Financial Services

Terms of Reference

This report has been produced as evidence for Unit 9 – 'Financial Services' – as part of a Vocational A' level in Business Studies.

To: Peter
From: Andrew Braganca
Subject: Unit 14 Financial services
Date:
Synopsis: This report breaks down and examines the financial services needed; I will be looking at three different customers types of financial needs.

1.0

I will look and analyse the financial needs of the following customers:

- A- Jamie McPherson, first-time home buyer
- B- Paul and Anna Day, a couple with children
- C- TBI engineering, a business customer

2.0
Case study A

I will now look at the personal customers, the first customer I will look at Jamie McPherson the financial need are the following:

- Mortgage
- Insurance
- Bank account
- Credit card
- Shares
- Saving
- Pension

I will now look at the following mortgages available.
2.1

There are two main types of mortgage - **interest** only and **repayment** - and there are advantages and disadvantages in each one. It is advisable to research the subject carefully and seek appropriate financial advice before deciding which policy you prefer. A mortgage is a long-term commitment - often 25 years or more - so get the right mortgage to suit you. It can save thousands.

Interest-only mortgages allow you pay the interest due to your mortgage lender every month. You also invest separately in a policy that is designed to pay off the mortgage as it matures, an ISA, pension or endowment.

As with any investment, there is some investment risk in that the final payout could be lower than expected. With repayment mortgages, there is no such risk. Here you pay off the interest and the capital over the life of the mortgage - it guarantees that you will have paid off the mortgage by the end of its term. However, they require you to pay monthly basis than interest-only.

Capital repayment loans require payments to the lender, which consist of a combination of Interest and capital repayment. In the early years the interest element forms the major component of the payments and as a result the borrowing will reduce very slowly during the first third of the mortgage term. The repayment of the amount borrowed then accelerates and the amount outstanding falls rapidly during the last third of the term of the loan. **Providing that payments have been amended in line with the interest rate being charged,** the loan should be repaid by its expiry date.

Advantages of a capital repayment mortgage

+ This is the only method that guarantees repayment of your mortgage.
+ You can see your balance reduce over the years.

Disadvantages of a capital repayment mortgage

Very little capital is paid off in the early years of the mortgage.
- Nearly 50% of the capital will still owe after 18 years on a 25 year mortgage.
- This is not a problem if you do not move home or re-mortgage. To reduce the cost of their monthly outlay, many borrowers tend to take the new mortgage over 25 years therefore extending the time that they are paying a mortgage for

Interest only loans require payments, which cover the interest but make no reduction to the amount borrowed. The lender will require the borrowing to be repaid in a lump sum at the expiry date of the loan. It is usual for an investment plan to be put in place to provide for the repayment of the loan on the due date. Capital repayment is usually enabled by regular investment over the required number of years into one or more of the following plans: Individual Savings Account, Unit Trusts, Investment Trusts, Endowment Policies and the Tax Free cash from personal pension plans.

Disadvantages of an Interest only mortgage

You have no method of repaying the mortgage debt. You may have to sell your property to repay the loan.
- Many lenders will not lend on an Interest Only basis

Advantages of an Interest only mortgage

+ Your monthly outlay is lower

Interest rates

Once I have decided on interest-only or repayment, the second consideration is the type of mortgage product. Here the choice offers fixed, variable or capped interest rate.

With fixed rate, the amount you pay per month is fixed over a period of time - this could be one year or more. During this time, no matter what happens to interest rates, your repayments stay the same.

A variable rate mortgage can go up or down depending on what happens to the Bank of England base rate in the meantime.

Flexible mortgages

Other types of policy that are growing in popularity are flexible mortgages and current account mortgages. With a flexible mortgage, you can make extra payments to your mortgage at any time without incurring any penalty. This means that you could pay your mortgage off far earlier than you had originally planned with a traditional mortgage.

Current account mortgages combine a mortgage and a current account. By paying in a salary the capital is instantly reduced and so is the interest. While your salary may only be in there for a day or two, it is working to pay off your mortgage and helps to reduce the length of the mortgage.

Mortgage Deals Explained

Variable Rate
Your monthly payments to the lender are variable, and depend on the interest rate at the time. Therefore, as interest rates change, so do your payments.

Discounted Rate
this is a variable rate, with a discount applied for a period of time, for example, a 1% discount off the standard variable rate for two years.

Cash back
This is a variable rate, but when the money is lent to you, the lender will also pay you a cash bonus, for example, 3% to 5% of the amount borrowed.

Fixed Rate
The lender will fix the interest rate for a set period of time - usually between one and five years. After the fixed period ends, your payments will revert to whatever the variable rate is at the time.

Capped Rate
This is a variable rate with a specified maximum interest rate that your payments cannot exceed, for a set period of time usually one to five years. You know at the outset what your maximum monthly payments will be (the capped rate). However, if the variable interest rate falls below the capped rate, your mortgage payments will go down. At the end of the capped rate period, your payments will revert to whatever the variable rate is at the time.

Recommendation for mortgage

I would recommend repayment mortgage to be a repayment mortgage I would recommend a flexible mortgage so it give Jamie McPherson pay off his mortgage as early as possible, so he able to overpay when it suits him. I have look at the provider of mortgages and I have decided to choose a Flexible Current Account Mortgage with company **Britannic** they have a flexible mortgage with the option to combine a current account. Interest is calculated daily and salary can be paid in directly to the Current Account. When looking in the Sunday telegraph best fixed rate at 3.39% for 2 years and a fee of £295.

I have also recommended a repayment mortgage because I feel in the current financial there is too much to risk involved. Many people who have invested in ISA'S and pension linked to the stock market have lost considerable amount of money due to the recent collapse of the stock market. Because this is such Jamie's biggest investment and because there is a higher element of risk with them.

What is the meaning of APR?

The APR is the figure which takes into account of interest that is paid and other fees (including arrangement fees for setting up loans e.g. mortgages). An APR also takes into consideration when and how often interest charge must be paid. I will be looking a various rates of APR (interest rates) Jamie would be paying when he takes out a mortgage. There are a range of choices from which Jamie can look at, they include:

1. **Fixed rates:** The amount you pay per month is fixed over period of time over one year or more. During this time no matter what happens the interest rates stay the same.
2. **Variable rates:** These rates could go both up or down depending on what happened to the Bank of England.
3. **Capped deals:** This mean that interest can't go up, but it can go down depending upon if the Bank of England's interest rate drop.

My final Recommendation on Jamie mortgage and provider

I shall evaluate the type's mortgage for Jamie they are:

1. Jamie should have a repayment Mortgage

   Jamie should have flexible Mortgage

2. He should have a repayment mortgage there is no guarantee the mortgage will be fully paid by the end of the mortgage.
3. Investments made in the **stock market carry a high level risk**. Shares in the stock market can both **increase** or **decrease,** and the investor can liable for a big loss in the value of there investments, shares cannot be reliable to pay of the mortgage.
4. If the capital during the period of the mortgage cannot be acquired, then this would mean that the Bank or mortgage provider would technically own the property. The consequence of this is that the person paying the mortgage would have to extend more interest. So the mortgage could last more than 25 year

Male	Monthly premium	You save over 10 years	saving made
	Tesco	£5.50	
	Scottish Widows	£7.20	£204.00
	Marks & Spencer	£7.55	£246.00
	Legal & General	£7.80	£276.00
	Eagle Star Direct	£7.86	£283.20

Source: Life & Pensions Money facts, December 2002.
Please remember rates may vary from time to time.

The latest rates for life insurance has gone up, Tesco now offer **£9.20** a month. Source: **FIGURES COMPILED ON:** *31 March 2003* life insurance money facts

The insurance are not needed below the following:

- Car insurance
- Personal accident plan
- Hospital accident plan
- Travel insurance
- Business insurance
- Life insurance
-

Bank accounts

The number of different types of savings accounts available can be bewildering. They range from monthly savings plans through to lump sum investments. It's important of course to make sure that what you put your money into is exactly what you need.

Standard savings accounts

Most banks and building societies offer a standard savings account. Usually these require a minimum amount to be put away each month. Withdrawal conditions vary for each account but savers may find that they are offered limited access without penalty or a bonus if they refrain from making withdrawals. Savings accounts are also offered by National Savings and increasingly by supermarkets and retailers. Interest is typically between 3% and 5% per year (AER).

Current account

These can be a useful way of putting money to one side but leaving it available in an emergency without being charged a fee. Some of these accounts also offer full banking facilities such as cheque books, cheque guarantee and credit cards. But in return for that flexibility savers can expect to get a lower rate on interest on their money. In late 2002, instant access accounts offered between 2% and 4% AER - but all these savings account rates track the Bank of England base rate closely.

Basic accounts

These accounts allow savers to withdraw money after giving a set period of notice of their intention to do so. The required period varies from account to account but is typically between 30 and 120 days. Notice accounts will usually offer interest at 2% to 4.5% AER.

I would recommend a current account mortgages because they offer debit card and cheque book. I would recommend with the same company **Britannic** you have your mortgage with, they give you excellent rates, up to 4.75% gross/AER you can link your mortgage with a Current Account to get further savings, and instant access to your savings.

	£1	£3,000	£5,000	£15,000	£50,000
Nationwide CashBuilder	0.50%	0.90%	1.00%	1.25%	2.00%
Halifax Liquid Gold	N/A	0.10%	0.10%	0.10%	0.10%
Abbey National Instant Saver	N/A	0.20%	0.20%	0.20%	0.40%
Barclays Instant Savings Account	N/A	0.50%	0.50%	0.50%	0.50%
Tesco Instant Access Savings Account	**2.60%**	**2.80%**	**3.00%**	**3.50%**	**3.75%**

Credit card

Standard - Visa and MasterCard are two of the common credit cards available.

