



MANAGING MONEY ONLINE

Tom Paxton 51,
broadcasting consultant

Tom Paxton started banking with First Direct in 1997 as a telephone customer and switched to its online account in 2000. Tom told us: 'I like the way it allows me to manage my finances' – he can easily keep track of payments and move money between accounts.

To allay any worries about his password details being stolen, Tom makes sure his PC has up-to-date security software. 'I do check my balance from time to time to make sure everything's OK,' he admits, getting text-message updates sent to his mobile phone.

Most of Tom's transactions are now done over the internet but he still keeps in contact with his bank: 'I use the phone if I have any problems. If I need to pay in cheques I go to an HSBC branch.'

Would Tom ever return to telephone banking? 'I can't imagine going back to monthly statements,' he said.

Net interest

Internet banking lets you manage your money from home. But is it safe, is it good value and is it for you?

Online banking has come of age ten years after it was first launched. An estimated 18.1 million people in the UK (nearly half the adult population) currently bank online, twice as many as in 2002. It's not surprising that more of us are choosing to manage our money via the internet, as online banking means no more queuing at counters, no more worrying about closing time and no more waiting for a statement to arrive in the post.

OUR RESEARCH

In February 2007 we surveyed 1,878 online panel members about their online banking habits. In April 2007 we surveyed 4,680 members about their current account provider. Thanks to everyone who took part.

Whether you have an internet-only account or a branch-based one that's also accessible online, you can check your balance, pay bills, review direct debits, cancel standing orders and even transfer funds between accounts, all without leaving home. Many online accounts also allow you to download details from your online statements directly to software packages, such as Microsoft Money. This is particularly useful if you need to keep a set of accounts, as you don't have to type in the information yourself. Ask your bank whether it can provide files in the right format (OFX or QIF).

Another feature that some banks offer is mobile phone text-messaging, where you receive an alert each time your balance dips below a certain level or if a large sum leaves your account. Like Tom Paxton, above, you can also get mini statements sent to your mobile, so you can keep on top of your finances even when away from home.

Our Best Buy savings and current accounts are dominated by internet accounts

Best banks

You get a good deal, too. Our most recent Best Buy current accounts (see p26) include internet banks Smile, Cahoot and Intelligent Finance, as well as online accounts from Alliance & Leicester, First Direct and Nationwide. These all get good customer satisfaction ratings in our surveys and offer higher rates of interest than traditional branch-based current accounts, although in order to qualify for this rate you do need to meet certain criteria – see p26.

For those who want the convenience of a local branch as well as being able to access their accounts online, hybrid current accounts – from banks including Barclays, HSBC and Lloyds TSB – offer the best of both worlds. They normally provide lower rates of interest than purely online accounts, but there are exceptions. If you are prepared to log on to a Lloyds TSB account three times a quarter and pay in a minimum of £1,000 a month, you get an interest rate of 4.25 per cent. Halifax hybrid customers can qualify for an interest rate of 6.17 per cent provided that they can pay in more than £1,000 a month.

Investing online

Our Best Buy savings accounts are also dominated by internet accounts (see *Which?*, May 2007, p36). Sainsbury's Bank Internet Saver account gives the top rate of 6 per cent, but it is closely followed by online accounts from Bradford & Bingley, Icesave, Principality Building Society and Yorkshire Building Society.

It's also worth looking online if you're interested in an Isa. Yorkshire Building Society's e-Isa and Bradford & Bingley's eIsa combine the convenience of banking online with highly competitive rates and both feature on our list of top Isas (see p26).

Fancy trying your luck on the stock market? Our recent report ('Deal your own shares', *Which?*, February 2007, p30) showed how stockbrokers offering share dealing online enjoyed a high degree of customer satisfaction and provided good value for money. Our top firms were Barclays, Hargreaves Lansdown and the Share Centre (see 'Contacts', p22).

Security concerns

Although there are obvious benefits to banking online, fears about security are putting people off. Government-sponsored web-safety site Get Safe Online reports that nearly a quarter of the public are too concerned about security to bank online.

Online banking fraud is undoubtedly on the increase, with losses in the UK rising by 44 per cent, from £23.2m in 2005 to £33.5m in 2006, according to the

Association of Payment Clearing Services (Apacs). But there are measures you can take to protect your account (see 'Checklist', p22). You should also regularly check your statement to pick up on any irregularities and contact your bank as soon as possible if you think you have been a victim of fraud. Your bank is responsible for passing details of the fraud to the police.

Customers who have fallen foul of internet fraud will normally have their money refunded by the bank. Unlike credit or debit card fraud, however, banks aren't obliged to do this and there is a fear that some may seek to reduce their liabilities by taking a hard line with customers who have been duped. *Which?* is campaigning to remove any ambiguity in this area and has called on banks to amend the Banking Code – the voluntary rules that UK banks follow – and make the protection for online fraud the same as for card fraud.

