

January 2012



# Bank accounts Know your rights

Want to know where you stand with your  
bank or building society? We explain  
your rights and how to use them.



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# Bank accounts

## Know your rights



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# Introduction

Millions of us use banks each day without anything going wrong. However, when problems do arise it is easy to feel you don't know enough to challenge your bank.

**This guide explains your rights and how to use them, especially if you have an issue with:**

- opening a new account;
- switching an account;
- making or receiving payments;
- understanding changes to the terms of your account; or
- fraud on your account.

Where we use 'bank' in this guide, it covers both banks and building societies, as the same rules apply to both.

## Know your rights 1-2-3

1

**Keep evidence**

Keep records of all transactions and contacts with your bank. That way, if anything goes wrong, you can back up your case with written proof.

2

**Always ask questions**

Not sure why money has gone into or out of your bank account? Wondering why your interest rate has dropped?

Problems like these are common, so don't be afraid to ask your bank questions, every step of the way.

3

**Don't be put off**

If the person you are speaking to cannot help, ask to speak to a manager.

You can make a complaint to your bank if you are not happy with the way it deals with a problem. If you are not satisfied with its response, you have the right to complain to the Financial Ombudsman Service.

# Your bank account checklist

When opening an account you should ask yourself the following:

## What charges or fees (if any) will there be?

**All charges** and fees for the normal running of the account must be clearly set out – it isn't enough for your bank to refer you to a website or posters in the branch.

## How much interest (if any) will my money earn?

**A bank** must tell you the rate of interest on your account, and how and when it will be calculated.

## How can I make a payment to or from my account?

**Your bank** must be clear about what you have to do to authorise a payment. This might be a signature, online authorisation or PIN (personal identification number).

## What are the ways I can make a payment?

**A bank** can enable you to make payments out of your account through a card, internet banking and telephone banking. These are known as payment instruments and a bank must explain how to use them and how to keep them secure.

## How can I keep track of money going into and out of my account?

**Your bank** must give you details of transactions into and out of your account. Depending on the account type, you should be able to monitor your account using one or more of the following: a passbook, monthly statement, internet banking or telephone banking.

## Which banking group is my account with?

**The Financial** Services Compensation Scheme (FSCS) protects deposits of up to £85,000 per individual, per authorised institution.

Be careful – banks can have different brand names that each fall under the same authorisation, which may mean you are not protected by the FSCS for as much as you might think.

If you are not sure how banking brands that you use are authorised, ask your banks or see our table listing the main deposit-takers on the FSA website.

## How do I complain to my bank, and what can I do if I'm not satisfied with its response?

**A bank** must tell you its own complaints procedure but there are some steps you should follow – see page 20 for further details.

# Your rights when opening an account

Problems can arise when trying to open a bank account, such as when a bank won't accept the identification you provide. Here we explain your rights and how to use them.



## What identification should I provide?

**When you** apply to open an account, a bank must by law check that you are who you say you are, so it will ask you for proof of ID.

The bank should tell you what ID you need to open an account, for example a passport. If you can't provide any of the usual types of ID, the banking industry has said it will consider certain other documents, such as those opposite.

## Did you know?

*If your bank wants to make a material change to the terms and conditions on your account that would be to your disadvantage, it must tell you before the change takes effect.*

**REMEMBER** – if you don't like these new terms, you can move your account (see page 8 for Your rights when moving an account).

A bank does not have to accept these alternative types of ID, but if it won't accept one you should ask the bank to explain why.

You can make a complaint to the bank if you are not happy with the way it deals with this. If you are not satisfied with its response you have the right to complain to the Financial Ombudsman Service – see page 22 for useful contacts.



## Why is my financial history being checked?

**A bank** may need to check your record of borrowing and repaying money. This is known as a credit report and also shows what other accounts you have.

In some cases too many checks with credit reference agencies may damage your credit rating, so ask the bank whether it will be making a check as part of the application process.

## Know your rights!

Your bank must give you the main details of how your account will work (the terms and conditions). But if you are unsure about any of them, ask your bank to explain further.

### There are other forms of ID your bank may accept if you are...

#### **claiming benefit**

Entitlement letter or Identity Confirmation issued by the government or a local authority.

#### **in a care home, sheltered accommodation or refuge**

Letter from a care home manager or warden of sheltered accommodation or a refuge.

#### **a homeless person**

Letter from the warden of a homeless shelter, or an employer if you are in work.

#### **on probation**

Letter from a probation officer or hostel manager.

