



FACTSHEET 28

Choosing and Using a Bank for Voluntary Organisations

The relationship between your organisation and the bank it uses should be the same as it would be with any other high street shop. Banks offer a range of services and charge a range of costs. Ask for an explanation of any jargon which you don't understand - you need to be clear what you are getting for your money.

Before Approaching a Bank

- Decide whether deposit or current account (or both) will be required
- Try to estimate the approximate number of transactions which 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

1. What charges will be made on the account with the expected level of activity that you have estimated?
2. Can you have a copy of the banks 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

3. What identification does the bank need and why?

Banking legislation requires positive identification of all prospective customers, including individuals who will be acting as officials of organisations. The bank will need to ask for the home addresses of all the people who sign cheques so they can check that:

- the person is on the voters' list at the address given;
- there are no debts registered against that person.

4. Can the organisation have a cheque book?

5. How often will a bank statement be sent out?

Monthly statements are normally free of charge; more frequent statements may attract a charge.

6. 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).

7. Will the account allow for regular bills being paid by standing order or direct debit?

How to Prevent Cash Flow Problems

1. Spread the cost of bills over 12 months.
2. Ask 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. There are significant delays built into any system of posting, paying in and clearing cheques.
3. Ask people who make regular payments to use standing orders rather than cash.

How to Make the Most of Cash in the Bank

1. **Set up a short term Deposit account**
If you have any money which can be invested, even if it is only temporarily, ask the bank if it can be lodged in an interest-bearing account. Every penny of interest counts.
2. **Reduce the amount of time spent on day to day money managing**
Pay wages and other regular bills through BACS. There is a charge for using BACS but it:
 - reduces the number of cheques you use and incurs a lower item charge;
 - saves on postage;
 - saves calling in your signatories and is still a secure system.Your bank will supply full details of the system on request.
3. **Keep the bank advised of situations which might adversely affect your finances**
4. **When assessing a need to borrow money, always:**
 - Check that your constitution allows you to borrow;
 - Ensure you have an identifiable and definite source of repayment;
 - Assume the worst situation;
 - Always keep the bank advised of situations which might adversely affect your finances.

Top Tips

- **Invite the bank manager to visit your organisation** - they will then have a better understanding of what you do and what you are trying to achieve.
- **Use NCVS Financial Services** - Any organisations availing themselves of this

service can get all financial administration done at a reasonable cost. (Information Sheet "Financial Services available from NCVS" gives more detail of this service.)

Banks which have good accounts for charities:

- Triodos Bank; Tel: 0800 328 2181; (www.triodos.co.uk)
- Unity Bank; Tel: 0800 783 9650; (www.unity.uk.com)
- Charity Bank; 01732 520029; (www.charitybank.org)

FURTHER HELP

Core Services
Dudley Council for Voluntary Service
7 Albion Street
Brierley Hill
West Midlands
DY5 3EE

☎ 01384 78166

www.dudleycvs.org.uk