

September 2006

Financial Services Authority



# Basic bank accounts – your questions answered

A magnifying glass with a green handle and a gold-colored frame is positioned over a white notepad. The notepad has a black border and contains the handwritten text "Get the Facts from the Financial Watchdog" in black ink. The background of the cover is a gradient of colors, transitioning from blue on the left to green and then red on the right.

Get the Facts  
from the  
Financial Watchdog



The Financial Services Authority – the UK's financial watchdog

**The Financial Services Authority (FSA) is the UK's financial watchdog set up by the government to regulate financial services and protect your rights.**

**This leaflet is about basic bank accounts.**

**It sets out:**

- **why you may choose to have one;**
- **how to choose the right account for you; and**
- **how to open one.**

The FSA's consumer publications aim to give you general information to help you make financial decisions. The information does not constitute financial or other professional advice: for advice about your own circumstances, you should consult a professional adviser.

# How could a basic bank account help me?

**You may already know about current accounts, and have decided they're not for you at this time. But a basic bank account may suit you better.**

With a basic bank account:

- You can have your wages, benefits, State pension and tax credits paid directly into your account. To arrange this, just contact your wages office or the pensions or benefit office dealing with your claim.
- It costs you nothing to pay cheques into a basic bank account, although you will have to wait at least a few days for the money to be available in your account.
- You can take your money out at cash machines by using a *cash card*\* – check with your bank if there are any cash machine restrictions or charges.
- You can withdraw money from the Post Office®.
- If you have a *debit card* – see the table on pages 6-7 – you can also withdraw cash from some shops, using *cashback*.

- You can pay your bills by *direct debit* – you save money on things like gas and electricity. Some banks will also allow you to pay your bills by *standing order*.
- You do not get a cheque book.
- You can't go overdrawn with a basic bank account because you won't get an *overdraft* limit. But if you pay your bills by *direct debit* or *standing order* you will pay bank charges if there isn't enough money in your account to make a payment. See **What if there isn't enough money in my account to pay my bills?** on page 4. See *Overdraft* on page 11.

The basic bank accounts available vary as to what they offer you. Check carefully that the services you want to use are provided, for example being able to use the bank's counter service for withdrawals. See *What else will help me choose the right bank or building society for me?* on page 5 and the table on pages 6-7.

\* See pages 10-11 for an explanation of the words shown in italics.

## Your questions answered

**Q** How much money do I need to start an account?

**A** With most banks, you don't need to put in any money to open a basic bank account. With others, £1 is usually enough to get you started. Once you've started it, you don't have to keep paying money in regularly.



**Q** Do basic bank accounts cost money?

**A** The bank will not charge you for opening a basic bank account. Most withdrawals from cash machines are free, but check this when you open the account.

With some cash machines (usually not the ones belonging to a bank or building society) there may be a charge for withdrawing money. But if so, a warning on the screen should tell you that a charge will be made and ask if you want to continue. This will let you stop the withdrawal before any charge is made.

Most but not all banks will charge you if the bank has to refuse a *direct debit* because there isn't enough money in your account.

Some banks may also charge to set up, cancel or alter direct debits and *standing orders*. Check whether the bank that you want to use charges for these services.

**Q** What if I have only £6 left in my account and cash machines pay out only £10 notes?

**A** With most basic bank accounts you can only take out money from a cash machine if it's in your account. If your account has a *buffer zone*, the machine will let you have £10 even if you only have £6 in your account. The bank will not charge you for being overdrawn within the buffer-zone limit.

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

**Q** What will I need to prove my identity?

**A** To help stop *money laundering*, banks are legally required to check your identity before you can open an account. The guidelines given to banks about the type of documents that may be acceptable set out various options. These include:

- A passport or photo-card driving licence; or combinations of certain official documents such as an old-style full UK driving licence plus a council-tax demand letter or statement.
- If you don't have these documents, a bank may be willing to accept certain documents relating to your particular circumstances, such as:
  - A letter from a government department or a local authority confirming a right to State benefits – for example pension, child benefit, income support, council tax benefit or housing benefit.
  - A suitable confirmation of identity from a young person's workplace or educational institution.
  - A letter confirming a person's identity from a care-home manager or warden of sheltered accommodation or a refuge.