#### **a prisoner**

Letter from the prison governor.

#### **an international student**

Passport or European Economic Area National Identity Card and a letter of acceptance or letter of introduction from a body on the Department for Education and Standards list.

#### **an asylum seeker**

A UK Border Agency application registration card.

#### **a traveller**

The local authority, which has to register travellers' sites, may be able to verify an address for you.

# Your rights when moving an account

Switching your account to another bank should be simple and efficient. Find out your rights if you run into difficulties.

**Banks have** agreed to make the process of moving an account as straightforward as possible.

In addition, our rules say that if you want to move your account to another bank, both your old and new bank must provide a prompt and efficient service.



## How long will it take to move my current account to another bank?

**Under banking** industry guidance, switching a current account to another bank should be a simple process and the new account should be operational within ten working days of your application being approved. Sometimes getting other people to update their records with the details of your new account can take a bit longer. Your new bank will do much of the work for you.

Once your application for a new account is approved, if you

wish to transfer direct debits and standing orders to the new bank account, your new bank should ask your old bank for details of them within three working days.

Your old bank should then give your new bank this information within three working days from receiving the request.

The banks will agree a date to transfer the balance – but should not charge you for making the transfer.

Your new account should be ready for use within ten working days of your application being approved.



**Your new account should be ready for use within ten working days of your application being approved**



## Know your rights!

**If your account is not switched within ten working days of the application being approved, ask your new bank to chase it up for you.**



**Does it take longer to move a cash ISA?**

A **cash** ISA is an individual savings account that allows you to save money without being taxed on the interest earned.

Moving a cash ISA can be a little more complicated if you want to protect the tax-free status of interest earned. Make sure you tell your bank that you want to move your cash ISA rather than close the account.

Your new bank should ask you to complete a transfer request and send it to your old bank, which should then send a cheque for the balance or transfer the money electronically to your new bank.



**Make sure you tell your bank that you want to move your cash ISA rather than close the account**

### Did you know?

*The banks have agreed that the transfer of a cash ISA should normally be done within 15 working days.*

*Your new bank should start paying interest on the date of the cheque, the date the electronic payment was begun or day 16 of the transfer process – whichever is earlier.*

# Your rights when managing your account

Your bank may want to make changes to your account, such as to the interest rate or overdraft limit. Find out how much notice your bank must give you and your rights if the terms on your account are set to change.



**What are the different types of account?**

**The type** of bank account you have can affect what banks have to tell you about interest rates.

There are accounts used for regularly making and receiving payments, such as current accounts, card-based accounts and some instant-access savings accounts. There are also other accounts for savings, such as those with a notice period and cash ISAs.

Check with your bank if you are not sure what type of account you have.

## Did you know?

*If your account or cash ISA has a bonus interest rate for six months or more, and it has a balance of at least £500, the bank should send you a reminder in good time before the introductory period ends.*



**Will my bank tell me if it drops the rate of interest on my account?**

**If your** bank wants to reduce the rate of interest it pays you on credit balances on a current account, a card-based account or (in some cases) an instant-access savings account, it generally has to tell you two months before the rate changes.

The exception to this rule is if the interest rate on your account is linked to an official rate – such as the Bank of England base rate – and it moves automatically in line with any change in that rate. This is sometimes known as a ‘tracker rate’.

For other savings accounts, such as those with a notice period or cash ISAs, a bank should give you reasonable notice that it proposes to make a ‘material’ reduction to the interest rate.

## Know your rights!

**If the interest rate on your account is reduced without warning, you can make a complaint to your bank. If you are not satisfied with its response, you have the right to complain to the Financial Ombudsman Service.**

**“If your bank wants to reduce the interest rate on a current account, it should tell you two months before”**

A reduction is material if the balance of your account is £500 or more and the interest rate falls by more than 0.25% at one time or by 0.5% or more over the previous 12 months.

This should give you enough time to move your money to another account, without penalty, if you are not happy with the reduced rate. If your bank is to raise the interest rate it pays you on your account, it can make the change immediately.

**Q** What if my bank reduces the overdraft on my account?

**Overdrafts** are regulated under the Consumer Credit Act 1974, which is enforced by the Office of Fair Trading and local authority trading standards services.

You can read more about this on the Consumer Direct website – see page 22 for useful contacts.

### Did you know?

*The banks have agreed to display the interest rate on your account on the statements they send you.*

# Your rights when making and receiving payments

Bank accounts are often used to make and receive payments, but things can go wrong. Find out your rights when payments are made to and from your account, and how long it should take to receive money or pay it out.





