

Total Back Office Solutions Ltd

Choose a business bank account

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Created by Business Link on 26 June 2009 10:41
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Choose and run a business account

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Introduction

A good relationship with your bank is essential to the success of your business. Before you can develop a productive relationship, it's vital to invest time choosing the right bank.

The services offered by banks differ greatly and so do the fees they charge. Some banks have special teams who handle business accounts. They also have very useful information for start-up businesses. Many banks offer special deals to new starters in business.

This guide explains how to choose and manage your business bank account.

Choose the right bank

Many people decide to open their business account with the same bank that holds their personal bank accounts. Your own bank may be more supportive if you have a good financial track record and have built up a relationship with them.

However, it is a good idea to **compare** at least two banks before making a decision. Bank charges vary widely, as do the services they offer, so it's best to make sure you are getting the best all-round deal for your business. **Use the [business account finder to compare accounts on the Moneyfacts Online website - Opens in a new window](#).**

As with your personal account, you may want to choose your business account on the basis of the bank's ethical or religious standing - whether its investment policies

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take into account issues such as human rights, corporate and environmental responsibility and 'fair trading'. [Find out about ethical investing and banking at the Ethical Investment Research Services \(EIRIS\) website - Opens in a new window.](#)

The Islamic Bank of Britain only invests and trades in compliance with Sharia'a Law. [Find out about the Islamic Bank of Britain on the Islamic Bank of Britain website - Opens in a new window.](#)

When comparing banks, it's a good idea to ask:

- whether the bank has a dedicated small business team
- what services they offer
- how much those services cost
- how charges are levied - if there is a fee per transaction or a one-off charge
- whether there are any additional charges - some banks charge you when they send out letters or if you exceed your agreed overdraft limit
- whether there is a local branch - especially if you need to make frequent cash transactions
- if there are special offers for new businesses or for transferring from another bank

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The type of account or accounts you choose will depend on the needs of your business. For example, if you have a lot of transactions then accounts with a fixed fee may suit you better than an account that charges a fee per transaction. Some accounts allow free direct debits or standing

orders.

You may need the following accounts:

- A **current account** for day-to-day transactions, payments and receipts. One which pays interest on credit balances is best, but not all banks provide this service.
- An **instant access deposit account** for any cash sums not needed for day-to-day operations. These funds can be put into the current account and then accessed at any time.
- A **term deposit account** for funds not immediately needed and not likely to be needed at short notice.
- A **foreign currency account** if you are going to be trading overseas and particularly if you will receive and make payments in a foreign currency
- A **loan account** for any loans you take out.
- A **merchant account** to enable you to accept and process debit and credit card transactions. See our guide on [accepting debit and credit cards](#).

If your chosen bank does not have all the products you need or if you can get better deals for other products, such as a loan, from another bank, then you can hold accounts with more than one bank. However, a bank may offer better terms if you commit all your business to it.

You should review your bank accounts at least once a year and [compare charges with current rates using the business account finder on the Moneyfacts Online website - Opens in a new window](#). You always have the option of changing banks to

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get a better deal.

Subscribers to the Business Banking Code have committed to making the transfer of bank accounts quicker and simpler for their customers. [Find out about the Banking Code and which banks have subscribed on the Banking Code Standards Board website - Opens in a new window.](#)

Benefits of online banking

All the major banks offer online banking. Online banking is a more efficient way of managing your bank accounts. You can:

- check your balances and view statements online
- move money between accounts
- make payments to suppliers
- set up regular payments such as salaries
- order chequebooks and statements
- download account information to analyse on your computer

Online banking can be very cost-effective. Charges are often lower than for ordinary accounts and accounts may offer higher interest rates. Banks usually offer online banking services at no extra cost.

Larger businesses may also be offered 'PC banking'. This requires the installation of special banking software on the computer you use to manage your account. It can offer a more effective solution if you have a large volume of banking transactions and directly link your accounting systems to your bank.

[Find information on safe online banking at the Bank Safe Online website - Opens](#)

[in a new window.](#)

Checklist: moving to online banking

Most businesses can benefit from using online banking and find switching fairly straightforward. See the page in this guide on the [benefits of online banking](#).

Before you start to plan a switch for your business, make sure you:

- Identify your **objectives**. For example, you might simply want to reduce costs. Alternatively, online banking might be part of an integrated IT system for handling accounting and payments.
- Check what **services** your bank offers and whether they meet your needs.
- Investigate what services other banks offer.
- Find out about transaction charges, interest rates and any standing charges.
- Estimate how your banking costs will change.
- Talk to your suppliers and customers about the kind of **electronic payment options** they would like.
- Assess whether you need any additional equipment and whether any specialist set-up is required.
- Estimate costs and timescales.
- Identify which employees will be affected by the change and organise suitable training in the new system or procedures.
- Ensure that you have **proper security**. See our guide on [keeping your systems and data secure](#).
- Plan the introduction and **testing** of

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online banking.

If you are introducing online banking as part of a more complex IT program, you may want advice. You can contact the Business Link Helpline on Tel 0845 600 9 006.