Platinum and Gold cards - these are usually available for people with higher levels of income, and have benefits attached to them.

Charity and Affinity Cards - these operate in the same way as standard credit cards but a small percentage of what you spend is donated to the charity to which the card is connected.

Loyalty Cards - These cards tend to offer incentives such as cash bonuses, AIR MILES, points and other discounts.

Benefits
Credit cards are international and can be used all over the World, wherever you see the logo on your card. Credit cards can provide you with instant access to cash, (for which there is usually a fee payable). Goods can be purchased quickly and easily, in person, over the phone, or on-line! Some companies offer insurance on your purchases, and can protect your goods in the event of loss or theft. They can also provide you with travel insurance.

Risks
Credit cards tend to be expensive and are hard to control. It is advisable to keep your receipts of purchases made. Mistakes do happen and you should cross check your receipts with your monthly statement. Any discrepancies should be reported immediately to the company. Other forms of borrowing can prove cheaper, e.g. a personal loan or extension of your existing mortgage. These options should be considered before applying for a credit card. Purchases made abroad may not appear on your statement for a few months and it is therefore difficult to determine whether or not they have been debited to your account.

Money fact

Card Provider	Product	Intro Rate	Intro period	Standard APR%	Int. free days	Additional Features
Halifax plc [a]	**h2x**	**0.00%**	**5 mths**	**9.90%**	**59 days**	**Manage account online**
Virgin Money [a]	Card Option C	10.90%		10.90%	59 days	
Capital One	Platinum	0.00%	6 mths	11.50%	54 days	Fixed rate of 5.90% on balance transfers until repaid
Capital One	Premier	0.00%	6 mths	11.50%	54 days	Fixed rate of 5.90% on balance transfers until repaid
Barclaycard [a][b]	Classic	6.90%	Until repaid	11.90%	56 days	

Recommendation for credit card

I would recommend a credit card with Halifax they offer the lowest standard 9.90 APR % as you can see I have listen five account that offer credit card. The risks with credit cards the higher the APR% the more you pay back that why it's important to compare the rates on credit cards and chose the one that offer the lowest APR%. There are alternatives that Jamie McPherson could do such as take out a credit card that offers 0% interest for 6 months and cancel the card just before it reaches 6 months.

RATES AND FEES
Credit cards attract annual fees and interest charges. Interest rates tend to be high and vary between companies. Some companies provide interest free periods. Other companies have penalty payments for late or returned payments or if you exceed your credit limit.

REPAYMENT OPTIONS.
Most credit card companies insist on you repaying the minimum repayment. This can be found on your monthly statement. Alternatively, they request that you repay a percentage of the outstanding balance, for example, 3-5%.

DECIDING WHICH CARD.
In deciding which card is the best for you, you will need to assess how you use the card. For example, if you use the card for convenience shopping and would want to repay the full balance at the end of the month, then cards that offer a long interest free period with no annual fee could prove more appropriate. If you use the card for ongoing borrowing, and intend to pay off the minimum amount every month, then a shorter interest free period with lower rates might suit you better. If you travel frequently, it may be worth considering a card, which allows you to pay your bills via direct debit.

Pensions

Pension is basically a long-term savings account, which you can access after your retirement. Every year you delay taking out a pension, you could be substantially reducing your security and standard of living in the future, because pension investments grow over time. The average worker works 35 years and need to save enough towards for their retirement.

How much to save

At today's rates if you had £100,000 in your pension fund this would buy you an annual income of about £6,000 if you brought an annuity when you where 55. Jamie McPherson may likely to receive fewer pensions if he retires at 55, because if he retires at 60 he has provided a longer service to his job as may have a higher pension.

At what age should you retire?

Most company pension schemes set at the age of 60 as a normal retirement. The longer you leave your money in schemes, the bigger your pension will be. You can draw a pension from one source and still carry on working somewhere else.

Before committing to a pension, Jamie McPherson must think carefully about the lifestyle he want when you retire and calculate how much you can afford to contribute towards your pension fund each month. You'll also need to take into account when you want to retire and whether you have income coming from other sources.

Occupational pension

Occupational pension schemes are set up by employers to provide pensions and life assurance benefits for employees, for example, a tax-free lump sum payable if they die before retirement to their widow/widower or other dependant(s). From 6 April 2001, some employers may set up stakeholder pension schemes. Such schemes will be subject to the same conditions as other occupational schemes, as well as the general conditions for stakeholder personal pension schemes (see below).

There are two main types of occupational pension scheme:-

- final salary, in which the pension is a proportion of the your salary at or near retirement date and is linked to the number of years you have worked for the particular employer; or
- Money purchase, in which the pension is based on the total value on retirement of the money paid into the scheme and on how the investment has performed.

Final salary schemes
These schemes are sometimes called 'defined benefit' schemes.

The level of pension is based on your earnings. This is a huge advantage, because your earnings are likely to keep up with inflation.

The amount you receive will usually depend on the number of years you have been in the scheme. This will be applied to a fraction, such as 1/60th or 1/80th.

For example, if you have been in a scheme for 20 years, your pension will be based on 20/60 times the final salary.

Some schemes do not base it on the final salary, but the best year's earnings within, say, 3 or 5 years of your retirement.

If you work in the public sector, like the NHS, you may receive a tax-free lump sum automatically in addition to your pension at retirement. However, with other schemes you may be required to give up or 'commute' part of your pension income if you want to take some cash. This is sometimes called the 'commutable lump sum'.

All pension schemes are required to produce information about how they work and what your benefits are. Your personnel department or pension's administrator will be able to tell you how much you can expect at retirement.

Money purchase schemes
These are sometimes called a 'defined contribution scheme'.

Effectively, you put your money into a form of investment, where it grows, and you eventually draw the proceeds by way of a pension.

The great advantage of this type of scheme is its simplicity. It is also easy to transfer it. But it is more difficult to plan for retirement because there is no guarantee that the pension will keep up with inflation.

Many schemes set a fixed amount of how much you contribute. The average is just under 4%, but some employers will give you a choice as to how much you save.

The average contribution by employers is 7% of your pay.

On retirement, you convert your fund into a regular pension, and the scheme administrator will normally purchase an annuity on your behalf. Annuity rates vary with long-term interest rates.

Although these schemes are not so advantageous for long-term employees as final salary schemes, they are still attractive because of the employer's contributions.

Useful extras such as life insurance may also be provided. If you move to another employer your fund will remain invested and will continue growing.

The Occupational Pensions Regulatory Authority regulates company pensions, making sure that the funds are properly run and invested. It has a pension tracing service which may help if you have lost track of a company pension. www.opra.gov.uk.

As an employee Jamie McPherson has the right to leave, or decline to join, an occupational pension scheme. If you are thinking about leaving an occupational pension scheme, you should consider the implications of this very carefully, because an occupational pension scheme will usually be far more advantageous than a personal pension scheme. In addition, an occupational pension scheme may be reluctant to allow you to return to the scheme after you have left to take out a personal pension. If you decide to leave, or decline to join, an occupational pension scheme, you will then have to contribute towards additional pension or a personal pension.

If he is considering leaving a personal pension scheme you should consider obtaining independent financial advice before doing so and can find out how to get independent financial advice from, for example, a Citizens Advice Bureau, whose address and telephone number will be in the local telephone directory.

The occupational pension scheme may be contracted out of additional pension, which means you will not pay contributions into additional pension and will only be entitled to a basic state retirement pension plus an occupational pension on retirement.

If the scheme is not contracted out of additional pension you will continue to pay into additional pension and will be eligible for the basic retirement pension plus additional pension plus an occupational pension on retirement.

Additional voluntary contribution (AVC'S)

Jamie McPherson works for Nortel they may offer a company pension scheme you can top up your monthly contribution through AVC'S you can put up to 15% of your annual earning into a pension.

Advantage: tax relief on AVC'S

Disadvantage: you don't get the money until you retire.

Annuities

Unless you have been paying into a final salary you must use your pension to buy an annuity before you are 75 (though you can take up too 25% as a tax free lump sum).

An annuity is basically an insurance policy for the rest of your life – it will pay out for however long you go on to live.

An annuity is the way in which you convert the money you have built up into a regular income to see you through your retirement. It works broadly like this:

1. You retire.
2. You take the money in your PPP, AVC or Defined Contributions occupational pension fund and use it to purchase an annuity, either from the company with which you already have your policy, or another company (for the privilege of which you may be charged a penalty by your original company).
3. The annuity pays you a fixed income until you die. The precise amount depends on how long they think you have left to live. Women, who live longer than men, receive less than men of the same age. Older people receive more than younger people. Students of the macabre will note that with some companies, fat smokers can negotiate larger payments than slim non-smokers (impaired life annuity).
4. The amount you receive does *not* increase with inflation, unless you have agreed to accept a substantially reduced initial annuity income.
5. Your spouse may get nothing when you die, unless, again, you have agreed to accept a substantially reduced initial annuity income.
6. Finally, you and your spouse both die. When you and your spouse are both dead, the annuity company keeps the money. Your relatives or favorite charity get nothing.

Problems

Annuity rates change- so as rates of return can be lower than you expected.

Recent problems

- Falling shares prices
- Falling interest rates

Results are a pension shortfall more and more likely that your pension will not be as big as you had previously thought.

