

November 2009

Our **Money made clear**™ guides –
here to help you

This guide is part of our **Everyday money** series.



Available from our helpline or website

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To help us maintain and improve our service, we may record or monitor calls.



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**No selling.
No jargon.**

**Just the facts
about
basic bank
accounts.**

 **Money made clear**™
No selling. No jargon. Just the facts.

With our **Money made clear**[™] range of guides, we cut out the jargon and give you just the facts about financial products and services, helping you to make an informed decision.

Just the facts about basic bank accounts.

We try to ensure that the information in this guide, some of which comes from sources outside the FSA, is correct at the time of print. It is possible that some of it is oversimplified, or may become inaccurate over time, for example because of changes in the law. You should check the current position before you take any action.

This is general information to help you make financial decisions. It is not advice, and cannot take account of your individual circumstances. When making decisions about your own circumstances you should consider whether to consult a financial or other professional adviser.

This guide is for you if

You want

or need a bank account to help you manage your money, but aren't able to have a current account.

It's about basic bank accounts and:

- explains what they are;
- how to get one; and
- answers some of the questions you may have.

Contents

How basic bank accounts work	2
Key things to think about	4
Different types of basic bank account	6
Your questions answered	8
If things go wrong	11
Jargon buster	13
Useful contacts	15

How basic bank accounts work

A basic bank account allows you to receive money and pay bills.

It can be a first step towards opening a current account later on.

See the *Jargon buster* on page 13 for an explanation of some words you may come across.

With a basic bank account you can:

- have your wages, benefits, State pension or tax credits paid directly into your account;
- pay in sterling cheques for free (you will have to wait four business days before the money is available for you to spend);
- take money out at cash machines in the UK with a cash card. This is usually free, but some bank cash machines make a charge. Some convenience cash machines such as those inside small shops, on garage forecourts and in nightclubs may also charge you each time you withdraw money from them;

- take money out at the Post Office®; and
- pay your bills by Direct Debit.

Some banks let you have a debit card to pay for your shopping and some let you pay your bills by standing order. Most let you take money out, pay money in or check your balance at bank counters – see the table on page 6 for full details.

Opening a basic bank account

If you want to open a basic bank account and you meet the bank or building society's conditions for one, you should generally be allowed to open one. But there may be reasons why the bank or building society will not let you open an account (see the table on page 6).

Proving your identity

The law says that banks and building societies have to identify new customers. This is to help stop criminal activities like money laundering. They will explain which documents they will accept – see page 10.

Running a credit check on you

If the bank or building society needs to carry out a full credit check (rather than an enquiry) on you, it should tell you this and whether this may have an impact on your future ability to apply for credit.

If your application is turned down

If your application for a basic bank account is turned down, you are entitled to ask why. The bank or building society should tell you (unless there are exceptional circumstances such as suspicion of fraud or money laundering).

Key points

With a basic bank account you:

- don't get a cheque book;
- don't get an overdraft
- can pay in sterling cheques for free;
- can take money out at cash machines; and
- can pay bills by Direct Debit or standing order.

Key things to think about

From 1 November 2009, we became responsible for regulating many aspects of how your bank or building society does business with you.

This means they have to meet certain standards, which we monitor, and we can take action if they don't.

You can also expect them to communicate appropriate information and provide a prompt, efficient and fair service. For more information get our **Your bank account** guide – see *Useful contacts*.

Running your account

One of the most important things you do with your bank account is to make and receive payments. Most people have money going in – such as wages, allowance, benefits, cash or cheques and money going out – such as standing orders, Direct Debits or withdrawing cash.

Your bank or building society must give you certain information about the payments you make or receive. It will tell you what information it needs to send or receive payments.

Be very careful that you give the bank or building society or someone who owes you money the correct information, for example, the sort code or account number. They may not be liable if you give the wrong details and the money goes to the wrong place.

When choosing a basic bank account:

Check that

you can use cash machines near where you live or work for free (ask the bank or building society if you aren't sure).

Check that

you can pay money in or get money out at a Post Office® branch, if this is important for you.

Check that

there is a branch of the bank/building society near you where you can pay in money and check on your account.

Check that

you will get the services you need like a debit card, Direct Debits or standing orders.

Different types of basic bank account

This table shows which banks and building societies offer basic bank accounts and what services you can expect to get.

