



# INNOVATIVE ENTREPRENEURSHIP



# Business Banking



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# Business Banking

*This factsheet describes the different types of business bank accounts that are available and some of their initial requirements for opening an account.*

Opening a business bank account is one of the first and most important steps to take when starting a business. There are different types of business bank accounts available, each with different benefits and costs. It is important for business owners to compare the differences between accounts and choose one that is best suited to the needs of the business.

While there is no legal requirement to have a business bank account, every business should have one. Sole traders can use a personal bank account for business purposes, although some banks may place restrictions on the use of personal accounts. It is, however, good practice to keep business funds and transactions separate from personal ones as this makes it simpler to manage business accounts.

## DIFFERENT TYPES OF BUSINESS BANK ACCOUNTS

There are many different business bank accounts available and they can be divided into three broad categories:

- Current accounts, or cheque accounts - for day-to-day banking transactions.
- Reserve accounts, or savings accounts - for depositing cash that doesn't have to be immediately accessible.
- Merchant accounts - for accepting credit and debit card payments.

Some banks may also provide specialised accounts for certain types of business and may include two or three of these accounts as one 'package'.

### Current accounts

In simple terms a business current account offers a facility to deposit and withdraw money, and can be operated via a paying-in book and a chequebook. Most business current accounts provide:

- A paying-in book
- A chequebook
- An ATM card for cash withdrawals, or a debit card, for example Visa or MasterCard, for making payments





One of the most important aspects to consider is how the account will be operated and accessed. Typically, business accounts can be operated via one or more of the following methods:

- In person, at the branch.
- By telephone.
- Online.
- By mobile app.

If it will be necessary to deposit cash into the account regularly, access to a bank branch with counter service or ATM, that accepts deposits is likely to be most suitable. Alternatively, some account holders may find online banking essential in order to check balances and make payments from a computer or mobile device.

There are generally costs associated with owning business current bank accounts and these tend to vary between different banks, so you need to check this out before deciding which bank to go with.

Nowadays many banks offer free business banking for a limited period, for example 6 or 12 months. Typically, there may be offers during this period, such as no standing charge or transaction charges are applied. However, it is important to budget for those charges being introduced once the introductory period ends. Once the free banking period ends, many banks offer more than one tariff, so it is worth calculating which tariff would be most suited for your business.

## Reserve accounts

A reserve account is essentially a savings account for a business. It can be used to deposit surplus cash and receive a slightly higher rate of interest than from a current account. However, there are certain restrictions placed on business reserve accounts. In general, it is only possible to make payments from a reserve account in the name of the business, either electronically into a nominated account in the name of the business, or by cheque payable to the business. Reserve accounts are therefore not suitable for making day-to-day transactions, such as paying bills, and so a current account will also be needed.

## Merchant accounts

A merchant account is a facility provided by a bank or payment service provider that enables a business to take credit or debit card payments from customers. The merchant account provider acts as an intermediary between the trader and the customer, taking card transaction details, processing payments and transferring funds to the trader's business bank account. The trader pays for using this service. Costs can include set-up fees, monthly service charges, rental charges and transaction fees.





Like Business Current Accounts, Merchant account charges can vary between providers, so it is essential to spend some time comparing accounts and understanding your business needs in order to get the best deal.

## HOW TO CHOOSE A BANK ACCOUNT

With so many different business bank accounts on offer, it is important to ensure that the account is suitable for the business. Although it may be tempting to stay with a bank that is familiar because it is used for personal accounts, it is worth shopping around to see if better facilities are available elsewhere. When comparing accounts, key things to look for include:

- Type of account. Will a current account be sufficient, or does the business also need a reserve account?
- Means of access. Is online access or counter service required?
- Services provided. Does the account provide online and mobile banking facilities?
- Introductory offers. Does the bank offer free business banking for an introductory period?
- What are the Banking charges?
- Is there an overdraft facility?
- Support and advice. What other type of business support is available, and how is it accessed?
- Extra services. Does the account provide electronic payment facilities and other services?
- Account security. What protection does the account offer against fraud, such as free security software and devices?

## HOW TO OPEN A BUSINESS ACCOUNT

The application process for most business bank accounts is relatively straightforward. The first stage is to complete an application form, providing information about the business and its owners or directors.

Typical information that must be supplied includes:

- Name and address of business (including official documentation to evidence).
- Name and address of owners or directors (including official documentation to evidence).
- Purpose of business.
- Estimated turnover.
- Official set of company registration documents for the address, shareholders, directors, registration.





In some circumstances banks require more detailed information about the business and may ask to see a business plan.

## IDENTITY VERIFICATION CHECKS

Most banks will be required to carry out some customer due diligence measures, which include verifying the business owner's or director's identity from reliable and independent documents, such as a passport, driving licence, utility bill or correspondence from a recognised Chamber or Municipality.



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