

## Business Banking

It is important to try and keep your personal and business affairs completely separate. For many sole-traders starting up in business this is not always easy, because you will be paying for a lot of expenses out of your personal resources. You will find it easier to separate your affairs by opening a business bank account.

The main difference between a business bank account and a personal bank account is the charges. Charges on a personal bank account are usually fairly minimal. You may only get charged fees for exceeding overdrafts or having a cheque returned. With a business bank account you are likely to be charged a fixed amount per month and an item charge for each entry that appears on your bank statement in addition to the usually charges for exceeding overdraft limits and bouncing cheques.

You should ask your bank to provide you with information about their charges, but make sure you get all the information. Brochures and leaflets do not always highlight some of the general fees levied, such as those for exceeding an overdraft limit.

Bank charges are usually taken from the bank account once a month or once a quarter. A statement detailing all fees is sent to the customer before the fees are taken from the account. It is useful to check this statement regularly to ensure that no other fees are being levied. You should ask them to explain anything that looks unusual or that you do not understand.

In order to keep your bank charges as low as possible you can try and negotiate better interest rates and lower charges. It is usually cheaper to automate as many transactions as you can by using standing orders, direct debits and electronic payments. Use your bank's online services that are available and avoid unauthorised overdrafts. Your bank should offer you advice on how to keep your charges as low as possible.

The services offered by banks, and the fees they charge, differ greatly. Most banks offer special deals to new businesses such as a free banking period and many offer free advice and software to help you with your business.

Many people decide to open their business account with the same bank that holds their personal bank accounts. Your own bank may be more supportive if you have a good financial record and have built up a relationship with them.

However, it is a good idea to compare at least two or three banks before making a decision. Bank charges vary widely, as do the services they offer, so it's best to make sure you are getting the best all-round deal for your business.

When comparing banks, it is a good idea to find out whether the bank has a dedicated small business team, what services they offer, how much those services cost, how charges are levied and whether there are any hidden charges.

As well as choosing the right bank, you will often have a choice of different business accounts to use. Some banks offer various business accounts that have different charging structures or interest rates. The type of business account you choose will depend on the needs of your business. If you have a lot of transactions then accounts with a fixed fee may suit you better than an account with a fee per transaction. Some accounts allow free direct debits or standing orders.

You may also need separate accounts for financing purposes (loan accounts) or for savings (deposit accounts). If your chosen bank does not have all the products you need or if you can get better deals for other products, such as a loan, from another bank, then you can hold accounts with more than one bank. However, a bank may offer better terms if you commit all your business to it.

# Striding out

Once you have decided which bank to use and which account you want to open, set up a meeting with the bank. In order to open your account you will need to provide the bank with details of the business you are running and your business activities, a certificate of incorporation if you are using a limited company, a driving licence or passport, and recent utility bill for you and for any other person involved in the management of the business. In the case of a limited company this information will have to be provided for directors and company secretaries. Banks need this information to check your identity, which they are obliged to do under money laundering laws.

If you are going to be applying for a loan then you will need to provide much more detailed information such as a business plan, cash flow forecast and up to date accounting records.

You should keep in mind the terms and conditions attached to each of your business accounts. As the business grows and circumstances change you may find that these terms no longer fit your situation. It is much better to go to the bank to renegotiate your account than to breach a term (e.g. by exceeding an authorised overdraft).

