

### The Scope of This Guidance Leaflet

This leaflet is one of many written for the volunteer (“amateur”) Trustees of the 75% of “small” (less than £250K/yr) charities which do not employ a full-time professional management team.

It will be useful for the Trustees of both:

- ✓ new charities seeking to get registered with the Charity Commission;
- ✓ existing charities undertaking their periodic review of their activities, performance and governance arrangements.

**This leaflet, like all the others available from Small Charity Support, is NOT presented as a full and comprehensive professional opinion/advice on Charity Law and all the associated regulations.**

Rather it is just a personal commentary on charity issues, and how to deal with them, from the perspective of the proverbial “[Person on the Clapham Omnibus](#)”.

For more details see the Small Charity Support website.

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## Choosing a Bank Account

Sooner or later (usually “sooner”) you will need a bank account for your charity.

The Charity Commission does not require you to have a bank account in order to register your charity. But if you do not have one, the Charity Commission will ask you for proof of income – *ie*: some solid evidence that you will have a reliable source of sufficient funds to be able to run and maintain your charity effectively.

Unfortunately the Charity Commission does not give any specific guidance on what it would, or would not, regard as appropriate “proof of income”. A letter from an independent funder or donor confirming the award of a grant would probably be acceptable. A vague offer of some money from friends/family might be rather less satisfactory.

Keeping the charity’s money in your own bank account, or just “in a biscuit tin under the mattress”, is definitely bad practice and frowned upon. Not surprisingly, therefore, the Charity Commission guidance says:

*“If your organisation is operating but does not yet have a bank account you will need to explain how the funds are securely held. The trustees must open a bank account in England and Wales and ensure that the funds of the charity are held there as soon as the charity is registered.”*

So, even if you don’t open a bank account immediately while you are in the process of setting your charity up, you will be required to open an account before your charity becomes operational – *ie*: before you need to start making payments and, hopefully, receiving more incoming funds. That being the case, it is recommended that you open a bank account as soon as is practical.

### 1. Which Bank Should I Use?

There is no direct answer to this question.

Banks, like the charities which use them, vary enormously. A bank whose services ideally suit the needs of one charity may be totally unsuitable for the needs of another. And even within one bank company

there can be local variations in the appropriateness of the services provided to individual charities depending on the approach taken by the local branch (usually the small businesses accounts manager).

Note that it can be very tempting for a Treasurer to open a charity account with the same bank branch as they have their personal account. The advantages of local convenience, and the fact that one is already personally known at the branch, can be valuable considerations. And some published guidance does actually recommend that. **But a bank providing an ideal personal account service isn't automatically guaranteed to provide the best charity account service.**

Note also that, in addition to the familiar "high street" banks, there are also two specialist banks providing accounts and banking services exclusively to the charity and not-for-profit sector. They are [CAF Bank](#) and [Unity Trust Bank](#) (click on the names to go to their websites).

So it's very much a case of "horses for courses" and shopping around to find the most appropriate deal for your charity. The best that this leaflet can offer is to highlight some of the points to watch out for when negotiating with different banks. In particular, do check on what each bank charges for charity accounts. **Not all are free (including the two charity banks), even if their personal accounts are free.**

## 2. What Information Will I Need To Open A Bank Account

Much of the information now required to open a new bank account is determined not directly by the banks themselves but by the government's anti-money-laundering regulations, with which all banks are required to comply.

But there will still be differences between the information requested by different banks, either because they have added requirements of their own, or because they have interpreted the regulations differently.

In addition to basic information about the charity itself (eg: name, charity number, operating address, other contact information) quite a lot of detailed personal information about individuals (eg: date of birth, National Insurance No., previous names) may also be required. And it is now common for banks to require such information on ALL personnel who hold positions of executive responsibility within the charity – eg: Trustees, CEOs – whether or not they will actually be signatories to the account.

It is likely that much of the personal data required to open a bank account will also be required for other purposes – eg: recording details of Trustees for the Charity Commission's Register of Charities.

Unfortunately that does create some "conundrums" under the new GDPR (General Data Protection Regulation), which seems to think that personal data are only ever collected, held and processed for one purpose. The reality, exemplified by the need to open a bank account, is that much of the personal data collected by a charity is held and processed for a variety of quite different purposes under different legal bases. For example:

It can reasonably be argued that the personal data that a charity needs to open a bank account is held & processed on the basis of legal obligation and the retention period ends as soon as the bank has opened the account.

