



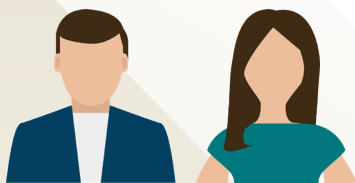
Don't get caught out by the new overdraft charges from April 2020

It's easy to rely on your overdraft as a buffer for that last week or so of the month before payday. Like many people, your cost for being in your arranged overdraft is likely to be reasonably minimal, or even non-existent.

However, from April this year many banks are introducing a fixed overdraft rate, which means whether your overdraft is an arranged one, or not, the cost to you for being in it might change. It's key to consider this now and give yourself a little time mitigate the impact this might have on your household finances.

Overdrafts in numbers

Source: FCA



About 19m people use an arranged overdraft and 14m use an unarranged overdraft per year



Firms made about £2.4bn in revenue from overdrafts in 2017



About 30% of this came from unarranged overdraft fees & charges

Why is this happening?

The Financial Conduct Authority (FCA) who regulate the activities of the UK banking sector are concerned that overdraft rates are confusing and unfair, with punitive amounts charged to people (often the most financially vulnerable in society) for being overdrawn even for one day.

The FCA said to the banks they were "introducing reforms to fix a dysfunctional overdraft market. These changes will make overdrafts simpler, fairer, and easier to manage and will protect the millions of consumers that use overdrafts, particularly more vulnerable consumers."

This should be a good thing, surely?

The FCA's intentions are clear that these reforms should make overdraft fees much clearer, and subsequently make it easier for us all to manage our finances. However, many banks have interpreted this as reason to implement an umbrella fee for anyone who breaches the wrong side of £0.

Nationwide Building Society, HSBC, Santander, Lloyds and Monzo have set their fees at 39.9% on all overdrafts. Many other UK banks have followed suit.

The FCA are concerned about this huge jump in fees and have written to the banks to ask why the rates have been set so high and how this figure was reached, how many customers they think this will affect and what support they will offer affected customers. Supporting customers was at the centre of the reforms.

What can I do?

Your bank should have contacted you to confirm any changes to the overdraft facilities they offer. The new rate of 39.9% that many banks are introducing may be more than you are currently paying, so now is the time to plan and potentially alter spending habits - separating out necessity from desire when it comes to purchasing.

Here are some top tips from our experts:

1. Contact your bank to find out if their overdraft rates are changing. They may have already sent you information about this.
2. Review your spending habits to see if you regularly use your overdraft and which types of purchases push you into it.
3. Is there a way you can alter your spending habits to avoid using your overdraft?
4. Draw up a monthly budget which is realistic and covers necessary and non-necessary spending. Looking through previous months' spending patterns will help you here.
5. If you think you cannot avoid your overdraft there are other options, such as reducing non-necessary spending, utilising 0% interest offers on large purchases and taking sensible advantage of 0% interest credit cards (these are not the answer to long-term debt, but can reduce interest payments on top of existing debt).

If your finances are playing on your mind get in touch with our expert team and arrange a free call-back. If you're ready to speak to someone now call us (freephone) on **0800 111 4071** or email **moneyadvice@jcca.co.uk**.

Remember, advice is also available from the government supported Money Advice Service and your local Citizens Advice Bureau.

Let's get started:



T: 0800 111 4071 (freephone)

E: moneyadvice@jcca.co.uk

Visit: [jcca.co.uk/moneyadvice](https://www.jcca.co.uk/moneyadvice)

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