All these accounts accept **Automated Credit Transfer (ACT)** payments, offer cash withdrawals at the Post Office®, and a cash-machine card. None of them offer a cheque book or ask for a minimum amount to open an account.

Bank name and any special name for the account	Minimum age to open an account	Free buffer zone (see page 13)	Direct Debits and standing orders ¹	Charge for unpaid Direct Debit ² or standing order	Debit card (Solo, Electron, Maestro or Visa debit)	Bank branch counter access (balances, deposits and withdrawals)	Post Office® branch access	Free access to bank cash machines (ATMs) in the UK	If any of the following apply to you, your application may be declined
Abbey (Santander) from 11 January 2010): Basic Bank Account	16	No	Yes	£5–£35 (check with bank)	No	Yes (except withdrawals)	Yes (except deposits)	Yes	Undischarged bankrupt, record of fraud
Alliance & Leicester: Basic Cash Account	16	No	Direct Debits only	£25	No	Yes (withdrawals over £250 only)	Yes	Yes	Undischarged bankrupt, record of fraud
Bank of Ireland: Basic Cash Account (only available in Northern Ireland)	16	No	Yes	£42 ⁴	No	Yes	Yes	No, own ATMs only	Undischarged bankrupt, record of fraud
Bank of Scotland: Easycash	16	No	Yes	£15 (max 3 per day)	Electron	Yes (withdrawals over £300 only)	Yes	Yes	Undischarged bankrupt, record of fraud
Barclays: Cash Card Account	18 ³	No	Yes	£8	Visa debit	Yes	Withdrawals only	Yes	Record of fraud
Clydesdale: Readycash	16	No	Yes	£35	Maestro	Yes	Yes	Yes	Undischarged bankrupt, record of fraud
Co-operative Bank: Cashminder	16	No	Yes	£19.50 ⁴	Visa debit	Yes	Yes	Yes	Record of fraud
First Trust Bank: Basic Bank Account	16	£10	Direct Debits only	£35	No	No	Yes (except deposits)	No, own ATMs only	Undischarged bankrupt, record of fraud, record of bad debts
Halifax: Easycash	16	No	Yes	£15 (max 3 per day)	Electron	Yes (withdrawals over £300 only)	Yes (except deposits)	Yes	Undischarged bankrupt, record of fraud
HSBC: Basic Bank Account	18	£10	Yes	No ⁴	No	Yes (except withdrawals)	Withdrawals only	Yes	Undischarged bankrupt, record of fraud
Lloyds TSB: Cash Account	18 ³	£10	Yes	£20 (max 3 per day)	Visa debit	Yes	Yes	No, own ATMs only	Undischarged bankrupt, record of fraud
Nationwide Building Society: Flex Cash Card	16	No	Yes	£30	No	Yes (withdrawals over £30) ⁵	Yes (except deposits)	Yes	Undischarged bankrupt, record of fraud
NatWest: Step Account	16	No	Yes	£38 ⁴	Solo	Yes	Yes	Yes	Undischarged bankrupt, record of fraud
Northern Bank: Northern Personal Access	14	No	Yes	No	Maestro	Yes	Withdrawals only	Yes	Undischarged bankrupt, record of fraud, record of bad debts
The Royal Bank of Scotland: Key Account	16	No	Yes	£38 ⁴	Solo	Yes	Yes	Yes	Undischarged bankrupt, record of fraud
Ulster Bank: Step Account	16	No	Yes	£10	Visa debit	Yes	Yes	Yes	Undischarged bankrupt, record of fraud
Yorkshire Bank: Readycash	16	No	Yes	£35	Maestro	Yes	Yes (except deposits)	Yes	Undischarged bankrupt, record of fraud

Explanatory notes

- 1 Banks may cancel SOs/DDs if you don't have enough money in your account to pay them on more than one occasion.
- 2 Correct at time of print but always check with the bank or building society.
- 3 16 and 17 year-olds can open a similar account.
- 4 The account may be closed if a Direct Debit or standing order is refused three times.
- 5 No balance enquiries or printed 'mini statements' and only Nationwide bills can be paid.

Source: British Bankers' Association, November 2009

This information is correct as at time of print, but is subject to change. Please check with your chosen bank or building society.

Your questions answered

Question

What information will I get about a basic bank account?