A fuller list of documents that may be acceptable is included in the industry's guidelines the **Joint Money Laundering Steering Group Guidance** – see *Useful contacts* on page 13. This sets out specific options for people such as international students, migrant workers, refugees, asylum seekers, prisoners and those on probation.

- If you don't have any of the documents required, a bank may be willing to accept a letter addressed to it confirming your identity from an 'appropriate person' who knows you, like a social worker, doctor or teacher.

However, each bank has its own policy about identity checks which it should explain to you. 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 cases.

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

**A** With most accounts you can check your *balance* (and sometimes get a mini-statement) through a cash machine. Check whether you will be able to do this with the bank you have chosen. With most of the basic bank accounts listed on pages 6-7, you can get a balance at any Post Office® branch.

Your bank or building society will also send you a regular *statement*, usually once every three months, by post.

When you open a basic bank account, you should make sure you read the terms and conditions. These will explain that you will be responsible for managing your account.



**Q What if there isn't enough in my account to pay my bills?**

**A** If you pay your bills by *direct debit* and there isn't enough money in your account, the bank will not make the payment. Most banks will charge you

if they have to refuse a direct debit. Charges range from between £19.50 to £39 – see the table on pages 6-7.

If a bank doesn't charge for refusing a direct debit, it may close the account if it has to refuse payment three times.

If you pay bills by *standing order* and there isn't enough money in your account, the bank will not make the payment, and they may charge you in this case – see the table on pages 6-7.

You will still have to pay the bill, as well as any charge, so make sure you have enough money in your account to pay your bills.

**Q Could I be refused a basic bank account?**

**A** Almost everybody should be able to open a basic bank account. The bank may carry out a *credit check* to see if you have outstanding county court judgments against you or have been made bankrupt. But even if you have, you may still be able to open an account. Check the table on pages 6-7.

**Q How old do I have to be?**

**A** Some banks may have a minimum age that is lower, but usually you have to be 16, and sometimes 18 – see the table on pages 6-7. If the minimum age is 18, there are usually other accounts for younger people.

**Q Do I need a basic bank account or a current (ordinary) account?**

**A** It depends on what banking services you need – see pages 8-9.



**Q What else will help me choose the right bank or building society for me?**

**A** Check that:

- you can use the branch counter to make withdrawals and deposits if you want to;
- you can use cash machines around where you live or work free of charge;
- there's a branch or Post Office® near you that you can use to pay in money or check your balance;
- it offers the services you want – like a *cash card* and *direct debits*;
- if you can't manage *chip and pin* you can use chip and signature or a rubber stamp instead.

See pages 6-7 for a list of the banks and building societies that offer basic bank accounts and how these compare.

Ask a member of staff about how to open these accounts.

Some of the ways a basic bank account could help you:

- If you pay your bills by *direct debit* you could pay less for some things – especially gas, electricity or telephone.
- You will be in a better position to shop around and find the best deal on other financial products if you have a bank account.  
**For example, many insurance companies will only sell to you if you can pay your premiums from a bank account, so you could get cheaper insurance.**
- You can cash cheques for free instead of using a cheque-cashing service that is not connected to a bank. **The charges for a cheque-cashing service might mean you only get around £20 out of a cheque for £25.**
- A basic bank account can be a first step towards opening a current account later on.

# Basic bank accounts: Summary of what's available

## Explanatory notes:

- ① Correct at time of publication but always check with the bank or building society.
- ② 16 and 17 year-olds can open a similar account.
- ③ The account may be closed if a direct debit is refused three times

All these accounts offer cash withdrawals at the Post Office®, Automated Credit Transfer (ACT) payments, and a cash-machine card. None of them offers a cheque book.

