The different types of bank account

This is quick and easy advice about the different types of bank account.

There are a many different bank accounts available and some words to get used to.

Banks have two basic types of account:

- Current accounts
- Savings accounts

Each bank may have its own names for accounts within these two types, but the basic points remain the same.

Current accounts

Current accounts are used for day-to-day dealing with money. You use it for money coming in, such as wages, and money going out, such as taking out cash, paying bills, shopping, paying with cheques.

Most current accounts offer:

- A cheque book – the printed slips for you to pay money to a named person or company.
- A debit card – for taking out cash or paying for what you buy.
- A cash point card – for taking out cash from cash machines.
- Statements – to show you how much you have in your account and what you have spent.
- Standing orders – for setting up regular payments you need to make.

For more help and advice please contact Citizens Advice consumer service on 08454 040506.
• Direct Debits – for companies to collect regular payments from your account
• Interest – money you’ve earned on the amount you have in your account
• Overdraft – letting you draw out more money than is in your account as a short-term loan
• Loans – if you need to borrow larger amounts of money for something like buying a car or furniture

Savings accounts

Savings accounts, also known as deposit accounts, are for paying in money that you don’t need to use for a while. Some allow instant access to your money, which means you can just ask the bank for it whenever you need it. With other accounts you have to tell the bank in advance if you want to take out money. If you do not do that, you may have to pay a charge. Savings accounts do not normally give you a cheque book or a cash point card.

They usually offer higher rates of interest than current accounts but these can vary so it is worth shopping around for the best deal.

Individual Savings Accounts or ISAs are a government scheme to encourage more people to save or invest their money. With an ISA you don’t pay any tax on the interest you have earned. With an ordinary bank or building society account you pay tax on the interest you earn.

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