



Your bank account



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 are opening or already have a bank account and you want to know your rights and responsibilities.

When you read it you will know:

- about the different types of bank account
 - how to manage your account, and
 - what to do if things go wrong.
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Bank accounts made clear

Most people have a bank account to manage their day-to-day money or to save for the future. There are different types of bank account to suit your personal goals and circumstances.

Banks, building societies and some credit unions offer accounts.

Bank accounts help you to:

- receive money – such as your wages, salary, benefits or pension
- organise paying your bills, and
- save money for special occasions or emergencies.

Bank accounts can also earn you interest on the money you have in the account.

See the *Jargon buster* on page 28 for an explanation of some words you may come across.

Credit unions are owned and run by their members, for their members.

This guide does not cover credit unions. For information about credit union savings accounts, get our **Credit unions** guide - see *Useful contacts* on page 32.

Types of bank account

We cover the main types of bank account here and you can use the table on page 4 to help find an account to suit you.

Basic bank account – for managing day-to-day money. It doesn't usually allow you to go overdrawn by more than £10, if at all. We outline the basics on page 4 but for more information get our **Basic bank accounts** guide – see *Useful contacts* on page 32.

Current account – also for managing your day-to-day money, but with more features than a basic bank account.

Savings account – for putting away money that you'd like to save for a particular reason.

Sharia-compliant account – a current or savings account that is structured and run in line with Islamic law.

Deposits

Money in a bank account is a deposit. You will get at least £1 back for every £1 in your account, subject to any charges (or unless the bank or building society gets into serious financial difficulty) – see page 27.

What to expect from your bank or building society

Banks and building societies are authorised and regulated by the Financial Services Authority (FSA), the UK's financial services regulator. This means they have to meet certain standards which the FSA monitors, and it can take action if they don't. Advertisements, product brochures and other promotions they produce must be fair, clear and not mislead you.

You can check the FSA Register to see if a bank or building society is regulated and report any misleading promotions to the FSA. For more information on your rights and responsibilities, see the FSA's online leaflet **Bank accounts: Know your rights** – see *Useful contacts* on page 32.

You can also expect the bank or building society to make you aware of certain information and provide a prompt, efficient and fair service. For example they must:

- make clear when you open an account how you can cancel it. You can cancel most accounts within 14 days of opening them without penalty and without giving a reason. If cancellation is not allowed, the bank or building society will make this clear to you at the outset

- help you switch or close accounts if you want to move to another bank or building society. Most accounts can be closed at any time although bear in mind if you owe the bank money on your overdraft, you will have to repay it first, and
- help you if you've lost track of an account or can't remember your account details. They may ask you to prove your identity to help them do this.

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 moneyadvice.service.org.uk/healthcheck

Types of bank account and their features

Basic bank account	Current account
<p>This will usually:</p> <ul style="list-style-type: none"> ■ receive money ■ give you a cash card ■ let you set up Direct Debits or standing orders to pay bills ■ act as a stepping stone to a current account ■ allow you to do business at the bank counter ■ let you check your balance and withdraw cash at Post Office® branches, and ■ let you check your balance and withdraw cash from a cash machine. <p>However, this won't usually allow you to go overdrawn by more than £10, if at all.</p> <p>It may offer:</p> <ul style="list-style-type: none"> ■ a debit card, and ■ a linked savings account to help you budget. 	<p>This will usually:</p> <ul style="list-style-type: none"> ■ receive money ■ give you a cash or debit card ■ let you set up Direct Debits and standing orders to pay bills ■ give you a cheque book, and ■ allow you to check your balance and withdraw cash from a cash machine. <p>It may offer:</p> <ul style="list-style-type: none"> ■ an overdraft ■ interest on your money ■ other services, for example sending money abroad or cashing foreign cheques. There will often be a charge for these services ■ telephone or internet banking facilities ■ extra features such as insurance (for example travel, life, mobile phone), special offers or extra services (accounts with these features usually have a monthly fee), and ■ cash withdrawals and balance checks at Post Office® branches.

