

What is a Basic Bank Account and how will it work for me?

**citizens
advice**

A Somerset MoneyMatters Product
Somerset Citizens Advice in partnership
With West Somerset Advice Bureau

You can use a basic bank account to receive money and pay bills. A basic bank account may be a good option if you've been turned down for a current account and can act as a first step towards opening a different type of account later on. Basic bank accounts are very simple, they don't provide a cheque book or overdraft. With most accounts you can:

- Have **wages, salary, benefits, pensions and tax credits** paid straight into your account
- **Pay cheques in** for free (as long as they're not in foreign currency) – funds are cleared after 6 working days
- **Get money out** over the counter or from a cashpoint machine
- **May be able to pay your bills** by Direct Debit or standing order
- **Pay money in** over the counter
- **Check your account balance** over the counter or at a cashpoint machine
- Some accounts will also give you a **debit card**.

Who can get a basic bank account?

- **Over 16** – You need to be at least 16 to open a basic bank account, although at some banks the minimum age is 18.
- **No minimum monthly payment** – Unlike current accounts, basic bank accounts don't have a minimum amount you have to pay in each month, which can be an advantage if you're on a low income.
- **No need for a good credit history** – Because basic bank accounts don't allow you to go overdrawn, you don't need to pass a credit check when you open the account.
- **Proof of identity and address** – All banks will ask for proof of your identity and address before you can open a bank account

How much does a basic bank account cost?

As long as you have money in your account, you don't usually have to pay for basic bank account services.

How to choose a basic bank account

Basic bank accounts are available from banks while building societies and credit unions may offer suitable alternative products. You can open one on your own or with someone else (a joint account).

Things you might want to check before opening a basic bank account:

- Check you can use cash machines near your home or work for free – ask the bank or building society if you're not sure
- Find out if there's a local branch where you can pay in money and check your account
- Make sure it offers the services you need, such as a debit card, Direct Debits or standing orders
- Check if there's a buffer zone that lets you take out a small amount like £10, even when your account balance is low so you can still get money using a cash machine.
- Make sure that the bank is not planning to carry out a credit check when you open the account.
- If you already have an account with the same bank and you owe money on it (for example you're overdrawn), they may use money in your new account to pay off what you owe on your old account. For this reason, it might make sense to open your new account with a different bank, building society or credit union

Comparison websites are a good starting point for anyone trying to find a current account tailored to their needs. We recommend the following websites for comparing current accounts:

- [Money Saving Expert](http://www.moneysavingexpert.com/banking/basic-bank-accounts) www.moneysavingexpert.com/banking/basic-bank-accounts
- [Go Compare](http://www.gocpmare.com/current-accounts/bad-credit-options/) www.gocpmare.com/current-accounts/bad-credit-options/
- [Money Supermarket](http://www.moneysupermarket.com/current-accounts/bad-credit/) www.moneysupermarket.com/current-accounts/bad-credit/
- [uSwitch](http://www.uswitch.com/current-accounts/bank-accounts-basic/) www.uswitch.com/current-accounts/bank-accounts-basic/

Remember:

- Comparison websites won't all give you the same results, so make sure you use more than one site before making a decision.
- It is also important to do some research into the type of product and features you need before making a change.

Managing your basic bank account

Once your basic bank account is open, look for cash machines that are free to use rather than paying to take out your money. Checking your balance regularly will help you to make sure there's enough money in your account to cover any standing orders or Direct Debits – so you don't pay charges for having them rejected

What to do if things go wrong

If the bank turns you down, they should explain why, unless there are exceptional circumstances, such as suspicion of fraud or money laundering.

If you have a problem with your bank, the first step is to tell the bank itself.

Direct Debits & Standing Orders

Direct Debits give a company permission to take money from your bank account on an agreed date. **Standing orders** give the bank an instruction to pay an exact amount to another account regularly.

Direct Debits

What is a Direct Debit?

- You tell your bank or building society to let an organisation take money from your account.
- The organisation can collect however much you owe them, but they have to tell you in advance (normally ten working days) how much they'll take, when, and how often.
- Direct Debits are handy for paying regular bills, such as gas or electricity, especially where the amount regularly changes.

What's good about them?

- **Save time and effort** – no need to worry about remembering to pay a bill.
- **Save money** – lots of utility providers (like gas and electricity providers) give you a discount for paying by Direct Debit.
- The bank will pay any incorrect payments back to you.

Are there any disadvantages?

- **You need to stay in control** – you need to keep track of when all your Direct Debits are due to go out of your account and make sure there is enough money to cover the payments.

Who can use them?

