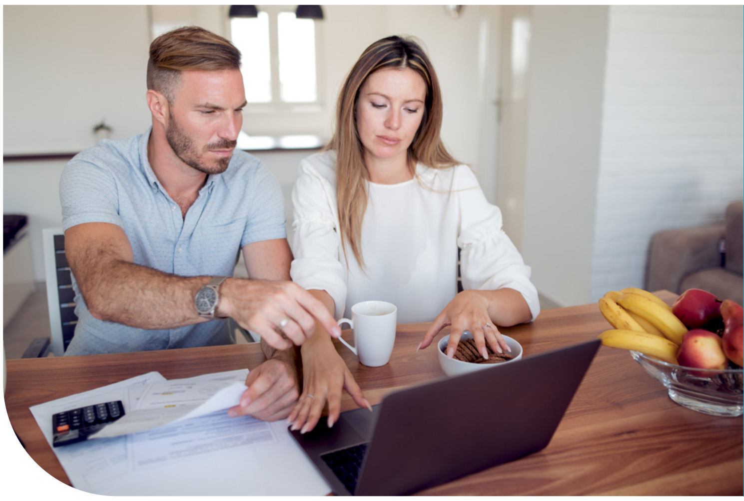
The most recent information on your file will have the most impact, as lenders will be most interested in your current financial situation. Your financial history, good or bad, from the last six years, will still be on record.

If your credit report shows a few missed payments, you might be charged higher interest by lenders or might not be eligible for some loans. This is because lenders believe they might be taking a higher risk when lending to you. Your credit history can affect your ability to take out a finance scheme or mobile phone contracts. Regularly checking your credit file is a great idea, because it can help you spot any fraudulent activity or mistakes on your report.

Check your credit score by using one of the various companies available online including, Experian or Equifax.

You can request full details of your credit file for free or simply get your score online, which is also free.

A subscription membership with one of the main credit agencies allows you to gain more up-to-date information on your credit history. But, remember to set up a reminder to cancel your membership if you're on a free trial and don't want to pay the monthly subscription once this ends.



"Your financial history, good or bad, from the last six years, will still be on record"

You have the legal right to request a copy of your credit file for free. You can request this from any credit reference agency that holds information on you.

In general, your credit report will include:

- name, address and date of birth
- some search footprints on your file, such as credit applications
- financial links to other people - for example, if you have taken out a joint loan or bank account
- payment history including any late/missed payments or defaults
- how much money you owe to lenders
- any County Court Judgments (CCJs) against you that are not paid in full within one month of receiving the notice
- if you're on the electoral register at your current address
- if you have been declared bankrupt or entered an IVA (Individual Voluntary Arrangement).

It won't include the following information:

- your salary
- student loans
- medical history
- criminal record
- council tax arrears
- parking or driving fines

However, you might be asked for this information when applying for a loan or mobile phone contract. They might then choose to use this information alongside your credit report to assess you.

How long will it take to improve my credit score?

In general, credit history is built up slowly over time as you increase the amount of credit you have and the repayment record. The longer repayments go unpaid, the greater the impact on your credit score. Keep a close eye on your credit score to help spot issues. Most negative marks will remain on your file for at least six years.

What is a good credit score?

Different agencies have their own standards for rating credit scores. However, if you have a good score with one of the main credit reference agencies, it's more than likely you'll have a good credit score with another agency.

A good credit score with:

- **Equifax is scoring over 420 out of 700**
- **Experian is scoring over 880 out of 999**

But remember: your credit score doesn't guarantee that you'll be approved for credit or offered the lowest interest rates. This is because a lender's decision is not made solely on this score.

How can I improve my credit rating?

If you have a low credit rating, there are several things you can do to start improving your score today:

- **Check for mistakes on your file:** even having just a slightly wrong address can have an impact on your score. So, make sure you check all the details and report any incorrect information immediately.
- **Pay your bills on time:** paying your bills on time is a great way to prove to lenders that you're capable of managing finances effectively.
- **Check if you're linked to another person:** having a spouse, friend or family member's credit rating linked to yours through a joint account could affect your personal rating if they have a poor score. If you no longer share finances with this person you can ask one of the credit reference agencies to remove them from your credit report.
- **Check for fraudulent activity:** if something on your credit report is incorrect or doesn't apply to you, i.e. if someone applied for credit in your name without your knowledge, contact the credit reference agency immediately to have your file updated.

