

Basic bank accounts



The **Money Advice Service** is here to help you manage your money better. We provide clear, unbiased advice to help you make informed choices.

We try to ensure that the information and advice in this guide is correct at time of print. For up-to-date information and money advice please visit our website – moneyadviceservice.org.uk.

About this guide

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.

When you read it you will know:

- how basic bank accounts work
 - how to get one, and
 - what to do if things go wrong.
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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.

For many people, 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.

What to expect when you open a basic bank account

If you want to open a basic bank account and you meet the bank or building society's conditions, 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).

Got a question about money?

From budgeting to borrowing, from savings to pensions, our trained Money Advisers can help you with your questions. We offer free unbiased information and advice which means we won't sell you anything. You can get this in print, online, over the phone and face to face.

We also provide tailored advice to help you make choices at key points throughout your life whatever your circumstances. Take our new online **health check**. Answer some straightforward questions and get your personal action plan to help you with your money must-do's and longer-term goals.

Call us on 0300 500 5000 or go online at moneyadviceservice.org.uk/healthcheck.

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

The Financial Services Authority (FSA), the UK's financial services regulator, is responsible for regulating many aspects of how your bank or building society does business with you.

This means banks and building societies have to meet certain standards, which the FSA monitors, and it can take action if they don't.

You can also expect them to make you aware of certain information and provide a prompt, efficient and fair service. For more information see the FSA's online leaflet **Bank accounts: Know your rights** at www.fsa.gov.uk/bankingrights or get our **Your bank account** guide – see *Useful contacts* on page 15.

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

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

Check 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.

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
Bank of Ireland UK: Basic Cash Account (only available in Northern Ireland)	16	No	Yes	£42 ⁴
Bank of Scotland: Easycash	16	£10	Yes	£10 (max 3 per day)
Barclays: Cash Card Account	18 ³	No	Yes	£8
Clydesdale: Readycash	16	No	Yes	£35
Co-operative Bank: Cashminder	16	No	Yes	£15 ⁴
First Trust Bank: Basic Bank Account	16	£10	Direct Debits only	£35
Halifax: Easycash	16	£10	Yes	£10 (max 3 per day)
HSBC: Basic Bank Account	18	£10	Yes	No ⁴
Lloyds TSB: Cash Account	18 ³	£10	Yes	£10 (max 3 per day)
Nationwide Building Society: Flex Cash Card	18 ³	No	Yes	£15
NatWest: Step Account	18	£6	Yes	£6 (max £60 in any charging period)
Northern Bank: Northern Personal Access	14	No	Yes	No
Santander: Basic Current Account	16	No	Yes	£25
The Royal Bank of Scotland: Key Account	18	£6	Yes	£6 (max £60 in any charging period)
Ulster Bank: Step Account	18	No	Yes	£10 (max £100 in any charging period)
Yorkshire Bank: Readycash	16	No	Yes	£35

Explanatory notes

- ¹ A bank may cancel a standing order or Direct Debit if, more than once, you don't have enough money in your account to pay it.
- 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 any Direct Debit or standing order is refused three times.
- ⁵ No balance enquiries or printed 'mini statements' and only Nationwide bills can be paid.

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.

Debit card (Solo, Electron, Maestro or Visa debit)	Bank branch counter access	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
No	Yes	Yes	Yes	Undischarged bankrupt, record of fraud
Electron	Yes (withdrawals over £300 only)	Yes	Yes	Undischarged bankrupt, record of fraud
Visa debit	Yes	Withdrawals only	Yes	Record of fraud
Maestro	Yes	Yes	Yes	Undischarged bankrupt, record of fraud
Visa debit	Yes	Yes	Yes	Record of fraud
No	No	Yes (except deposits)	No, own ATMs only	Undischarged bankrupt, record of fraud, record of bad debts
Electron	Yes (withdrawals over £300 only)	Yes (except deposits)	Yes	Undischarged bankrupt, record of fraud
No	Yes (except withdrawals)	Withdrawals only	Yes	Undischarged bankrupt, record of fraud
Visa debit	Yes	Yes	No, own ATMs only	Undischarged bankrupt, record of fraud
Visa debit	Yes (withdrawals over £100) ⁵	Yes (except deposits)	Yes	Undischarged bankrupt, record of fraud
Visa debit	Yes	Yes	Yes	Undischarged bankrupt, record of fraud
Maestro	Yes	Withdrawals only	Yes	Undischarged bankrupt, record of fraud, record of bad debts
No	Yes (withdrawals over £300 only)	Withdrawals only	Yes	Undischarged bankrupt, record of fraud
Visa debit	Yes	Yes	Yes	Undischarged bankrupt, record of fraud
Visa debit	Yes	Yes	Yes	Undischarged bankrupt, record of fraud
Maestro	Yes	Yes (except deposits)	Yes	Undischarged bankrupt, record of fraud