**How do I know if money has gone in or out of my account?**

**Your bank** must make the following details available to you for every payment into and out of your account:

- the date of the transaction;
- the amount of the transaction;
- who it was to or from (where appropriate); and
- a reference so you can identify the payment.

In most cases this will be done through a passbook, monthly statement or internet banking.

 **Your bank must start paying interest on the same business day as it receives the funds** 



**How long should it take for money to arrive in my account?**

**If you** have a current account, card-based account or instant-access savings account, the funds must be made available to you and start earning interest as soon as the bank receives them if:

- an electronic payment has been made to your account (for example by CHAPS, Bacs or Faster Payments systems); or
- you have paid cash over the counter or transferred money between accounts with the same bank.

For a cash ISA or a savings account with a notice period, the funds do not have to be made available immediately, but the bank must start paying interest on the same business day as it receives the funds.

The full amount of the payment must be credited to your account, unless your bank has agreed with you that it can deduct charges first.

## Know your rights!

**As of 1 January 2012, for all payments in pounds or Euros from your account to another bank in the UK or the EU, your bank must get the money to the receiving bank by the end of the next working day after you have told it to make the payment.**

### Cheque 2-4-6

When you deposit a cheque into a current account, think **2-4-6**.  
If you deposit a cheque into a savings account, think **2-6-6**.

- 2** Interest should be paid after **2** working days.
- 4** You should be able to withdraw the money from a current account after **4** working days.
- 6** You should be able to withdraw the money from a savings account after **6** working days (depending on the terms of the account).

For current accounts and savings accounts, the money will then be guaranteed and your bank cannot take the amount of the cheque out of your account even if it is returned unpaid, unless you have acted fraudulently.

The banks have agreed this timetable for cheque clearance. These are not our rules, but should apply in the vast majority of cases. If your cheque does not clear within this timetable, ask the bank to explain why.



Some banks will offer better terms so check with your bank.



**What is the longest it should take for a payment from my account to get to the receiving account?**

**It depends** how you make that payment. However, your bank must tell you the maximum time it will take.

If a payment does not arrive in your account or the receiving account by the time you expect, ask your bank to explain what has gone wrong.

** You are guaranteed a full and immediate refund for a direct debit if the originator, or your bank, makes an error **



**How can I stop a payment?**

**You can** stop a payment that you have arranged to make from your account but the rules for doing this vary, depending on how you arranged to make the payment.



**Cancelling a direct debit**


A direct debit is an arrangement where you give a company or individual (known as the 'originator', see page 20 for *Need-to-know terms*) permission to take money regularly from your account.

Under the Direct Debit Guarantee Scheme, the originator must tell you in advance if there is going to be a change in the amount or date of the payment. You are guaranteed a full and immediate refund if the originator, or your bank, makes an error.


You can cancel a direct debit by writing to your bank or using your internet or telephone banking service. It is a good idea to also notify the originator.


## Know your rights!

**If you have contacted your bank in time, and a payment is made after you have told it that you wish to stop the payment being taken from your account, it will be regarded as an unauthorised transaction and your bank must give you an immediate refund.**

 **Cancelling a standing order**  
A standing order is an instruction you give your bank to regularly pay a set amount to another account.

You can instruct your bank to cancel a standing order by writing to it or using your internet or telephone banking service. The latest you can cancel a standing order is before the close of business on the working day before the payment is due to be made.

 **Stopping a cheque**  
If a cheque has not been paid you can stop it by writing to your bank, or using your internet or telephone banking service.

 **Cancelling a regular card payment**  
**When you** give your credit or debit card details to a company and authorise them to take regular payments from your account, such as for a gym membership or magazine subscription, it is known as a 'recurring transaction' or 'continuous payment authority'.

These are often confused with direct debits, but do not offer the same guarantee if the amount or date of the payment changes.

In most cases, regular payments can be cancelled by telling the company taking the payments. However, you have the right to cancel them directly with your bank or card issuer by telling it that you have stopped permission for the payments. Your bank or card issuer must then stop them – it has no right to insist that you agree this first with the company taking the payments.

Be aware, though, that you will still be responsible for paying any money that you owe.

# Your rights for common banking problems

Money taken from your account that you didn't authorise? The wrong amount debited? Find out your rights and how to use them for some common banking problems like these.



## What should I do about a payment from my account that I didn't authorise?

**Your bank** must refund an unauthorised transaction. Money can only be taken from your account if you have authorised the transaction or if your bank can prove you were at fault – see below.