Loan

A personal loan available from a bank, building society or other financial institution without security. They are usually covered by the terms of the Consumer Credit Act. A lump sum will be loaned in return for you agreeing to make regular repayments usually by direct debit. Personal loans are available from £500 up to £25K (security will usually be needed for loans of large amounts) and are repayable over a period of time, usually between 6 months and 10 years. Lenders charge interest, which can either be fixed or variable, on the amount borrowed. This interest charge is expressed as an APR (annual percentage rate). The APRs will vary dependent upon the amount of the loan and sometimes the term as well. Usually the rate is fixed on your loan repayments and will remain the same throughout the period of the loan. It may be variable, particularly in the case of longer term loans, and you must be advised of this possibility at the outset. Payment Protection Insurance – this is an insurance that will cover your monthly loan repayments in the case of unemployment, accident, sickness or death. There are sometimes different levels of insurance providing different cover so it is important to check the small print to ensure the cover provided is suitable for Jamie needs.

Shares

Investing in shares has many benefits including a high level of liquidity which unlike property, gives you ready access to your money. There are more than 1200 companies on the stock market in which you can buy shares so there are plenty to choose from to match your investment needs.

For those who already have a robust and well balanced savings and investment programme in place the stock market offers an intriguing supplementary home for your cash.

It is not for the faint-hearted. It is not for the risk averse. It is not for those who cannot afford any capital erosion. However, if you do not fit into those categories and particularly if you have the time to follow the markets closely, it can be a rewarding investment – in terms of interest if not financial return.

Long term view

In simple financial terms the stock market offers glittering returns when viewed over the long term. Expert calculations suggest that the accumulated return on ordinary shares (after reinvesting net dividends) represents a growth of nearly 30% over the last fifty years. Real annual stock returns have been in excess of 6% during the same period.

The main London stock market index (the FTSE All Share Index) was launched in April 1962 and its opening base of 100 points has risen since then to more than 2,000 - in late 2002 it stood at 2,100, even after its recent poor performance.

The FTSE 100 Index (the listing of the 100 largest British companies) was launched in January 1984 at a base of 1,000 and has increased to a level which had been in excess of 6,000 - until recent declines pegged it back closer to 4,000.

Bear market

This is the market that is dominated by seller with many big louses.

How can investors reduce risk?

- collective investments
- Pooling investors' money into a large fund which invests in shares on their behalf.

How and where to buy shares

Shares can only be bought and sold to the public by stockbrokers. Stockbrokers are people who buy and sell shares on another person behalf, they can be found through:

1. Banks
2. Building societies
3. The internet

When investing in shares it is important to remember the element of risk. This is because the stock market at times can be extremely turbulent and the shares prices can dramatically increase in price but can also severely decrease in the value at which they were brought at also. The higher the risk of amounted invested the higher there can be a loss but also potential of greater benefits for profits.

Ways of assessing the performance of Shares

There four main ways assign the performance of shares these are the following:

1. weather the shares price increases or decreases
2. The yield (dividend yield) e.g. the current yield on an Abbey National share is 6.8%, this shown the percentage return a share holder gets on their shares.
3. The prise to earning ratio- this measure the prise of a share and shows how much profit the shares has made. EPS (earning per share) e.g. of a P/E ratio is:

Profit = £1 million   Price = 12.20<u>(price of share)</u> = 12.00 P/E ratio

Number of shares = 1 million   <u>EPS</u>

The two types of investments

Unit trusts and investment trusts are collective investments, designed to give investors a better return on their money than they could hope to get if they invested it themselves.

By pooling lots of investors' money into a fund that invests in shares on their behalf, the investment achieves economies of scale. However, there are important differences between unit trusts and investment trusts.

Investment trusts are public limited companies which invest in the shares of other companies to make profits for their shareholders. A unit trust is simply a collection of shares, and sometimes other investments such as gilts and corporate bonds, managed by a fund manager.

Unit trusts are intended to give investors an easy route into the stock market, giving the potential for gains that are higher than those achievable in bank or building society account but without the risk associated with buying individual shares in companies directly.

Risks

There is still some risk, however, and unit trusts and investment trusts are both higher risk products than putting money into an account with a bank or building society.

- Loses can be grater

Three reasons to cash in investment

1. You need the money
2. You believe the value of the investment will fall.
3. Your cash can earn more somewhere else.

Share dealing

1. You should only buy shares with money that you can afford to lose.

2. It is a good idea to make sure that all your non-mortgage debt is paid off before you start buying shares.

3. Remember that share dealing involves risk, share prices can go down as well as up and that you could lose all your money if you buy into a company that subsequently goes bust.

4. You can buy shares in companies indirectly through collective investments such as unit trusts, investment trusts or Individual Savings Accounts (ISAs). Generally these are less risky than individual company shares.

5. You need to find a stockbroker to trade shares on your behalf. Find the type of broker who suits your needs best.

6. If you want advice from your stockbroker, make sure they are authorised to give advice by the Financial Services Authority.

7. Carry out plenty of research before deciding to buy shares in a particular company.

8. Never follow up stock tips you pick up in internet chat rooms as they are often highly unreliable.

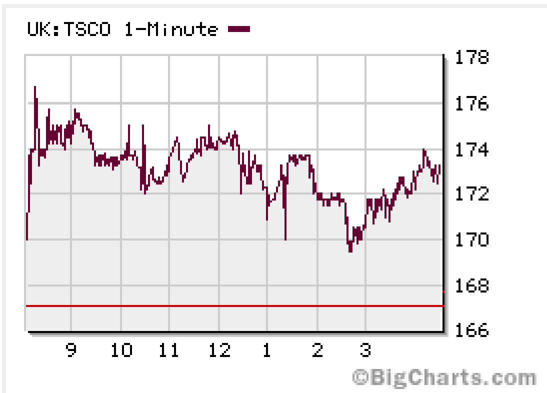
9. Beware of newspaper stock tipsters. They don't always know what they're talking about and even when they do you can get caught in a stampede, missing out on any initial price rise. Newspaper stock tips are often self-fulfilling prophecies.

10. Shares fluctuate in price. Set yourself targets and stop when you reach them. Don't get distracted by short-term excitement or disappointment and remember that over the long term shares usually prove a good investment.

Jamie McPherson has already got 3000 shares invested in Tesco Plc; the shares that are invested would earn 1.73 per every £1. So I would advise Jamie McPherson to leave his share with Tesco because he shares are earning more than it would in a bank. At the moment Jamie McPherson share are worth £5190.

TESCO	LSE 14/03/2003

Quotes	14Mar2003
Last	173.00 GBX
Change	▲1.50
% Change	▲**0.87%**
High	176.75
Open	174.00 GBX
Low	169.25
Net Volume	37,579,200
% Change based on prev. close	
Fundamentals	
52 Wk High Date	269.00 20/9/2002
52 Wk Low Date	156.75 5/3/2003
Dividend	1.87
Div Date	25/9/2002
Market Cap	12,581 M GBP
Div Yield	-
P/E Ratio	14.36
EPS	12.05



Time Frame: 1-day

Analytical charting

Last 5 days quote

Date	Close	Net Change	% Change
14Mar2003	173	▲ 1.50	0.87%
13Mar2003	171.5	▲ 8.25	5.05%
12Mar2003	163.25	▼ -2.25	-1.36%
11Mar2003	165.5	▲ 5.00	3.12%
10Mar2003	160.5	▼ -3.00	-1.83%

Source: financial times

Personal Budget

I will now draw up a personal realistic budget for Jamie McPherson; I have considered and researched all the expenses that would occur during the year. The budget will be used to see if Jamie McPherson can cover his expenses and to know how much money will be remaining at the end of the year.

					Personal	Budget
	1	**2**	**3**	**4**	**5**	**6**
Opening Balance	8,000	8,795.98	9,591.96	10,387.94	11,183.92	11,979.90
Income	2,156.60	2,156.60	2,156.60	2,156.60	2,156.60	2,156.60
Other Income						
Total Income	10,156.6	10,952.6	11,748.6	12,544.5	13,340.5	14,136.5
Expenditure	100	100	100	100	100	100
Mortgage	493.92	493.92	493.92	493.92	493.92	493.92
Insurance	9.20	9.20	9.20	9.20	9.20	9.20
Pension	87.5	87.5	87.5	87.5	87.5	87.5
Council Tax	70	70	70	70	70	70
Shopping	400	400	400	400	400	400
Phone	50	50	50	50	50	50
Water/Gas/Electricity	150	150	150	150	150	150
Total expenses	1360.62	1360.62	1360.62	1360.62	1360.62	1360.62
Closing Balance	8,795.98	9,591.96	10,387.94	11,183.92	11,979.90	12,775.88

Opening Balance	**7**	**8**	**9**	**10**	**11**	**12**
Income	12,775.88	13,571.86	14,367.84	15,163.82	15,959.80	16,755.78
Other Income	2,156.60	2,156.60	2,156.60	2,156.60	2,156.60	2,156.60
Total Income						
Expenditure	14,932.5	15,728.5	16,524.4	17,320.4	18,116.4	18,912.4
Mortgage	100	100	100	100	100	100
Insurance	493.92	493.92	493.92	493.92	493.92	493.92
Pension	9.20	9.20	9.20	9.20	9.20	9.20
Council Tax	87.5	87.5	87.5	87.5	87.5	87.5
Shopping	70	70	70	70	70	70
Phone	400	400	400	400	400	400
Water/Gas/Electricity	50	50	50	50	50	50
Total expenses	150	150	150	150	150	150
Closing Balance	1360.62	1360.62	1360.62	1360.62	1360.62	1360.62
	13,571.86	14,367.84	15,163.82	15,959.80	16,755.78	17,551.76

How the budget was worked out

The opening balance came from Jamie McPherson saving in cash of £12,000; I used £4,000 to cover the outstanding balance of £4,000 for his Natwest credit card. So there was £8,000 left in cash after I paid the outstanding balance. The income came from Jamie McPherson annual income of £35,000 I used his income after tax which was £25,879 and divided by 12 months to shows how much would come in each month. Jamie McPherson has already got 3000 shares invested in Tesco Plc; the shares that are invested would earn 1.73 per every £1. So I would advise Jamie McPherson to leave his share with Tesco because he shares are earning more than it would in a bank. At the moment Jamie McPherson share are worth £5190. The share of £5190 I divided by 12 to shows how much he would have each month. The expenditure is £100 this is Jamie McPherson social spending a month. The mortgage is worked by using company **Britannic** they have a flexible mortgage with the option to combine a current account. Interest is calculated daily and salary can be paid in directly to the Current Account. When looking in the Sunday telegraph best fixed rate at 3.39% I used this rate over 20 years to work out how much Jamie McPherson pay each month that was £493.92. The rest of the expenses I researched and found out the likely expenses a person. The insurance with **Tesco** that is £9.20 a month.