Savings account	Sharia account
<p>This will usually:</p> <ul style="list-style-type: none"> ■ pay you interest on your money. <p>It may offer:</p> <ul style="list-style-type: none"> ■ a passbook, and ■ access to your money via a cash machine. <p>Savings accounts may also be:</p> <ul style="list-style-type: none"> ■ cash Individual Savings Accounts (ISAs), or ■ term accounts (which are for a specific period of time). <p>Access to your account may be:</p> <ul style="list-style-type: none"> ■ 'instant' – you can have the money immediately ■ 'fixed notice' or 'term' (you must give your bank or building society 7, 30, 60 or 90 days' notice before you can withdraw your money without charge) – for a higher rate of interest, or ■ by internet only or post only. 	<p>This will:</p> <ul style="list-style-type: none"> ■ be designed and run in accordance with Islamic law*. <p>It may offer:</p> <ul style="list-style-type: none"> ■ similar features to other kinds of accounts, and ■ a return on your money that is not interest. <p>*It is the responsibility of each individual institution to assess whether it or an account keeps to Islamic law.</p>

Having a bank account

You are responsible for managing your money and making sure you have enough money (or overdraft) to cover any payments going out.

Before opening an account

A bank or building society will give you details about:

- the banking services they provide
- any charges for that service
- the interest rate (if any) they will pay you on any money you have in the account
- the terms and conditions of the account
- how you can manage or access the account or services (for example in branch or online)
- any spending limits on the account
- what to do if things go wrong
- how it will give you information about the transactions into and out of your account, and
- the compensation arrangements that apply if they go out of business, including how their different trading names affect your entitlement to compensation.

For savings accounts, some of this information may be in a summary box that will help you compare different accounts from different providers.

Opening a bank account

Once you've decided which type of account you want to open, you will usually be asked to:

- fill in an application form or provide information about yourself in another way
- provide proof of identity – you need to prove who you are, and
- pay some money into your account, though some banks and building societies let you do this later.

The bank or building society will tell you if it plans to run a credit check on you with a credit reference agency about your suitability to have a bank account.

Banks may be aiming their accounts at particular types of customers, and might sometimes refuse to open an account if you don't fall within that group. You can ask for a reason if you are refused, but generally being refused will not affect your credit rating, or your ability to get an account elsewhere.

Proving your identity

The law says 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 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 confirmation of identity from a young person's workplace or educational institution, or
- a letter confirming your identity 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 Handbook – How to prove your identity** has more information on the different documents that you can use to prove your identity – see www.transact.org.uk/shared/get-file.ashx?id=483&itemtype=document.

You may also be asked to prove your identity if you make a large cash withdrawal or debit card transaction. The bank or building society will probably copy or make a note of the details of the identity documents. But they must protect all personal data.

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 or salary, allowance, benefits, cash, or cheques – and money going out.

With many accounts you can take money out through standing orders, Direct Debits, by using your debit card, a cheque, at a cash machine or by simply going to the branch. All of these – in or out – are payments.

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. They may not be liable if you give the wrong details – for example sort code or account number – and the money goes to the wrong place.

Payments out of your account

Withdrawing cash – you can withdraw cash at branches of your bank or building society over the counter or at most bank- or building society-operated cash machines at no charge. With some current accounts and with all basic bank accounts, you can withdraw cash at Post Office® branches.

Your bank or building society may limit the value of withdrawals that you can make at one time or in a day. For example you may only be allowed to withdraw £250 a day from the cash machine or to spend £500 on your debit card. They must make these limits clear to you.

Not enough money in your account

– if you try to withdraw more money than you have in your account, or more than you have agreed with your bank or building society that you can borrow on your overdraft, they may refuse to make the payment. They must notify you if this happens, and you will know because your payment or withdrawal will be refused.

Debit card – you can use your debit card to make payments out of your account at many shops and businesses, usually indicated wherever you see signs for the payment systems which operate them. They include Visa, Maestro, Electron and Solo, and their logo will be on your card as well as your bank's or building society's logo.

These systems have arrangements with your bank or building society to take out the money from your account and pay the retailer. The money is usually deducted from your available balance right away although it may not be taken from your account until the next day. You need to authorise the payment by entering your personal identification number (PIN), although some retailers may still swipe the card and ask you for a signature.

Paying by cheque – make sure you clearly write the name of the person you are paying and put extra information about them on the cheque. If the cheque is to an organisation, bank or building society, then always add details to the payee line such as a reference or account number. Make sure you draw a line through any blank spaces on the cheque so people can't add extra numbers or names. Although the cheque guarantee card scheme has been withdrawn, you can still use cheques and businesses can choose whether to accept them without the guarantee.

Recurring Payments (also known as Continuous Payment Authorities) – you can use a debit card to set up a Recurring Payment to allow a business to charge your card regularly, for example for a gym membership or a magazine subscription. This is different from setting up a Direct Debit on your current account, because you give the business your debit card number, rather than your account number and the sort code.