Bank name and any special name for the account	Minimum age to open an account	Minimum amount to open an account	Free buffer zone	Direct debits and standing orders	Charge for unpaid direct debit ①	Charge for unpaid standing order ①	Debit card (Solo, Electron or Maestro)	If any of the following apply to you, your application may be declined
<b>Abbey:</b> Basic Account	16	None	No	Yes	£35	£35	No	Undischarged bankrupt, record of fraud
<b>Alliance &amp; Leicester:</b> Basic Cash Account	16	None	No	Direct debits only	£34	No standing orders	No	Undischarged bankrupt
<b>Bank of Ireland:</b> Basic Cash Account (only available in Northern Ireland and Eire)	16	None	No	Yes	£38 <sup>③</sup>	No	No	Undischarged bankrupt, record of fraud
<b>Bank of Scotland:</b> Easycash	16	None	No	Yes	£39	£39	No	Undischarged bankrupt, record of fraud
<b>Barclays:</b> Cash Card Account	18 <sup>②</sup>	None	No	Direct debits only	£15	No standing orders	No	Record of fraud
<b>Clydesdale:</b> Cashmaster	16	None	No	Yes	£35	£35	Yes	Undischarged bankrupt, record of fraud
<b>Co-operative Bank:</b> Cashminder	16	None	No	Yes	£19.50 <sup>③</sup>	£19.50	Yes	Record of fraud
<b>First Trust Bank:</b> Basic Bank Account	16	None	£10	Direct debits only	£38	No standing orders	No	Undischarged bankrupt, record of fraud, record of bad debts
<b>Halifax:</b> Easycash	16	None	No	Yes	£39	£39	No	Undischarged bankrupt, record of fraud
<b>HSBC:</b> Basic Bank Account	18	None	£10	Yes	No <sup>③</sup>	No	No	Undischarged bankrupt, record of fraud
<b>Lloyds TSB:</b> Cash Account	18 <sup>②</sup>	None	No	Yes	£35	£35	No	Undischarged bankrupt, record of fraud
<b>Nationwide Building Society:</b> Flex Cash Card	16	£1	No	Yes	£30	£30	No	History of fraud
<b>NatWest:</b> Step Account	16	None	No	Yes	£38	£38	Yes	Undischarged bankrupt, record of fraud
<b>Northern Bank:</b> Northern Personal Access	14	None	No	Yes	£28	No	No	Undischarged bankrupt, record of fraud, record of bad debts
<b>The Royal Bank of Scotland:</b> Key Account	16	None	No	Yes	£38	£38	No	Undischarged bankrupt, record of fraud
<b>Ulster Bank:</b> Basic Bank Account	16	None	No	Yes	£30	£38	No	Undischarged bankrupt, record of fraud
<b>Yorkshire Bank:</b> Readycash	16	None	No	Yes	£35	£35	Yes	Undischarged bankrupt, record of fraud

Source: British Bankers' Association, August 2006

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

# Which bank account is right for me?

These tables give a summary of the two main types of account. Check to see which may suit your needs best.

	Basic bank account
<b>Common features</b>	<ul style="list-style-type: none"> <li>Allows you to receive money and pay bills – but won't usually let you overdraw by more than £10 if at all.</li> <li>Can be a stepping stone to a full current account.</li> <li>Offers a <i>cash card</i>, and <i>direct debits</i>.</li> <li>Some banks also offer a <i>debit card</i> and payment by <i>standing order</i>.</li> <li>Others offer a linked savings account to help you budget. This means you can keep some of your money in your savings account until you need to transfer it over to pay a bill.</li> </ul>
<b>Who is it suitable for?</b>	<ul style="list-style-type: none"> <li>People who want to make sure they do not get overdrawn.</li> <li>People who may not get through the bank's <i>credit checks</i> to open a current account.</li> </ul>
<b>Where can I get one?</b>	<ul style="list-style-type: none"> <li>See the list on pages 6-7 to find out which banks and building societies offer this type of account and what they call them.</li> </ul>
<b>What to look for</b>	<ul style="list-style-type: none"> <li><b>Cash machines</b> – how many can you use free of charge?</li> <li><b>Branches</b> – do you need one near where you live or work?</li> <li><b>Post Office®</b> – do you need an account that allows you to pay in at a Post Office® branch? Check whether your bank offers this service.</li> <li><b>Paying bills</b> – does the account enable you to pay your bills easily? All accounts offer <i>direct debits</i>. Some also offer <i>standing orders</i> and a <i>debit card</i>.</li> </ul>

