

Basic Bank Accounts

This factsheet outlines what a basic bank account is and why you may need one if you are entering a solution to deal with your debt.

Read time: 14 minutes

- [Why you may need to change bank accounts](#)
- [What to consider when opening a bank account](#)
- [Basic bank accounts](#)
- [Basic bank account in Bankruptcy](#)

[Back to top](#)

Why you may need to change bank accounts

When you owe any money to your bank or building society, such as a loan or credit card, in some circumstances, they can take money from your current account to pay (or offset) your debt to them. This may leave you with not enough money to cover your essential payments. If this does happen then it is important to make sure that any income, for example your wages or benefits, does not continue to be paid into that account.

If you have been experiencing money problems and with advice have entered into a debt management plan that included the bank or building society getting less than the contractual payment they may freeze your account. The bank may be reluctant to re-opening the account so switching to a new bank and opening a basic bank account would be advisable. If there is a balance in your account, the bank cannot refuse you access.

We recommend when entering into any form of debt solution with your creditors, whether formal or informal, that you open a safe bank account. A safe bank account is one with a bank or building society with which you have no debts associated with them e.g. no loans, no credit card with the bank, no mortgage or overdrafts or have given a personal guarantee.

Most banks have the Current Account Switch Guarantee that will let you switch accounts within seven days. Banks will also guarantee your payments in and out of your new account are switched over in time so that you do not miss any regular bills and payments.

It is important when changing bank accounts to ensure you pay all priority expenses such as mortgage or rent, utilities and housing rates. If these are due to be paid around the same time as your bank accounts are due to switch, you should make alternative arrangements, for example paying in advance, to ensure these bills are paid on time.

[Back to top](#)

What to consider when opening a bank account

When opening a new safe bank account the bank will usually check to see which current account you are eligible for based on your circumstances. If you meet the bank's criteria for a current account, then it is likely that the bank will agree to this with no difficulties.

When you open a current account you will have a choice for making payments or withdrawing money. This will be by cheque or debit card. If you don't wish to get into debt with the bank, or if you are entering into a debt solution with your creditors, then it would be advisable to inform the bank you do not want to have the use of an overdraft facility. If you overdraw from your account, the bank will charge you interest on a daily basis and can ask that the overdraft is cleared on demand.

Some banks belong to the same banking group, for example both Halifax and Ulster Bank belong to the Bank of Scotland group. Therefore, when you open a safe bank account make sure the new bank is not within the same banking group as your previous account, otherwise your money may still be at risk of being taken. We can advise you on which banks belong to which groups.

The Money Advice Service has lots of useful information on its website on how to open an account, what identification you will need and things you should think about before deciding which account is best for your needs. See www.moneyadviceservice.org.uk or phone them on **0300 500 5000**.

The rules regarding business bank accounts can be different from personal accounts.

[Back to top](#)

Basic bank accounts

You may not qualify for a safe or standard current account with a bank or building society, especially if you have a low credit rating or have court judgements registered against your name. If so, a bank should offer you their basic bank account instead. On very rare occasions, a bank may refuse to provide you with any banking facility; if this happens you can call us for help and advice.

The Financial Conduct Authority states that from September 2016, you will be entitled to open a basic bank account if you are ineligible to open a standard one, unless it would be unlawful for the firm to open the account. If you can't open a basic bank account, the bank should tell you why you have been turned down. If this does not happen or you believe you have been turned down unfairly, you may be able to complain to the Financial Ombudsman Service. Contact us for advice.

On a rare occasion, if you ask to apply for a basic bank account, the bank may suggest that first an application for a standard current account is required. If this account application is rejected it will have a further effect on your credit score. If this happens or has happened, you should immediately raise a complaint with the bank or contact us for advice. Remember that as a banking consumer you have the right to choose

which account you apply for and that most banks will accept your request to apply solely for a basic bank account.

The main advantage of a basic bank account is that you can have an account with no costs and no opportunity for fees to arise. As you will not have an overdraft facility you won't be charged interest on the account, and there will also be no fees for returned direct debits or standing orders.

A basic bank account will have fewer features and benefits than regular current accounts including having a cheque book, however they still provide all the necessary banking functions that you will need to pay your bills and manage your finances including:

- Set up, amend and cancel direct debits and standing orders
- Use a debit card to pay for goods
- Have a contactless facility on the card
- Withdraw money from an ATM
- Have your income or benefits paid into the account
- Check your balance in a branch, at an ATM or online
- Further online banking features

Other banks may also offer basic bank accounts, but they may not include all the features listed above, may have charges or the ability to incur fees. It is important that you clarify features, potential charges and fees with the bank before taking out a basic account with them.

[Back to top](#)

Basic bank account in Bankruptcy

Once you are declared bankrupt all of your information is sent to the Official Receiver (OR) who has now control of your assets. You will have already supplied them with a list of your bank accounts. If you have any money in your account, it will be frozen. If this money is what you need to live on you should consider withdrawing the money before your bankruptcy hearing. The OR will question you on the withdrawal. While you are an undischarged bankrupt, you will only be able to obtain a basic bank account. If you did not owe money to your own bank they may be willing to let you open a basic bank account. The main banks should allow you to open a basic bank account with them, providing you did not owe them a debt included in your bankruptcy.

It is vital that you wait until after the effective date of your bankruptcy (the day which your bankruptcy order is granted by the court) before opening a new basic bank account. Any accounts open before this date may be frozen as part of your bankruptcy proceedings for the official receiver to check. Once the account is frozen it can be difficult to get the account reinstated quickly. You could be left without a bank account and no access to your funds for a period, and you could miss repayments of essential bills.

[Back to top](#)