

# **BTEC LEVEL 3 BUSINESS**

## **Unit 3: Personal and Business Finance**

Learning Aim **B**: Explore the Personal Finance Sector

Lesson Booklet

NAME.....

Teacher.....

## **Assessment outcomes**

AO1 Demonstrate knowledge and understanding of business and personal finance principles, concepts, key terms, functions and theories. Command words: describe, explain, give, identify, outline Marks: ranges from 1 to 4 marks.

AO2 Apply knowledge and understanding of financial issues and accounting processes to real-life business and personal scenarios Command words: analyse, assess, calculate, describe, discuss, evaluate, explain Marks: ranges from 2 to 12 marks.

AO3 Analyse business and personal financial information and data, demonstrating the ability to interpret the potential impact and outcome in context Command words: analyse, assess, discuss, evaluate Marks: ranges from 6 to 12 marks.

AO4 Evaluate how financial information and data can be used, and interrelate, in order to justify conclusions related to business and personal finance Command words: analyse, assess, discuss, evaluate Marks: ranges from 6 to 12 marks.

## **Learning Outcome B1 – Features of Financial Institutions**

### **Activity 1 – Features of Financial Institutions**

Whilst going through the different types of financial institutions add the key features of each under the correct heading.

<b>Institution</b>	<b>Key features</b>
Bank of England	
Banks	
Building societies	
Credit unions	
National Saving and Investment	
Insurance companies	
Pension companies	
Pawnbrokers	
Payday loans	

## Advantages & Disadvantages of Institutions

Type of Institution	Advantages	Disadvantages
<b>Bank of England</b>	<ul style="list-style-type: none"> <li>• Protect the financial stability of the UK economy</li> <li>• Lend to banks</li> <li>• Set interest rates</li> </ul>	<ul style="list-style-type: none"> <li>• Do not lend to the general public</li> <li>• Can raise interest rates making borrowing such as mortgages more expensive</li> </ul>
<b>Banks</b>	<ul style="list-style-type: none"> <li>• Secure place to store money</li> <li>• Pay interest on savings</li> <li>• Variety of services</li> </ul>	<ul style="list-style-type: none"> <li>• Savings only protected to £85,000 if the bank goes bankrupt</li> <li>• Owned by shareholders therefore are designed to make a profit</li> </ul>
<b>Building Societies</b>	<ul style="list-style-type: none"> <li>• Owned by members</li> <li>• Variety of services</li> <li>• Pay interest on savings</li> <li>• Safe place to store money</li> </ul>	<ul style="list-style-type: none"> <li>• May lack the business drive of commercial banks as banks are profit driven</li> <li>• Savings only protected to £85,000</li> </ul>
<b>Credit Unions</b>	<ul style="list-style-type: none"> <li>• Variety of services</li> <li>• Owned by members</li> <li>• Offer additional benefits to the community and charities</li> </ul>	<ul style="list-style-type: none"> <li>• May lack the business drive of commercial banks as banks are profit driven</li> <li>• Savings only protected to £85,000</li> </ul>
<b>National Savings &amp; Investment</b>	<ul style="list-style-type: none"> <li>• Savings are 100% secure as it is Government backed</li> <li>• Various ways to save such as premium bonds</li> </ul>	<ul style="list-style-type: none"> <li>• Variable rates</li> <li>• Lack a high street presence</li> <li>• Usually need to give notice on withdrawals</li> </ul>
<b>Insurance companies</b>	<ul style="list-style-type: none"> <li>• Protect against unexpected losses/events</li> <li>• Cover available on a variety of things</li> <li>• Pay monthly so easier to budget</li> </ul>	<ul style="list-style-type: none"> <li>• Premiums assessed on risk and the higher the risk the higher the premium</li> <li>• Owned by shareholders therefore need to make a profit</li> </ul>
<b>Pension companies</b>	<ul style="list-style-type: none"> <li>• Structured way to plan for retirement</li> <li>• Matched contributions by employer</li> <li>• Tax benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Poor investment decisions may mean a poor return on investment</li> <li>• Cannot access money until the agreed term</li> </ul>
<b>Pawnbrokers</b>	<ul style="list-style-type: none"> <li>• Quick way of acquiring short term cash</li> <li>• Interest not charged</li> <li>• Buy back pawned asset</li> </ul>	<ul style="list-style-type: none"> <li>• Amount given for the asset is much lower than its worth</li> <li>• Asset will be sold on if loan is not repaid</li> </ul>
<b>Payday Loans</b>	<ul style="list-style-type: none"> <li>• Quick way of acquiring cash in a short period of time</li> </ul>	<ul style="list-style-type: none"> <li>• Interest charged is very high which results in the amount being paid back being substantially higher</li> </ul>