There is no common scheme or set of rules for Recurring Payments, and the Direct Debit Guarantee does not apply. So, it is important that you check out the business before you give them the authority to charge your card.

In most cases, you can stop a Recurring Payment by contacting the business that has your authority. It is best to do this in writing, and to keep a copy in case they dispute this later. Alternatively you can contact your bank or credit card company to tell them that you have stopped permission for the payments. They must then stop them – they have no right to insist that you agree this first with the company taking the payments. If your bank or building society continues to allow payments to be taken after you have cancelled your authority then these are unauthorised payments and they should refund the amount and any related charges.

Paying bills – you can pay your bills by Direct Debit, standing order, cheque, telephone or internet banking. You should ask your bank or building society how long it will take for payments to arrive and when it will be too late to stop a payment from leaving your account if you change your mind (and any charge for this).

Most banks and building societies are now using the Faster Payments Service (FPS) for internet, telephone or standing order payments. This means payment can be made on the same day for standing orders and within two hours for telephone or internet payments.

They will tell you when your account is ready for the FPS. You can check that the receiving account is allowed to receive faster payments by asking the bank or building society or by using the UK Payments Administration sort-code checker – see www.ukpayments.org.uk/sort_code_checker/.

Charges – most banks and building societies do not charge for payments out of your account while you are in credit. If they do, you can ask them for the total charges and a breakdown of how they are made up. They must tell you about any exchange rates and how long any payment will take to arrive.

They should make this information available for every transaction, as each one occurs or at least once a month – probably in your statement.

Banks and building societies will generally charge you if they can't make a payment for you because you don't have enough money in your account.

You will not be charged for withdrawing cash at Post Office® branches using a cash card.

Payments into your account

For electronic or cash payments made into your account, your bank or building society will give you:

- details of the payer and any information sent with the payment
- the date the payment was credited to the account
- the amount of the payment (including original currency value)
- any exchange rate applied, and
- any charges or interest payable.

Most banks or building societies will not charge you to receive payments but do ask if you are unsure. They must tell you if they do charge.

Payments into your account must be credited to your account on the day that they are received. The money (except for cheques) must be available for you to use as soon as it is credited. This includes cash payments over the counter.

Cheques paid into sterling current accounts have a clearing cycle, often called '2-4-6'. This means that you start receiving interest on the 2nd business day after you have paid the cheque in (on Wednesday if you paid in the cheque on Monday); you can withdraw or spend the money by the 4th business day (Friday); and by the end of the 6th business day (the following Tuesday) you can be sure the cheque has completely cleared and cannot be returned unpaid.

Some cheques paid in late in the day may not be processed until the next working day.

Some banks or building societies will offer better terms, paying interest earlier and allowing withdrawal before day 4.

Cheques paid into savings accounts have a clearing cycle of '2-6-6' – you have to wait till the 6th day until you can withdraw the money, but will then know that the cheque cannot be returned unpaid. Some cheques paid in late in the day may not be processed until the next working day.

Unpaid cheques – if a cheque you have written is returned unpaid because there is not enough money in your account, the bank or building society will usually take the money back out of your account and charge you.

Borrowing money from your account – an overdraft

Many people have an overdraft facility on their current account to help them manage their money.

You can ask your bank or building society for this or they may offer one with specific current accounts. They will set the amount of money you can borrow (called your overdraft limit). Spending within your limit is called an 'arranged' or 'authorised' overdraft.

For information about other ways to borrow money, get our **Borrowing money** guide - see *Useful contacts* on page 32.

Cost of borrowing – like other money you borrow, you will usually have to pay interest on your overdraft. Your bank or building society will tell you how much this will be. Interest rates are usually higher than for personal loans.

It may vary according to a reference rate (for example the Bank Rate or LIBOR), but your bank or building society should always be able to tell you the interest rate you are paying.

If they have given you a variable rate, they must tell you in advance if they plan to vary the rate.

Banks can alert you by email or text when you approach or breach your overdraft limit to reduce the impact of overdraft charges. Be aware that a bank or building society can reduce your overdraft limit or demand you pay back your overdraft in full at any time. They may also do this if they are concerned about your ability to repay the debt, or are reassessing their own risks.

Unauthorised overdraft – if you accidentally or deliberately spend beyond your authorised overdraft limit, your bank or building society will probably charge you extra. These charges usually come in two forms:

- a flat fee for every transaction you have made over your agreed limit, and
- a higher interest rate on the money you have borrowed above the limit.

