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

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Financial Services Authority

**No bank account?**  
Why it could pay you to have one



FSA – regulating financial services and protecting your rights

# Why should I open a bank account?

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

This leaflet explains the new introductory bank accounts.

It sets out:

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

There is a list of introductory accounts available on pages 8–9.

You probably already know about current accounts (and maybe you've decided they're not for you). But do you know that introductory accounts are now available that help you manage your money and take the step into banking?

With an introductory account (sometimes called a basic, or starter account), you can pay money in, get cash out and use the account to pay bills. But it won't let you take out or spend money unless there is enough in your account. So you can't get into debt by mistake and run the risk of being charged for overdrawing.

**Q** Have I got enough money for an account?

**A** You don't need to put in any money to open an introductory account with most banks. With others, £1 is usually enough to

get you started. Also, once it's started, you don't need much money going in and out of the account.

**Q** Do bank accounts cost money?

**A** Most withdrawals from cash machines are free, but check this when you open the account. With some machines (usually not the ones belonging to a bank or building society) there may be a charge, but you should first see a warning on the screen. This will let you stop the withdrawal before any charge is made.

With introductory accounts you can't overdraw unless you haven't kept enough money in the account to cover the bills you have asked the bank to pay (such as Direct Debits - see below).



the bank will only put through the payment if you have enough in your account. Some banks will make a charge if there isn't enough in your account and it has to refuse a Direct Debit – see the table on pages 8–9.

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

**A** Most banks have a buffer zone (a free temporary overdraft), so you can take this money out. You will not be charged for being very slightly overdrawn on this basis.

**Q How can a bank account save me money on paying bills?**

**A** You can make savings in the following ways:

- Some firms – especially gas and electricity companies – charge more if you pay by pre-payment meter but knock a bit off if you pay by Direct Debit (direct from your bank account). You could pay as much as £80 a year more for your gas if you use a pre-payment meter (based on average levels of use, July 2001).

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

**A** You can get your balance (and sometimes a mini-statement) from the 'hole in the wall' machine whenever you want to check how much money you have in your account.

With an introductory account, cash machines will generally only let you take out money if it's in your account. And if you pay bills by Direct Debit (direct from your bank account),

- Other firms – for example, many insurance companies – won't sell to you at all if you can't pay from a bank account, so you could miss out on cheaper insurance.
- It can cost extra to pay some bills in cash at a post office or bank (and it's time-consuming to queue up each time).
- If you have to use a cheque-cashing service you might only get around £20 out of a cheque for £25, because of high charges. With your own account, you can pay cheques straight in – and it costs you nothing.



**Q Why do most people have a bank account?**

**A** Today, most people's income is paid direct to a bank account

whether it's:

- wages or salary;
- student loans;
- educational maintenance allowance;
- pensions or state benefits;

and...

- from April 2003, the government intends to start paying **all** state benefits, all pensions and some tax credits direct into bank accounts.

The Post Office is developing an account that can be used only for benefits and tax credits, which is planned to be available early in 2003.

**Q Could I get turned down?**

**A** Introductory accounts are available to almost everybody. Credit checks may be carried out to see if you have outstanding County Court judgments or have been made bankrupt. But even if you have, you might still be able to open an account – check the table on pages 8–9.

You'll need proof of who you are and where you live. Staff at the bank or building society will be able to tell you the sort of proof they can accept.

If this is difficult for you, some will accept an original letter or statement from any responsible person who knows you, like a social worker, teacher or hostel manager.

**Q How old do I have to be to get an introductory account?**

**A** 16, but sometimes 18 – see the table on pages 8–9. If the minimum age is 18 there are usually other accounts for people younger than that.

**Q Can I move between an introductory account and a current (ordinary) account?**

**A** Yes, depending on what banking services you need. See pages 6–7 to find out more. You may need to pass extra credit checks for some current account services.

■ **Introductory accounts are best** if you only need a simple account and don't want a

cheque book or to risk going overdrawn by mistake.

Introductory accounts are called by different names (see pages 8–9), but they all offer straightforward banking services such as:

- a card you can use to get cash from a machine or a bank or building society branch;
- a way of paying bills:

With **Direct Debits**, the amount is agreed with you by the organisation you're paying. They must give you notice in writing if they want to change the amount or the date.