- Anyone with a current account, and in some cases a basic bank account. Some prepaid cards or credit union accounts can also be used, but Post Office card accounts cannot.
- You usually need to be over 16 or over 18 to use Direct Debits, depending on your account, so check with your bank or building society.

How can you set up a Direct Debit?

- The organisation collecting the payments will tell you what to do. Usually you fill in a form and send it to them, or set it up online or over the phone. They'll let your bank know.
- You can also cancel a Direct Debit at any time by contacting your bank.

Do they cost anything?

- **No** – banks don't charge you for making or setting up Direct Debits.
- **Watch out for refused payments!** If you don't have enough money in your account to cover the Direct Debit your bank can refuse to make the payment (and they can charge you up to £25). Even if they do make the payment you might go into the red without noticing – which means you'll have to pay overdraft charges.

What if there's a problem with a Direct Debit?

- The Direct Debit Guarantee protects you. If either the bank or the organisation collecting the Direct Debit makes a mistake (such as taking the wrong amount) you can get an immediate refund from your bank.
- If you have a problem with a Direct Debit, you should contact your bank.

Standing orders

What is a Standing Order?

- You tell your bank or building society to **make regular payments to a particular bank or building society account**.
- They're different from Direct Debits – they pay exactly the amount you choose, not the amount you owe to an organisation.
- You can set them up to keep on paying indefinitely, or to end on a certain date or after a set number of payments.

You're in full control – you can start or stop them or change the payment amount whenever you want with appropriate notice.

What's good about them?

- **They're especially useful where you can't use Direct Debits:** often to make regular payments to a person, like a child at university or a landlord, rather than to a company.
- **You can use them to move money between your own accounts:** for example, if you want to pay a set amount each month into a savings account.

Who can use them?

- You can set up Standing Orders from Current accounts and most Basic bank accounts. Some prepaid cards or credit union accounts can also be used for Standing Orders but Post Office card accounts cannot.
- You usually need to be over 16 or 18 to use standing orders depending on your account, so check with your bank or building society.

How can you set up a standing order?

- You can complete a standing order form and give it to your bank. You'll need the **account number, reference number** and **sort code** of the person you're paying
- With some banks and building societies, you can set them up online or over the phone.
- You can also cancel a standing order at any time, or change the amount, payment date or how often they're paid.

Do they cost anything?

- **No** – banks don't charge you for setting up standing orders.
- **Watch out for refused payments!** Just like with Direct Debits, if you don't have enough money in your account to cover the standing order your bank can refuse to make the payment and can charge you up to £25. Even if they do make the payment you might go into the red without noticing – which means you'll have to pay overdraft charges.

How to avoid and sort out problems with standing orders

- Take care with the details. Double-check the bank account details you give, the amount and the payment date.
- It's your responsibility to ensure the payment is for the right amount, for example for a mortgage payment if the interest rates change.
- If you have a problem with a standing order, contact your bank
- Some organisations prefer you to use Direct Debits, as they can set up the reference from your bill or invoice. If this is incorrect on the standing order payment, the money may be taken from your bank account, but not matched up with your bill

Alternatives to Basic Bank Accounts

If you can't get, or don't want, a basic bank account, then there are some other alternatives you can try. However, they're not available to all, and in many cases, they're not cheap.

Credit unions

A few credit unions across the UK now offer bank accounts, and most of these allow undischarged bankrupts to get them. You'll usually have to pay a small joining fee (£2-£5/yr) and/or commit to keeping a certain balance in your account to be a member.

Credit unions tend to serve local communities, so it's luck of the draw as to whether there's one near you. Check the [Credit Unions](#) guide to see if there's one local to you, or <http://www.focus.coop/> and look at the map under the "Contact" icon.

These Credit Union cover Somerset :

Moorvale covers Taunton Deane and West Somerset

<http://www.moorvale.co.uk/>

Bridgwater and District for Sedgemoor

<http://www.bridgwater-and-district-credit-union.co.uk/>

Mendip Community in Mendip

<https://www.mendipcommunitycu.org.uk/>

Camelot is the Credit Union for South Somerset

www.focus.coop/credit-unions/camelot/

Somerset Savings and Loans is the operating name of the Weston-Super-Mare and District Credit Union and can be found at

<http://www.somersetsavingsandloans.org.uk/>

Post Office Card Account

If you're in receipt of certain Government benefits, pension or tax credits, and you don't have a bank account for them to be paid into, then you can use a [Post Office Card Account](#).

You'll need to contact the office that pays your benefit as you can't open these accounts directly. You'll need proof of ID and address to get one of these accounts opened for you.

The Post Office Card Account is very basic - you get a card, and your benefits are paid onto that card. You can then use the card to withdraw cash, until the balance runs out. There's no overdraft facility, and you can't spend on the card or set up direct debits to be paid from the account.