- **County Court Judgements (CCJs):** receiving any court judgements for debt will have a serious impact on your credit score. If you're having problems keeping up with payments, find free debt advice online.
- **High levels of existing debt:** you should eliminate any outstanding debt before applying for new credit if this is possible. This is because banks, building societies and credit card companies might be hesitant about lending you more if you already have a lot of existing debt.
- **Moving home a lot:** lenders feel more comfortable if they see evidence that you have lived at one address for a considerable period. If you do regularly move home, be sure to bear this in mind.
- **Keep your credit utilisation low:** Your credit utilisation is how much of your available credit limit you use. For example, if you have a credit limit of £2,000 and you've used £1,000 of that, your credit utilisation is 50%, so you're using half of your credit limit. Usually, using less of your available credit will be seen positively by lenders, and will increase your credit score as a result. If possible, try and keep your credit utilisation at 25% or lower.

Why lenders use credit scores

Before credit scores, lenders physically looked over each applicant's credit report to determine whether to grant credit. This process was time-consuming, led to mistakes or biased results, and allowed lenders to make decisions that may have had little bearing on the applicant's ability to repay debt. Today, credit scores help lenders assess risk more fairly.

- Credit scores are consistent and objective.
- They reflect our likelihood to repay debt responsibly based on your past credit history and current credit status.

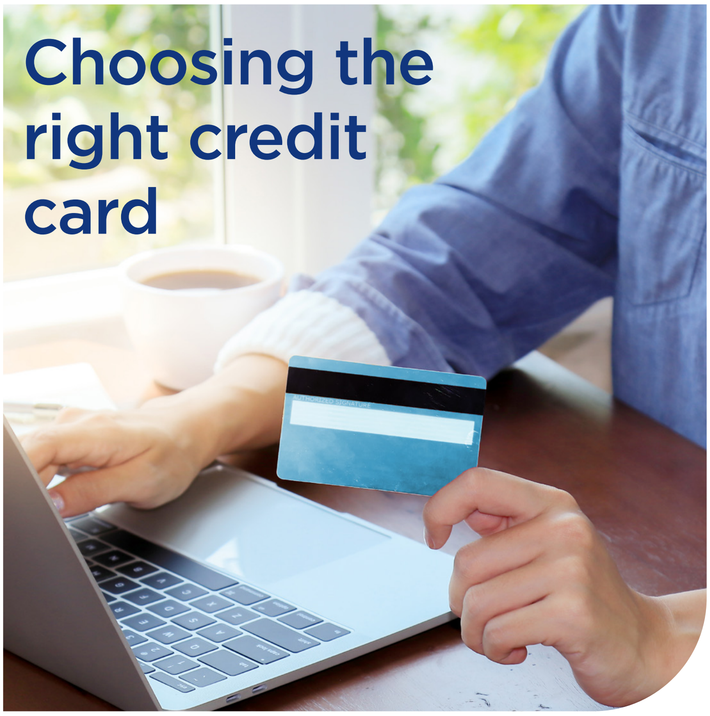
How to keep up a good credit rating

The most important thing is to always make your repayments on time and in full – late or missed credit card, loan or mortgage repayments can seriously damage your credit rating. The best way to avoid missing a payment is to pay by Direct Debit.

Other things that may affect your credit rating include:

- **your job** – is it permanent and secure, and how long have you had it?
- **your home** – do you own your own home or have you lived at the same address for at least a year?

Choosing the right credit card



Choosing a credit card can mean digesting a lot of information and numbers – it's much easier if you know what to look for.

Look at the APR

The annual percentage rate (APR) is a measure of the overall cost of credit. In general terms the higher the APR the more interest you will pay and allows you to compare the cost of one card with another. Other factors you need to consider are how you use the card – for example using the card for cash withdrawals is likely to be more costly that using the card for purchases.

Lenders have to include the APR in the credit agreement and the pre-contract credit information, and in most advertising. The APR can be used to compare different credit cards, but it should only be the starting point. You also need to look at the individual interest rates for:

- purchases
- cash advances
- balance transfers
- how long any introductory period lasts.

Watch out for 'Representative APR

What you see isn't always what you get. Some card providers set your interest rate based on your credit history. This means that, if you don't have a good credit rating, you might pay a higher rate of interest and so the APR might be higher than advertised. Advertising will usually quote a 'representative APR' - one that most people are offered. If you have a poor credit history or are new to credit so have a 'thin' credit file, you might be charged a higher rate. Ask the card provider for a quote before applying.