**Create/draw/copy and paste your infographic below**

## **Activity 4 – Knowledge Check B1 Feature of Financial Institutions**

List all 9 financial institutions

Describe two types of financial institution

Provide an advantage and disadvantage of the Bank of England

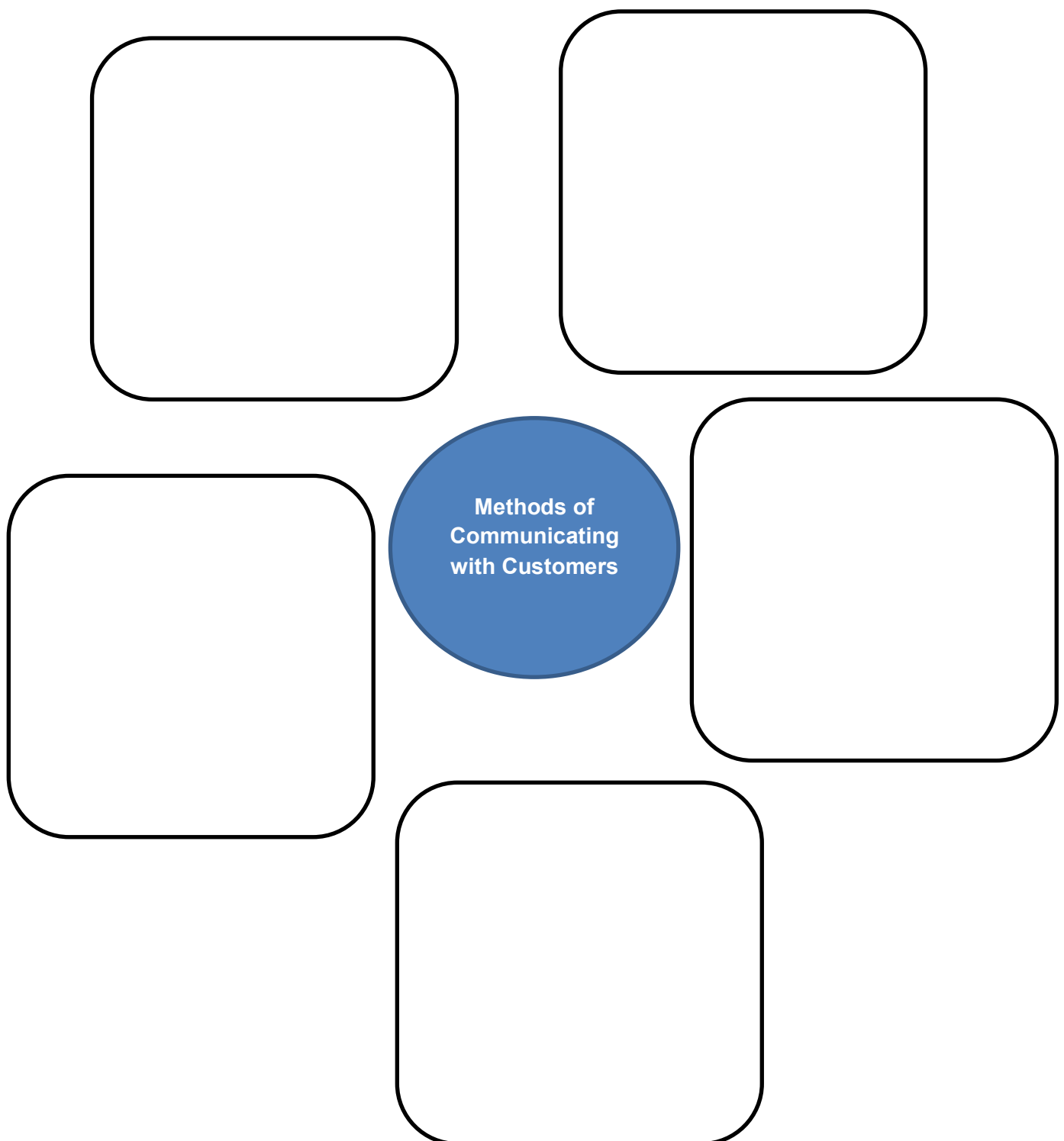
Explain the pros and cons of using a bank