And it can reasonably be argued that much of those personal data is also required to register Trustees and other senior staff with the Charity Commission and are therefore similarly held and processed on the basis of legal obligation but that the retention period is for 1 year after the individual ceased to be engaged with the charity.

And it can reasonably be argued that much of those personal data is also required to enable the charity to organise and administer its activities effectively and are therefore held and processed on the basis of legitimate interest with a retention period of 3 months after the individual ceased to be engaged with the charity.

Head spinning ???!! Join the club !! Such are the dilemmas created by regulations which are high on principle but low on practical applicability.

The information you are likely to need to open a bank account is listed in section 8.

Some suggestions on how to cope with that in the "new age" of GDPR are covered in a separate leaflet, which can be found on the Example Policies & Procedures page of the Small Charity Support website, <http://www.smallcharitysupport.uk/index.php/what-s-available/12-about-small-charity-support/9-example-policies-procedures>

### 3. What If I Already Have an Account for My Charity?

This very much depends on what kind of account you already have and what kind of charity you are trying to register.

If you are/were a small unregistered charity (*ie*: below the £5000 threshold for registration with the Charity Commission) and are now just wanting to register it formally as an Unincorporated Association because your annual turnover has, or is expected shortly to, exceed the threshold then you can probably continue using the same account.

But if you are wanting to re-register an existing unincorporated association charity as a Charitable Incorporated Organisation (CIO) the situation is a bit more difficult. And different banks may have different ways of dealing with it.

The difficulty arises because CIOs are, legally, a quite different entity from unincorporated charities (whether the unincorporated charity is registered with the Charity Commission or not). Therefore, so far as the bank is concerned, the CIO that you are trying to register is an entirely different “customer” from your existing charity.

It's a bit like going into a bank and saying “*My name is John Doe. I have a bank account which I don't need any more. But I have a friend, also called John Doe, who needs a new bank account. Can I just transfer my account to him?*” You might both have the same name; you might even live in the same house; but, legally, you are still two distinct individuals and, therefore, two separate customers from the bank's perspective. And that means that the bank is likely to require the other John Doe to open his own account in his own name (not least because anti-money laundering regulations will require that). If the first John Doe is still happy to close his account having transferred any remaining money to the second John Doe that will be a personal transaction between the two of them in which the bank has no direct involvement.

As indicated earlier – you should expect banks to differ and you may need to “shop around” to find the solution which best meets your particular situation.

However, CAF Bank has been known to allow an Unincorporated Charity which re-registered as a Charitable Incorporated Organisation (CIO) to keep the same account (*ie*: the same Sort-Code and Account No:) and simply issued new cheque books printed with the charity's new charity number.

## 4. High Street Banks

### 4.1. What is a High Street Bank “Charity” Account?

Many – but by no means all – of the “household name” high street banks provide “free” accounts for small charities. They come under a variety of names – charity account; community account; club account; treasurer's account – depending on which bank you go to. But whatever they are called they are all managed as part of the banks' business services rather than their services for personal customers.

The threshold for what qualifies as “small” also varies from bank to bank, but is typically an annual turnover of less than £100,000. There may also be thresholds – *eg*: the number of transactions (cheques issued and/or deposits) in a year.

Note, too, that “free” generally refers only to “everyday” transactions, *eg*: issuing cheques, BACS payments/receipts, “over-the-counter” deposits. And only while the account is in credit. Other transactions, *eg*: cancelled cheques, overdrafts, bankers' drafts are usually chargeable at ordinary commercial rates.

### 4.2. Opening a Charity Account at a High Street Bank

Because High Street banks are frequently changing the way that they operate their business/charity accounts it is not practical to include in this leaflet a “definitive” guide to opening a charity account with each individual bank.

The Resource Centre has a website which gives some information on some High Street banks:

<http://www.resourcecentre.org.uk/information/bank-accounts-for-community-and-voluntary-organisations/>

but the information it contains is also somewhat limited.

It seems that most of the banks offering charity accounts do not offer any “walk-in” facilities for opening such an account in-branch. Instead you either have to telephone their business services division or register on-line (some offer both). If any personal follow-up is required – *eg:* to validate signatories to the account –it seems that this has to be done through a pre-booked appointment with the Business Manager in your local branch (*ie:* you generally can’t just walk in and ask to speak with someone).