Recommendation

I would advise Jamie McPherson, to invest some of his £22,741 in shares because he can earn much higher but has higher risk, to reduce the risk I would advise Jamie McPherson to invest small amount with different business he must check the return/yield. The rest of the money I would recommend his to save in saving account. If Jamie McPherson was to take out a loan or his credit card he must be ware of the APR (Annual Percentage Rate) by law lenders must state the APR. The higher the APR the more you pay back if you take out credit card and loan. So I would recommend Jamie McPherson to take a loan or credit care with the lowest APR.

Case study B

I will now be looking at married family financial needs of Paul and Anna Jay you have been married for 14 years and have two children Luke who is 14 and Danny who is 11. Paul and Anna work full time.

I will now look at the family financial needs, the second customer I will look at Paul and Anna the financial need are the following:

- Mortgage
- Insurance
- Bank account
- Credit card
- Shares
- Saving
- Pension
- Life insurance
- Car insurance
- Building insurance
- Car loan
- House contents insurance
- Dental insurance

I will now look at the budget for Paul and Anna and their current expenses, I have worked out much money will be available at the end of the year. The following page will display the budget.

Personal Budget

1	2	3	4	5	6

Opening Balance	3,341	1,174	2,349	3,523	4,697	5,872
Income		3,341.00	3,341.00	3,341.00	3,341.00	3,341.00
Other Income						
Total Income	3,341	4,515	5,690	6,864	8,038	9,213
Expenditure	200	200	200	200	200	1200
Mortgage	400	400	400	400	400	400
Endowment	120	120	120	120	120	120
Life Insurance (Paul)	9.20	9.20	9.20	9.20	9.20	9.20
Car insurance(Anna)	30.00	30.00	30.00	30.00	30.00	30.00
Car insurance(Paul)	55.00	55.00	55.00	55.00	55.00	55.00
Pension	87.5	87.5	87.5	87.5	87.5	87.5
Dental insurance	30.00	30.00	30.00	30.00	30.00	30.00
Home content insurance	18.00	18.00	18.00	18.00	18.00	18.00
Car loan	240.00	240.00	240.00	240.00	240.00	240.00
Building insurance	25.00	25.00	25.00	25.00	25.00	25.00
Council Tax	70	70	70	70	70	70
Shopping	1,200	1,200	1,200	1,200	1,200	1,200
Phone	50	50	50	50	50	50
Water/Gas/Electricity	150	150	150	150	150	150
Total expenses	2166.70	2166.70	2166.70	2166.70	2166.70	3166.70
Closing Balance	1,174.30	2,348.60	3,522.90	4,697.20	5,871.50	6,045.80

	7	**8**	**9**	**10**	**11**	**12**
Opening Balance	6,046	7,220	8,394	9,569	10,743	11,917
Income	3,341.00	3,341.00	3,341.00	3,341.00	3,341.00	3,341.00
Other Income						
Total Income	9,387	10,561	11,735	12,910	14,084	15,258
Expenditure	200	200	200	200	200	200
Mortgage	400	400	400	400	400	400
Endowment	120	120	120	120	120	120
Life Insurance (Paul)	9.20	9.20	9.20	9.20	9.20	9.20
Car insurance(Anna)	30.00	30.00	30.00	30.00	30.00	30.00
Car insurance(Paul)	55.00	55.00	55.00	55.00	55.00	55.00
Pension	87.5	87.5	87.5	87.5	87.5	87.5
Dental insurance	30.00	30.00	30.00	30.00	30.00	30.00
Home content insurance	18.00	18.00	18.00	18.00	18.00	18.00
Car loan	240.00	240.00	240.00	240.00	240.00	240.00
Building insurance	25.00	25.00	25.00	25.00	25.00	25.00
Council Tax	70	70	70	70	70	70
Shopping	1,200	1,200	1,200	1,200	1,200	1,200
Phone	50	50	50	50	50	50
Water/Gas/Electricity	150	150	150	150	150	150
Total expenses	2166.70	2166.70	2166.70	2166.70	2166.70	2166.70
Closing Balance	7,220.10	8,394.40	9,568.70	10,743.00	11,917.30	13,091.60

Fixed rate account

Company	Account	Notice or Term	Deposit	% Gross	Interest Paid	Contact
NORTHERN ROCK	NORTHERN ROCK	Special Bond	31.10.03	£500	4.00% F	OM
NORTHERN ROCK	NORTHERN ROCK	Fixed Rate Bond	1.5.04	£500	4.10% F	Yearly
LONDON SCOTTISH BANK	LONDON SCOTTISH BANK	High Interest Bond	2 Year	£2,000	4.35% F	Yearly
CAPITAL ONE BANK	CAPITAL ONE BANK	Fixed Rate Bond	3 Year	£5,000	4.45% F	Yearly
CAPITAL ONE BANK	CAPITAL ONE BANK	Fixed Rate Bond	4 Year	£5,000	4.55% F	Yearly
CAPITAL ONE BANK	CAPITAL ONE BANK	Fixed Rate Bond	5 Year	£5,000	4.60% F	Yearly

FIGURES COMPILED ON: *09 April 2003* Money Facts

Children saving account

Company	Account	Notice or Term	Deposit	% Gross	Interest Paid	Contact
ABBEY NATIONAL	ABBEY NATIONAL	SAVINGS BOND	4 Year	£500	4.00% F	Yly
ALLIANCE & LEICESTER	ALLIANCE & LEICESTER	FIRST SAVE	Instant	£1	4.15%	Yly
BRADFORD & BINGLEY	BRADFORD & BINGLEY	KIDZONE	Instant	£10	3.75%	Yly
BRITANNIA BS	BRITANNIA BS	FIRST SAVER	Instant	£1	4.15%	Yly
COVENTRY BS	COVENTRY BS	INTEREST ZONE	Age 7	£1	3.90%	Yly
HALIFAX	HALIFAX	MONTHLY SAVER	A	£5	4.90%	Yly
HALIFAX	HALIFAX	WEB SAVER	None	£1	4.00%	Yly
NATIONWIDE BS	NATIONWIDE BS	SMART 2 SAVE	Instant	£1	4.25%	½Yly
YORKSHIRE BS	YORKSHIRE BS	ONE DAY	Instant	£10	3.85%	½Yly

FIGURES COMPILED ON: *09 April 2003* Money Facts

Recommendations

I would recommend Paul to put his £22,000 in some sort of saving scheme that I will recommend that will earn a high interest with a low risk. I would also recommend Paul to invest like £10,000 of his money into shares that are earning high dividends the only worry for Paul is the share will have high risk but also high return. For saving account Paul should invest with capital one bank for 5 years with £5000. Paul money also invests £5000 of his in money in his children account as they may need it in future for university. I would recommend Paul to invest £3000 in four different kinds of business that are doing well on the FTSE 100. The companies I have recommended for Paul to invest with are Vodafone, BP plc and Tesco, Cadbury.

Vodafone Group

Quotes		9Apr2003
Last	120.75 GBX	
Change	▼-0.75	
% Change	▼ **-0.62%**	
High	123.25	
Open	121.00 GBX	
Low	119.50	
Net Volume	228,001,745	

% Change based on prev. close

BP plc

Quotes		9Apr2003
Last	411.75 GBX	
Change	▲0.50	
% Change	▲ **0.12%**	
High	416.25	
Open	411.00 GBX	
Low	408.25	
Net Volume	41,525,622	

% Change based on prev. close

Tesco

Quotes		9Apr2003
Last	199.50 GBX	
Change	▲2.25	
% Change	▲ **1.14%**	
High	200.28	
Open	199.00 GBX	
Low	196.75	
Net Volume	33,251,254	

% Change based on prev. close

Cadbury Schweppes

Quotes		9Apr2003
Last	341.25 GBX	
Change	-9.75	
% Change	**-2.78%**	
High	355.38	
Open	349.00 GBX	
Low	340.50	
Net Volume	15,860,333	

Making money from shares

The most common form of shares is ordinary shares. You can also buy preference shares, options and partly paid shares.

There are a number of different types of shares such as ordinary or preference shares which have different properties. For more experienced investors, derivatives such as options and warrants provide further diversification. However, when the majority of investors invest in shares, they buy ordinary shares.

We invest in shares to make money – either through a share's capital growth, ie the amount by which the share price increases in value over time, or through the dividends it pays to its shareholders. Dividends are payments made by companies to shareholders from their profits. Not all companies pay dividends. Dividends are usually paid twice a year and are in effect the yield from your investment. Some growth companies plough most of their profits back into generating more business rather than paying out dividends to investors. News Corp, for instance, usually only pays a low dividend.

Recommendations for services

I would recommend Paul and Anna to check all the prices on internet before choosing their provider for insurances and mortgage and for the loan. By researching the prices can save Paul and Anna a lot of money. It's important for Paul and Anna to know they are getting the best deal and service and provider. It important Paul and Anna check the likely return on chosen investment using the yield and return figures.

Personal Loan

With rates as low as 9.9% typical APR, see how much you could save on a personal loan of £7,000 over 48 months. Source: Money facts Jan 03 & competitors' literature.