	Current account
<b>Common features</b>	<ul style="list-style-type: none"> <li>Offers a <i>cash card</i>, <i>debit card</i>, <i>direct debits</i>, <i>standing orders</i>, cheque book and guarantee card, and overdrafts.</li> </ul>
<b>Who is it suitable for?</b>	<ul style="list-style-type: none"> <li>Most people – except those who need only the basic bank account services available from a basic bank account.</li> </ul>
<b>Where can I get one?</b>	<ul style="list-style-type: none"> <li>Any high-street bank, and some building societies – the most common type of bank account.</li> <li>Some other banks that don't have branches – you deal with them by post, telephone or internet.</li> </ul>
<b>What to look for</b>	<ul style="list-style-type: none"> <li><b>Cash machines</b> – how many can you use free of charge?</li> <li><b>Branches</b> – do you need one near where you live or work?</li> <li><b>Post Office®</b> – do you need an account that offers access at a Post Office® branch? Check whether your bank offers this service.</li> <li><b>Overdrafts</b> – some banks charge fees, on top of <i>interest</i>. Consider the charges that will apply to your account.</li> <li><b>Telephone/online banking</b> – does the account allow you to bank via the telephone or internet?</li> </ul>

# Glossary

We explain here some of the terms used in this leaflet.

<b>Automated Credit Transfer (ACT) payments</b>	Payment of wages, benefits, pensions and tax credits directly into a bank or building society account.
<b>Balance</b>	The total amount of money in your account, or the amount you owe the bank if you overdraw. See <i>Overdraft</i> below.
<b>Buffer Zone</b>	A small amount of credit a bank may give you.
<b>Cashback</b>	A service that allows you to get cash from your account in supermarkets or other shops, using your basic bank account debit card.
<b>Cash card</b>	A card you can use to check your balance or withdraw cash from your account at cash machines, Post Office® branches, supermarkets or other shops. You cannot use a cash card to pay for goods or services.
<b>Chip and PIN</b>	The name for using a personal identification number to authorise payment from your account.
<b>Credit check</b>	A search into 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.
<b>Debit card</b>	A card issued by a bank that you use to pay for your shopping. The money is usually taken from your account immediately.
<b>Direct debit</b>	A way of paying bills from your bank account, for example for your gas or electricity. 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.

<b>Interest</b>	A charge for borrowing money, or a reward for saving money. It is usually shown as a percentage of the amount borrowed or saved.
<b>Money laundering</b>	Money laundering is the process criminals go through to disguise and hide the money made from their crimes.
<b>Overdraft</b>	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.
<b>Standing order</b>	A way of paying bills from your bank account, for example for your gas or electricity. 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.
<b>Statement</b>	A detailed list of all payments in and out of your account over a period of time, for example three months. Ask your bank how often it sends statements.
<b>Undischarged bankrupt</b>	A person who cannot pay their debts and is still on the bankruptcy register.

# Useful contacts

**0845 numbers will be charged at the local rate based on current charges from BT landlines. Charges for calls from mobile phones and other networks may vary.**

**Contact the FSA for impartial information about financial products and services, and for free consumer publications.**

## Financial Services Authority (FSA)

Consumer Helpline: 0845 606 1234  
Minicom/Textphone: 08457 300 104  
[www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer)

For more information about why you need to prove your identity.