Because all banks have to comply with stringent anti-money-laundering regulations, opening an account is quite an arduous process. It’s not uncommon for the registration form to be 20 or more pages long. You will need quite a lot of information on everyone who will be involved in the account (see sections 1 & 8). That will usually include ALL the Trustees (even if they are not going to be signatories on the account<sup>1</sup>) plus any administration staff who will be signatories to the account. Not all banks may require all of the listed information, but you are advised to have it to hand anyway.

The process is shortened somewhat if your Trustees and intended signatories are already customers of the bank at which you are intending to open your account. In that case the bank can usually validate the signatory from their existing records without the individual having to go to the bank in person. But for those who are not existing customers, a visit to the bank is usually mandatory. This can be complicated if your Trustees are widely located and cannot easily get to the branch where you are opening your charity account. However, Trustees/Signatories can go to their own local branch for validation. In that case you will probably have to negotiate with your local Business

In short – there is no simple, universal way of opening a charity account with a high-street bank. The best place to start is to look at the website (search for “charity account”) of the bank that you are thinking of using.

#### 4.3. On-Line Banking

You will probably want your chosen bank to provide with on-line banking to enable you to:

- a: Look at statements on-line;
- b: Make payments on-line *ie:* BACS payments.

Most high-street banks provide on-line banking facilities. But because “charity” accounts are just a small part of their “business accounts” services, their on-line facilities are targeted at the needs of small commercial businesses rather than charities.

In particular, this can mean that their facilities for the dual authorisation of payments and withdrawals (as required by Charity Commission good practice guidelines) can be inadequate or non-existent.

#### 4.4. “The Bottom Line

It seems that most small charities have their bank current account with one of the big “High Street” and are reasonably satisfied with that.

However, the key factors in choosing which company to bank with seems to be that the Trustees are familiar with “High Street” banks and when it came to setting up their charity current account initially their Treasurer simply went to the High Street bank where he/she was already a customer.

## 5. Charity Banks

### 5.1. Introduction

There are just two banks which provide current accounts exclusively for the charity/voluntary sector.

- **CAF Bank** – which is the trading arm of the Charities Aid Foundation, a registered charity itself;
- **Unity Trust Bank**

Neither of these banks have any visible “high street” presence – *ie:* if you walk along any high street you won’t come across either of these banks – which is why the Trustees of most small start-up charities don’t know about them and, therefore, don’t consider them as an alternative to the standard “high street banks”.

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<sup>1</sup> This is because all Trustees have equal “responsibility” for the charity’s finances, whether or not they are the “Treasurer” and whether or not they are signatories to the account.

However, unlike the business sections of “high street banks” both these “charity banks” are specifically targeted at charities (large as well as small) so the services that they provide are much more consistent with the good practice requirements of the Charity Commission. In particular they provide better facilities for the dual-authorisation of transactions on-line.

Although neither “charity bank” has a visible high street presence, both do provide “over the counter” services – *eg*: if your charity needs to deposit cash (*eg*: cash donations received at a fund-raising event). In the case of CAF Bank that can be done through any high street branch of HSBC and in the case of Unity Trust Bank through any high street branch of NatWest.

Both banks also offer a range of additional financial services, *eg*: the ability to receive payments by debit/credit card, either on-line or by card-reader; the ability to set up and receive payments by direct debit (*eg*: membership subscriptions).

There are, of course, a number of differences between the two banks in the way that they operate and the range of services that they provide. For small start-up charities the most significant immediate difference is that CAF Bank requires a minimum start-up deposit of £1000 while the Unity Trust Bank requires an initial deposit of only £500. But note that CAF Bank does NOT require a minimum of £1000 to be kept in the account at all times – so it is possible to set up a CAF Bank account with at least part of the initial £1000 being a loan (typically interest-free unsecured) from “a well-wisher” and then repay the lender once the account is open.

## 5.2. Setting up an Account

And, in addition, it is much easier to set up a charity account with them – particularly where the charity’s Trustees are scattered and therefore cannot all get into the bank at the same time to prove their identity – because these banks are able to verify Trustees identity through the charity’s registration with the Charity Commission.

## 6. The Bottom Line

There is no simple “Which Best Buy” guide to opening a bank account for your charity. And even if there were, it would be constantly changing as banks are constantly changing the services they offer to customers in their efforts to win market share.

