



## Current accounts

Over the past two years, the Irish banking market has benefited from some much-needed competition, and consumers can now switch more easily than ever. We take a look at the current account market and suggest some Choice Buys.

A current account is one of the most basic banking products available but remains one of the most essential for

managing short-term financial needs. It's the account into which salaries, social welfare or pension incomes are paid and

from which bills and mortgages are settled, and purchases made through cash withdrawn from ATMs or by cheques or debit cards. For this reason, ease of access, flexibility and convenience are paramount.

In the past year-and-a-half, the personal current account market has changed radically. Transaction-free banking was introduced about 18 months ago if customers met certain conditions. In addition, all the main

### AT A GLANCE

.....  
Fee-free banking.

Switching.

Interest.

# choice comment

The current account market has suddenly become much more competitive. The Irish Banking Federation's Switching Code and the entry of Halifax to the current account market have effectively resulted in the introduction of fee-free banking and interest on credit balances - features that would have been unheard of even two years ago.

It goes to show what a little bit of competitive pressure allied with minor regulatory changes can do to force providers to raise their standards and offer better value. The CAI has highlighted inadequacies in this market over many years.

As a result, around 1,500 personal bank accounts are switched each month, according to figures from the Irish Banking Federation (IBF). A total of 37,200 personal accounts have been switched since the Switching Code came into operation in February 2005.

However, there are still improvements needed. The BoI's demands regarding new accounts and free banking offers show how the CAI still has a task ahead of it as we enter 2008.

## CHOICE BUYS

### Halifax Current Account

Fee-free banking.  
10% interest on credit balances up to €2,000. This is an open ended offer rather than a temporary one, unlike offers from the other banks.  
No charges for credit transfers or setting up overdraft facilities.  
Overdraft interest rate of less than 10% provided you lodge at least €1,500 every month.

### Permanent TSB Switch

Fee-free banking.  
4% interest on credit balances up to €1,500.  
No charges for setting up overdraft facilities.

banks are now paying interest on current accounts.

Much of this improvement in the current account market can be attributed to two factors: the Irish Banking Federation's Switching Code, which has made the process of switching current accounts much easier since 2005; and the entry of Halifax into the retail banking market in 2006.

### Switching kick-start

Following the implementation of the new Code, the switching market was kick-started by Permanent TSB with its aggressive campaign to encourage customers from the Big Two - AIB and Bank of Ireland (BoI) - to switch to it with the promise of fee-free banking. NIB and Ulster Bank quickly followed suit while others, such as AIB and Bank of Ireland, made it more difficult than others with complex rules that required customers to maintain a minimum balance and conduct a set number of online



transactions. However, these days all the banks now consider charges a non-issue.

Halifax can almost certainly take the credit for prompting other banks to consider paying interest on credit balances. AIB was the first off the blocks with a high interest paying current account, offering 4% on credit balances of up to €1,500. It later raised the stakes by upping its headline rate to 11% for a limited period (which ends in January 2008), in response to provocation from Permanent TSB, which was paying 10% on credit balances until the end of 2007, after which it reverted to 4%. Ulster Bank, meanwhile, opted for a simple but effective strategy of buying the loyalty of new customers with a €150 upfront cash payment. National Irish Bank pays 1.75% on all credit balances with its Easy Plus current account.

### More generous

Halifax's current account is more generous, paying 10% on balances of up to €2,000, and its offer will be open-ended instead of having the fixed cut-off dates employed by rivals. A customer who defects to Halifax would need to keep €2,000 in their current account for a full year to pocket €154, after tax - just €4 more than Ulster pays upfront, with no strings attached. Halifax, however, plans to pay high interest every year, while Ulster's payment is a once-off.

Halifax also offers a free €1,500 overdraft facility for three months and a low overdraft rate of 9.5%, which is 5% lower than the rates on offer from AIB or

BoI. The free overdraft is worth up to €35 for customers who take full advantage.

### Resistance falls

After resisting the move for some time, Bank of Ireland became the last bank to offer interest on credit balances. In October it announced that it would pay an introductory rate of 10.5% on balances up to a maximum of €1,500 until 24 February 2008, after which it will pay 4% to new and existing customers. Unlike other banks, it will not require customers to make minimum monthly lodgement or maintain a minimum credit balance. In order to qualify, however, customers must conduct three debit transactions, such as paying a bill or transferring money to another account, by phone or online from their personal current account each quarter. These are the same conditions that come with fee-free banking with this bank.

The new offer applies to new customers and to those who register for it. In some cases, you may actually have to present yourself to your local branch before you can register. So even if you have been a customer of the BoI all your life, it will still demand a bill and photo ID before allowing you to qualify. This is poor practice and a clearly calculated measure that places more obstacles in the way of the consumer.