You may also be charged daily or monthly fees. These charges can cost you a lot of money over time, so you should try to avoid going into unauthorised overdraft. If you see that you are getting close to the limit you have been given, try to reduce your spending or talk to your bank or building society about your situation.

Statements

For almost all accounts, your bank or building society will provide you with regular statements so you can see:

- the payments into your account
- where your money is going (for current accounts) or how your money is growing (for savings accounts), and
- your available balance – the money available to you including any authorised overdraft.

The statements may be monthly, quarterly or yearly, depending on the type of account. They'll usually come in the post, but if you use internet banking you may receive them online.

You may also be able to get mini-statements from cash machines which show transactions over a particular time.

Some accounts come with a passbook which you need to take each time you pay in or withdraw money. The cashier records your transactions and any interest paid on your savings in it. If this is the case, you may not get statements.

Keeping track of your money

Keep track of your money so you know where you stand and also to spot any mistakes or unauthorised transactions. You can do this by:

- checking your bank statements and reporting anything that looks wrong, such as payments you don't recognise
- checking receipts or mini-statements from cash machines and reporting anything wrong
- filling in cheque-book stubs to keep track of what cheques you have written and who you've written them to
- keeping paying-in stubs until the money has arrived in your account, and
- using internet or telephone banking if it is a feature of your account.

Keep track of where your money is going and keep your bank statements in a safe place. You may need them for tax reasons.

Switching accounts

If you decide to switch accounts for a better interest rate or service, either with the same bank or building society or to a different one, your existing bank or building society must help you do this. It may also arrange for existing standing orders or Direct Debits to be changed. For more information, see the **Bacs Account switching guide** – see www.bacs.co.uk.

Closing your account

You may close most bank accounts at any time, without charge or penalty. If there are conditions on closing the account, as in a term deposit account, your bank or building society must make these clear to you before you open the account. If you decide you still want to close the account before the term is up, you may lose interest or have to pay a charge.

Your bank or building society may also decide to close your account. If it is going to do so, for most accounts such as your current account or an instant-access savings account, it must give you two months' notice. For other accounts, you should be given reasonable notice to enable you to make other arrangements.

Your bank or building society should not close your account because you make a complaint against it.

Branch availability or closure

If your bank or building society plans to close or move your branch, it must give you reasonable advance notice.

It can do so:

- personally to you if you are a customer of a particular branch, or
- by placing a prominent notice in the branch.

It should also give you information on the nearest alternative branch and its nearest free cash machine.

Key points

- Read the information you'll get from a bank or building society to help you choose the right account for you.
- Keep an eye on your account balance so that you don't accidentally go overdrawn (or over your agreed overdraft limit) and get charged.
- Keep track of your money by checking your bank statements.
- Regularly review your situation to make sure your accounts are the best ones for your needs.

Key things to think about

When opening an account you need to think about whether you want it in your sole name or with someone else, what costs and charges you'll have to pay and how you can protect your money.

Joint accounts

You can open an account together with one or more other people – known as a ‘joint account’.

If you are applying to open a joint account, the bank or building society should tell you about the extra rights and responsibilities involved before you open the account. You should ask or be told:

- whether one person can withdraw the entire balance without the knowledge or permission of the other account-holder(s)
- whether each person will be individually responsible to the bank or building society for repaying the whole amount of any overdraft on the account, and
- what to do if your relationship with a joint account-holder ends.

How much does a bank account cost?

If you have money in your account (called ‘being in credit’) you do not usually have to pay a fee for the standard services provided for your account. These may be:

- paying for goods and services with your debit card in the UK
- most cash withdrawals in the UK
- standing orders, and
- Direct Debits.

But there is a charge for some accounts, so do double-check with your bank or building society and consider shopping around.

Packaged current accounts

Some accounts have additional features, often including various kinds of insurance, and for these ‘packaged current accounts’ you are likely to be charged a monthly or yearly fee.

These accounts may offer value for money for some people, but they don’t benefit everyone. Check what features they offer and decide whether you really need them or whether you might be able to get them cheaper elsewhere.

Cash machines (ATMs)

In the UK, taking money out of a cash machine with your debit card is usually free. However, some convenience cash machines such as those inside small shops, on garage forecourts and in nightclubs may charge you each time you withdraw money from them.

You will also be charged if you use a credit card, store card or charge card to withdraw money and your card issuer charges a cash-advance fee.

The cash machine will tell you up front if you'll be charged, so you can decide whether to cancel or carry on.

You may also be charged by your bank or building society, or by the cash machine operator, when using cash machines abroad. They should always tell you before you withdraw the money how much the charge will be.