Answer

If a bank or building society offers a basic bank account, it should be able to give you details about the account, its features and how you can open one.

Question

How do I keep track of my money with a basic bank account?

Answer

You will get a regular statement in the post showing what money has been paid in and what has gone out.

With most basic bank accounts you can check how much money you have and get a mini statement from a cash machine showing the most recent transactions.

Most accounts will also let you check your balance at a Post Office®. And with some you can check your balance online.

Question

What if there isn't enough money in my account to pay my Direct Debit or standing order?

Answer

You can't usually go overdrawn with a basic bank account by more than £10, if at all. If you pay your bills by Direct Debit or standing order and there isn't enough money in your account, then the bank will not make the payment (it will notify you). You may be charged a fee or the bank may cancel your Direct Debit or standing order, or even close your account – see page 6.

You will still have to pay the bill as well as any charge. It is really important to make sure you have enough money in your account to pay your bills.

Question

What happens if I only have £6 left in my account and the cash machine only gives £10 notes?

Answer

If your account has a buffer zone, the machine will let you have £10 even if there is only £6 in your account. The bank will not charge you for going overdrawn up to the buffer-zone limit. If it doesn't have a buffer zone, you won't be able to take out £6.

You can take out the exact amount of money you have in your account over the counter either at your bank or building society or at a Post Office® branch.

Question

What proof will I need to open an account?

Answer

The law says that banks and building societies have to identify their new customers. This is to help stop criminal activities like money laundering. They will explain which documents they will accept as proof of your identity, although this may vary from one bank or building society to another.

They may ask you for a government-issued document:

- with a photograph – such as a valid passport; or
- without a photograph such as a valid old-style driving licence – plus another document from an approved source.

If you don't have these documents, they may accept other documents such as:

- a letter from a government department or local council confirming your right to benefits;
- suitable information of identity from a young person's workplace or educational institution; or
- a letter from a care-home manager or warden of sheltered accommodation or a refuge.

See our **Proving your identity** guide for more information – see *Useful contacts*.

Further options may be available if you are an international student, migrant worker, refugee, asylum seeker, prisoner or on probation.

Question

I don't think that I could use Chip and PIN – is there an alternative?

Answer

If you can't manage Chip and PIN, you can use Chip and Signature or a rubber stamp instead.

If things go wrong

Mistakes can happen, but there are things you and your bank or building society can do to put things right.

If you have a complaint about the service you receive, you should first contact the bank or building society to enable them to resolve the matter.

The firm should investigate your complaint and reply within eight weeks, with either an initial answer or their final response.

If you're not satisfied with their response, you may be able to take your complaint to the Financial Ombudsman Service. The bank or building society must give you details of this free service.

For more information get a copy of our **Making a complaint** guide – see *Useful contacts*.

Compensation

If a UK bank or building society is unable or likely to be unable to pay claims against it, you may be able to get compensation from the Financial Services Compensation Scheme (FSCS) – see *Useful contacts*.

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Next steps

Step 1

Decide which basic bank account would be best for you. Use the table on page 6 and think about the points on page 5 to help you decide.

Step 2

Be ready to prove to the bank or building society that you are who you say you are. If you have difficulty proving your identity, the member of staff dealing with your application can usually refer the matter to someone who is authorised to decide in exceptional circumstances.

Step 3

If you want to have your wages, State pension or tax credits paid directly into your account, talk to your wages office or the pension or benefit office dealing with your claim.

Step 4

To set up a Direct Debit or standing order to pay household or other regular bills, ask the company for a Direct Debit or standing order form. Direct Debit forms are returned to the company that you want to pay, but you give a standing order form to your bank.

Jargon buster

Some key words and phrases explained.

Automated Credit Transfer (ACT)

Payment of wages, benefits, pensions and tax credits directly into a bank or building society account.

Balance

The total amount of money in your account.

Buffer zone

A small amount of credit/overdraft that a bank may give you, so you can get money from a cash machine even if you don't have enough money in your account.

Cashback

A service that allows you to get cash from your account in supermarkets or other shops, using your basic bank account debit card.

Cash card

A card you can use to check your balance or withdraw cash from your account at cash machines or Post Office® branches. You cannot use a cash card to pay for goods or services.

Chip and PIN

The name for using a personal identification number to authorise payment from your account.

