



COMMUNITY ACCOUNTANCY PROJECT - GUIDANCE NOTES

Choosing and Using a Bank for Voluntary Organisations

The relationship between an organisation and the bank it uses should be the same as it would be with any two businesses. Banks offer a range of services and charge a range of costs. Ask for an explanation of any words that you do not understand – be clear what you are getting for your money.

Before approaching a bank

- £ Decide whether a deposit or current account (or both) will be required
- £ Try to estimate the approximate number of transactions that will pass through the account(s) each month
- £ Ask several banks which services they offer and the relevant charges – there is often a range of costs, from free to what the bank thinks the market will stand (the market is *your organisation*)

Before opening an account – ask the following questions and expect clear answers

What charges will be made on the account with the expected level of activity that you have estimated?

Can you have a copy of the bank's charges (tariff)?

If you are offered free banking:

- £ Ensure that it is for the duration of the account and not just short-term
- £ Check the limitations on transactions and financial limits

What identification does the bank need and why?

English law requires that banks and building societies get positive identification and proof of address from all prospective customers, including individuals who will be acting as officials of organisations. It is not possible to open an account without full identification being presented.

Can the organisation have a cheque book?

If the answer is 'no' what will you do, how will you manage?

How often will a bank statement be sent out?

Monthly statements are normally free of charge; weekly or duplicate statements may attract a charge.

What about payment of interest?

- £ Is it gross (no tax deducted) or net (tax deducted at the standard rate)?
- £ Is it paid monthly/quarterly/annually or at the end of an investment period?
- £ (Registered charities should automatically get gross interest; some banks will give this to even unregistered charitable groups)

Will the account allow for regular bills being paid by standing order or direct debit?**Is there a minimum deposit required to open an account?**

Some banks will insist that you deposit a minimum amount before they open an account for you. This can sometimes be a problem if you are waiting for a grant or funds to come in.

Is there a requirement that you must be a registered charity?

Some banks will insist that you should be a registered charity in order to benefit from their services (this is a legal requirement if you have income in any 12 month period of £5,000 or more). If you do not have registered status, it is advisable to check before requesting further information.

Do they offer internet banking?

Internet banking can often be beneficial if you have to work out of normal office hours and it is convenient for paying bills and salaries. Some internet banking accounts offer a dual authorisation option where you can nominate two or more people to authorise transactions. This helps to improve security for your organisation. Be aware of any restrictions in your governing document on authorising transactions.

What encashment facilities or arrangements are there?

A lot of the socially responsible banks do not have a branch network so that they can pass savings on to you. Some of the banks may only offer encashment through one nominated high street bank whilst others will let you choose. Make sure these arrangements are convenient for you.

Is there a local representative in your area or someone that you can ask if you have any questions?

You may feel that there is a lot of paperwork or that the accounts offered do not suit your needs. If you have a local representative they will be able to help answer your questions and tailor an account to suit you.

Tips

Keep the bank fully informed of situations that might adversely affect your finances

Change to a new bank if you are not happy with the service you get from the existing one.

Prevent cash flow problems by

- £ Spreading the cost of bills over 12 months
- £ Asking funders to pay grants and other monies directly into your bank account through the Bankers Automated Clearing System (BACS). This could save you quite an amount in lost interest in a year as cheque deposits take several days to clear
- £ Asking people who make regular payments to you to use standing orders.

Make the most of cash in the bank by

- £ Setting up a short term deposit account
Every penny of interest counts. Ask the bank for an interest-bearing account if you have any money that can be invested, even it is only temporarily. Some funders will pay their grant up front for a full calendar year – you could invest some of this money in a higher interest account, however, check the restrictions on withdrawals.
- £ Reducing the amount of time spent on day to day money managing
Pay wages and other regular bills through BACS or internet banking. There may be a charge for using BACS or internet banking but it:
 - Reduces the number of cheques you use and incurs a lower item charge
 - Saves on postage
 - Saves calling in your signatories
 - Suppliers and employees will be happy as they receive their payments and salaries on a specified date directly into their bank account

When assessing a need to borrow money

- £ Check that your governing document allows you to borrow
- £ Ensure you have an identifiable and definite source of repayment
- £ Maintain a cash flow
- £ Assume the worst situation
- £ Invite the bank manager to visit your organisation – so he/she has a better understanding of what you do and what you are trying to achieve

- £ Will your organisation require working capital or project finance support from the bank? (i.e. short term overdrafts or longer term loans).

Banks which have good accounts for Charities include:

Triodos Bank	Tel: 0800 328 2181	www.triodos.co.uk
Unity Trust Bank	Tel: 0800 783 9650	www.unity.uk.com
Charity Bank	Tel: 01732 520 029	www.charitybank.org
Co-operative Bank	Tel: 08475 215 215	www.co-operativebank.co.uk
CAF Bank		www.cafonline.org.uk

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