Below are current APR rates for a loan. Both personal customers may need a loan it important to look at the interest rates, as you can make a big saving if you chose a low rate loan.

	% APR	Savings
Halifax	9.9	-
NatWest	12.9	£301.92
Barclays	11.9	£175.68
HSBC	11.9	£154.08

Comparing the cost of different credit facilities is difficult once you take all the charges and interest rates into consideration. It might not be perfect, therefore, but the annual percentage rate (APR) which lenders are required to declare, is often the best way of getting a reasonable comparison.

The APR is a figure which takes into account the amount of interest you pay and any other fees charged by the provider (including arrangement fees for setting up the loan and any annual costs involved). APR also takes into consideration when and how often interest and charges must be paid.

No one will argue the APR is the perfect comparison method. The banking industry, for example, questions its effectiveness when comparing financial products, such as overdrafts, where you may well is in credit most of the time.

At the moment, however, it is the best tool at the consumer's disposal. Broadly speaking, the lower the APR, the cheaper the loan will be to the consumer. It can be particularly useful when looking at fixed-term borrowing such as personal loans, and flexible borrowing such as credit cards.

Investments for both personal customers likely return on investment and risks

Saving money is easy. Like tucking it under the bed or stuffing it into a jam jar, people bury money away in savings accounts for a rainy day, safe in the knowledge that their hard-earned cash is secure.

By contrast, becoming an investor is an active choice. You're admitting you are willing to take a higher level of risk in order to get a higher return.

Risk

The level of risk you take is a personal choice but start out by deciding how much you have to spend, what you would like to get back, and how long you are willing to invest for.

Investment funds are usually graded as low, medium or high risk. The longer you can afford to invest for (or the younger you are), the higher risk you can afford to take. Higher risk means higher volatility, but returns from these funds can be large in the long-term.

Most funds that invest in less developed economies, in one particular sector (such as health or technology) or in smaller companies, are labelled as high-risk.

Tracker funds (which follow a stock market index) and others investing in the UK, Europe or the US are usually medium-risk. Their returns are expected to be lower but more consistent from year to year.

Low-risk funds reduce the chance that you will lose money. Usually they have a substantial proportion invested in bonds or property. Others invest in the money markets, which mean they are effectively high-interest bank accounts.

Choose whichever option feels most comfortable and don't be talked into investing in a high-risk fund if you can't afford to lose your capital - you might regret it later

Fund Performance Figures

while performance is not the only factor you should consider when you purchase a mutual fund, fund performance figures are constantly quoted in the press, in fund advertising, and fund reports. Two of the most commonly used fund performance terms within the mutual fund arena are yield and total return.

Current Yield

Current yield is quoted in any advertising and shareholder reports. It's a rather complex formula mandated by the Securities and Exchange Commission (SEC) which is why many people refer to it as SEC yield.

Basically, the SEC "standardized" yield uses a fund's net income over the preceding 30 days to project an annualized yield – in theory, what you'd earn if you stayed in the fund for the next twelve months and it kept paying out at the same rate.[1] Although that's not a very likely scenario, SEC yield does give you a yardstick for comparing the results of different funds from different fund companies.

Total Return

Total return, because it combines both income *and* capital appreciation (or depreciation), is widely considered the best measure of whether you've made or lost money. Compared to yield, total return is a more comprehensive calculation. It takes into account any income or capital gains distributions you've earned, as well as any change in the value of your fund's shares.

Calculating the total return on your account is easy. It's simply the ***percentage difference*** between your account's value at the beginning and at the end of the period you're measuring. In the two-year example below – which assumes that you've reinvested all your income and capital gains distributions, and that you haven't made any additional transactions – start by finding the change in the account's value:

e.g.

Account value on 6-30-98	£14,725
Subtract account value on 6-30-96	**-** £12,000
Change in account value	+ **£2,725**

Then, divide the change in account value by the beginning balance and multiply by 100 to get the percentage change.

(£2,725 / £12,000) * 100 = **22.71% total return**

If you take your income and distributions in cash, the calculation is similar. You simply add the amount of income and distributions you receive during the period to the change in account value. Then divide by the beginning balance and multiply by 100 as above. But remember, by receiving your income and distributions in cash instead of reinvesting and letting them compound, the return you calculate is likely to be slightly lower than what your fund reports.

Also keep in mind that "total return" is generally quoted as a *cumulative percentage* that may or may not include the effects of any sales charges. Some fund families are 100% no-load,[*] meaning their funds do not carry sales charges; but if you're comparing total returns from different funds or fund families, be sure to note whether any sales or redemption charges apply.

As mandated by the SEC – so that investors can more easily compare fund performance – such charges are always reflected in the average annual total returns that you see in fund advertising. Usually quoted for standard periods such as one, five, and ten years and for the life of the fund, average annual total return is the compounded, annualized version of total return. In the example above, the two-year total return of 22.71% would translate into a ***10.77% average annual total return***.[2]

As always, it's important to realize that all measures of a fund's performance are based on historical results and are no guarantee of future performance. Also remember that the total return and yield reported for your fund are hypothetical and assume you were a shareholder for the entire time period covered. If you weren't – or if you made additional investments or redemptions during the period – the figures you calculate for your investment are likely to be different from the ones reported by your fund.

Case study C

TBI Engineering

TBI Engineering is an established business in the UK market. The directors want to expand and are looking into new markets. Exporting is a new area for TBI. They are keen to know if there are grants available to exporters and need to access information about regions initially Europe and North America where TBI product will be sold.

Dealing with foreign currencies

As TBI Engineering will be dealing in foreign currencies it will be important to know the rates for Europe and North America. I will now list the following currencies.

1 British Pound = 1.44 Euro
1 Euro (EUR) = 0.69 British Pound (GBP)

1 British Pound = 10.73 Danish Krone
1 Danish Krone (DKK) = 0.09 British Pound (GBP)

1 British Pound = 45.42 Czech Koruna
1 Czech Koruna (CZK) = 0.02 British Pound (GBP)

1 British Pound = 1.56 US Dollar
1 British Pound = 186.91 Japanese Yen
1 British Pound = 2.15 Swiss Franc

Major foreign currencies markets

	U.S.$	U.K.£
Australia	0.605000	0.387000
Brazil	0.311400	0.199200
Canada	0.682900	0.436800
China	0.120800	0.077310
Cyprus	1.851600	1.184400
Czech Rep	0.034350	0.021920
Denmark	0.145200	0.092900
Euro	1.078600	0.689900
Hungary	0.004417	0.002825
Mexico	0.092800	0.059310
N Zealand	0.547000	0.349600
Norway	0.137400	0.087870
Poland	0.253400	0.162100
Slovakia	0.026270	0.016800
Sweden	0.118000	0.075460
Switzerland	0.723000	0.462500
Turkey	0.000610	0.000390
UK		

Dealing in foreign currencies

The TBI engineering company will be looking for new market with foreign currencies, the business is strong in a key overseas market, and it could benefit from a foreign currency account. All the more so if TBI have both suppliers and customers in the same country. By operating a foreign currency account it can pay suppliers out of the money you receive from customers, reducing your exposure to exchange rate movements. The Bank of Scotland provides the accounts in every major currency, including the euro.

As with any current account, they offer cheque books for payments in the UK. You receive regular statements and can access your account using our PC Banking service. However, they don't impose a minimum balance, or a charge simply for having the account. We also pay interest in line with the balance maintained.

Unlike many other banks they offer one, all-purpose account per currency which provides flexibility for settlement of international payments, electronically and by cheque.

The need for TBI engineering is international banking that provides a current account, so that TBI is able to do business in foreign markets. I have look at the following providers Natwest bank, Lloyd TSB, HSBC bank and the bank of Scotland. The bank provider I would recommend is bank of Scotland

Cash flow cause by customers paying late

When customers from TBI pay late it caused the business many problems because, their will be un efficient funds to pay off funds and suppliers and staff wages because there will be a lot of out going expenses and goods on credit that have to be pay within 30 day of purchase. Some customers may own a lot of money on their invoices that has not been paid in the 30 days. The outstand invoices may start to pill up the business will not have enough money incoming. To solve this problem the banks can transfer your invoices into cash they can usually turn up to 90% of invoices into cash this may just take 24 hours.

Factoring Explained

Factoring is selling the interest in your receivables or invoices to a financial institution at a small discount. This service goes by many names including: invoice factoring; receivables factoring and/or invoice discounting (which is actually slightly different from factoring).

The industry, although largely unknown, is quite large (over £20 billion of turnover was factored last year) and is an old financial service that has long been used by multi-billion pound corporations and has more recently been made available to small and medium sized businesses.

Factoring allows many SMEs to take advantage of their largest asset, namely their outstanding invoices, to help obtain financing. Many new and growing companies have trouble obtaining traditional bank financing due to the length of time in business, profitability or financial strength. But by factoring, they are able to raise cash from approved invoices in as little as 24 hours. Other types of financing generally require two years in business and a profit.

One of the banks that provide this service is the bank of Scotland. The factoring needs of TBI can be dealt by bank of Scotland. You assign all sales invoices to Bank of Scotland on a continuing basis and we manage your sales ledger. Up to 90% of the value of invoices is available within 24 hours depending on your client base and the operating conditions of your business. You don't have to draw on the facility but its there if you need it. You only pay for the funds you use.

They apply our professional credit control and collection practices which reduce the possibility of bad debt. Once the debtor makes a payment, we pay you the balance of the invoice less charges.

Invoice discounting

This operates in the same way except that all the collection responsibility remains with you and the service is undisclosed to the customer. You still send us copies of your invoices and we agree cash injection of up to 90 per cent of outstanding invoices within 24 hours. Again, we will need to be sure that the people you are supplying are reputable businesses and not likely to default on payments.