Credit check

A search of your borrowing record, also known as your credit history. A bank or other organisation carries out a credit check on a person when deciding whether to lend them money or to open a bank account in their name.

Debit card

A card issued by a bank that you use to withdraw cash or to pay for your shopping. The money is usually taken from your account immediately.

Direct Debit

A way of paying bills from your bank account. You sign a form allowing the company you are paying to take the money directly from your account on specific dates.

They then take the money from your account automatically on the agreed dates. They have to notify you in advance before changing the amount or the dates of the payments.

Interest

A charge for borrowing money, or a reward for saving money. It is usually shown as a percentage of the amount borrowed or saved.

Money laundering

The process criminals go through to disguise and hide the money made from their crimes.

Overdraft

A facility allowing you to spend more money from your account than you have in it. The bank will usually charge you interest if this happens, and sometimes other fees as well. You don't get an overdraft with your basic bank account

Standing order

A way of paying bills from your bank account. You sign a form sent to you by the company you are paying. This sets out the amount to be paid and the payment dates. You then give this to your bank.

The bank pays the amounts from your account automatically on the agreed dates to the company you are paying. You must tell your bank if the amount or the dates of payment need to change.

Banks that offer standing orders will allow you to set them up to leave your account at different times (varying from annually to daily) – talk to your bank about what options they offer.

Statement

A detailed list of all payments in and out of your account over a period of time, for example, one month. Ask your bank how often it sends statements.

Undischarged bankrupt

A person who cannot pay their debts and is still on the bankruptcy register.

Useful contacts

Financial Services Authority (FSA)

To order other **Money made clear™** guides, check our Register, report misleading promotions, or for general information or guidance.

Helpline: 0300 500 5000

Typetalk: 1800 1 0300 500 5000

(Calls should cost no more than 01 or 02 UK-wide calls, and are included in inclusive mobile and landline minutes.)

Other **Money made clear™** guides

- Proving your identity
- Your bank account
- Making your budget work for you
- Borrowing money
- Credit unions
- Pensions
- Making a complaint

For more titles, call us or go online www.moneymadeclear.fsa.gov.uk

On our **Money made clear™** website you can find

- a **Budget calculator** to help you work out if you have enough money coming in to cover your bills.
- the **Financial healthcheck** to help you work out your financial priorities and make decisions about your money.
- **Comparison tables** for products like savings accounts and mortgages.

Go to **Tools and calculators** at www.moneymadeclear.fsa.gov.uk

Useful contacts

Call rates may vary – check with your telephone provider.

Organisations that can help if you have money problems

Advice UK

020 7469 5700
www.adviceuk.org.uk

All members provide free and confidential advice on a range of subjects, but not all provide money advice.

advice4debtNI

0800 917 4607
www.advice4debtni.com

Offers free, confidential and independent debt and money advice to anyone in Northern Ireland who is affected by debt or money worries.

Citizens' Advice Bureaux (CABx)

See the Phone Book, Yellow Pages or website for your local Citizens' Advice Bureau.

www.adviceguide.org.uk

They offer advice on debt problems and a very wide range of other money and non-money topics.

Consumer Credit Counselling Service (CCCS)

0800 138 1111
www.cccs.co.uk

CCCS offers a structured programme on how to manage your money.

Credit Action

www.creditaction.org.uk

Provides information and guidance for people looking to manage their money better or to deal with debt or money worries.

Debt Advice Network

0300 011 2340
www.debtadvicenetwork.org

A charity with a nationwide network of advisors offering free, impartial advice on any type of debt problem.

Money Advice Scotland

0141 572 0237
www.moneyadvicescotland.org.uk

Provides details of advice agencies throughout Scotland that provide a free, independent, impartial and confidential advice service.

National Debtline

0808 808 4000
www.nationaldebtline.co.uk

Offers advice on debt problems and free booklets and factsheets on dealing with debt.

Payplan

0800 716 239
www.payplan.com

Free confidential advice on debt problems.

Other helpful contacts

The Post Office®

08457 223344
www.postoffice.co.uk

To find out where your nearest Post Office® branch is.

British Bankers' Association (BBA)

www.bba.org.uk

Leaflets to view or download:
Banking for people who lack capacity to make decisions.
International students: Opening a bank account
Opening a bank account if you are new or returning to the UK