Discuss the value of payday loans companies as a financial institution

## **Learning Outcome B2 – Communicating with Customers**

### **Activity 5 – Methods of Communicating with Customers**

Create a spider diagram with each method of communication with customers and what that method is.



## Activity 6 - Advantages and Disadvantages of Communication methods

Communication Method	Advantages	Disadvantages
Branch		
Online		
Telephone		
Mobile		
Postal		



## Activity 7 - Exam Scenario Question

### Scenario

Isa is new to banking and isn't sure which method of banking he should use to do his banking. He has a smartphone but no desktop computer. He also has a car so can possibly drive to a branch. He has a part time job at Greggs and his wages are paid into his account each month automatically. He very rarely uses cash as he pays for most things using apple pay.

**Assess** the benefits and drawbacks of the different methods available to Isa and recommend which method would meet his needs best.

## Activity 8 – Knowledge Check B2 Communicating with Customers

List the 5 methods of communication with a bank

Describe branch banking

Provide two disadvantages of mobile banking

Provide two advantages of postal banking

Assess telephone banking as a means of banking

## **Learning Outcome B3 – Consumer Protection in Relation to Personal Finance**

### **Activity 9 – Function, Role & Responsibility of Consumer Protection Bodies**

Complete the worksheet that covers

Function: What do they do?

Role: What are they there for?

Responsibilities: What do they have authority over?

Financial Conduct Authority (FCA)	Financial Ombudsmen Service (FOS)
Financial Services Compensation Scheme (FSCS)	Legislation: Consumer Credit

## Activity 10 – Financial Scenarios

Mabel has £120,000 pounds in inheritance in a savings account at a bank. The bank has just gone bankrupt and has announced that it will not be able to secure peoples savings.

**Assess**, using what you know about the consumer protection bodies covered what this means for Mabel and her savings.

## Activity 11 - Video on the Work of the FCA

[FCA Video Link](#)

What work has the FCA done to regulate consumer credit suppliers?

Does the Government need to regulate financial institutions? Use the video and perform further research to argue whether you believe regulation is necessary or not.

## **Activity 12 - Knowledge Check B3 Consumer Protection in Relation to Personal Finance**

Create a 10 question quiz with answers regarding all the consumer protection bodies covered.