FSA Factsheet **Checking your identity – the fight against money laundering, financial crime and terrorism.**

Comparative tables:

[www.fsa.gov.uk/tables](http://www.fsa.gov.uk/tables)

These tables compare products such as savings accounts and mortgages, and help you shop around to get the best deal for you.

Financial healthcheck:

[www.fsa.gov.uk/consumer/healthcheck](http://www.fsa.gov.uk/consumer/healthcheck)

This will help you work out your financial priorities and make decisions about your money.

Budget calculator:

[www.fsa.gov.uk/consumer/03\\_PLANNING/personal/mn\\_personal.html](http://www.fsa.gov.uk/consumer/03_PLANNING/personal/mn_personal.html)

This helps you to think about your spending and to work out whether you

have enough money coming in to cover your outgoings.

**Organisations that can help if you have money problems**

## Advice UK

020 7407 4070

[www.adviceuk.org.uk](http://www.adviceuk.org.uk)

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

## Citizens' Advice Bureaux (CABx)

See the phone book, Yellow Pages or website for your local Citizens' Advice Bureau.

[www.adviceguide.org.uk](http://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 (freephone)

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

### Credit Action

0800 591 084 (freephone)  
www.creditaction.com  
Provides information and guidance for people with debt or money worries.

### 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 (freephone)  
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 sources of information you may find useful

#### Age Concern

Freepost (SWB 30375)  
Ashburton  
Devon TQ13 7ZZ  
0800 00 99 66 (freephone)  
www.ace.org.uk  
Provides information on income and benefits for older people.

#### British Bankers' Association

www.bba.org.uk  
Has useful leaflets on proving your identity and a range of banking services.

### Connexions

080 800 13 219  
www.connexions-direct.com  
Provide information and advice to young people including money advice.

### Department for Work and Pensions (DWP)

Try your local social security office (address in the phone book)  
DWP Pensions Information Orderline:  
08457 31 32 33  
www.dwp.gov.uk  
For free factsheets on State benefits and pension issues.

### Help the Aged

207-221 Pentonville Road  
London N1 9UZ  
Senior Line Help and Advice  
0808 800 6565  
www.helptheaged.org.uk  
Provides a free welfare rights advice line for older people and their carers. Free advice leaflets on financial matters.

### The Joint Money Laundering Steering Group

www.jmlsg.org.uk  
Publishes guidance for firms on what they may accept as proof of identity. Part I, pages 59-67 and Part II, pages 10 and 12-14, are particularly relevant to the information on proving your identity in this leaflet.

### The Post Office®

08457 22 3344  
www.postoffice.co.uk  
This website can help you find out where your nearest branch is, or more about which services are offered there. The helpline can help with Post Office® card account queries.

# The Financial Services Authority (FSA) is the UK's financial watchdog set up by government to regulate financial services and protect your rights.

We produce a range of user-friendly factsheets and booklets which are available from our website and helpline.

If after reading this booklet you have any general queries our helpline will try to clarify things for you.

We can tell you if a firm is authorised and help you if you have a complaint and don't know who to contact. But as the regulator, we can't recommend firms or advisers, or tell you whether a particular product or investment is right for you.

**If you would like this guide in Braille, large print or audio format, please call our Consumer Helpline on 0845 606 1234 or Minicom/Textphone 08457 300 104 (call rates may vary).**

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

**Our website, [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer), aims to help you understand financial services and get a fair deal.**

## Use the site to:

- shop around with our Comparative Tables – including mortgages, pensions and ISAs;
- check whether a particular firm or person is authorised – if you use an authorised firm you have access to complaints procedures and compensation schemes if things go wrong;
- order any of our wide range of consumer publications;
- report any misleading financial advertising;
- see explanations of financial products in plain English;
- read recent alerts we have issued.