Tax

Any interest on the money in your account is considered as income by Her Majesty's Revenue and Customs (HMRC). The interest you receive will be the amount after the bank or building society has deducted tax at the basic rate, which it pays to HMRC.

If you're on a low income, or don't pay income tax, you may be able to claim tax back or not pay it at all – see www.direct.gov.uk.

If you're a higher-rate income taxpayer you will need to declare this income on your tax return and pay any extra amount to HMRC.

You can receive your interest tax free with a cash ISA. There is a limit to how much you can pay into these accounts in each tax year. For more information visit HMRC's website at www.hmrc.gov.uk/isa/index.htm.

Protecting your personal information

The bank or building society will tell you at the outset how to keep the personal security features of your account safe. They will also tell you what would happen if you lost them or had them stolen. These include:

- your PIN
- password
- other security information known only to you and your bank or building society, and
- your cards and other documents (for example cheque books and statements).

It's important to follow this guidance.

If you become aware that someone has used your account without your permission, or has found out your PIN or password, you should contact your bank or building society as soon as you can – see page 25.

The bank or building society will not normally contact you to ask for your personal details. Be wary of callers asking for these personal details. You can always ask to phone the caller back to ensure they are who they say they are.

Whenever you contact your bank or building society, either to make a transaction or discuss your account, they will ask you to identify yourself by giving some of your personal details.

You can also protect yourself when using cash machines (ATMs) and the internet:

Cash machines (ATMs)

- Stand close to the machine and shield the keypad when keying in your PIN.
- Be aware of those around you and the environment.
- Avoid using your mobile phone or other distractions that may make you more vulnerable.
- If your card gets jammed, retained or lost, report this immediately to your bank or building society.

The internet

- Avoid accessing your account using a public computer or network that you don't know to be secure (for example at work, a library or an internet café).
- Don't respond to emails (which may appear to be from your bank or building society) asking for your account log-in details or other personal information. This is known as 'phishing' and aims to gain access to your account. Bank or building societies never send out emails asking for this information. If you get such an email, always contact your bank or building society to check.
- Keep your antivirus or security software up-to-date to increase your level of security.

Close accounts you no longer use (dormant accounts)

It's easy to miss rogue transactions involving an account that you haven't used for a long time (sometimes called 'dormant accounts').

Check at regular intervals, and if you aren't making transactions into or out of the account, let the bank know that you haven't forgotten about it. You may consider closing it and moving your money to another account.

If you've lost track of old accounts, you can try to trace them. Your bank or building society must help you do this. There is also a free service run by the British Bankers' Association (BBA) and the Building Societies Association (BSA). Just complete a simple claim form, available from banks, building societies, libraries, Citizens Advice Bureaux, the BBA or BSA or go online to www.mylostaccount.org.uk.

For more information on protecting your personal information or to report a scam, go to www.banksafeonline.org.uk.

Key points

- Never share your PIN or password with anyone.
- If you think someone else knows your security information, contact your bank or building society straight away – they'll tell you what to do.
- Destroy statements (for example by shredding) before throwing them away.

Whatever type of bank account you open:

Check the FSA Register to see whether the bank or building society is regulated– see *Useful contacts* on page 32.

Check that your bank or building society gives you details about how to keep your account safe, what to do if something goes wrong and your right to cancel or change the contract.

Check that you know what services your account offers and what charges you'll need to pay.

Check that you know what to do to keep your personal information safe.

Your questions answered

Question:

Can the bank or building society make changes to the terms and conditions of my account?

Answer:

Yes, but it must notify you of any proposed changes before they are due to take effect to give you time to close the account or make other arrangements. For most aspects of current accounts and instant-access savings accounts, they must give at least two months' notice.

You may agree to your bank or building society making changes without your agreement. When you receive notice of the changes you can still reject them but your terms and conditions may say that if you do so, you will be giving notice to terminate the account. So check the terms and conditions.

Question:

Can the bank or building society use my savings to pay off money I owe them?

Answer:

In certain circumstances a bank or building society can claim money from one account to pay off a debt in another account, under its right of 'set-off'. This could happen if you miss loan or credit card payments and you also have a current or savings account with the lender. It should explain this in your account terms and conditions.

If your bank or building society wants to use set-off on your account, it should:

- provide you with information about its right of set-off at least 14 days before the first time it tries to use it, and where appropriate on any further occasion
- estimate how much money needs to be left to meet your priority debts and essential living expenses like mortgage, rent and food bills
- provide a refund, in most cases, if it becomes apparent that money taken in set-off was intended for priority debts or essential living costs

- not use set-off on money that it knows or should know is intended for certain purposes, for example where the NHS provided it for healthcare or someone other than the account holder is entitled to the money, and
- tell you promptly after set-off has been used on your account.