Our verdict

Online banking is becoming more popular. In our latest banking survey, 53 per cent of our members say they have used online banking – this is an increase of 10 per cent, up from 43 per cent in 2006. And it's hardly surprising, when the benefits of convenience and control are available to anyone with a computer and internet connection. Worries about security are real, but sensible precautions and adequate safeguards can keep risk to a minimum, particularly if you follow our security advice.

The August issue of *Which?* Money will contain the full results of our most recent banking survey

Insider information

Computing *Which?*'s Abigail Smith tells you how thieves access your online account



There are two main ways thieves can access online bank accounts. First, you can receive a hoax email purporting to come from your bank. Known as 'phishing', the scam tells you to click on a link in the email – this link takes you to a fake website that resembles your bank's. You type in your security details, thinking they're secure, and unwittingly pass them on to thieves.

Second, they can trick you into installing a program on your computer that records what you type, so when you next log on to your online account the program secretly records your password details. It then sends them to a thief over the internet.

Don't be a victim

It's easy to protect yourself from these and other scams. Common sense is the best protection against phishing scams. Don't click on any links in emails that say they're from your bank. Instead, type your bank's full website address in to your browser – the program you use to access the internet. If you do want to double-check whether a message is genuine, ring your bank.

Good security software (see *Which?*, February 2007, p60) will protect your computer against malicious software – as will not opening any email attachments you are not expecting and avoiding downloading files from websites you don't trust.

FRAUD FACTS



This diagram shows the increasing amount of money lost to victims of banking fraud. You can easily protect your cash by following our security tips, right and overleaf

Figures courtesy of Apacs

We tell you what you need to know before you start banking online

HOW YOU USE ONLINE BANKING

We asked 1,878 Which? members who bank online what transactions they regularly make. The top results are shown below

Check their balance and bank statements **97%**

Manage direct debits **77%**



Set up standing orders or pay bills **86%**

Transfer money **95%**

A password that's a mixture of letters and numbers is harder to crack

Checklist

How to protect your online bank account

■ **Spurn scams** Never follow a link from an email purporting to be from your bank. Instead, type the full website address into your web browser (the program you use to access the internet).

■ **Get protection** Get up-to-date security software (see *Which?*, February 2007, p60).

■ **Protect your details** Never disclose personal details, such as your password, on an email or over the phone.

■ **Choosing a password** Make sure your password is a mixture of letters and numbers: this will make it harder to crack. Don't use your email account password – if you access your email from an unsecure computer, scammers could steal your password details and use them to get at your cash.

■ **Secure site** Make sure there's a padlock symbol in your browser before you enter your account details (it's moved to the top of the screen in the latest version of Internet Explorer) and that the website address changes from starting with 'http' to 'https' – this means the connection is secure.

■ **Logging on** Be careful where you access your bank account. Avoid public computers or unsecured wireless networks. If you have a wireless network at home, make sure you have activated the security settings on your wireless router. Should you experience any problems logging on, telephone your bank – don't email it.

■ **Logging off** Make sure you log out properly when you have finished banking online.

■ **Report scams** If you receive any phishing emails, report them to Apacs by forwarding them to reports@banksafeonline.org.uk

Get to grips with online banking

What you need to know about online bank accounts

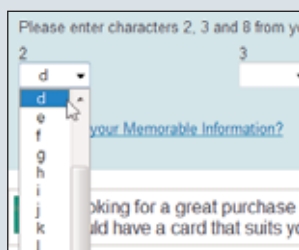
It's easy to bank online. All you need is security software (see *Which?*, February 2007, p60), a computer and an internet connection (our latest computer reliability survey will be published in September and our internet service

provider satisfaction survey in August).

Decide whether you want an internet-only or a branch-based account that you can also access online – turn to p26 to help you choose. Once your account is set up, you will receive a login address and details about your password or passwords. Some banks are currently trialling security devices that make it harder for thieves to impersonate you online. Barclays has recently launched the PinSentry, a device that generates a random password every time you log on to your account – see p27 for more.

You access your account by going online to the website address provided by your bank. The web page where you enter your login and password details will be secure and encrypted – so hackers won't be able to get at the information. Once logged in, you can get on with managing your money online.

One in six Which? members who bank online admit to losing or forgetting their security details. If this happens to you, ring your bank. Don't email it or you may find yourself falling for a spoof email that tricks you into revealing your details.



Some banks get you to use a drop-down menu to enter a password

Contacts

Apacs

020 7711 6200
www.apacs.org.uk
www.banksafeonline.org.uk

Barclays Stockbrokers

0845 601 7788
www.stockbrokers.barclays.co.uk

Bradford & Bingley

0800 113333
www.bradford-bingley.co.uk

Get Safe Online

www.getsafeonline.org.uk

Hargreaves Lansdown

0117 900 9000
www.h-l.co.uk

Icesave

0845 605 6050
www.icesave.co.uk

Principality Building Society

029 2038 2000
www.principality.co.uk

Sainsbury's Bank

0500 405060
www.sainsburysbank.co.uk

The Share Centre

0129 641 4140
www.share.com

Yorkshire Building Society

0845 120 0100
www.ybs.co.uk

For contact details of Best Buy current accounts and Isas, see p26