Open a business bank account

Once you have decided which bank to use, set up a meeting to open the account. The bank will require information from you to open an account for your business. You will need to provide:

- Details of the business you are running and your business activities.
- Details of where the finance to start the business has come from. This may be from you or other investors, or from a loan.
- A business plan - see our guides on how to [prepare a business plan](#) and [use your business plan to get funding](#).
- A certificate of incorporation for limited companies.
- Information concerning your credit history and bank statements for the business if you already have a business account.

You will also have to provide the following information and documents:

- A driving licence or passport, and a recent utility bill for you and for any other person involved in the management of the business. In the case of a limited company this information will have to be provided for directors and company secretaries. Banks need this information to check your identity,

which they are obliged to do under money laundering laws.

- An account opening mandate. The bank will give you this.
- A list of the persons who can sign on the bank account and a sample of their signature. The bank will ask you to specify in what combination people will sign on the account. For example, cheques may require two signatures.

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You should keep in mind the terms and conditions attached to each of your business accounts. As the business grows and circumstances change you may find that these terms no longer fit your situation.

It is better to go to the bank to discuss how you think your account may operate. It may be necessary to negotiate new conditions for your account rather than to breach a term, eg exceed a credit limit and incur extra fees and run the risk of getting a bad credit rating.

It is important to build up a good relationship with your bank:

- don't allow the business account to become overdrawn unless an overdraft limit has been agreed
- don't exceed any overdraft limit without prior agreement
- stick to the terms and conditions

You can manage your bank account more easily by:

- ensuring that only appropriate persons are authorised to make

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- payments from the bank account
- keeping **records** of all transactions in the bank account
- ensuring you keep and examine your bank **statements**
- using your bank statements to check the financial position of the business
- cross-checking your statements with your business records to ensure that all transactions tally

Online banking can make it quick and easy to check balances and payments. See the page in this guide on the [benefits of online banking](#).

Your relationship with your bank will be improved if they understand your business. You can help them to improve their understanding by:

- talking to the person managing your account on a regular basis
- if requested, sending your accounts to the bank every year
- providing the bank with updated copies of your business plan when you need new loans or increased overdraft facilities - see our guide on how to [use your business plan to get funding](#)
- letting your bank know if you plan any unusual transactions, eg significant capital expenditure

Notify the bank immediately of any problems your business may be experiencing.

[Find details about complaining or resolving a dispute with your bank at the Financial Ombudsman website - Opens in a new window.](#)

Banks will provide you with information about their charges, but make sure you know the full story. Brochures and leaflets will highlight the standard charges for operating your account. You will be advised of some of the fees levied for non-standard services before the service is provided.

Checking bank charges

Bank charges are usually taken from the bank account monthly or quarterly. A statement detailing a breakdown of all fees is sent to the customer before the fees are taken from the account. It is useful to check this statement regularly to ensure that no other fees are being imposed. Ask the bank to explain anything that looks unusual or that you don't understand.

[Find information on understanding and checking bank charges and interest for small businesses at the British Bankers' Association \(BBA\) website - Opens in a new window.](#)

But it is not all down to the bank. If you do not keep to the terms and conditions of your account, the charges can be high. Banks will charge a referral fee if your account goes overdrawn without permission. This is payable if the manager has to examine your account and write to you about it.

If you accept a cheque that is returned unpaid by the debtor's bank, your bank will charge you an administration cost and you will not get the money due to you. It will then be up to you to get the debtor to pay you in another way and to reimburse the bank charges you have incurred.

Keep bank charges to a minimum

Be aware of bank charges

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There are ways to keep your bank charges as low as possible. For example:

- negotiate for better interest rates and lower charges
- automate as many transactions as you can by using standing orders, direct debits and electronic payments
- use your bank's online services if any are available
- avoid unauthorised overdrafts
- try to reduce the amount of cash you pay into your account
- find out what other banks would charge for the same services

If you are unhappy with the service you have received from your bank, in the first instance complain to your bank. If you remain unhappy, you can [find details about complaining or resolving a dispute with your bank at the Financial Ombudsman website](#) - Opens in a new window.

Helplines

Business Link Helpline

0845 600 9 006

Related guides on businesslink.gov.uk

[Manage your personal list of starting-up tasks with our Business start-up organiser](#) | [Borrow money tax efficiently](#) | [Transferring business accounts between banks](#) | [Use your business plan to get funding](#) | [Accepting debit and credit cards](#) | [Accepting online payments](#) | [Keeping your systems and data secure](#) |

[An overview of IT and e-commerce](#) | [Loans and overdrafts](#) | [Prepare a business plan](#) | [Avoid insolvency](#) | [Recovering late payments](#) |

Related web sites you might find useful

[Bank comparison tool on the Simply Business website](#) - Opens in a new window

[Business account search facility on the British Bankers' Association website](#) - Opens in a new window

[Bank account comparison tables on the Moneyfacts Online website](#) - Opens in a new window

[Ethical investing and banking advice on the EIRIS website](#) - Opens in a new window

[Islamic finance overview on the Islamic Bank of Britain website](#) - Opens in a new window

[Banking Code introduction on the Banking Code Standards Board website](#) - Opens in a new window

[Banking online safety advice on the Bank Safe Online website](#) - Opens in a new window

[Bank dispute resolution advice on the Financial Ombudsman website](#) - Opens in a new window

[Bank charge and interest guidance on the BBA website](#) - Opens in a new window

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