Contact your bank immediately if you notice an unauthorised payment from

your account. If you are sure you did not authorise the payment, you can claim a refund. However, your bank does not have to refund you if you do not tell it about the payment until 13 months or more after the date it left your account.



**Your bank must refund an unauthorised transaction**



## Know your responsibilities!

When you receive a debit or credit card, or sign up for internet or telephone banking, you should be told what you have to do to keep your details secure.

It is important to protect the personal information you use to access your account, such as your password or PIN.

Your bank or card issuer must also tell you how to notify them – which you should do as soon as possible – if your card is lost or stolen, or you think someone else knows your password or PIN.

Deliberately making a false claim that a transaction is unauthorised is fraud and your bank may report it to the police.

## Know your rights!

**If your bank has to refund you for an unauthorised transaction, it must also refund any charges or interest you paid because of the unauthorised transaction.**



**Why won't my bank refund me?**

**Your bank** may only refuse a refund for an unauthorised transaction if:

- it can prove you authorised the transaction – though your bank cannot simply say that use of your password, card and PIN proves you authorised a payment; or
- it can prove you are at fault because you acted fraudulently, or because you deliberately, or with gross negligence, failed to protect the details of your card, PIN or password in a way that allowed the transaction.

**“ If your bank rejects your claim for a refund it should explain why ”**



**How quickly must my bank refund me for an unauthorised transaction?**

**The bank** must make the refund immediately unless it has evidence that one of the above reasons applies.

Your bank may ask you to answer some questions and fill out a form confirming what has happened, but it cannot delay your refund while it waits for you to return the form. If the bank has evidence that one of the above reasons for refusing a refund applies, it may investigate before making a refund but must look into it as quickly as possible.

If your bank rejects your claim for a refund it should explain why.

If the transaction was on a credit card, the refund may not happen immediately. But the card issuer cannot charge interest or ask for repayment of the amount unless it can prove you are liable to pay.



### Can my bank make me pay for being careless with my details?

**You may** be liable up to a limit of £50 if your card has been lost or stolen or your bank can show that you failed to keep the details of your password or PIN safe.

If your bank can show you have been 'grossly negligent', you will be liable for the whole amount.

You will not be liable, however, for any unauthorised transactions after you have notified the bank or card issuer of the loss, theft or unauthorised use of your card or password – unless it can prove you acted fraudulently.



### A payment has been made to the wrong account – what should I do?

**Payments are** made in the UK using a sort code and account number. If you provide the wrong sort code or account number, your bank must make a reasonable effort to recover the money (and may agree a charge for doing so). However, it will not be liable for any losses you suffer.

If your bank made the mistake and sent money to the wrong account, it must refund the amount of the payment to your account plus any charges or interest you pay as a result.

## Identity theft protection – know your rights!

When your bank sends you a new bank card, you may be asked to call a telephone number to activate the card. This is a security step to ensure the card is in your possession before it can be used.

Your bank may offer you identity theft protection during the call, for an additional fee. While this may be appropriate for some people, do remember that, in certain circumstances, you are entitled to an immediate refund if there is a fraudulent transaction on your account (see pages 16 and 17).

If you decide you want identity theft insurance, you should shop around to make sure you get the best deal.

## Help! My bank has paid the wrong amount.

If your bank sends more or less money than you asked it to, it must correct the error and refund you any charges or interest you have paid as a result of its mistake.

Make sure you provide evidence of the charges and interest you paid as a result of the error.



### Why is my bank refusing to make a payment?

**Your bank** can only refuse to make a payment if:

- you do not have enough funds available in the account;
- you have broken the agreed terms and conditions, such as needing to provide two signatures for a joint-account payment; or
- making the payment would be unlawful.

If your bank refuses to make a payment (such as by ‘bouncing’ a direct debit) it must generally tell you at the earliest opportunity that it is doing so and, if possible, explain why.

The bank can charge for not making a payment if the refusal is reasonably justified.



### The wrong amount has been debited from my account – what should I do?

**In some** situations, such as when booking a hotel room or hiring a car, you may be asked to provide your card details without agreeing the amount to be debited.

If the amount eventually charged is more than you could reasonably have expected to pay, then your bank must refund you the entire amount or tell you its reasons for not doing so.

If you wish to claim a refund, you must contact your bank within eight weeks of the amount being taken from your account.

If the bank does refund you, it will reclaim the money from the company that charged you. That company is likely to ask you for payment in some other way.