### **Questions:**

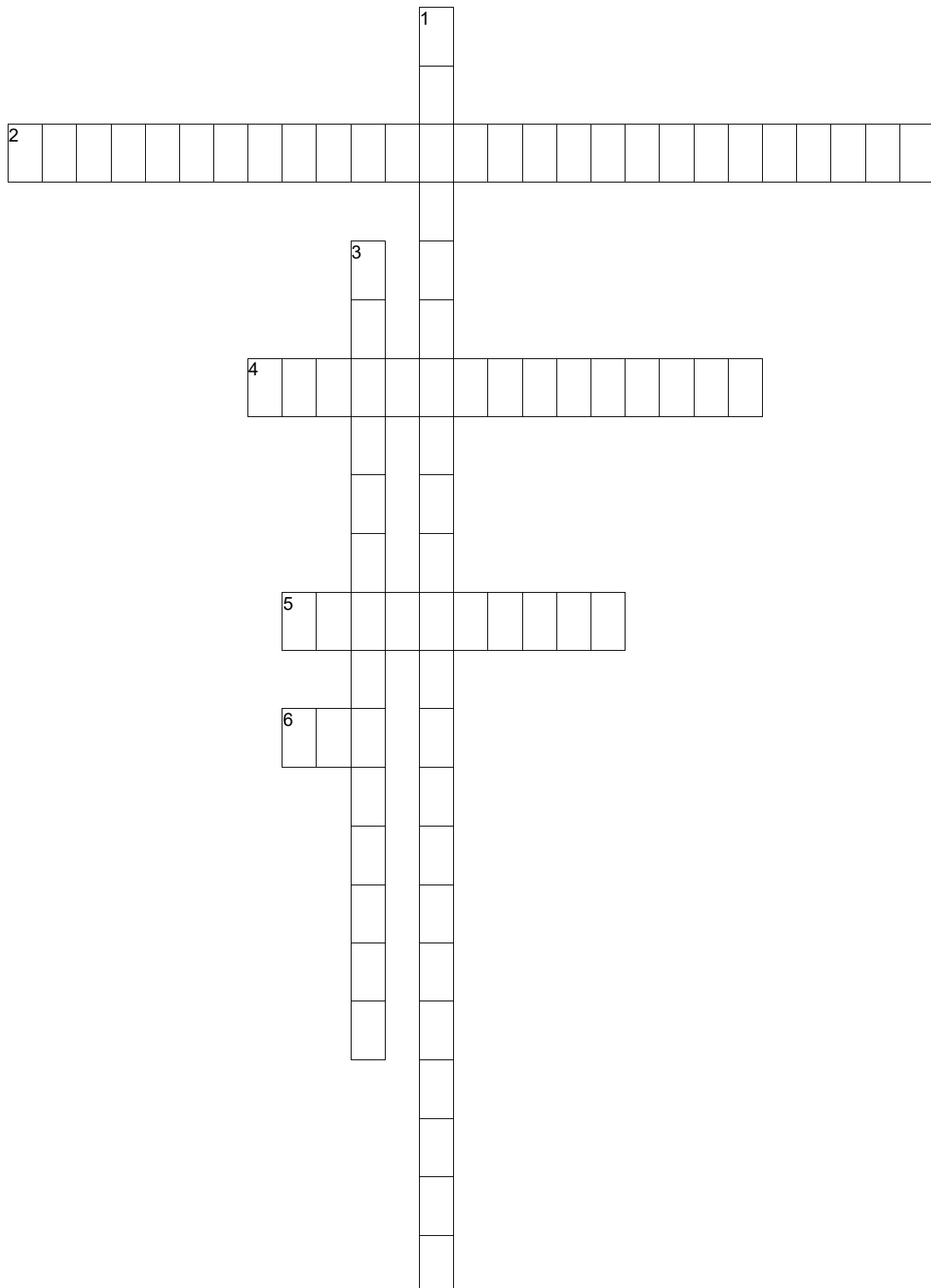
- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

### **Answers:**

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

## **Learning Outcome B4 – Information Guidance and Advice**

### Activity 13 – Information, Guidance & Advice Crossword



## Across

2. Professional individuals who provide independent advice and guidance on a range of financial products such as; mortgages, pensions, insurance and investing.
4. A professional service that offers independent advice. It is a common process that is used to help individuals with debt
5. A legal process through which people or other entities who cannot repay debts to creditors may seek relief from some or all of their debts.
6. An agreement with your creditors to pay all or part of your debts. You agree to make regular payments to an insolvency practitioner, who will divide this money between your creditors.

## Down

1. Compare the price of goods and services from a range of companies.
3. A charity run organisation that provides advice on a range of financial and non financial issues.

## Activity 14: Information, Advice & Guidance Table

Whilst we go through the various types of information and guidance available complete the boxes below with an explanation and the advantages and disadvantages.

Citizens Advice

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Independent Financial Advisor (IFA)

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Price Comparison Website

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## Debt Counsellors


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## Individual Voluntary Arrangements (IVA)