With **standing orders**, you set the amount to be paid. It's your responsibility to change the payment whenever it needs to change.

Some introductory accounts also offer debit cards (such as Solo or Electron). You can use a debit card to pay for things in a shop, or over the phone or internet. If there is enough money in your bank account, the money is 'debited' (taken out) from your account.

■ **Current accounts are best** if you want a cheque book or want to be able to borrow money from the bank. This is called an overdraft, and you will pay charges and interest on what you owe. Shop around, as some banks offer cheaper rates for overdrafts than others.



Current accounts have all the same services as introductory accounts but also offer overdrafts, cheque books, cheque guarantee cards and debit cards.

There might also be credit checks and stricter requirements to prove who you are and where you live. And some accounts require you to have your wages, pension or benefit paid directly into the account.

If you're a student in higher education, many banks and building societies offer special deals – check what's available at or near your college.

**Q How do I decide on the right bank or building society for me?**

**A** Check that:

- you can use cash machines around where you live or work free of charge;
- there's a branch near you, or you can use your local post office to pay in or take out money - some banks offer this arrangement;
- it offers the services you want – like a cash card and direct debits.

**Q Which banks or building societies offer introductory accounts?**

**A** See the table on pages 8–9. It lists where you can get these accounts, what they are called and what features they offer.

# Which bank account is right for me?

This table is a summary of the two main types of account. Check to see which might suit your needs best.

|                                | Introductory bank account   | Current account   |
|--------------------------------|---|---|
| <b>Common features</b>         | <p>Allows you to receive money and pay bills – but won't let you overdraw. Can be a stepping stone to a full current account.</p> <p>Cash card, Direct Debits.</p> <p>Some banks also offer a cheque book, debit card and payment by standing order. Others offer a linked savings account to help you budget.</p>                        | <p>Cash card, debit card, Direct Debits, standing orders, cheque book and guarantee card, overdraft, interest on credit balances.</p>   |
| <b>Who is it suitable for?</b> | <p>People who want to make sure they stay in credit.</p> <p>People who might not get through the banks' credit checks to open a current account.</p>  | <p>Most people – except those who only need the basic banking services available from an introductory account.</p> <p>The most common type of bank account.</p>   |
| <b>Where can I get one?</b>    | <p>See the list on pages 8–9 to find out which banks and building societies offer this type of account and what they call them.</p> <p>It is planned that most of the introductory accounts listed in the table will allow for access at post offices from April 2003.</p>  | <p>Any high-street bank, and some building societies.</p> <p>Some other banks don't have branches – you deal with them by post, telephone or internet.</p>  |
| <b>What to look for</b>        | <p><b>Cash machines</b> – how many near you can you use free of charge?</p> <p><b>Branches</b> – do you need one near where you live or work?</p> <p>Does the account give you everything you need to pay your bills easily? All accounts offer <b>Direct Debits</b>. Some also offer <b>standing orders</b> and a <b>debit card</b>.</p> | <p><b>Cash machines</b> – how many can you use free of charge?</p> <p><b>Branches</b> – do you need one near where you live or work? Do you need an account that offers access at post offices.</p> <p><b>Overdrafts</b> – avoid banks that charge fees, on top of interest.</p> <p><b>Interest</b> you get on money in your account – some banks and building societies pay much higher rates than others.</p> |

# Introductory accounts: Summary of what's available where.

## Explanatory notes

- ① People who pay you regularly can use Automated Credit Transfer (ACT) to pay your money directly into your bank account, instead of by cash or cheque to you.
- ② A free temporary overdraft, so you can take money from a cash machine even if there is less than £10 in your account.
- ③ Correct at time of publication but check with the bank.
- ④ 16-year-olds can open a similar account.
- ⑤ Applies to Direct Debits. Not for cash withdrawals at branches or ATMs (cash machines).