## Why else would my bank take money out of my account?

**In certain** circumstances, your bank can claim money from one account to pay off a debt in another account, under its right of 'set-off'. This could happen if you miss loan or credit card payments and you also have a current or savings account with the lender. It should explain this in your account terms and conditions.

If a bank wants to use set-off on your account, it should:

- provide you with information about its right of set-off at least 14 days before the first time it tries to use it, and where appropriate on any further occasion;
- estimate how much money needs to be left to meet your priority debts and essential living expenses like mortgage, rent and food bills;
- provide a refund, in most cases, if it becomes apparent to the bank that money taken in set-off was intended for priority debts or essential living expenses;
- not use set-off on money that it knows or should know is intended for certain purposes, such as where the NHS provided it for healthcare or a third party is entitled to the money; and
- tell you promptly after set-off has been used on your account.



## How to complain

We have explained your rights in certain situations and how you should approach your bank. But you also have the right to complain.

If you wish to complain to your bank, make it clear that you are making a formal complaint, rather than just making an enquiry, and explain what you are complaining about. It is a good idea to complain in writing and to keep a copy, making a note of the date you sent it.

Your bank must acknowledge receiving your complaint, in writing, and must make sure you are kept informed. It has eight weeks to formally respond to your complaint. It must tell you:

- whether your complaint was successful, or explain that it cannot give an answer within the eight-week period; and
- that you can refer the complaint to the Financial Ombudsman Service, which is an independent dispute resolution service.

If you are not satisfied with your bank's final response, or if it does not reply within the eight weeks, you can refer the complaint to the Financial Ombudsman Service.



## Need-to-know banking terms

### **Bouncing**

Where a bank or building society refuses a payment you tried to make. If it does this it must tell you as soon as possible, including the reason for the refusal.

### **Credit report**

The financial check a bank makes to find out your record on borrowing and repaying money.

### **Originator**

A company or individual you permit to take money regularly from your account, such as with direct debit payments.

### **Set-off**

When your bank or building society takes money from your account to pay a debt.

### **Terms and conditions**

The details of the rights and obligations of you and your bank.

### **Tracker rate**

An interest rate that is linked to another official rate – such as the Bank of England bank rate – and moves in line with any change in that rate.

### **Unauthorised transaction**

A payment on your account that you did not consent to.



## Useful contacts

### **Financial Services Authority (FSA)**

We regulate financial services firms in the UK, including banks and building societies to help protect your money and explain your options.

t: 0845 606 1234

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

### **Money Advice Service**

Impartial information and tools to help you manage your money better, such as about basic bank accounts and credit cards.

t: 0300 500 5000

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

### **Financial Ombudsman Service**

The ombudsman service can resolve disputes between consumers and financial firms.

t: 0800 023 4567

[www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

**Want to stay in the know?**

**This guide will be updated**

**regularly, so keep checking**

**to be clear on your rights.**

### **Financial Services Compensation Scheme (FSCS)**

Covers customers of authorised financial services firms.

t: 020 7741 4100 or 0800 678 1100

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

### **Office of Fair Trading (OFT)**

Protects consumer interests, while ensuring that businesses are fair and competitive.

t: 08457 22 44 99

[www.oft.gov.uk](http://www.oft.gov.uk)

### **Consumer Direct**

For advice and complaints about credit cards and other financial products.

t: 0845 404 05 06

[www.consumerdirect.gov.uk](http://www.consumerdirect.gov.uk)

Banks must comply with certain high-level rules, and guidance has been issued by the FSA and the banking industry showing some of the ways (but not the only ways) they can do so. Where this guide refers to the guidance, we say banks 'should' rather than 'must' do things. Banks may comply with the high-level rules in ways we do not mention in the guide.

The guide covers most situations but sometimes exceptions apply. If an exception applies to your question or complaint, your bank should be able to explain why. The bank accounts covered in this guide include current, savings, card-based and instant-access accounts and ISAs.

The guide provides a summary of general information only for consumers of UK retail banking services and does not take account of individual circumstances. This is not a substitute for legal advice and should not be relied on as such. Consider speaking to a professional adviser when making decisions about your own circumstances.

We always try to ensure the information is accurate before publication. From time to time we need to amend or update it, for example because of changes in the law. Please check the current position before you take action, and refer to the online version for the most recent publication.

# Know your rights 1-2-3

**1** Keep  
evidence

**2** Always ask  
questions

**3** Don't be  
put off

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## Financial Services Authority

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