

Teacher's notes

There are a variety of bank accounts available and some terminology to get used to.

This section explains the most common areas of banks and building societies.

Banks have two basic types of account:

- Current accounts
- Savings accounts

Each bank may have its own names for types of accounts within these categories but the basic principles remain the same.

Current accounts

Current accounts are used for day-to-day transactions with money coming in, such as wages, and money going out such as cash withdrawals, bill payments, cheques etc.

Most current accounts offer:

- Cheque book
- Debit card
- Cashpoint card
- Statements
- Standing orders
- Direct Debits
- Interest
- Overdraft
- Loans

A CHEQUE BOOK is a small set of printed forms which allow you to pay amounts of money to a named individual or company.

Savings accounts

Savings accounts, also known as Deposit accounts, are intended for money to be paid in but not often withdrawn. Some allow instant access to your money but others require that you give the bank notice before making a withdrawal or incur a penalty. They do not offer the same access facilities as current accounts such as cheque books and cash point cards. They usually offer higher rates of interest than current accounts but these too can vary so it is worth shopping around.

Individual Savings Accounts or ISAs are a government scheme to encourage more people to save or invest their money without paying any tax on the interest earned. With an ordinary bank or building society account you pay tax on the interest you earn.

You can start with small amounts and save up to £7,000 each tax year until 2005/2006, and up to £5,000 in each tax year from 2006/2007.

Opening an account

To open a bank or building society account, you will usually have to:

- Complete an application form
- Provide proof of your identity and address
- Put some money in the new account

Wherever possible, the bank or building society will want to verify your identity and address through official documents that contain a photo and ideally a signature, for example,

- a current valid full passport,
- national identity card or
- Driving licence.

If you do not have these documents, the bank or building society may ask for other proof of identity. To check the address, the bank or building society may ask for a recent utility or council tax bill.

A student may provide a letter from her/his college. The same document cannot be used to prove both identity and address.