|   | Cash withdrawals available at Post Office™ from April 2003 | Minimum age to open account | Minimum amount to open an account         | Automated Credit Transfer (ACT) payments ① | Cash machine card |  | Free buffer zone ② | Direct Debits and Standing Orders | Charge for unpaid Direct Debit ③ | Debit card (Solo or Electron) | Cheque book | Restrictions on who may be able to open an account. (If you fall into these categories, your application may be declined.) |
|---|--|-----------------------------|---|--|-------------------|--|--------------------|-----------------------------------|----------------------------------|-------------------------------|-------------|--|
| <b>Abbey National</b>                                     | Yes  | 16                          | None, but you need to put in £250 a month | Yes  | Yes               |  | No                 | Yes                               | £30 but at bank's discretion     | Yes                           | No          | Some bad debts, depending on individual circumstances  |
| <b>Alliance &amp; Leicester Basic Bank Account</b>        | Yes  | 18                          | None                                      | Yes  | Yes               |  | No                 | Yes                               | No                               | Yes                           | No          | Undischarged bankrupts, some bad debts depending on individual circumstances   |
| <b>Bank of Ireland</b>                                    | Yes  | Available April 2003        |   |  |                   |  |                    |                                   |                                  |                               |             |  |
| <b>Bank Of Scotland</b>                                   | Available during 2003                                      |                             |   |  |                   |  |                    |                                   |                                  |                               |             |  |
| <b>Barclays Cash Card Account</b>                         | Yes  | 18                          | None                                      | Yes  | Yes               |  | £10                | Direct Debits only                | £30 max per account per day      | No                            | No          | Record of fraud  |
| <b>Clydesdale Cashmaster</b>                              | Yes  | 16                          | None                                      | Yes  | Yes               |  | No                 | Yes                               | £33                              | No                            | No          | Undischarged bankrupts   |
| <b>Co-operative Bank Cashminder</b>                       | Yes  | 16                          | £1  | Yes  | Yes               |  | No                 | Yes                               | No                               | Yes                           | No          | Record of fraud  |
| <b>First Trust Bank</b>                                   | Yes  | Available April 2003        |   |  |                   |  |                    |                                   |                                  |                               |             |  |
| <b>Halifax</b>  | Available during 2003                                      |                             |   |  |                   |  |                    |                                   |                                  |                               |             |  |
| <b>HSBC Basic Bank Account</b>                            | Yes  | 18                          | None                                      | Yes  | Yes               |  | £10                | Yes                               | No                               | No                            | No          | Bankruptcy orders, some bad debts  |
| <b>Lloyds TSB Bank Account</b>                            | Yes  | 18 <sup>④</sup>             | None                                      | Yes  | Yes               |  | £10 <sup>⑤</sup>   | Yes                               | No                               | No                            | No          | Undischarged bankrupts   |
| <b>Nationwide Building Society Cash Card Flex Account</b> | Yes  | 16                          | £1  | Yes  | Yes               |  | No                 | Yes                               | £25                              | No                            | No          | Record of fraud  |
| <b>NatWest Step Account</b>                               | Yes  | 16                          | None                                      | Yes  | Yes               |  | No                 | Yes                               | £30                              | Yes                           | No          | Undischarged bankrupts   |
| <b>Northern Bank CashMaster</b>                           | Yes  | 16                          | £1  | Yes  | Yes               |  | No                 | Yes                               | £37.50                           | No                            | No          | Undischarged bankrupts   |
| <b>RBS Key Account</b>                                    | Yes  | 16                          | None                                      | Yes  | Yes               |  | No                 | Yes                               | £30                              | No                            | No          | Undischarged bankrupts   |
| <b>Ulster Bank Dual Account</b>                           | Yes  | 16                          | £1  | Yes  | Yes               |  | No                 | Yes                               | £30                              | No                            | No          | None   |
| <b>Woolwich Instant Cash Account</b>                      | No   | 16                          | £1  | Yes  | Yes               |  | £10                | Yes                               | £30 from 1 August                | Yes                           | No          | Bankruptcy orders or record of fraud   |
| <b>Yorkshire Bank Readycash</b>                           | Yes  | 16                          | None                                      | Yes  | Yes               |  | No                 | Yes                               | £33                              | No                            | No          | Undischarged bankrupts   |
| <b>Post Office card account Available April 2003</b>      | Yes  | None                        | None                                      | Yes  | No                |  | No                 | No                                | N/A                              | No                            | No          | Can only be used to receive ACT payment of benefits and tax credits  |

Source: British Bankers' Association, June 2002

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