Minimum criteria

Turnover of £50,000 or more
An outstanding sales ledger

Benefits of Cash flow Finance

Faster sales growth
Improved investment opportunities
Increased purchasing power
Improved supplier relationships
Optimised stock levels
Achieve growth without increasing capital or parting with equity

Many banks restrict these services to larger clients. Bank of Scotland has a Small Business Unit set up to serve small businesses, sole traders and partnerships with turnovers below £350,000. But you will still need a minimum turnover of £50,000 and an outstanding sales ledger to use the Cash flow Finance service.

Bank of Scotland's Quicksilver system enables the complete process to be conducted over the Internet. This enables us to release funds within 24 hours* of becoming aware of an invoice. You can view your sales ledger online, request funds for direct payment to your current account and assign invoices electronically. You can also print daily statements and check if customers have paid you. For those who don't want to use the Internet, we can run a paper-based Cash flow Finance system for you.

How Cash flow Finance works - an example

Assumes a Bank of Scotland Base Rate of 4%.

July 1st

You issue an invoice for £100 ex VAT.
Bank of Scotland Cash flow Finance pays up to 90% of the invoice value = £90.00, less our fee @ 1% of the invoice amount plus VAT = £1.18.

July 2nd

You receive £88.82.
We manage your Sales Ledger resulting in efficient credit control.

July 31st

Customer pays your invoice. We pay you the balance of your invoice = £10 less an interest charge on July 1st advance @ 2.5% over base = 48p. So, on July 31st what you receive = £9.52.

Therefore:

The total amount you receive is £88.82 (the initial advance less our fee) plus £9.52 (the balance less interest on the initial advance). This totals £98.34.

Which means the total cost of financing your £100 invoice is £100 minus £98.34 = £1.66.

If your company is able to fully recover VAT, the net cost of financing your £100 invoice would be: £1.48.

Why TBI needs factoring

There are many ways your business can benefit from factoring below are some of the problems that factoring may help you solve or some of the reasons you may have not considered.

1. **How does factoring help improve my cash flow? or**
   How can I find more cash to operate my business?

    - You get cash in as little as 24 hours for your qualified invoices
    - The amount of cash you can get from your factor grows with your turnover
    - No debt is created. Factoring is not a form of a loan; this should still give you some financial leverage to take on debt.

2. **How do I get my customers to pay in a more timely fashion? Or I am spending too much time collecting money owed to the business and not enough time running the business!**

    - Factors basically provide a sales ledger management solution and a collections solution.
    - They will review your billing processes and make sure that they are as professional as can be. They may suggest changes to your terms & conditions which encourage customers to pay quicker
    - They understand the importance of your business relationships and will treat each of your customers in a professional fashion
    - They will free up your time as the factor does most of the work associated with processing invoices.

3. **We want to take advantage of supplier discounts!**

  - Many suppliers offer their companies discounts for paying their debt early or for larger orders
  - The increased cash flow from factoring will provide the liquidity to pay your vendors earlier or buy larger quantities
  - This will also positively affect your credit rating and should allow you to obtain credit from new vendors and financial institutions.

4. **Other benefits:**

  - **No loss of business equity:** Find the financing you need with out selling a part of your company
  - **Meet seasonal demand:** Factoring provides you with cash when you need it and allows you to reduce the advance when you don't need it. Many factors have special products for seasonal companies
  - **Better credit control:** The factor will be able to reduce the risk of bringing on a client that will not pay their bills. The factor will run a credit check on all of your clients and suggest a maximum debt amount that they can handle
  - **Detailed management reports:** Factors will provide you with tools that automatically track who owes you what and for how long they have owed you that debt

Factoring Companies

Below I will be listing the following companies that provide factoring for TBI:

Alex Lawrie Factors
Owned by Llyods TSB but still independently run. The UK's largest invoice factor.

Potential Finance
Independent factor with a very flexible approach.

Eurofactor
Due to their European links they offer an excellent international service.

smeif
Focus on the smaller business and offer 1-2-1 service.

Bibby Factors
Localised service offers fast, personal service.

First National
Part of Abbey National offering excellent service for Insolvency Practioners.

I would recommend bank of Scotland for TBI because they offer good customer services and good advice on factoring. This would be the most convenient because TBI would also have an international account with them.

Detailed information on new customers who wish to open accounts

There are a number of banks that provide services for new customers to open accounts. Dun & Bradstreet (D&B) is - the leading provider of business to-business credit, marketing, purchasing, and receivables management and decision-support services worldwide. Customers rely upon D&B to provide the insight they need to build profitable, quality business relationships with their customers, suppliers, business partners - the companies they interact with every day. They access systems and value-added solutions make it easy for customers to select the information they need, and use it with their technologies of choice to run their businesses effectively.

The businesses also are helping companies manage their supply chain more effectively and profitably with information, guidance and support that can facilitate effective, profitable relationships with suppliers and customers. They have comprehensive database, which now covers more than 50 million businesses in over 200 countries, and D&B's commitment to quality

Here are the following ways they can help TBI business:

They help customers make more profitable decisions
Dun & Bradstreet is recognized around the world as the leader in providing global business expertise and information to customers. D&B helps customers interpret and utilize D&B's information and its own data, making D&B the preferred source for business expertise.

The promise is quality . . . the outcome is insight
At Dun & Bradstreet, we're at work every business day checking the accuracy and completeness of our information. The knowledge we derive from our database can give you the high quality solutions you need — faster and fresher than any other source. We have the industry expertise, quality business information and expert technology to help you improve operating efficiencies and increase profitability.

Industry experience
To respond to your information needs, we have invested over 150 years creating the world's largest and most comprehensive source of business related information. Hundreds of millions of pieces of data, ranging from trade styles to trade experiences to financial statements, are integrated every day into one file through the use of our unique numbering system, the D&B D-U-N-S® Number.

A global business standard
The D&B D-U-N-S Number can be used to help you streamline your transactions, eliminate duplicate files and most importantly, integrate your data with D&B data and information from other sources. It's recognized as a global business standard by the world's most influential standards-setting organizations (ANSI, UN/EDIFACT, ISO) and by more than 50 global industry and trade associations, as well as the U.S. Federal Government. Click here to see averages: more than 11 million business records are updated on an annual basis.

Every business needs more customers and, if your customers are other businesses, you know the value of targeting the right prospects.

Effective marketing is all about getting your message in front of the right people and, if direct marketing through mail, call campaigns, face-to-face selling & market research is part of your strategy, you know how important data quality is to succeed.

Dun & Bradstreet's databases can be segmented by up to 30 criteria to help you locate the businesses you want to target. Selection criteria include industry, company size, executive titles and geographical locations.

There are also a range of other business services that provide similar services I have looked at such as Lloyds Bank business centre provides this service and Trans Union and Credit Link and also CMA business credit services.

My recommendation

I would recommend Dun & Bradstreet (D&B) services as they have been reliable and been around for a long time providing the services suitable for TBI. They are the leading provider of business to-business credit, it important to for TBI to know about their new customers, and weather they have money and good credit recorded and able to pay their bills on time. This will help to reduce the risk of key clients that may result in bad debts, and improve cash flow for TBI and improve the business skills.

Financing the purchase of a new factory

TBI engineering will be looking for finance such as loan that is convenient with good customers care and the cost will be important so they should look as the range of providers that I list and pick the most suitable for the business. The provider that I have looked at is IBM business partners provide a services that are suitable for TBI that are the launch of our new Success Lease financing programme for small and medium sized business customers. Success Lease delivers competitive IT financing solutions for transactions of £1,500 - £50,000 with terms ranging from 24-60 months.

The business link provides information on finance and Grants provide financial assistance to businesses to help them achieve a specific business objective. They are available from many different sources - central and local government agencies, charitable foundations and private sector bodies. The Government sponsors many other types of support programmes or 'schemes' to help business, which do not involve direct financial assistance. There more information to help TBI to decide whether you should take out a loan or an overdraft? This section looks at whether loans and overdrafts are suitable for your business needs how to obtain a loan and interest rates on bank loans.

Raising finance for a business should not be difficult providing you either have an existing profitable business or, you have an idea for a new business that is feasible. Both of these aspects are important. If a lender is to finance your business they must be sure that you can meet the repayments. They are in business to lend money and make a profit.

Raising the right type of finance for your business is also important. There is little point in borrowing money on a short-term basis if you can only repay it over the long-term. This is a common mistake that small businesses make. They utilise short-term finance, for example a bank overdraft, to finance long-term expenditure such as the purchase of a new vehicle. This then leads to a reduction in short-term finance for working capital which could, in some circumstances, lead to business failure. You must match the type of finance to the type of expenditure.

You also need to be aware that in many cases you only get one chance to present your financing proposals to a lender. You therefore need to get it right first time. If the lender has doubts about your proposition it is unlikely that you will be given an opportunity to change it and present it again. You should have recognised the potential pitfalls in the first place and made provision for them in your plans. Once they have declined your request for funding you are unlikely to be able to persuade them to change their mind. Lenders are there to take a risk but that risk must be acceptable.

I have looked at the HSBC Bank plc a found they provide the suitable financing for TBI. They also are well know a have good customer care. Choosing the right premises for your business is one of the most important decisions you can make, but selecting the right method of financing is equally important - unsuitable or badly planned finance can quickly become an unwelcome burden to TBI business.

Here the following services that would be suitable for TBI that HSBC Bank provide:

Commercial Mortgage

If you intend to buy or develop your existing premises or to finance the purchase of new premises, then our Commercial Mortgage can be used to finance up to 75% of the purchase price or the professional valuation, whichever is the lower. The property to be mortgaged must be owned by the business owner, and used solely for its primary business purpose. If there are any residential quarters in the premises these must be occupied by the owner or left vacant.

