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Switching Current Accounts **Guide**

While people appear increasingly comfortable shopping around for car insurance and swapping energy suppliers, there is one financial product to which almost everyone subscribes but that the vast majority rarely consider changing. Switching current account providers is simply not on the agenda of most, even though significant financial gains can be on offer.

Considerable differences are often apparent between the interest rates and charges on various current accounts, yet little attention is paid to the disparities. The common perception is that switching accounts is a complicated and lengthy process. The reality, however, is that it has never been easier to change providers, while the potential rewards have never been greater.

The banks themselves do most of the hard work, while the new Current Account Switch Service (introduced in September 2013) means transfers must be completed within seven working days and consumers will not be left out of pocket should anything go wrong. Furthermore, as well as consumers potentially earning a higher return, or seeing charges drop, a few providers now also offer cash incentives simply for switching to them.

Credit or debit

Bank accounts are an essential part of everyday life, yet very few people will be aware of the interest rate their account pays or the fees that it levies. In order to make sure consumers are getting the best deal from their account, the first step is to work out the type of customer they are. This will help establish their priorities when finding a new account. If someone is always in credit, then the interest rate is likely to be the most important factor; alternatively, if someone is constantly overdrawn, then overdraft limits and the associated fees will be of great significance.

It should be remembered that being overdrawn does not usually prevent someone from switching to a better account. As such a scenario means a bank gets to charge interest instead of paying it, most will consider accepting a sensibly managed authorised overdraft.

However, whether the account is mainly in credit or debit is not the only criteria to consider when deciding whether to switch accounts

continued overleaf

Key Facts

- **Significant differences can exist between the interest rates paid and charges levied on various current accounts.**
- **Establishing whether an account holder is typically in credit or debit is a good starting point to working out whether a better account might be available elsewhere.**
- **How an account can be operated and the types of transaction that might be carried out should both be considered before a switch is made.**
- **The new account provider will take charge of the switching process and arrange for Direct Debits and standing orders to be transferred to the new account.**
- **Since September 2013, new rules mean account switches must be fully completed within seven working days.**

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and to which one. Some providers will have a better reputation for customer service than others, while the range of features available can vary between different accounts.

Account considerations

Whether transactions can be carried out in branch, online or over the telephone is likely to be a key consideration for most. It is also important to consider how the account might be used, particularly as certain transactions can attract high charges. For instance, anyone who regularly travels overseas should look carefully at the fees levied for using a debit card abroad.

The fact that some providers currently offer a cash incentive to switch to their account should also be considered. This does, however, usually depend on a certain amount being paid into the account on a monthly basis, or a minimum balance being retained in the account.

Meanwhile, some accounts are designed specifically for certain customer groups, and will often have features tailored to meet the target audience's circumstances. As student and graduate accounts tend to offer terms more favourable to those available through a standard current account, anyone eligible would be wise to consider their merits.

Also worthy of consideration are packaged accounts which typically charge a monthly fee, but offer a range of additional benefits in return. The package of benefits can include breakdown insurance, travel insurance, mobile phone cover, hotel, airport lounge and concert ticket discounts as well as access to preferential rates on other products such as credit cards, loans and mortgages. The important thing to work out is whether the value of the benefits that could be made use of by an account holder exceeds the fees that have to be paid.

Current Account Switch Service

Having chosen a suitable account, the new provider should be approached to open the new account and also informed of the intention to switch. A Current Account Switch Agreement form and a Current Account Closure Instruction form will need to be completed to get the process underway.

Since September 2013, a new service has been introduced that has been designed to make it faster, easier and safer for consumers to switch their current accounts between providers. The aim of the scheme is to tackle the low levels of switching in the UK current account market and so promote more competition between banks and building societies in the sector. At the inception of the Current Account Switch Service, 33 current account brands across 17 participating institutions had signed up to the service, with the participating brands covering almost 100% of the UK's current account market.

> **"The banks themselves do most of the hard work, while the new Current Account Switch Service means transfers must be completed within seven working days."**

Guarantees

Underpinning the service, which is free to use, are a number of guarantees. The promise that an old account will be fully switched over to a new one within seven working days is aimed at making the transfer process faster – previously, account transfers would typically take anywhere between four and six weeks to complete, with little recourse should it take longer.

The service also allows transferring customers to choose the exact day that an account switches; so if, for example, the proposed switch day is when a mortgage payment is due to be made, customers concerned about moving on this date can choose a subsequent working day for their transfer to proceed. If all payments tend to be made at the same time each month, then it is probably best to ask that they be transferred just after this date. If the payments are spread across the month, it might be advisable to opt for a date just after the largest payment leaves the account.

Any money in the old account will automatically be transferred to the new account on the switch date. Meanwhile the receiving account provider takes responsibility for moving all Direct Debit and standing order payments going out, as well as payments coming in, such as wages.

Safeguards

As a safeguard, a new redirection service will ensure that for 13 months, any payments accidentally sent to or attempted to be taken from an old account will be automatically redirected to the new account. The interested party will also be contacted and the new account details provided.

Finally, in the event that something does go wrong with the switch, and the consumer suffers a financial loss as a result, any interest (paid or lost) and charges made on either the old or new account will be refunded. Customers will be contacted if there are any issues with the switch.

It must be hoped that the new service and guarantees have the desired effect and inspire confidence in consumers to transfer their current account if there is a better deal for them elsewhere. With it now being easier, faster and safer to switch accounts than ever before few excuses now remain not to consider making a change. In turn the threat of losing customers should push the banks and building societies that perhaps are not as competitive as their peers into improving their propositions going forward, creating even better accounts for consumers in the process.

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