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## Bankruptcy

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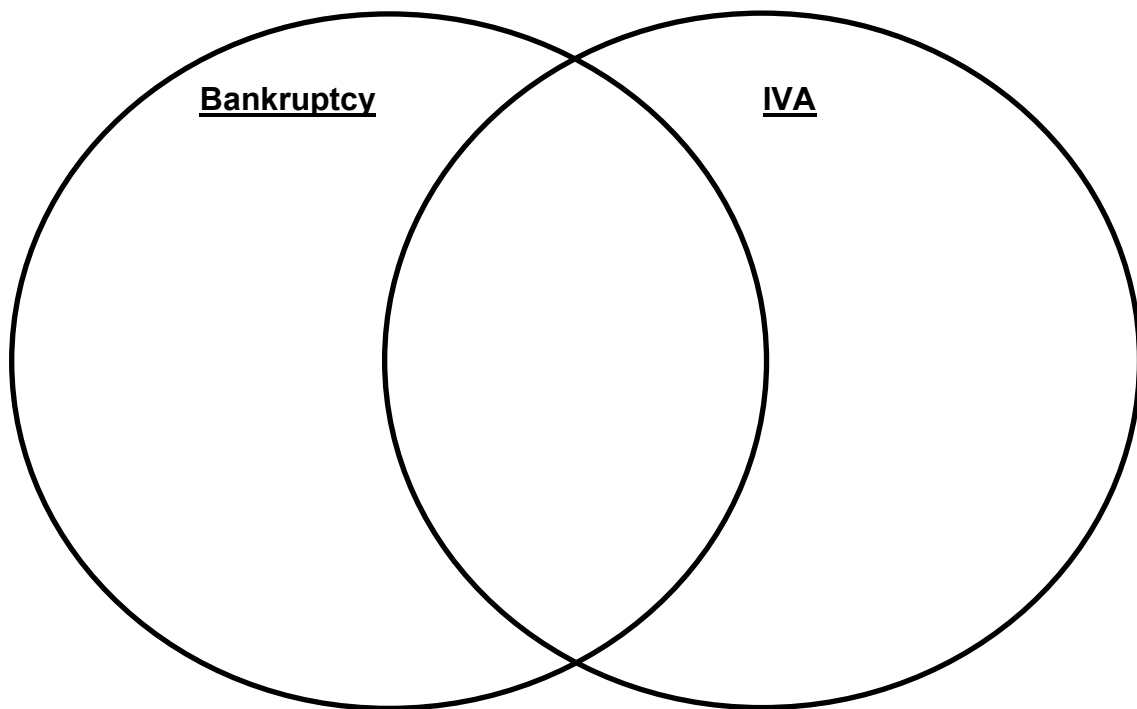

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## Activity 15 – Difference Between Bankruptcy & IVA

[Bankruptcy Video Link](#)

Whilst watching the video fill in the Venn diagram regarding the similarities & differences between both bankruptcy and IVAs. Perform further research if needed.



### **Activity 16 – Scenario Question (12 marks)**

Drake is married with a young family. He is a homeowner with a mortgage and has two personal loans and outstanding balances on three credit cards.

One of the personal loans is secured on his house. His personal circumstances have changed since he took on these debts. He now earns significantly less than he did and he can no longer afford the debt repayments.

As a result, he is in arrears on all of his debts. He has been served with default notices demanding repayment in full. Drake has been advised to either apply for an IVA (Individual Voluntary Arrangement) or to apply for bankruptcy.

**Evaluate whether Drake should apply for an IVA or apply for bankruptcy.**

## **Activity 17 – Knowledge Check B4 Information Guidance and Advice**

List the 6 sources of information guidance and advice

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Explain the role of an Independent Financial Advisor (IFA)

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Provide two advantages of using Citizens Advice service

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Provide two disadvantages of using price comparison websites

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Analyse the benefits and drawbacks of using a debt counsellor

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## Activity 19 – Learning Outcome B Key Word Scramble