Term Loan

If you are interested in buying-to-let, then a straightforward Term Loan might be the solution. If you need to tailor repayments to your business cash-flow, then a Flexible Business Loan (for amounts over £10,000) may be more suitable.

Recommendation

I would recommend TBI to take out a commercial mortgage for the purchase of a new factory. If they need more money that could take out a loan. I would recommend TBI to take out the services from HSBC Bank, alternatively Bank Of Scotland do provide similar services that offer commercial mortgage.

An insurance scheme for key employees

The insurance scheme for TBI should for fill the following:

THE OBJECTIVES:

I. Insurance protection at the lowest possible premium cost.
II. Extend cover to large segments of the population including those who cannot afford individual insurance.

SCHEME HIGHLIGHTS:

1. Valuable life insurance covers with simple procedures.
2. Low premiums, reduced further if experience is favorable.
3. Cost mostly borne by employer
4. Tax benefits for both employer and employee.

The Objectives

1. Assured payment of full retirement gratuity to employees even to those who die prematurely.
2. Scientific funding of employers' statutory liability.

The Objectives

- To provide for assured regular income to employees even after retirement and also to their dependants.

The NFU Mutual provides the following services for TBI insurance scheme for employees. Here the following services.

Life Assurance

Many employees are concerned about the financial consequences to their dependants should they die prematurely. This makes group life assurance schemes an extremely important part of any employee benefit package. They can be arranged in conjunction with an occupational pension scheme or established separately. Tax relief is granted to your business on premiums paid and the death benefits are normally tax-free when paid out.

You can set your own pension scheme eligibility criteria for your workforce, which may, for example, depend on length of service, age or employee category. Subject to an overall maximum imposed by the Inland Revenue, you can also set the level of life cover required, generally based on multiples of salary. Details of the current maximum level are available from your NFU Mutual Corporate Financial Consultant.

Depending on the way you decide to set up the scheme, we may be able to offer cover up to a certain limit, known as the 'free' cover limit, without medical evidence.

Group Permanent Health Insurance

Many companies choose to set up group permanent health insurance alongside pension and life schemes, as it ensures that a regular income is paid when an employee is unable to work due to illness or accident. It is relatively easy and inexpensive for an employer to establish a group scheme which then provides funds to pay a member of staff unable to work effectively due to accident or illness.

It's called 'permanent' because, once we have accepted the business, and, provided the premiums are paid, we can't cancel the policy. Your staff are assured that, in the event of a claim being made, the benefits are paid until they recover, retire or die. As with group life assurance, restrictions are placed on the level of cover that may be provided, and up to date details can be obtained from your NFU Mutual Corporate Financial Consultant.

Although either shorter or longer periods can be selected, payment of benefits is usually deferred for 26 weeks, meaning that as soon as the Statutory Sick pay scheme ceases to pay out, your own scheme comes into effect. If you wish, an option of escalating benefits can also be chosen.

Claim payments are made to you and are taxable as income, but when payment is passed on to your employee it is taxable under PAYE and thus allowable as a business expense.

One of the reasons for this is that the employee can remain in your employment until retirement. In the meantime, your employee will continue to benefit from pension and National Insurance contributions, both of which can be included in the insurance cover.

Taxation

The contributions you make to the above schemes should all qualify as allowable business expenses, which make them a very effective and economical way of enhancing your employment package.

The value of tax reliefs is dependent on personal circumstances.

NFU Mutual is authorised and regulated by the Financial Services Authority.

This information is based on NFU Mutual's understanding of current Inland Revenue practice and legislation, which are subject to change.

The Nat West bank also offers good services for key insurance for key employees. Here are the following they offer.

With Nat West you'll benefit from:

Hassle-free service, with a quote and cover arranged in minutes
No forms or documents to complete
Round the clock business assistance through our free 24-hour helpline
Peace of mind with a claims process you can trust
Structured no claims bonus, one of the few available for small businesses
A choice of ways to pay, including monthly direct debit installments

The main areas of cover are:

Money
covers you for lost or stolen money including cheques, bankers' orders, credit card sales vouchers, plus certain documents and certificates.

Assets
Covers your buildings, premises and contents, with accidental damage cover available.

Employers Liability
If one of your employees is injured at work as a result of your negligence, you're covered for up to £10 million in damages and costs for each incident.

Public and Products Liability
If your company or products are to blame for injuring a member of the public or damaging their property, you're covered for up to £1million in damages and costs for each incident in respect of public liability and £1million in total for products liability.

Recommendation

I would recommend the Nat West bank insurance scheme. This is suitable for TBI business. They offer a good customer care with hassle-free service.

Setting up a company pension scheme

It important for TBI to have a company pension scheme, so they can attract workers that are willing to stay at the business over a longer period, as they will receive a pension. There are a range of providers that provide suitable pension schemes for TBI. Apart from it being a legal obligation from 8 October 2001, it will bring benefits to the firm: - In an increasingly competitive employment market, a comprehensive benefits package, including a good pension scheme, is important - It can help attract quality staff, and over the long-term a pension scheme can encourage existing employees to stay - A pension is one of the most tax efficient ways of investing – for both you and your employees - Your contributions to employees' pensions are treated as a business expense - Corporation tax relief is usually granted in the year contributions are paid, at the highest rate payable by your business. This can reduce the potential amount of taxable profits earned by your business - Contributions paid by employees also receive tax relief at the highest rate of tax they pay, thereby reducing their personal tax liability - Very little tax is paid on the actual growth in value of pension contributions, allowing more of the growth to remain in the pension - Under stakeholder only a very small amount goes to administering an employees' pension arrangement Additionally, stakeholder is beneficial to employees as: - They can stop and start contributions as they wish - If they are unhappy with a stakeholder provider they can transfer to another provider without incurring financial loss or additional charges

Setting up a pension scheme

It doesn't have to be. An on-line link can be established connecting a business with pension providers which can simplify administration for the firm and ensure all stakeholder requirements are met. These links can be accommodated in the 1 per cent charging structure - Using a payroll system, be it a simple spreadsheet or a top notch software package, a firm can provide the necessary information about employees to the pension company. More accurate data means fewer queries, faster processing and lower costs - Employees can also get on-line access to their personal pension data, thereby minimising pension enquiries to employers - It is likely the Internet and e-commerce will play a growing role in pension provision under stakeholder.

There are two types of Pension Scheme benefits based on medical standards. Depending on the initial medical report accompanying your application for membership, you may have been accepted as a member for either standard or limited benefits. If you were accepted as a limited member, your membership was transferred to the higher benefit scale in 1999.

At the time of joining the Pension Scheme, you would have elected to retire at either age 60 or 65. If you chose to retire at 60 on a full pension, your contribution rates are higher than if you chose to retire at 65 on the same pension, as you have a shorter time to save for your retirement. You may change your elected retirement age, subject to you providing satisfactory medical evidence of good health.

Contribution Levels
Contributions are directly related to the number of units that you hold. The minimum number of units you may have is two, while the maximum number is determined by salary (see Unit and Basic Pension Entitlements).

While you may hold any number of units up to the maximum Total Unit Entitlement, you only need to be contributing your Primary Unit Entitlement to obtain the maximum State share of pension at retirement. However, it may be advisable for younger members to contribute for units above the primary unit level to acquire a reserve of units when they are less costly for use in later years. Generally, if you are holding units in excess of your Primary Unit Entitlement at retirement you may reduce the level to the primary level if you wish, and receive a refund of the additional contributions together with interest. This option is not available when an invalid pension becomes payable or if you die before retirement and a spouse pension is payable.

Contribution Rates
The rate of contributions varies among members depending upon age, sex and the elected retiring age (see Fortnightly Unit Costs). Rates vary according to sex because of the different mortality and invalidity experience of male and female members of the Scheme, and because of the greater liability of male members if they were to die prior to retirement and a spouse pension is payable.

Age is also an important factor in determining rates in the Pension Scheme. As each unit has the same pension value regardless of the age at which contributions commence, the unit price increases as you move closer to retirement.

Increases in Unit Entitlement
An increase in salary will result in an increase in your unit entitlement. The Standing Election is generally the only means of acquiring additional units above a salary increase. However, if you tried to purchase neglected units before 31 December 1988 but were declined for medical reasons, you have the right to purchase those units on production of an acceptable medical certificate or upon normal retirement provided you have a Standing Election in place.

The Standing Election provides for an automatic allocation of units each year on the day before your birthday, and may be for the increase in Primary Unit of Total Unit Entitlement. The Standing Election also provides for an additional allocation on your retirement if you have had a salary increase since the last birthday adjustment.

A Standing Election for Primary Unit increases provides for the allocation of units based on the difference between the Primary Unit Entitlements of the latest salary and the previous year’s salary. A Standing Election for Total Unit increases provides for the allocation of units based on the difference between the Total Unit Entitlements of the salaries. A Total Unit allocation is double a Primary Unit allocation and is especially useful if you hold less than your Primary Unit Entitlement, as it enables you to purchase catch-up units. It can also be used to build up a reserve of units.

You may elect to revoke a Standing Election by advising the GESB in writing. A request to amend a Standing Election from Primary to Total Unit increases, and vice versa, is regarded as both a revocation and lodgement of a new Standing Election. In general, you will receive one further allocation of units before the revocation becomes effective.

If you are within a few years of retirement and hold many units in excess of your Primary Unit Entitlement, you may wish to revoke your Standing Election if you have already acquired an adequate reserve of units. However, you may also wish the GESB to monitor your salary so that if it increases to a level commensurate with the number of units you hold, the Standing Election is automatically reinstated. This arrangement is known as suspending a Standing Election and must be requested in writing.

