

## **Minimise your company bank charges**

The Supreme Court's rejection of the Office of Fair Trading's challenge to excessive personal bank charges also means the prospect of an attack on business banking charges has vanished. When times are tough, being forced to pay a penalty for an unpaid cheque or for going overdrawn can seem harsh. However, most companies with business banking facilities are likely to be charged fees by their banks simply for using their services.

This means that even if businesses do stay within their agreed credit limits, banks generally charge a monthly or quarterly fee for operating the account. Monthly fees typically range up to £30, but some banks will offer an introductory free period. Most banks will also impose additional charges for processing transactions like cash and cheques. Separate fees are usually payable for arranging loans and overdrafts, while account holders that exceed their limits will usually incur costly penalties.

Bearing all this good news in mind, how can companies minimise what they pay in bank fees and charges?

### **Consider your banking needs**

Start by finding the right account, and bank, for your business. You need to consider what type of account you need. If you deal a lot in cash, you'll probably need a local branch, but if not, consider an Internet-based bank which is likely to charge less for its services.

You should also consider how you make your transactions. Do you handle money electronically or do your customers pay by cheque? Setting up automated payments can be much cheaper than using cash or cheques, while businesses that export or import via Europe may be better off with a Euro account to avoid foreign exchange charges.

### **Avoid penalties where possible**

Incidents of businesses being charged substantial fees for going a few pence overdrawn have been widely reported, but there are steps you can take to avoid these charges. Ensuring there are clear funds in the account to meet payments or agreeing an overdraft limit is the most obvious way. However, if you find yourself in financial difficulty, you should talk to your bank as soon as possible to at least request a hold on further penalties.

There is no legal maximum on what banks can charge, but amounts can vary widely so it is worth comparing lenders. The Co-operative Bank, for instance, will impose a £6 penalty for an inbound unpaid cheque while NatWest makes no charge at all. All banks have to publish their tariffs, including what they charge for unauthorised credit, so ensure you read the small print.

### **Prepare cashflow controls**

By having a weekly cashflow forecast in place, a company can predict what its cash requirements are going to be and put measures in place to ensure there is sufficient in the bank account to meet its payments. Ensure that cheques paid in have cleared before drawing against them. Avoid large irregular payments by setting up monthly direct debits or standing orders to spread the payments.

### **Seek external help**

If you believe the company has been overcharged by the bank over a period of time but are unsure to what extent, it may be cost effective to engage a specialist company short term to analyse your statements to give you some ammunition to take to your bank.

### **Appeal against the charges**

Bear in mind you can appeal against bank charges in some instances. Start by raising the issue with your bank. If that fails, small firms can use the free Financial Ombudsman Service, which takes around eight weeks to make a decision. However, currently only those with a turnover of less than around £1.8 million and fewer than ten employees are eligible to use the service.

While business groups have called on the Government to extend the Financial Ombudsman Service's role to include small companies with more than ten employees, there are currently no plans in the pipeline. Until things change, the advice to larger companies is to lodge an appeal directly with their bank.

### **REMEMBER!!!**

Ultimately, if a company is not satisfied with the way its bank is treating it, it always has the option to change to another bank. There is no guarantee they will be any better but companies shouldn't necessarily show loyalty to a bank that doesn't treat them the way it should.