



Fee-free basic bank accounts



- ➡ How they work
- ➡ Things to consider
- ➡ Who offers them

Here to help you

The **Money Advice Service** is independent and set up by government to help people make the most of their money by giving free impartial advice. As well as advice about fee-free basic bank accounts, we offer information on a wide range of other topics.

Visit our website today for advice, tips and tools to help you make informed decisions and plan for a better future.

 moneyadviceservice.org.uk

Free impartial advice

 on the web

 on the phone

This guide is for you if you want to know more about a new type of fee-free basic bank account.

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Key points about fee-free basic bank accounts

Fee free basic bank accounts allow you to receive money and pay bills, but do not allow you to use an overdraft. However, only certain people qualify to open one.

These accounts are designed for people who don't have a bank account, or don't qualify for a standard bank account because they don't have a credit record or have a poor credit history.

Opening a fee-free basic bank account can help you qualify for a full-service bank account and improve your credit history.

There are no fees for missed payments and you will not have access to an overdraft. But, like all accounts, you can:

- have your wages, benefits and other income paid into your account
- pay in money and cheques for free (as long as they're not in a foreign currency)

- take out money over the counter or from a cash machine
- pay regular bills by Direct Debit or standing order
- check account balances over the counter, at a cash machine, online or on your mobile
- use a debit card to pay for things in shops and online.

➔ Find out more about fee-free basic bank accounts at:
➔ moneyadvice.service.org.uk/fee-free-basic-bank-accounts



Can I open a fee-free basic bank account?

Fee-free basic bank accounts are only available to some people. A bank or building society providing fee-free basic bank accounts will be able to tell you if you can open one.

You should qualify to open one if:

- you don't already have a bank or building society account and don't qualify for a regular current account
- you're having money problems and want to open a fee-free basic bank account with your existing or another provider.

If you are aged under 18

You need to be at least 16 to open a fee-free basic bank account, although for some accounts the minimum age is 18. If you're under 18 you should also compare fee-free basic bank accounts with other young persons' current accounts.

Joint accounts

You can open a joint basic bank account with someone else if you both qualify to open one.

If you've been declared bankrupt

You may be able to open a fee-free basic bank account if you are an undischarged bankrupt and qualify to open one.

See *Jargon buster* on page 10.

If you already have a basic bank account

If you are an existing basic bank account customer you may have been paying fees and charges to use the services. Your bank or building society may have told you there are new fee-free accounts available.

Some banks or building societies moved their existing customers who had a basic bank account in place before January 2016 onto a fee-free basic bank account or considered them for their standard current account. Check with your provider if you are unsure. You can move to another fee-free account with a different provider.

How to open a fee-free basic bank account

You can usually apply for a fee-free basic account:

- in person
- by post
- over the phone
- online.

You must provide official proof of identity (ID) before you can open a fee-free basic bank account. You may also have to confirm your address.

An official proof of ID could be a:

- passport
- driving licence.

Using official letters to prove your ID and address

If you don't have a passport or driving licence, your bank or building society might accept official letters from DWP, HMRC, JobCentre Plus or your local council confirming your right to benefits, including Universal Credit. These letters should also contain proof of your address.

A letter confirming who you are and where you live from your employer, college or training provider may also be accepted by your bank or building society.

Other acceptable forms of ID and proof of address may include a letter from a person in authority such as a:

- social landlord
- care home manager
- warden of sheltered accommodation, hostel or refuge
- armed services officer
- minister of religion
- GP.

You might have other documents to prove your ID and address if you are:

- an international student
- a migrant worker
- a refugee
- an asylum seeker
- a prisoner
- on probation.

Key point

It's best to show the bank or building society all the documents you have so they can decide which they will accept most easily.

Using your fee-free basic bank account

One of the most important things you can use your account for is to make and receive payments as you manage your money day to day.

Your fee-free basic bank account will allow you to:

- pay money in or withdraw cash over the counter in branches
- withdraw cash at Post Office® counters
- use cash machines within the LINK network
- set up Direct Debits and standing orders from your account
- make other electronic payments such as faster payments
- use a payment card in stores and online.

Key point

You will be given an account number and a sort code number to identify that it's your account.

Be very careful that you give the correct information to the bank, building society or someone who owes you money.

They may not be liable if you give the wrong details and the money goes to the wrong account.