The providers that offer pension scheme are Bank Of Scotland that provides a suitable service and Prudential also offer this service and also Scottish Windows.

Recommendation

I would recommend Bank Of Scotland for a pension scheme for TBI as they are reliable and suitable for the business. This would be the most convenient.

Description of ways ICT is used by financial services institutions in provision to their services

There are many ways that ICT is been used, such as bank such as Bank of Scotland provide online banking and for new customers to set up their account on line. ICT investments, better control and increased flexibility. Signing leasing agreements frees up capital that can be invested in core activities. In addition, the financing solutions can yield greater technological flexibility, thus increasing a company's competitiveness. The indirect ICT costs, determining areas where money can be saved or equipment can be better utilised. Financial Services' consultants. Staff also had been increasingly using ICT

There are number of web site that have a range of financial services offer by different organisations, ICT has made it easy to access information and compare different accounts for e.g. www.moneyfacts.co.uk provide financial services.

Information and communication technology (ICT) equipment and services, to employees to assist them to perform their work. Generally this includes all computing hardware, software, e-mail, the Internet and departmental data and information – collectively ICT resources. The use of these resources must not jeopardise the resources themselves, the activities of others using these resources, or the reputation and/or integrity of the Government. All employees and officers must comply with this policy.

All employees are increasingly using ICT resources to realise the Departmental goals, strategies and services. The proper use of these resources saves time and money, reduces administrative overheads, and improves services, however, its improper use may jeopardise integrity, security and service levels of the Government, the Department or the State Service.

Relevant legislation which governs the use of ICT resources includes the *State Service Act 2000* and Regulations, *Freedom of Information Act 1991*, *Criminal Code Act 1924*, *Anti-Discrimination Act 1998*, *Archives Act 1983*, as well as relevant Commonwealth legislation, such as the *Telecommunications Act 1997* and the *Copyright Act 1968*.

Goals

- Staffs effectively use ICT resources in the course of their work.
- Staffs are provided with adequate professional development and support to effectively utilise ICT resources.
- Staff use of ICT resources complies with legal and ethical standards and standards of interpersonal interaction.
- Personal use of departmental ICT resources is incidental and does not cause harm.
- All staff supports the security of departmental ICT resources.
- Internet resources, such as e-mail and the Internet, are used appropriately.
- Copyright and intellectual property is respected.
- All staff understands their responsibilities in relation to the department's ICT resources.

Why personal and business customers need to be protected in the financial services industry

The investor protection mantra has bewitched the City and central government for nearly two decades. The upshot has been a raft of new legislation and industry guidelines and codes. So while it is possible to point to the various Companies Acts, the Company Law Review and the Financial Services & Markets Act (FSMA) 2000 as the source of investor protection legislation, in reality protection is imposed by a complicated combination of statutory and self regulation.

The FSMA 2000 is perhaps the most important piece of investor protection legislation. It is a clear attempt to unify and simplify regulatory responsibility under the auspices of the Financial Services Authority.

The FSA is working to live up to its mandate to provide greater consumer protection and take a more aggressive attitude to an industry which has not always provided the greatest security for its clients.

Insider dealing, for instance is illegal. However, once dismissed in the City as the “victimless crime”, it remains rife and still costs investors millions each year. Unusual share price movements are investigated as a matter of routine and urgency yet the record for bringing insider dealers to book is abysmal.

Powers to intervene

Under the FSMA 2000 the FSA has much greater power to intervene in the regulation of stock markets. Most notably its has published the Code of Market Conduct which is designed specifically to crack down on market abuse. The code is by nature more clean up than clear out, but until it is established it is too early to say whether it makes the City a safer place to invest.

As an investor you have the right to firms that are financially sound and trustworthy, salespeople and advisers who are competent, information on which to base your decisions, clear procedures for making a complaint and compensation if something goes wrong.

Evaluation of the advantages and disadvantages of the ways in which ICT is used by financial services provides including how it affects level of customer service provider

Financial services have benefited by ICT as it used all over with the computer system with customer bank details, and online banking. By having computer systems staff providing financial services and work more efficient and provide better customer services.

Advantages

- online banking
- telephone banking
- cash machines
- data base of customer accounts
- banking can be on digital televisions
- banking can be done on latest mobile phones

Disadvantages

- breakdown on internet
- telephone lines by be busy
- cash machines sometimes out of order
- viruses bay affect the database
- the customer care may not be good on television
- the cost by be high during the day on mobile phone

ICT in financial services for online banking may sometimes may not have good customer care; the site sometimes may not be secure as hacker my hack into customer details. Telephone may be expensive during the day and sometimes be busy at times, so it may not be convenient at times. Cash machines may sometimes be out of order so you're unable to use it in a hurry. The customer's details are stored on a data base but sometimes the data can get affected the customer details may be lost this not well for customer level of care. Banking on the television may not have much customer care. Banking using telephone may not have much customer services. The cost may be high during the day.Information and Communication Technologies (ICT) has been decisive for economic growth in industrialised countries over the past two decades. Being able to swiftly access and exchange information at low cost has opened up new markets, enabled production processes to rapidly advance and brought greater efficiency to in company structures and to business and client relationships.

ICT for financial services business have benefits of saving companies money and they are efficient and speed up process customer details with a click of a button. Customer find the online banking services more convenient at times when don't have to leave their home. Since ICT has been introduced people account detail reliable the process of information has been faster. Since nearly two decades information and communication technologies (ICT) play a vital role in growth of developed of financial services that it widens the gap between the industrialized and the industrializing nations in terms technologies, skills and income, others see - beneath all existing problems - a fair chance for an enhanced growth in developing countries through ICT.

Issues for financial service business

- What are you trying to achieve in the long term (Please note: 5 years is considered very long term in relation to ICT as the technology is developing so rapidly). For example, you may decide to purchase a file server initially and add workstations on to grow your network.

- Consider more than the initial purchase price – a bargain may not be everything it appears to be

- Support Issues – are you able to support this type of equipment in terms of staff expertise (would extra training be required), maintenance (does your current maintenance contract cover this new purchase or will you need to modify it or change your provider)

- Consider the impact of bringing in new equipment in terms of how it fits with existing equipment, staff expertise and pupil use of ICT.

PC banking can be faster - some banking Web sites are still far too slow - but it requires special software which you install on your PC and change every time the bank upgrades its service. You can also only access the account from your own PC (which is connected directly to the bank's intranet via a modem and a telephone line). Internet banking offers 24-hour, 7-day-a-week access from virtually anywhere in the world where there is an Internet terminal. And, because of the intense competition for customers online, there are some very good deals to be had if you shop around.

What banking services is available online

This is a fast-changing and growing business, so keep an eye out for new services. Best developed are personal banking services but offerings tailored for businesses are beginning to emerge. Depending on the bank, core services let you...

- Check your balances and statements - business and personal - online
- Transfer money between accounts (including other UK banks and building societies and high interest deposit accounts)
- Pay bills, suppliers and even salaries
- Create, change and cancel standing orders
- Order cheque books and paying-in books
- Download information into spreadsheets and money management packages such as Microsoft Excel and Microsoft Money

These online services might be augmented by a raft of other offerings ranging from free financial planning tools to import/export facilities.

The services for businesses

Not all banks offer business services online but some are starting to target small businesses.

- Barclays has a small business service offering core services such as money transfers, bill payment and account checking.
- NatWest offers a range of online and PC-based business banking options.
- Royal Bank of Scotland offers core banking services plus enhanced offerings such as an online Payroll Service for managing staff payments.
- Bank of Scotland offers PC-based and Internet business banking including a secure messaging facility designed to cut out the need for telephone enquiries or branch visits.
- Alliance & Leicester subsidiary, Girobank offers competitive rates and banking through local Post Offices.
- Co-operative Bank
- Bank of Ireland

Talk to your bank and find out what's on offer. Check that the services are tailored to your needs and what additional features and channels (WAP, telephone banking etc) are available. Check also that the interest rates and bank charges are competitive; the Website is easy to use and that customer support is readily available (some charge a premium for telephone help).

There's a useful guide to who's doing what in Internet banking at MoneyExtra.

Are there any advantages to using Internet only banks

Internet banks which operate only online such as Smile, Egg, Cahoot and Marbles concentrate on personal banking but compete by offering incentives such as very competitive interest rates on savings and loans. Other incentives might include free overdrafts and no bank charges. While you might not find it convenient to move your business account to a new bank, you might want to switch some of your personal banking to a pure-play Internet bank offering top dollar on your savings account or keen interest rates and loyalty points on your credit card.

But you will also need to check out how easy it to access your cash. With Internet-only banks you can generally transfer money to a nominated account at another bank - then you wait three business days before you can pocket it. You can accelerate the process by using CHAPS (the Clearing House Automated Payment System) but there will be an extra charge. You can also use their credit cards and debit cards to withdraw cash from machines, but check out the charges. Smile offers paying-in and cash withdrawals at Post Offices.

Are there any set-up charges

Some banks such as Barclays (at time of writing) charge a set-up fee and even an annual per-user charge; others are free but may charge for added-value services. Competitive interest rates, low bank charges, user-friendly Web sites and a strong product portfolio are more significant considerations.

What about security?

Although there have been a few highly publicised online security lapses, mainly caused by teething troubles, there's nobody more conscious of the need for plugging all the online security holes than the banks. Banks use the strongest encryption and multilevel passwords to protect personal data.

Your Internet bank should be a member of the UK's Deposit Protection Scheme (or the national equivalent if your bank's parent company is not UK-based). The scheme protects your money if the bank runs into problems. But also check how long it takes to get funds back in the event of a security breach and what red tape you might have to negotiate.

Summery of appropriate current legislation and the regulatory bodies