Source: British Bankers' Association, May 2011

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 give you details about the account, its features and how you can open one.

It will also give you details about what to do if things go wrong and the compensation arrangements that apply if it goes out of business – see page 11.

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 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.

Further options may be available if you are an international student, migrant worker, refugee, asylum seeker, prisoner or on probation. Toynbee Hall's **ID Guide – How to prove your identity** has more information on the different documents that you can use to prove your identity – see *Useful contacts* on page 15.

Question:

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

Answer:

If you can't manage Chip and PIN, ask if 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 **Complaints about banking services** leaflet – see *Useful contacts* on page 15.

Compensation

If a UK-authorised financial services firm 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*.

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 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

Money Advice Service

For advice based on your own circumstances or to order other guides

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

Other Money Advice Service guides

- Borrowing Money
- Complaints about banking services
- Credit unions
- Making a complaint
- Making the most of your money
- Making your budget work for you
- Your bank account

For more titles, call us or go to **moneyadviceservice.org.uk/publications**

On our Money Advice Service website you can find:

- a **budget planner** to help you work out if you have enough money coming in to cover your bills
- **comparison tables** to help you compare products like savings accounts and mortgages, and
- a **health check** to help you build up some good financial habits and reach your goals.

Go to **moneyadviceservice.org.uk/interactive**

Call rates to the following organisations may vary – check with your telephone provider.

Financial Services Authority (FSA)

To check the FSA Register, or to report misleading financial adverts or promotions.

Online leaflet: Bank accounts: Know your rights

Consumer helpline: 0845 606 1234
Minicom/textphone: 0845 730 0104
www.fsa.gov.uk/consumerinformation

Organisations that can help you if you have money problems

Advice UK

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

020 7469 5700

www.adviceuk.org.uk

advice4debtNI

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

0800 917 4607

www.advice4debtni.com

Citizens' Advice Bureaux (CABx)

Offers free, confidential and face to face money advice. Look in the Phone Book or on its website for your local bureau.

www.adviceguide.org.uk

Consumer Credit Counselling Service (CCCS)

Offers a structured programme of advice on how to manage your money.

0800 975 9558

www.cccs.co.uk

Credit Action

Works in partnership with the CCCS and publishes factsheets about debt and budgeting.

0800 138 1111

www.creditaction.org.uk

Money Advice Scotland

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

0141 572 0237

www.moneyadvicescotland.org.uk

National Debtline

Provides a free, confidential and independent telephone advice service.

0808 808 4000

www.nationaldebtline.co.uk

Payplan

Free confidential advice on debt problems.

0800 716 239

www.payplan.com

Other helpful contacts

Toynbee Hall

ID Guide – How to prove your identity

020 7247 6943

E: idguide@toynbeehall.org.uk

The Post Office®

To find your nearest Post Office® branch.

08457 223344

www.postoffice.co.uk

British Bankers' Association (BBA)

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

www.bba.org.uk

Complaints and compensation

Financial Ombudsman Service

South Quay Plaza

183 Marsh Wall

London E14 9SR

0800 023 4567 or 0300 123 9123

www.financial-ombudsman.org.uk

Financial Services Compensation Scheme (FSCS)

7th Floor Lloyds Chambers

Portsoken Street

London E1 8BN

0800 678 1100 or 020 7741 4100

www.fscs.org.uk

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

Other titles in this series include:

- Making the most of your money
- Your bank account
- Getting financial advice

All our guides are available from:

Our website
moneyadvice.service.org.uk

Money Advice Line
0300 500 5000

If you would like this guide in Braille, large print or audio format, please call us on 0300 500 5000 or Typetalk on 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. To help us maintain and improve our service, we may record or monitor calls.

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