



PENNY RADIO

THE MONEY PODCAST

S01E03 - Bank Accounts: Show Notes

Exercises

Remember these exercises are entirely optional but by doing them it will help you get an understanding of how different parts of personal finance work and will help you get to know your own money better.

1. Your bank accounts
 - a. Check how much you have in all of your bank accounts (current and savings) and write this down in a list
 - b. Research which Group your banks are part of (for example First Direct is part of HSBC and Clydesdale and Yorkshire Banks are both part of CYBG) and write this down next to each of your accounts
 - c. Add up all the money that you hold within each banking group
 - d. Do you hold over £85,000 as an individual, or £170,000 jointly with another person in any one Group?
 - e. If so, consider transferring the amount that is over £85k (or £170k) into a bank account from a different Group. If no, then you're OK for now, but keep a regular eye on it

2. Have a look at the credit reference agencies below and what they offer.
 - a. Pick one that you like the look of and check your credit score. They are all free initially but some may charge you for ongoing use or for extra features, so pick one that is right for you and read the terms and conditions so you know what you are signing up for!
 - b. Once you've checked your score, see how it is calculated and work out what this means for you and your ability to borrow money
 - c. Check for any errors that may be impacting your score and contact the agency if there are any
 - d. Have a look at the suggestions of how to improve your credit score and think about how you can implement these suggestions for yourself

References

- [Money Saving Expert](#) - A great place to find all the answers to your personal finance questions, as well as the latest best current and savings accounts, with the most up to date joining rewards and bonuses

- [Section 75 of the Consumer Credit Act](#) - Again, a useful summary from Money Saving Expert on how you are protected when you pay for stuff on your credit card and how to claim

- [Financial Services Compensation Scheme](#) - Amongst other things the FSCS will protect your cash in a bank account if it goes bust. The protection is for £85,000 per person per banking group
- [Current Account Switching Service Guarantee](#) - This is when you choose to change banks for your current account. Your new bank has to redirect all your regular payments in and out of your current account over to them and move any remaining cash too, then shut down your old account (you should still tell your workplace your new bank details to avoid any issues of getting paid!). Normally they offer rewards for switching your current account to them. You can of course open as many current accounts as you like and keep them all open, but you won't get the rewards if you don't switch over (in other words close down your old account)
- There are 3 credit reference agencies in the UK that calculate a credit score for you based on how risky of a borrower you are to potential lenders. So when you apply for a new loan, credit card or mortgage, the banks will check your credit score and see whether they should lend to you and what sort of interest they should charge you. It is mostly based on how many loans you already have and your previous history of borrowing and repaying. It is worth checking your score regularly to see how you can improve it and check for any errors - you can do this initially for free at all 3 websites (although you may have to pay after that or for more features, so check the terms and conditions!). They are:
 - [Experian](#)
 - [Equifax](#)
 - [TransUnion](#)
- [The collapse of Northern Rock](#) - This explains how and why Northern Rock collapsed. Whilst it wasn't entirely down to the run on the bank (everyone trying to withdraw their cash at the same time), this certainly didn't help! It just goes to show how much trust we put in the banking system and how that can sometimes backfire!
- For some people it can be really hard to open bank accounts, especially with the big traditional high street names. Challenger banks are looking to provide solutions to these so-called "unbanked" people. A couple of examples are:
 - [Monzo](#)
 - [Starling Bank](#)

Resources

Check out this great regular savings calculator at thecalculatorsite.com. This is how it works:

- You can choose if you already have an amount that you want to put into a savings account in the first box
- Then in the second box type what interest rate you get on the savings account and whether that is per year or monthly (most interest rates on savings accounts are yearly so select that option)
- Now put in how many years you want to save for in the third box. If you want to save for say 1 year and 5 months it might be easier to put in the total number of months (17 in this case) and select monthly here

- For the Interest Calculated box select how often the bank will pay you interest. Usually this will be yearly, but sometimes they may actually pay you half yearly or quarterly (every 3 months)
- Then in the last box put in how much you want to save each month. Now I know that sometimes you may actually save more or less than this amount, but the calculator will give you a good idea of how much you will earn roughly over the time you want to save for
- Now hit the calculate button and see your results. You can also see a graph of how your savings will go up in value as well!