Task - How do banks work?

Let's find out! Fill in the gaps from the word bank below to make sense of the passage.

When you pay your money into your bank or building society, you are actually _____ them that money. The bank then uses your money to provide loans (do more lending) to other people and _____.

These loans include things like mortgages (a large amount often borrowed when people buy a house) as well as business loans (loans to companies, such as shops) and _____ _____ (smaller loans to individual people). The system works because we _____ our banks to keep our money safe and help it to grow. The bank carefully decides which people are most reliable to lend to, so our money stays safe. They do this by carefully checking that a person or business will be able to afford to pay back the amount they have borrowed, plus interest.
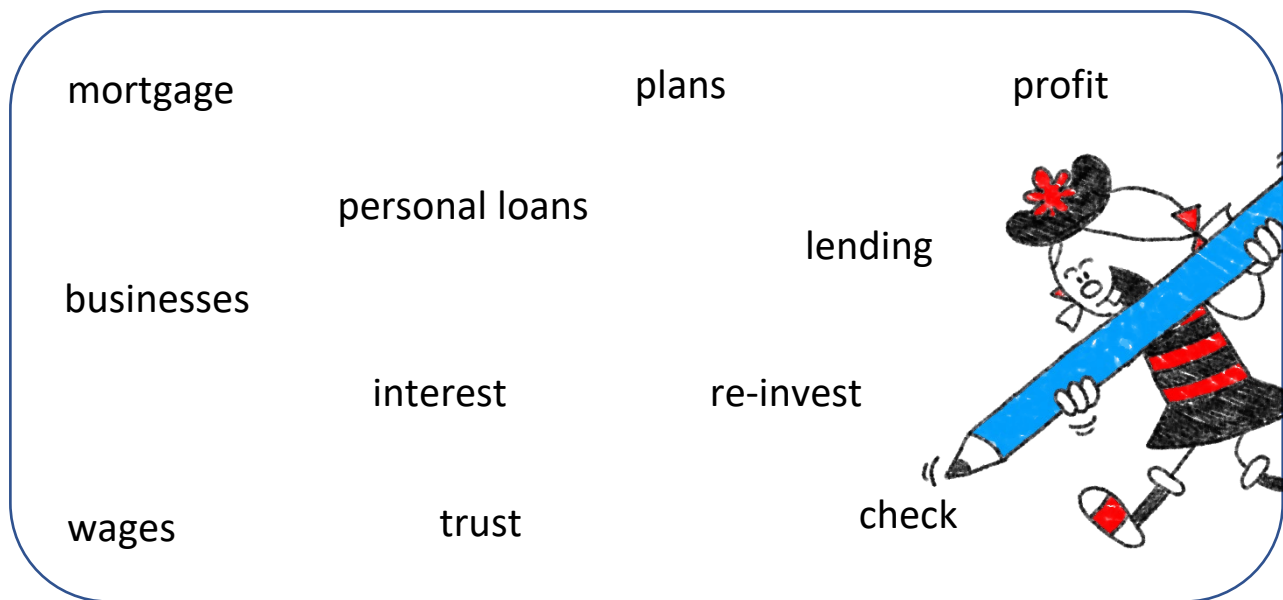
So how does this work in practice? Let's say a person wants to open a computer games store. The bank will want to see their _____ to make sure they can afford to buy the games which they will be selling, pay the staff their wages and pay the rent for their shop. The bank will also want to see the shop make a _____ (more money than the bank lent them in the first place). The business owner will have to pay back their loan whether they make a profit or not, and the bank wants them to succeed, so they are always careful to _____.

If a person wants to borrow a lot of money to buy a house and needs a _____ , the bank will also check the person's plans – but this time

looking at their income instead (how much money they make), which is usually the _____ from their job.

If you pay your money into a savings account, you will be paid _____ too. This is a little extra money that your bank pays you for lending them money. The amount that the bank charges other people for loans means that they can make enough to pay you interest and pay all their staff wages too. The bank also uses this money to _____ (lend out more money).

mortgage   plans   profit

personal loans

lending

businesses

interest   re-invest

wages   trust   check

Task 1 - How do banks work? - answers

Let's find out! Fill in the gaps from the word bank below to make sense of the passage.

When you pay your money into your bank or building society, you are actually <u>lending</u> them that money. The bank then uses your money to provide loans (do more lending) to other people and <u>businesses</u>.

These loans include things like mortgages (a large amount often borrowed when people buy a house) as well as business loans (loans to companies, such as shops) and <u>personal loans</u> (smaller loans to individual people). The system works because we <u>trust</u> our banks to keep our money safe and help it to grow. The bank carefully decides which people are most reliable to lend to so our money stays safe. They do this by carefully checking that a person or business will be able to afford to pay back the amount they have borrowed, plus interest.

So how does this work in practice? Let's say a person wants to open a computer games store. The bank will want to see their <u>plans</u> to make sure they can afford to buy the games which they will be selling, pay the staff their wages, and pay the rent for their shop. The bank will also want to see the shop make a <u>profit</u> (more money than the bank lent them in the first place). The business owner will have to pay back their loan whether they make a profit or not and the bank wants them to succeed, so they are always careful to <u>check</u>.

If a person wants to borrow a lot of money to buy a house and needs a <u>mortgage</u>, the bank will also check the person's plans – but this time looking at their income instead (how much money they make), which is usually the <u>wages</u> from their job.

If you pay your money into a savings account, you will be paid <u>interest</u> too. This is a little extra money that your bank pays you for lending them money. The amount that the bank charges other people for loans means that they can make enough to pay you interest and pay all their staff wages too. The bank also uses this money to <u>re-invest</u> (lend out more money).

mortgage   plans   profit

personal loans

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interest   re-invest

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