

**Banks are commercial enterprises, and they make money is by charging you when certain things – such as an overdraft – happen. But while bank charges are a fact of life, careful management can help you keep them under control...**

**Shop around**

Increased competition among banks means they are not as arbitrary or as heavy-handed as they used to be. There are a lot of banks eager for business custom so it really is worth doing your research.

In fact, some banks are so eager to poach customers from other banks, they will offer preferential deals to established businesses.

**New types of bank**

There are many new entrants to the market offering lower charges and interest rates provided you fall into quite restricted categories (such as no borrowings or cash handling). If you fit their profile, it could be cheaper for you to bank with them rather than the major high street banks.

**Haggle**

When you do shop around, you may find some banks are a bit evasive about charges. This is because so much depends on the type of business involved, its history and its turnover. This is not means a bad thing - banks are prepared to haggle!

Consider these recent comments by bank managers: "We will look at the whole package", "We are prepared to negotiate", and even, "I am almost reluctant to send you our tariffs because they're not set in stone".

**Look at your options**

Ask about free banking options. If they don't offer it, ask for it for a limited period. You will have to balance the free banking against the possibly higher charges when the honeymoon period ends. Take the long-term view, don't just think about today.

**Compare charges**

Transaction charges for cheques, deposits, ATM withdrawals, standing orders and direct debits may vary significantly so it's worth doing some research.

Also find out about respective ancillary charges for services such as additional statements and night-safe facilities. Enquire about borrowing-related charges on approved and unauthorised overdrafts How much do they charge for letters to inform you that you have slipped into an overdraft? Different banks will offer different packages – think about what you really need to find the best value for you.

**What services do they provide?**

Find out if they offer electronic or internet banking. Barclays, for instance, offers free Internet banking for one year, and other banks seem set to follow its lead. Telephone banking can be very useful but check to see whether the bank charges for this service. What other services can they offer?

**Find a good bank manager**

Ultimately the most important element of a business account is the bank manager. Find one you can get on with, who understands your business and haggle for the rest.

**Manage your account better**

Even if you don't wish to switch banks, there are usually ways to save money on bank charges. Banks produce reports that indicate how much it costs them to run your account. Review your charges every year and ask your bank manager to suggest how you could reduce your charges based on this report.

**Minimise charges by:**

- **Reducing the number of transactions**  
Using credit where possible, thus avoid charges on several payments rather than a single monthly debit. You can also save yourself some cash by putting several cheques received onto one paying-in slip. Automate as much as possible – standing orders, direct debit and BACs payments are usually cheaper than cheques.
- **Avoid unauthorised overdrafts**  
You can fall into this even without appearing to go overdrawn, for instance, if you make payments before cheques paid in have had a chance to clear, this usually takes three working days. Consider alternative types of account. Some banks offer telephone banking which is cheaper and allows you to keep tabs on your account status.
- **Earn interest**  
Keep surplus funds in a high-interest deposit account so you are earning more on them. You can then transfer money back to your current account as required. You may have to use another bank to get good interest rates.
- **Look at the big picture**  
Try to negotiate an overall charge scheme rather than one based on lots of different line items, for instance, a percentage of turnover rather than charges per item on your bank statement. If you do this, beware how you move money back into the account from high-interest accounts held in other banks, you do not want to be clobbered for non-turnover transfers.
- **Get it in writing**  
When you do agree rates, get them in writing. Never mind the official forms, get any special terms you negotiate confirmed in a separate letter of understanding. It saves arguments over any arbitrary charges later on.
- **Complain**  
Where an arbitrary or excessive charge is made, complain. Your case will be stronger if you can refer to a letter which explicitly sets out the charges. It helps if you are in a position to switch banks easily. Remember they need you as much as you need them.