

Taking account

We find the best places for students to put their money (and their overdrafts)

Next month, thousands of teenagers leave home to go to university. It's an exciting but expensive time.

When term starts, your finances may look healthy. You'll probably have a student loan, money from a summer job or family gifts. But against this, there's a long list of things to pay for (see 'College costs', right). It now costs more than £30,000 to take a degree. Most students need extra money to tide them over, and getting the right bank account can be a huge help in making sure this is available.

Free gifts

Banks love students. They know graduates on average earn 55% more over their working lives than those who start work at 18, so they offer free gifts to entice you to bank with them. These include a 2-for-1 cinema card, a five-year railcard and travel insurance. These are useful but the main benefit of a student account is an interest-free overdraft.

Interest-free overdraft

The ability to call on extra money without paying fees or interest is valuable, so go for the largest free overdraft offered.

Halifax and the Royal Bank of Scotland offer the highest maximum limit (£2,750). Whether you get this depends on your circumstances and some students get less, particularly in the first two years. You find out what you get only after opening your account. Some banks increase your limit as time goes on, typically from £500 in the first six months, to £1,000 in months seven to nine and £1,500 after nine months.

Extra borrowing

If you exceed your free limit, the bank charges interest. You'll pay much less (usually 7.2-9.9%) if you contact the bank and formally arrange for the limit to be increased rather than go over it without telling them. Some banks may allow an extension to your free limit (see tables, right).

If you go over the limit without authorisation, interest can rise to almost 30%. Some banks also charge penalty fees. Banks such as HSBC and Lloyds appear to have low unauthorised interest rates. However, HSBC severely restricts such borrowing and Lloyds charges extra fees. In choosing your bank, think about whether you want one with a branch on or near campus.

Other issues

As well as a student account, you could also open a high-interest savings account and get a regular standing order to



The main benefit offered by a student account is an interest-free overdraft

transfer money back from it to your main account when needed. Student credit cards are offered by many banks and let you borrow up to about £600, much less than a normal credit card. View them as a last resort. They charge up to 19.9% interest. You may be offered payment protection insurance (PPI) if you take a credit card, but you don't need it. Which? is campaigning to end the mis-selling of PPI. See www.which.co.uk/ppi.

What money will you have?

■ **Student loan** In England and Northern Ireland, a loan for tuition fees (£3,145 a year for 2008-09) is paid by the Student Loans Company directly to your university. Welsh students at Welsh universities pay lower tuition fees. Scottish students at Scottish universities don't pay tuition fees. You will also get a second loan, for maintenance, which is paid into your account at the start of each term. Depending on your circumstances and where you study, this is up to £6,475 a year. You start to repay both loans when you earn at least £15,000. Interest is currently 4.8%.

■ **Maintenance grant** This means-tested award reduces maintenance loan borrowing. It's paid up to a maximum of £2,835 and doesn't need to be repaid. Colleges also give non-repayable grants.

COLLEGE COSTS (2008-09)

Average annual costs in London/outside London

		
Tuition fees £3,145/£3,145	Books £491/£491	Leisure £1,315/£1,300
		
Accommodation £3,913/£2,934	Food £2,145/£1,721	Transport £538/£420

MAKING ENDS MEET

James Beirne 20, student

James Beirne is an undergraduate student at Bristol University. At the end of his second year, he arranged accommodation for the coming year and needed to pay a £450 deposit. This took him into the red but was still well within the £1,700 interest-free overdraft limit offered by his Co-operative Bank student account.

To James's surprise, the cheque bounced and his next statement showed a penalty fee for unauthorised borrowing. Contacting the bank, he was told that the free overdraft was not automatic but needed to be activated in advance. The bank agreed to refund the fee and didn't charge James any interest.

The Co-operative Bank confirmed that student overdrafts are automatically activated when you use your account and a mistake had been made in James's case.