### Our survey

Glancing at our comparison table

## STANDARD CHARGES

Company	Product	Quarterly fee (€)	Laser/ATM transaction (€)	Standing order (€)	Direct debit (€)	Cheque (€)	Interest earned on credit balance
AIB	High Interest Current Acct <sup>1</sup>	4.50	0.20	0.20	0.20	0.30	11% on balances up to €1,500 <sup>2</sup>
	Personal Bank Acct <sup>3</sup>	4.50	0.20	0.20	0.20	0.30	0.5% on balances up to €1,000
Bank of Ireland <sup>4</sup>	Pay As You Go	0	0.28	0.28	0.28	0.28	10.5% on balances up to €1,500 <sup>5</sup>
	Flat Fee	11.40 <sup>6</sup>	0	0	0	0	10.5% on balances up to €1,500 <sup>7</sup>
Halifax	Current Account	0	0	0	0	0	10% on balances up to €2,000 <sup>8</sup>
National Irish Bank	Easy	0	0	0	0	6 free per quarter, thereafter €0.34	0
	Easy Plus	18.75	0	0	0	1.75 on all balances	
Permanent TSB	Switch	0	0	0	0	0	4 on balances up to €1,500
Ulster Bank	Current Account	0	0	0	0	0	0 <sup>9</sup>

Notes <sup>1</sup> To qualify, you need to lodge at least €1500 a month into the account. You can also qualify for free banking based on the same terms as the standard AIB personal current account, see footnote 3. <sup>2</sup> Until 1 January 2008, when the rate reverts to 4%. <sup>3</sup> To qualify for free banking, AIB customers need, each quarter, to make a purchase with a AIB Debit Card AND use AIB Phone & Internet Banking to make a debit transaction, like paying a bill. <sup>4</sup> To qualify for free banking, at the end of any quarter you must a) keep a minimum credit balance of 500 in your account for the full quarter or b) make at least 3 payments from your current account using Bank of Ireland 365 online and/or phone in that quarter. Applies to both the 'Pay As You Go' and 'Flat Fee' products. <sup>5</sup> Until February 24 2008, thereafter the rate reduces to 4%. Offer applies to new customers and those who register for it. Registered customers must also make at least 3 payments from their current account using Bank of Ireland 365 online and/or phone in that quarter. <sup>6</sup> For up to 90 transactions, thereafter, €0.28 per transaction. <sup>7</sup> Until February 24 2008, thereafter the rate reduces to 4%. Offer applies to new customers and those who register for it. <sup>8</sup> Need to lodge at least €1,500 into the account each month. <sup>9</sup> €150 up front payment for customers who switch to it.

## OTHER CHARGES

Company	Product	Standing order unpaid (€)	Duplicate statement (€)	Credit transfers (€)	Overdraft facility fee (€)	Surcharge interest on unauthorised overdraft (%)	Interest charged on authorised overdraft (%APR)
AIB	High Interest Current Acct	6.35	2.54	0	25.69	9	15.63
	Personal Bank Acct	6.35	2.54	0	25.69	9	15.63
Bank of Ireland	Pay As You Go	12.70	3.80 first page, 2.50 subsequent pages	0	25	7.2	15.1
	Flat Fee	12.70	3.80 first page, 2.50 subsequent pages	0	25	7.2	15.1
Halifax	Current Account	10	5 per statement	0	0	8	14.37 <sup>1</sup>
National Irish Bank	Easy	10	4 per page	0.75 via branch, 0.50 via self service, none via internet.	Free up to €10,000, 1% above €10,000 to max €35,000.	6	10.2
	Easy Plus	10	4 per page	0.75 via branch, 0.50 via self service, none via internet	Free up to €25,000, 1% above €25,000 to max €35,000	6	9.4
Permanent TSB	Switch	4.44	2.50 per page	0.50	0	6	13.6 <sup>2</sup>
Ulster Bank	Current Account	12.70	3.81 first page, 2.54 subsequent pages	0.51	0	9	11.55

Notes <sup>1</sup> 9.43% APR if you lodge €1,500 every month into the account. <sup>2</sup> 0% for first three months for new customers.

comparing the costs of banking with each of the six banks that offer current accounts, we can see that Halifax, Permanent TSB, NIB and Ulster Bank do well in terms of free banking, while AIB and Bank of Ireland are more expensive.

But if you consider AIB and Bank of Ireland's conditions for free banking to be minimal (usually a requirement to make at least three transactions per quarter using debit cards or through telephone and Internet banking), you can see that fee-free banking is now very much a standard policy among all six banks. However, we think that AIB and Bol's conditions are a bit spurious and unnecessary, and don't match the same spirit of the free-banking offers available from the other four.

Now, five of the six banks offer

interest on credit balances up to €1,000, €1,500 or €2,000 ranging from 1.75% in the case of NIB (Easy Plus) to AIB's 11%. However, AIB's offer is temporary as it reverts to 4% after January 2008. Permanent TSB also had an 11% offer but by the time you read this, it will have reverted to 4%, while Bank of Ireland's 10.5% will also fall to 4% after February 2008. Ulster Bank's €150 cash upfront offer is only a once-off. Halifax's 10% on balances up to €2,000 is by far the most generous offer because it will continue indefinitely.

In terms of other charges, Halifax also comes out tops. For instance, it has no charge for credit transfers or overdraft set up fees. Permanent TSB has a charge of 51c for credit transfers. Halifax's interest

on authorised overdrafts is 14.37% APR but this reduces to 9.43% if you lodge at least €1,500 into the account every month.

Although it has largely fee-free banking, NIB lets itself down by charging for credit transfers - €0.75 via branch, €0.50 via self service. Its overdraft interest rates are low, however.

### Other features

There are other aspects to current accounts, including charges for using debit cards. Check out *Consumer Choice*, June 2007, p205 for more details on debit card charges.

Internet banking is fast becoming a key part of any current account. For more information on this, check out *Consumer Choice*, May 2007, p173.

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