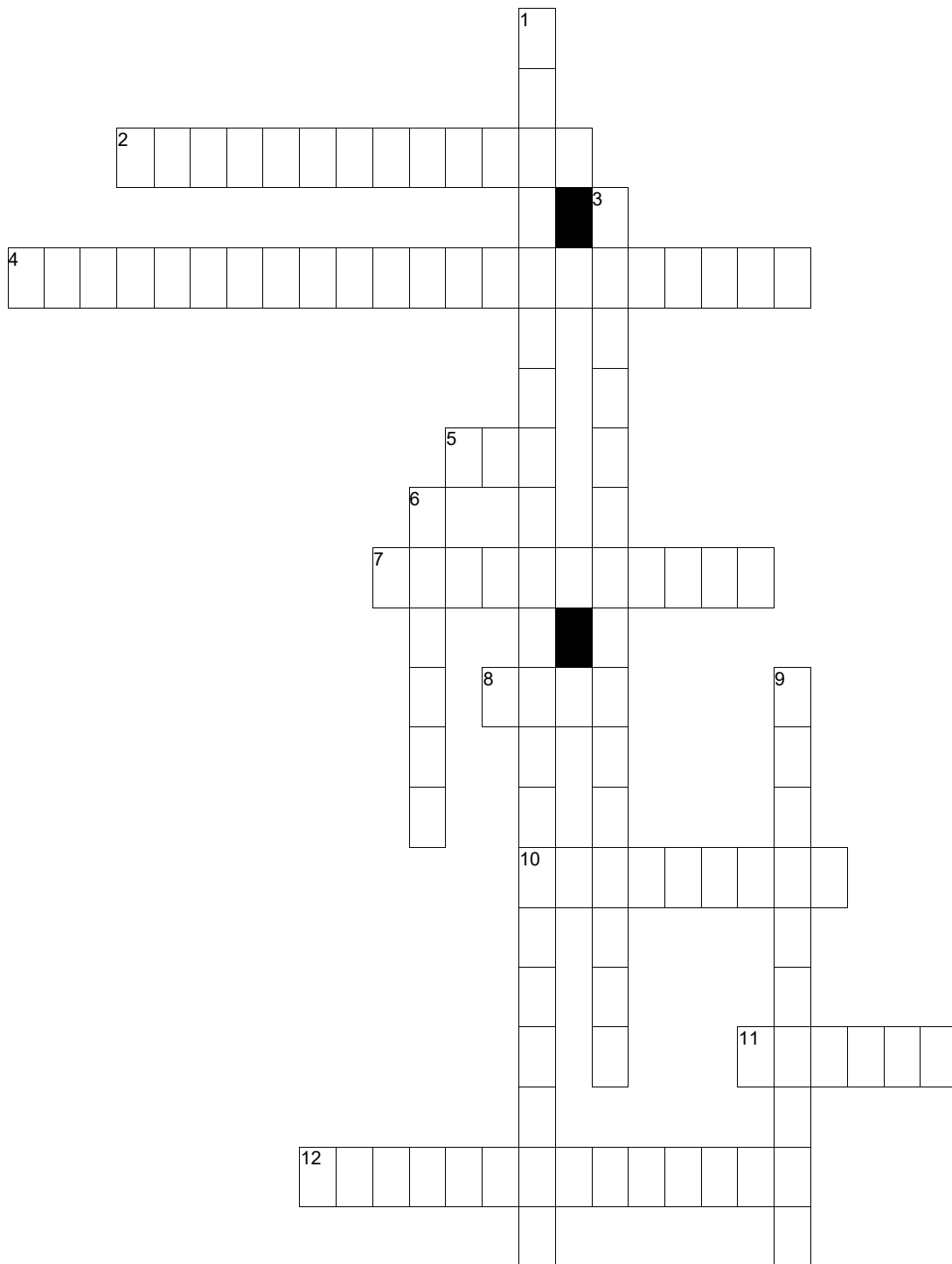
1. ICLNANFIA SITNUNTITOSI \_\_\_\_\_
2. NBAK OF GADELNN \_\_\_\_\_
3. GLINDBIU TISOCYE \_\_\_\_\_
4. DREITC IOUNN \_\_\_\_\_
5. HCNARB \_\_\_\_\_
6. OMIEBL NGINBKA \_\_\_\_\_
7. AOSPLT BANNKGI \_\_\_\_\_
8. ACIIFANLN UNCCTDO TTUOYARHI \_\_\_\_\_
9. ILNCAAFIN NDSMOMBUE EERICVS \_\_\_\_\_
10. ZICIETSN IEACDV \_\_\_\_\_
11. DTBE CNLESOOLRUS \_\_\_\_\_
12. CPRUNAYTKB \_\_\_\_\_