Check the fees

The APR doesn't include any charges which may be made for late payments, exceeding your credit limit or returned payments.

Weigh up introductory offers

Card providers often tempt you with offers that last for a fixed period of time. The most common is to pay 0% interest on things you buy or balance transfers (debt you transfer from another card). In some cases the 0% offer might be on both purchases and balance transfers, but typically it's just on balance transfers, or the introductory periods might be different. Check carefully what's being offered. A 0% purchase offer is a cheap way of borrowing when you need to buy something big. But make sure you can pay it off in full before your introductory period ends, as otherwise, you'll start paying interest on the outstanding balance.

You might want to consider transferring the outstanding balance to another card then, however the same offers might not be available to you, particularly if your credit rating has gone down in the meantime.

Check the terms and conditions on balance transfer offer

A balance transfer means moving your debt from one credit card to another. There are some good introductory offers around, but check how long these last. You will often have to pay a fee, usually around 3% of the balance transferred, so you need to take this into account. Also, check if there's a time limit on the transfer. If you don't make at least the minimum payments throughout, the 0% offer might be withdrawn. Some 0% balance transfer cards don't charge a fee. This could be good value, even if the 0% period is shorter than on other cards, provided that you can afford to repay the debt before the introductory period ends.

Check what you'll pay each month

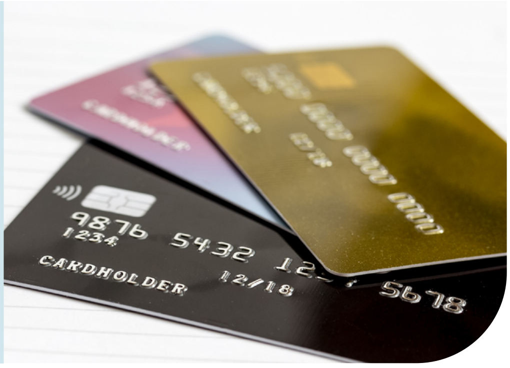
If you don't plan to pay your balance back in full every month, use the Money Advice Services credit card calculator here to work out how much interest you could end up paying. The figures can be scary. Unless you're on a 0% deal or have more expensive debts elsewhere, you should always aim to pay off what you owe at the end of the month. If you can't do that, pay off as much as you can to keep the interest charges down.

The golden rules

- If you take out a credit card with an introductory interest rate then always try to clear or move the debt before the introductory rates ends.
- Repay at least the monthly minimum payment or you may lose the lower rate.
- Try not to withdraw cash on any type of credit card. If you do you could end up with huge costs.
- Before applying for a new card use the eligibility calculator here to find the cards you're most likely to be accepted for.

Does having another card harm your credit score?

Having another card in itself can have an impact on your credit score as it gives you access to more available credit. Whether that's positive or negative depends on your circumstances. A balance transfer card is not for everyone, if you have a really poor credit score or you simply don't trust yourself not to spend on a balance transfer card then you need to think about this before applying.



Staying safe online

From shopping and online banking, to email and social media, our personal information is increasingly digitalised. And as a consequence, the threat of cyberattacks continues to expand and evolve. That's why it's vitally important to stay secure and safe online.

What can I do to protect myself online?

There are a number of steps you can take to stay safe and secure online. From updating your privacy settings, to getting the latest software, here are some tips and resources to help you protect your devices and data.

1. Research retailers online to make sure they're legitimate.
2. Make sure the websites you visit are secure.
3. Before making an on-line purchase understand your rights and the company's returns policy.
4. Keep software and virus protection up-to-date and use strong passwords for online accounts.
5. Don't use public Wi-Fi. Your standard data connection is more secure.
6. Pay using a credit card. You will have more protection. Alternatively, online services like PayPal mean scammers will not be able to get hold of your bank details.
7. Be smart. If a deal looks too good to be true, it probably is.

What can I do to protect myself against contactless payment scams?

1. Be careful where you keep your cards, especially when using public transport.
2. Use a RFID blocking wallet or card holder.
3. Don't let your card out of your sight when paying for items.
4. Regularly check your transactions and report any anomalies as soon as you can.

What can I do to protect myself against identity theft?

1. Keep your PIN safe
2. Get a shredder and use it
3. Lock your phone with a secure PIN
4. Protect yourself online (see above)
5. Always check your bank statements and tell your bank about any anomalies immediately
6. Regularly check your credit reference files, as any false applications will appear on your file

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