Keeping track of your money

You can choose to manage your fee-free basic bank account by phone, in branches or online. This can help you get into the important habit of checking your account balance regularly. See *Jargon buster* on page 10.

Your bank or building society will issue a regular print or online statement showing what money has been paid in and what has gone out of your account.

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

You can also get text alerts to your phone or download mobile apps to check your balance on the go.

Key point

If you find remembering or using Chip and PIN difficult, you can ask your bank or building society about using Chip and signature or a rubber stamp instead. See *Jargon buster* or page 10.

- ➔ Find out more about running your bank account at:
➔ moneyadvice.service.org.uk/running-your-bank-account

How fee-free basic bank account services work

Fee-free basic bank accounts offer several banking services but you might not be able to get all the services that other bank accounts offer.

Direct Debits and standing orders

If you pay your bills by Direct Debit or standing order and you don't have enough money in your fee-free basic bank account, your bank or building society will not make the payment. They will tell you if this happens.

While your bank or building society won't charge you, you are still responsible for paying the people you owe money to (your creditors). They may charge you for missed payments.

Your bank or building society may cancel your Direct Debit or standing order if you regularly don't have enough money to meet payments.

➔ Find out more about Direct Debits and standing orders at:
➔ moneyadviceservice.org.uk/direct-debits-and-standing-orders

Overdrafts

You won't be able to get an arranged overdraft with your fee-free basic bank account.

If your account has a buffer zone, you will be able to take money out of a cash machine up to that limit (typically £10) even if you have run out of cash.

See *Jargon buster* on page 10.

Your bank or building society will not charge you for going overdrawn up to the buffer-zone limit. But you must pay money into your account to return it to credit as soon as possible.

Fees and charges

No fees or charges will apply to using your fee-free basic bank account where:

- your purchases or transactions are made in the UK
- regular payments are declined because you don't have enough money in your account.

Fees and charges will apply if you:

- take out cash from fee-charging UK or foreign cash machines
- make online payments in a foreign currency, even if this is in the UK
- make payments with your card abroad.

Who offers fee-free basic bank accounts

Any bank or building society can offer a fee-free basic bank account, but the largest ones on the high street must offer you one if you don't have a bank account and/or don't qualify to open or use a standard current account. These are:

Bank or Building Society	Name of account
Barclays	Barclays Basic Current Account
Santander	Basic Current Account
NatWest	Foundation Account
Ulster Bank (Northern Ireland)	Foundation Account
Royal Bank of Scotland (Scotland)	Foundation Account
Royal Bank of Scotland (England & Wales)	Basic Account
HSBC	Basic Bank Account
Nationwide	FlexBasic
Co-operative Bank	Cashminder
Lloyds Banking Group (including Halifax and Bank of Scotland)	Basic Account
TSB	Cash Account
Clydesdale Bank and Yorkshire Bank	Readycash Account
Virgin Money*	Essential Current Account

*Although not currently required, this account meets the same regulations governing the largest providers.
Source HM Treasury

When you might be refused a basic bank account

Not everyone can open a fee-free basic bank account. Your bank or building society will want to check you qualify before they accept your request.

They may refuse to open a new fee-free basic bank account if:

- you could get another account, for example a standard current account
- you can't provide proof of your identity or address
- you refuse a credit check (although you don't have to pass one)
- they think you will use the account unlawfully or fraudulently
- you're threatening, abusive or violent towards staff.

If your application for a fee-free basic bank account is turned down, you are entitled to ask why.

Your bank or building society should tell you the reason why they refused your request unless they suspect you of fraud or money laundering.

If you don't agree with the decision and think you are entitled to open a fee-free basic bank account, you can complain to your bank or building society.

- ➔ Find out more about how to sort out money problems at:
➔ moneyadvice.service.org.uk/money-problems

When your fee-free basic bank account can be closed

Your bank or building society can close your fee-free basic bank account if:

- your bank or building society decides you now qualify for a standard current account
- you open another bank account in the UK
- you regularly fail to meet the terms and conditions of the account
- you don't use your account for more than two years
- you've used the account unlawfully or fraudulently or there are concerns you might use the account in this way
- you're threatening, abusive or violent towards staff
- you give false or misleading information.

Your bank or building society will give you at least two months' written notice, explaining why they intend to close your account.