If you get into financial difficulties, and you're not sure what to do, speak to a specialist money or debt advice agency as soon as possible – see *Useful contacts*.

Question:

Can the bank or building society stop or block my card?

Answer:

If the bank or building society seeks to block your card, it must contact you and tell you it intends to do so, and say why.

It can only be done on reasonable grounds, for example if:

- the security of your account is at risk
- it suspects unauthorised or fraudulent use, or

- it thinks there is a significantly increased risk that you may not be able to repay an overdraft.

It will explain in what circumstances it can do this before you open your account.

If it can't contact you before blocking your card, it must contact you immediately after doing so, using the means of communication agreed with you.

However, this does not apply if providing this information would compromise reasonable security measures, or would be unlawful, for example if it would be 'tipping off' under anti-money laundering legislation.

The bank or building society must unblock your card as soon as is practical when the reasons for blocking it end.

If you're going abroad, tell your bank or building society. This may stop them blocking your card for suspected unauthorised use.

Question:

I'm in financial difficulties and am struggling to pay my bank charges and debts – what can I do?

Answer:

Talk to your bank or building society as soon as possible to let them know the situation – they may be able to help.

You can choose how money paid into your account is used so that you can pay priority debts such as your mortgage or rent and meet essential living costs. This is called a first right of appropriation. You should write to your bank in advance if you want to exercise this right.

You'll still have to pay your bank charges or other debts so discuss how you may be able to do this with your bank or building society.

You can also get help from various money and debt advice agencies – see *Useful contacts* on page 32.

Question:

Will I be told in advance when the interest rate is to be changed on my account?

Answer:

Your bank or building society must tell you about any changes to interest rates as they apply to your current or instant-access savings account. They have to give you two months' notice before reducing it, unless it is to your advantage, or it tracks a reference rate (for example the Bank Rate). So, if your bank or building society plans to reduce the rate in October, they should tell you about it in August.

For other accounts, such as notice or term deposits, your bank or building society will inform you in advance of any reductions to the interest rate that will make a significant difference to you, which may include when an introductory or promotional rate of interest is coming to an end. They should give you the information in good time before the rate reduction takes effect.

You can always ask your bank or building society about the rate which applies to your account.

Question:

Someone I know needs help with managing their bank account. How can I help them?

Answer:

Banks and building societies should provide assistance to help disabled people to make use of their services.

This may be by providing:

- documents in large, clear print and plain language for people with a learning disability
- documents in Braille, large print or audio on request for visually impaired customers
- audio induction loops at counters and perhaps at customer service desks, or
- a qualified sign language interpreter or lipspeaker for deaf or hard of hearing customers.

For more information get the **Disability Law** leaflet or the **Banking for people who lack capacity to make decisions** guide from the British Bankers' Association (BBA) – see *Useful contacts*.

A number of other organisations have material to help people with various disabilities manage their money – see *Useful contacts*.

Next steps

Step 1

Use the table on page 4 to find the type of account that best meets your needs. Then decide how you want to do your banking, whether in a branch, or if you want to manage your account by telephone or internet.

Step 2

If you want a basic bank account, get our **Basic bank accounts** guide or visit our website for more information.

For current accounts you can search online, but make sure you compare like with like – see our online **Shopping around** guide.

For savings accounts (including cash ISAs) use our online **comparison tables** at moneyadvice.service.org.uk/tables.

Step 3

Be ready to prove to the bank or building society that you are who you say you are. If you have difficulty proving this, your application can usually be referred to someone who is authorised to decide in exceptional circumstances. If they don't refer your application automatically, ask them to do so.

Step 4

Make sure you get and read the terms and conditions of your account. If anything is unclear, ask a member of staff. Find out how the bank or building society will deal with you and your account. Make sure you know what you need to do to help your account run smoothly and minimise any charges you may have to pay.

If things go wrong

Even though you may have taken steps to keep track of your money or protect your personal details, mistakes, accidents and thefts can happen.

Lost or stolen

Notify your bank or building society as soon as you can if:

- you lose or have your debit card or cheque book stolen
- you suspect someone else has used (or tried to use) your account without your authority, or
- someone becomes aware of your PIN/internet/telephone banking security features.

If you think there is an unauthorised transaction on your account as a result of these activities, you must report it to your bank or building society as soon as you can.

