**English bank vocabulary 1:**

We all have to use banks today. We save our money in banks, we receive our salaries/wages in our bank accounts and we also pay our bills/invoices through them as well. In fact, there is very little that we can do (both in business and in our personal lives) with our money without the use of a bank.

***In the following conversation between two friends, Peter explains to Juan the essential English vocabulary connected to banks.***

***From the context, try to guess what the meaning of the words/phrases in bold are. Then do the quiz at the end to check if you are right.***

**Juan:** 'You used to work in a bank. How do they make so much money?'

**Peter:** 'Well, banks **lend** money to people when they don't have enough money to buy or pay for something (e.g. a car or a house). Then the people **repay** the money back to the bank in the future.'

**Juan:** 'I have **borrowed** money from the bank before to buy both my car and my house and to pay for the cost of my university course. In fact, I still have **a loan** from the bank for my house, I borrowed £240,000 from my bank to buy it. So that's how a bank makes money, from loans?'

**Peter:** 'That's right. Banks don't lend money to people for free, they charge **interest** on all the loans they give to people. On the loan I have to pay for my car, they charge me 8% interest per year. So, every year I haven't repaid the loan from them, I have to pay them 8% in interest (8% of the original value of loan) in addition to repaying to them the actual money they gave me to buy the car.'

**Juan:**' 8% interest per year isn't a lot for borrowing money from a bank. I have a bank account where I can borrow money from my bank when I want. With this **credit card account**, my bank charges me 20% interest per year for borrowing money from them. Normally, I repay the money quickly, so I don't get charged interest.'

'But where do the bank get the money from to give loans to people?'

**Peter:** 'They borrow the money.'

**Juan:** 'From who?'

**Peter:** 'Normally from the people and companies who deposit or give their money to the bank to look after. Anybody who has a bank account (except a credit card account) with them.'

**Juan**: 'What types of bank accounts are there?'

**Peter:** 'There are two main different types of bank accounts where people **deposit** their money. The first type is the one which people use to buy or pay for things with (e.g. in a shop, on the internet, bills etc...) and you can take out money from it whenever you want. This is called a **current account or a checking account** in America. This is the type of bank account which most people's salary/wage from their job is paid into.'

'The second type of bank account is used for people who want to save not spend the money that is deposited in the account. This is called **a savings account**. With this type of account, you can't use it to buy or pay for things (e.g. in a supermarket) like with a current account. To use the money in a savings account, you can only **withdraw/take** the money out directly from the bank or move it into your current account.'

**Juan:** 'So why do people have a savings account then? A current account seems more practical.'

**Peter:** 'Because banks pay interest on the money in your savings account. They give you money for keeping money in the account.'

**Juan:** 'And the banks don't pay you interest for the money in your current account?'

**Peter:** 'Yes, they do. But the **interest rate**, the percentage of interest you receive, is higher in a savings account than in a current account. In my savings account, my money in it earns a 5% interest rate each year. While in my current account, the bank only pays an interest rate of 1%.'

**Juan**: 'So, if a bank pays the people who deposit money with them interest, how can it make money?'

**Peter:** 'Because the interest rate it pays to borrow money (from its customers who deposit money) is lower than the interest rate it charges when it lends money to people (e.g. in loans). That's how it makes so much money.'

**Words/phrases to use in the quiz**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **lend** | **repay** | **interest** | **deposit** | **current account** |
| **borrowed** | **loan** | **credit card account** | **interest rate** | **savings account** |

1. A type of bank account where you can quickly buy and pay for things from your own money in the bank, is called a \_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. A verb that means to take money from a bank that you have to give/pay it back, is \_\_\_\_\_\_\_\_\_\_

3. The extra money that a person pays when they borrow money, is called \_\_\_\_\_\_\_\_\_\_\_\_

4. When you borrow money from a bank that you have to pay/give them back in the future, it is called a \_\_\_\_\_\_\_\_\_\_\_\_\_

5. The word that means to 'add' money into a bank account, is \_\_\_\_\_\_\_\_\_\_\_

6. A verb that means to give somebody money that you expect them to give/pay back to you in the future, is \_\_\_\_\_\_\_\_\_\_\_\_\_

7. A type of bank account which is used to save money in, is called a \_\_\_\_\_\_\_\_\_\_\_\_

8. The percentage of interest you pay when you borrow money, is called the \_\_\_\_\_\_\_\_\_\_\_

9. A type of bank account which is used for borrowing money from a bank, is called a \_\_\_\_\_\_\_\_\_\_

10. A verb that means 'pay back' the money you have borrowed in a loan, is \_\_\_\_\_\_\_\_\_\_\_\_