## Activity 20 – Learning Outcome B Word Search

B F O G O J J H C N A R B F E C N I X K F M K G  
 C T P O V Y X Y B P O W A F S I B N H G G H T F  
 L Z A H B O M V A K U W W P F U G E T L K A A I  
 O Q V S R O L L E S N U O C T B E D B T G A F N  
 K D L X T I P R G C Y S G T H G Y G I B G U U A  
 A Z V R P M K N J Z T S J Q J H Z B L Q D Y Y N  
 C G G I Z B K V A A D X N P B O D V L N E I T C  
 S U O X C Q Q H L I C I S A Q K R D P P I U E I  
 U L A G P O P B G J V W A I O S I I S U O P I A  
 B Z O N M V A E H N T E S X J L J K O B F Y C L  
 F L I F H N H K L X I B G L L D Y K R A D J O I  
 J V D T K R Y J P R A K G P U R M A M U P N S N  
 T P E I S A T B C N C I N V M L T V D G A G G S  
 J E N V Y D B E K U M N N A Q V H A W Y M C N T  
 G G N X B P X R X Z O G R A B V U A L Y A C I I  
 Y S V D R W U P G T I T S N W E T X T O D P D T  
 Z R A C P P J G I R B W X G U Y L E Z J N H L U  
 P W J E T K C I T I Z E N S A D V I C E H G I T  
 E K G C K M Q M J J B A B M E V F G B E U W U I  
 N M Y X V D Z F U S I Z T V U X Y P B O O L B O  
 O A J C R E D I T U N I O N C A L J Z N M E A N  
 E Z C Y Z E A Y H B O S G U Y H Q B P L E E B S  
 U D W J X F P A W N B R O K E R S R S Z W P F C  
 R R M B A N K O F E N G L A N D M S S K I O M W

Pawnbrokers      Payday Loans      Bankruptcy      Debt Counsellors  
 Citizens Advice      Postal Banking      Mobile Banking      Branch      Credit Union  
 Building Society      Bank of England      Financial Institutions

### Activity 21 – Learning Outcome B Crossword



## Across

- 2.** In charge of setting interest rates, issuing legal tender and controlling the UK's national debt
- 4.** This form of information guidance and advice is available 24/7 and is free to access
- 5.** This is an acronym for the consumer protection organisation that regulates the actions of financial service providers
- 7.** Non for profit organisations that handle financial transactions and store money on behalf of their members
- 8.** This acronym stands for the consumer protection body that pays compensation to consumers if the service provider is unable to
- 10.** A disadvantage of this type of banking is that there is a higher risk of fraud and identity theft
- 11.** This method of banking can get lost and often takes longer than other methods
- 12.** A free service ran mainly by volunteers

## Down

- 1.** Organisations that offer financial services to individuals including depositing and withdrawing money, investments and advice
- 3.** Disadvantages of this advice is that you will be charged and the advice will only focus on debt management
- 6.** The name for a physical place where customers can visit to carry out financial transactions
- 9.** An institution that lends money against the security of a personal asset, such as jewellery or a smartphone.



## Activity 22 - Personal & Business Finance Outcome B Checklist

Unit 3: Personal and Business Finance Checklist		
Learning Outcome B: Explore the Personal Finance Sector		
Topic	Your explanation of the terminology	Exam ready?
<b>B1 - Features of Financial Institutions</b>		
Types of organisations and their advantages and disadvantages: <ul style="list-style-type: none"> <li>• Bank of England</li> <li>• banks</li> <li>• building societies</li> <li>• credit unions</li> <li>• National Savings and investments</li> <li>• insurance companies</li> <li>• pension companies</li> <li>• pawnbrokers</li> <li>• payday loans</li> </ul>		
<b>B2 – Communicating with Customers</b>		
Methods of interacting with customers, advantages and disadvantages: <ul style="list-style-type: none"> <li>• branch</li> <li>• online banking</li> <li>• telephone banking</li> <li>• mobile banking</li> <li>• postal banking</li> </ul>		
<b>B3 – Consumer Protection in Relation to Personal Finance</b>		
Function, role and responsibilities of: <ul style="list-style-type: none"> <li>• Financial Conduct Authority (FCA)</li> <li>• Financial Ombudsmen Service (FOS)</li> <li>• Financial Services Compensation Scheme (FSCS)</li> <li>• legislation – consumer credit</li> </ul>		

B4 – Information Guidance and Advice		
<p>Function, role and responsibilities, advantages and disadvantages of:</p> <ul style="list-style-type: none"> <li>• Citizens Advice</li> <li>• independent financial advisor (IFA)</li> <li>• price comparison websites</li> <li>• debt counsellors</li> <li>• Individual Voluntary Arrangements (IVAs)</li> <li>• bankruptcy</li> </ul>		