You will not be liable for any unauthorised transactions after you have notified your bank or building society of your loss unless you have acted fraudulently.

Your liability for unauthorised transactions before reporting them to your bank or building society will usually be a maximum of £50 unless you:

- have acted fraudulently

- have deliberately allowed the unauthorised transaction to be made, or
- were grossly negligent in keeping your details safe.

In most cases, if your bank or building society has to replace your card with a new one, they must do so as soon as is practical. When you receive your new card, you will probably have to take steps to activate it by phoning a telephone number to confirm that you have safely received it.

Unauthorised payments

Check your statement or passbook regularly, and tell your bank or building society as soon as possible of any transaction you don't recognise.

Direct Debits or cards – if you think there has been an unauthorised transaction on your account, you should tell your bank or building society without undue delay (and no later than 13 months after the transaction).

The UK Direct Debit Scheme operates a Direct Debit Guarantee under which your bank or building society must refund you if the payment is unauthorised. You will get details of this each time you fill in a Direct Debit instruction.

It is for the bank or building society to show that the transaction was genuine and there was no breakdown in procedures or technical error.

If you've not authorised the payment from your current or instant-access savings account, then your bank or building society must **immediately refund you** the amount unless it has some evidence suggesting you may not be entitled to a refund because of the way you have acted.

In these cases it may investigate the claim, but it must do so as quickly as possible, within days rather than weeks.

Disputed amount – for some transactions, for example to book a hotel room or pay a regular bill, you may be asked to authorise a payment without agreeing the actual amount. If, when the transaction comes through, the amount is much more than you could reasonably have expected, you can dispute it with your bank or building society. They should refund the money or give a reason for not doing so, within 10 business days of you contacting them or providing them with further information that they need. If you receive a refund, the debit will be charged back to the hotel or car hire firm, who can still pursue you for the money.

Errors – if a payment from your account is made incorrectly due to an error by your bank or building society, or without your permission, it must refund you. You need to tell your bank or building society as soon as you can if a transaction you've set up goes wrong. It will set out the conditions under which it will refund you in these cases.

Missed payment – if you have instructed your bank or building society to make a payment and it does not arrive in the receiver's account, you can ask them to investigate and show you evidence that it did what you asked. It will not charge you for this.

If your bank or building society shows you that it did successfully send the payment, but the receiver still hasn't received it, their bank or building society must investigate. This is free too.

You may be charged if you have given the wrong details and want your bank or building society to try to recover the money.

Complaints

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 the details of this free service.

For more information get our **Making a complaint** guide – see *Useful contacts* on page 32.

Compensation

If a UK-authorized 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).

The FSCS can pay compensation for financial loss of up to £85,000 for deposit claims, which is 100% of the first £85,000 of your loss. Compensation will be paid regardless of any money owed. The only exception will be if your current account is combined with your mortgage account, and operates as a single overdraft.

Some banks and building societies use different trading names for parts of the firm that are not separately authorised by the FSA. You may have deposits with different parts of the same bank, which are actually linked and operate under one single authorisation. This

would mean that the maximum you would receive is £85,000 regardless of how many accounts you have with different parts of the firm.

In most cases, you should receive compensation within seven days and within a maximum of 20 days.

Dealing with overseas firms – by law, most financial services firms must be regulated by the FSA to do banking business in the UK. You can check the FSA Register to see if a firm is regulated – see *Useful contacts*.

The deposit protection schemes of some EEA (European Economic Area) states provide a higher limit than the FSCS (ie more than 100% of £85,000). It is the home-state scheme's responsibility to pay up to its maximum limit.

If you are considering or currently doing business with a bank authorised in another EEA state, you should ask for further information from the firm or its UK branch about its compensation arrangements.

If you have a question about compensation arrangements, please see the FSCS website – see *Useful contacts*.

Jargon buster

Some key words and phrases explained.

AER (annual equivalent rate)

The rate of interest earned within a year, irrespective of how often interest is added to your account. The higher the AER, the better the return.

APR (annual percentage rate)

This shows the average yearly cost of borrowing, taking into account the interest rate charged, any fees and other account running costs.

ATM (automated teller machine)

Cash machines or cash points found in many public places. They allow you to check your bank balance and take out money from your bank account using your cash card and PIN (Personal Identification Number).

Automated credit transfer (ACT)

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

Available balance

The amount of money that you may spend or withdraw from your account, including your arranged overdraft. This does not reflect any daily limits on spending or withdrawals.

Balance

The total amount of money in your account, or the amount you owe the bank if you are overdrawn.