FOR UNDERGRADUATES	FREE OVERDRAFT (£) ^a					O/D (%)		CREDIT CARD TYPICAL LIMIT (£)
	YEAR ONE	YEAR TWO	YEAR THREE	YEAR FOUR	YEAR FIVE	ADDITIONAL AUTHORISED	ADDITIONAL UNAUTHORISED	
ABBEY	1,000	1,250	1,500	1,800	1,800	9.90	28.70 ^b	350
BANK OF IRELAND	400	500	500	500	500	0.00	12.68 ^b	250
BARCLAYS	1,000	1,250	1,500	1,750	2,000	8.90	27.50	600
CLYDESDALE BANK	1,000	3,000	3,000	3,000	3,000	7.49	29.99	500
FIRST TRUST BANK	1,850	1,850	1,850	1,850	1,850	0.00	26.00 ^c	neg
HALIFAX	2,750	2,750	2,750	2,750	2,750	7.20	24.20 ^b	neg
HSBC	1,000	1,250	1,500	1,750	2,000	8.30	8.30 ^d	500
LLOYDS TSB	1,500	1,500	1,500	2,000	2,000	8.20	8.20 ^b	neg
NATWEST	1,250	1,400	1,600	1,800	2,000	0.00	17.81	500
ROYAL BANK OF SCOTLAND	2,750	2,750	2,750	2,750	2,750	0.00	29.84 ^b	500
SMILE	1,000	1,400	1,800	2,000	2,000	9.90	15.90 ^b	n/a
THE CO-OPERATIVE BANK	1,400	1,700	2,000	2,000	2,000	9.90	15.90	250
ULSTER BANK	1,250	1,400	1,600	1,800	2,000	0.00	12.70	350
YORKSHIRE BANK	1,000	3,000	3,000	3,000	3,000	7.49	29.99	500

GRADUATE ACCOUNTS

Options when you finish your degree

■ **INTEREST-FREE** When you finish a degree, you may still have a large overdraft. Some banks let you keep a student account for an extra interest-free year or formally transfer to a graduate current account.

Banks offer interest-free overdrafts to graduates for up to three years (the limit normally reduces year by year). As well as a free graduate account, Barclays has its 'Additions' account with a higher free overdraft, but you pay £5 a month for the account.

■ **CONTINUING STUDY** If you continue studying, you can normally keep the same account and may be offered a higher limit.

■ **MOVE BANKS** Shop around for a better deal. Even with debts, you're an attractive long-term prospect.

Graduate loans

Banks offer these for three to five years. They are usually for between £5,000 and £15,000 and you repay with an interest rate of 7.7% to 9.9%. This is less than going over your overdraft limit, but is not



fantastically cheap. Some careers, such as law, qualify for longer loans. Barclays, the Co-operative Bank, and the Royal Bank of Scotland offer career development loans, where interest is paid by the government during the period of study.

FOR GRADUATES	FREE OVERDRAFT (£) ^a			O/D(%)		OTHER	
	YEAR ONE	YEAR TWO	YEAR THREE	ADDITIONAL AUTHORISED	ADDITIONAL UNAUTHORISED	GRADUATE LOANS OFFERED	CREDIT CARD TYPICAL LIMIT (£)
ABBEY	2,000	1,000	500	9.90	28.70 ^b	✓	350
BANK OF IRELAND	1,000	1,000	n/a	0.00	12.68 ^b	✓	neg
BARCLAYS	1,500	1,000	n/a	15.60	27.50	✓	4,000
FIRST TRUST BANK	1,000	1,000	1,000	Neg	26.00 ^c	✓	neg
LLOYDS TSB	2,000	1,500	1,000	16.80	16.80 ^b	✓	neg
NATWEST	2,000	1,000	500	17.81	17.81	✓	n/a
ROYAL BANK OF SCOTLAND	2,000	1,500	1,000	9.90	29.84 ^b	✓	n/a
ULSTER BANK	1,500	n/a	n/a	0.00	12.70	✓	350

a Depends on your credit rating b Fees apply c Base rate plus 9% plus 1% a month d Restricted borrowing

Contacts

Abbey 0800 234 6060
www.abbey.com

Bank of Ireland 0800 085 0444
www.bankofireland.co.uk

Barclays 0845 755 5555
www.barclays.co.uk

Clydesdale 0845 724 0024
www.cbonline.co.uk

First Trust 0845 600 5925
www.firsttrustbank.co.uk

Halifax 0845 720 3040
www.halifax.co.uk

HSBC 0800 130130
www.hsbc.co.uk

LloydsTSB 0845 300 0000
www.lloydstsb.com

NatWest 0800 200400
www.natwest.com

RBS 0800 121129
www.rbs.co.uk

Smile 0870 843 2265
www.smile.co.uk

The Co-operative Bank
0845 721 2212
www.co-operativebank.co.uk

Yorkshire Bank
0800 202122
www.ybonline.co.uk

Ulster Bank 0845 742 4365
www.ulsterbank.com