Upgrading to a full-service current account

Your bank or building society may review from time to time whether a full-service current account is better for your needs.

They will look at:

- whether you still qualify for a fee-free basic bank account
- your financial circumstances
- how you use the account.

Full-service current accounts work in the same way as fee-free basic bank accounts, except that they can offer more features, such as interest on your balance, and products such as insurance or overdrafts.

However, you may also have to pay interest and charges to use a full-service current account. For example, if payments are declined because you don't have enough money in your account or if you use overdraft facilities.

Your bank or building society must give you at least two months' written notice following a review, explaining why they intend to move you to a full-service current account.

If you're not sure about moving from a fee-free account to a fee-charging account, speak to someone about what you can do as soon as possible.

You can also consider switching to a fee-free basic bank account with another bank or building society.

- ➔ Find out more about choosing the right bank account at:
➔ moneyadvice.service.org.uk/choose-the-right-bank-account

If things go wrong

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

If you have a complaint about the service you receive, first contact your bank or building society to give them a chance to sort the problem out.

They should look into your complaint and reply within eight weeks.

If you're not satisfied with the response you receive, you may be able to take your complaint to the Financial Ombudsman Service to see if they can help you.

Your bank or building society must give you details of this free Ombudsman service when they reply to you. (See *Useful contacts* on page 11)

- ➔ Find out more at:
➔ moneyadvice.service.org.uk/money-problems

Any money held in a fee-free basic bank account is protected under the FSCS deposit guarantee scheme, which offers protection of up to £85,000 per person. This means if your bank or building society goes bust you will be covered up to this amount.

Further information can be found on the FSCS website.

Jargon buster

Balance

The total amount of money in your account.

Buffer zone

A small amount of credit that a bank or building society may give you, so you can get money from a cash machine even if you do not have enough money in your account.

Cashback

A service that allows you to get a percentage of your spend back in supermarkets or other shops, using your debit card.

Chip and PIN

The name for using a Personal Identification Number (PIN) to authorise payment from your account.

Credit check

A search of your borrowing record, also known as your credit history. A bank, building society or other organisation carries out a credit check on you before they decide whether to agree to you opening a bank account.

Debit card

A card issued by a bank or building society that you use to withdraw cash or to pay for things you buy in shops or online.

The money is usually taken from your account immediately.

Direct Debit

A way of paying bills from your account. You sign a form allowing the company you are paying to take the money directly from your account on set dates. It must tell you in advance before changing the amount it takes or the dates of the payments.

Interest

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

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 if this happens, and sometimes other fees as well. You don't get an overdraft with a fee-free basic bank account.

Standing order

A way of paying bills from your account. You sign a form sent to you by the company you are paying. This sets out the amount to be paid and the payment dates. You then give this to your bank or building society, which pays the amounts from your account automatically on the agreed dates to the company you are paying.

You must tell your bank or building society if the amount or the dates of payment need to change.

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 issues statements.

Undischarged bankrupt

A person who can't pay their debts and is still on the bankruptcy register.

Useful contacts

Money Advice Service

The Money Advice Service is independent and set up by government to help people make the most of their money by giving free, impartial money advice to everyone across the UK – online and over the phone.

We give advice, tips and tools on a wide range of topics including day-to-day money management, savings, planning your retirement and for your future, as well as advice and help for life changing events such as starting a family or losing your job.

For advice and to access our tools and planners visit
moneyadviceservice.org.uk

Or call our Money Advice Line on
0800 138 7777*

Typetalk
1800 1 0800 915 4622

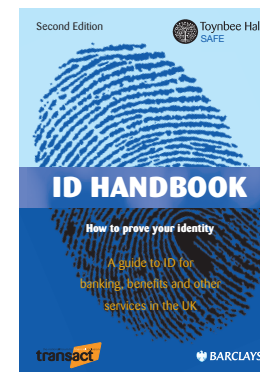
Financial Ombudsman Service

Exchange Tower,
Harbour Exchange Square,
London E14 9SR

0800 023 4567 or 0300 123 9123
financial-ombudsman.org.uk


Toynbee Hall's ID Handbook – How to prove your identity

Call Toynbee Hall on
020 7247 6943
between 9am and 5pm Monday to Friday
for more information on the different documents that you can use.



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Money Advice Line **0800 138 7777***
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