Bank Rate

The main interest rate in the economy, set by the Bank of England, upon which other rates are based. Previously known as the Base Rate, it has been known as the Bank Rate since 2007.

Cashback

A service that allows you to get cash from your current account in supermarkets or other shops, using your 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.

Cheque

A printed piece of paper used for payments from your account. You'll get a supply of them in the form of a book. You'll usually be sent a new book before you run out.

Chip and PIN

The combination of a credit or debit card equipped with a microchip and your unique four-figure number, which you must use to authorise your spending (transaction) when paying in person.

Compound interest

Interest that is calculated on the original amount borrowed or saved, as well as on any interest already charged or earned.

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 or building society which you can use to withdraw cash or to pay for your shopping or services or to get 'cashback'. The money is usually taken from your current account's available balance.

Direct Debit

A way of paying bills from your current 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 payment dates.

Dormant account

An account that you haven't used for a long time.

Gross

Before tax has been deducted.

Interest

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

LIBOR

London Inter-Bank Offered Rate.
The rate at which banks are lending to each other.

Money laundering

The process by which criminals disguise and hide the money made from their crimes.

Net

After basic-rate tax has been deducted.

Notice period

A set number of days before you can make a withdrawal without charge from an account.

Overdraft

A facility allowing you to spend more money from your account than you have in it. The bank or building society will usually charge you interest and sometimes other fees as well if you do this.

Reference rate

The interest rate used as a basis for calculating any interest to be applied to an account (deposit or borrowing). This is calculated by reference to an external source, such as the Bank Rate or LIBOR.

Sort code

An identification number for each bank and building society branch. Usually found on your cheque book, bank statement and debit card.

Standing order

A way of paying bills from your current 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 give this to your bank or building society which then pays the amounts on the agreed dates. The amount stays the same until you tell the bank or building society to change it.

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 or building society how often it provides statements.

Tax year

6 April one year till 5 April the following year.

Term deposit (or notice account)

A deposit account where you agree to keep the money with the bank for a fixed period of time or to give the bank 'notice' before you intend to withdraw the money (for example 7, 30, 60 days, or longer).

Variable interest

The interest rate goes up or down.

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

- Pensions
- Borrowing money
- Making a complaint
- Credit unions

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

On the Money Advice Service website you can find:

- **comparison tables** to help you compare savings accounts and other products
- a **budget planner** to help you work out your spending, and
- a **health check** to help you build up some good financial habits and reach your goals.

Go to **moneyadvice.service.org.uk/tools**

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: 08457 300 104

www.fsa.gov.uk/consumerinformation

For information about bank or building society accounts or to trace a lost account

British Bankers' Association (BBA)

Guide: Banking for people who lack capacity to make decisions

Leaflet: Disability Law

www.bba.org.uk

Building Societies Association (BSA)

www.bsa.org.uk

Other organisations that can help

Ethical Investment Research Services

For green and ethical finance.

www.yourethicalmoney.org

Making Money Easier

Guide: The Easy Picture Guide to Banking

<http://banking.making-money-easier.info/>

Mental Health Foundation

Guide: Banking on good decisions

020 7803 1100

www.mentalhealth.org.uk

Debt help

Consumer Credit Counselling Service

For tailored advice and offers some types of formal repayment plan.

0800 138 1111 (Mon-Fri 8-8)

www.debtremedy.ccs.co.uk

National Debtline (England, Scotland & Wales)

For tailored self-help advice.

0808 808 4000 (Mon-Fri 9-9, Sat 9.30-1)

www.mymoneysteps.org

Payplan

For tailored advice and some types of formal repayment plan.

0800 716 239 (Mon-Fri 8-9)

Citizens Advice Bureau

Online and face-to face help, including factsheets and template letters

www.adviceguide.org.uk

Beat the recession (Northern Ireland)

Talk with an adviser online (Mon-Sat)

www.beaththerecession.me

Business Debtline (England, Scotland & Wales)

For tailored self-help advice and some types of formal repayment plan.

0800 197 6026 (Mon-Fri 9-5)

Directories for face-to-face debt advice agencies

www.adviceuk.org.uk/local (all UK)

www.capuk.org (all UK)

www.moneyadvicescotland.org.uk (Scotland)

www.debtaction-ni-net/#Debthelp (Northern Ireland)

Complaints and compensation

Financial Ombudsman Service

South Quay Plaza

183 Marsh Wall

London E14 9SR

0800 023 4567 or 0300 1239 123

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
- Basic bank accounts
- 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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