So you will really need to shop around and find the best compromise between the range of services that they offer and the convenience of the services that they offer.

In terms of understanding and catering for the needs of charities there is no doubt that the two charity-specific banks, CAFBank and the Unity Trust Bank are better than the high-street banks – with their on-line services and, particularly, their options for the on-line dual-authentication of outgoing payments. The fact that they don’t have a “visible” high-street presence can be a bit off-putting at first (particularly as in-bank staff are often not familiar with those arrangements). But in practice, the facilities that both have put in place to provide over-the-counter services through partner high-street banks (HSBC for CAFBank, NatWest for the Unity Trust Bank) works just as well as if the charity had, instead, banked with those high-street banks directly.

If your charity wanted more elaborate facilities – *eg*: the ability to accept payments by credit/debit card; or the ability to collect subscriptions, donations, *etc* – by direct debit – then you will really need to discuss directly with a few potential banks exactly what facilities they provide, how they work and what the associated costs are.

## 7. Bank Websites for Charity Accounts

**IMPORTANT:** The inclusion (or omission) of any particular bank in the following list is NOT a recommendation or endorsement (or criticism) of its services

### 7.1. Charity Banks

**CAF Bank** (Charities Aid Foundation)

<https://www.cafonline.org/charity-finance--fundraising/banking>

**The Unity Trust Bank**

<https://www.unity.co.uk/bank-with-us/charity-banking-services/>

### 7.2. High-Street Banks

**Barclays**

<http://www.barclays.co.uk/BusinessBanking/P1242557952664>

Note: If you "Google" Barclays Charity Account you get taken to a website which is targeted at charities with an annual turnover of more than £5m and which re-directs you to the above website

**Co-operative Bank**

<https://www.co-operativebank.co.uk/corporate/banking-for-charities>

**HSBC**

<https://www.business.hsbc.co.uk/1/2/business-banking/community-schools-and-colleges>

**Lloyds**

<http://www.lloydsbank.com/business/retail-business/current-accounts/treasurers-account.asp>

**Metro Bank**

<https://www.metrobankonline.co.uk/business/sector-services/products/charities-not-for-profit/>

**Nationwide Building Society:** *(Doesn't provide charity bank accounts)*

**NatWest**

<https://www.business.natwest.com/business/business-banking/business-bank-accounts/community-bank-account.html>

**Santander**

<http://www.santander.co.uk/uk/business/clubs-charities-accounts/>

**TSB**

<http://www.tsb.co.uk/business/accounts/treasurer-account/>

## 8. Information on Trustees

From time to time it will be necessary to provide personal details of your Trustees and, occasionally, others who have key executive roles in your charity. For example: when registering your charity with the Charity Commission or opening a bank account.

Not all of the following information will be required on every occasion. But it will save you (and everyone) time and hassle in the long-term if you collect all the information “up front”.

As the information is of a personal nature it comes within the provisions of the Data Protection Act. However, charities are exempt from registration under the Act but are still required keep the data secure and only use it for legitimate administrative purposes.

Title:	Mr; Ms; Mrs; Dr; Prof; Revd; Sir; <i>etc.</i>
Given Name(s)	First name Middle names (if any)
Family Name	Surname
Qualifications	BA; MA; PhD; FCA; FRCO; <i>etc</i>
Honours	OBE; MBE; <i>etc</i>
Preferred Name	eg: if given name is Robert Smith but prefers to be called Bill Smith
Previous Name(s)	Any name by which the person has previously been known – <i>eg:</i> change of name by deed poll; the maiden name of a married woman.
Date of Birth	
Current Address	<i>Street address</i> <i>Address line 2, if required</i> <i>Town/City</i> <i>Post/Zip Code</i> <i>Country</i> Date moved to this address
Previous Address	Repeat the above details for any address lived at in the last 5 years
Phone Number(s)	Home; Office; Mobile
E-mail Address(es)	
National Insurance No:	Or other national identification if not a UK citizen
Trustee of any other charity	Only a Yes / No response is required. You don't have to name the other charities
Conflicts of Interest	Any involvement with other persons or organisations which could lead to a conflict of interest ( <i>eg:</i> a relative who is a potential beneficiary; an organisation which is a potential supplier to the charity). This is for potential conflicts of interest of an on-going or long-term nature. Reporting a potential conflict of interest here does mean that the individual does not have to report potential conflicts of interest of a more <i>ad hoc</i> nature which arise in the future