

THE BANKING CODE MARCH 2003 EDITION

Guidance for subscribers

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Preface

The revised Banking Code comes into force on 1 March 2003. The Code was revised following a wide-ranging public consultation exercise conducted by Professor Elaine Kempson, the independent person appointed in January 2002 to review the Banking and Business Banking Codes.

The Banking Code is not intended to be read as a rigorous legal document. It has been written for practitioners and customers, not for lawyers. This guidance is issued by the Code sponsors, ie the British Bankers' Association, The Building Societies Association and the Association for Payment Clearing Services as an aid to understanding and implementation of the new version of the Code. **Subscribers should ensure that they abide by the spirit, as encompassed by the key commitments, as well as the letter of the Code.** Common sense should be used in interpreting the Code. This guidance will be made available on request to all interested parties, including members of the public.

Subscribers remain free to interpret the Code, but should be aware that this guidance represents a general interpretation of the Code, which may be used by the Banking Code Standards Board, the Financial Ombudsman Service and others in determining industry standards. This version of the Code includes more detail on specific service levels than previously (for example, in regard to current account transfer). Subscribers should use all reasonable endeavours to meet these service levels and should determine the most appropriate means of measuring compliance.

The Banking Code, which was introduced in 1992, is reviewed regularly. This is the sixth version. In 1997 it was agreed by the Associations that subscribers should not produce their own "badged" versions of the Code, and that the only version of "The Banking Code" given to customers should be the official version. This remains the case.

In previous editions of the Code, there were many references to information being given to customers at any time they asked for it. These references have now mostly been removed, as it is expected that if a customer asks for ad hoc information (whether on products, charges or interest, etc.), they will be given it as a matter of course and told if there is a charge for this.

The words "*give*" and "*tell*" are used frequently. The words are used almost interchangeably, but generally "*give*" should be interpreted to mean that the customer should have or see something in a durable form, whether in writing or on-screen or displayed in a branch. "*Tell*" means either orally or as for the definition of "*give*". The Code also requires that certain information be given to customers "personally". This means that some form of notification is given or sent to them, rather than being told by a general notice or advertisement. Such notification could, for example, be by letter, or by an e-mail alerting them to the fact that they should check a specific area of the website. "Notify" is also used throughout - this could mean "give" or "tell".

For the avoidance of doubt, the Code is not intended to interfere with commercial pricing decisions of subscribers.

In this Guidance, the text of the Code is reproduced in full in *italics*.

British Bankers' Association
The Building Societies Association
Association for Payment Clearing Services

THE BANKING CODE

Guidance for subscribers

1 Introduction

What the code covers

1.1 *This is a voluntary code which sets standards of good banking practice for financial institutions to follow when they are dealing with **personal customers** in the United Kingdom. It provides valuable protection for you and explains how financial institutions are expected to deal with you day-to-day and in times of financial difficulty.*

It is open to subscribers to adopt higher standards than those set out by the Code, but once an institution has been registered as a subscriber it must adhere to Code standards as a minimum in all respects relevant to its business.

"Personal customers" means private individuals and includes executors or trustees of private individuals. The Code does not cover corporate customers, customers of offshore subsidiaries, sole traders, partnerships, clubs or societies although subscribers may choose to give the Code wider application as an internal statement of good practice.

Small business customers are covered by the Business Banking Code. These include businesses (sole traders, partnerships, limited liability partnerships, limited companies) with a turnover of under £1million and clubs, charities and associations with income of less than £1million.

The most recent review of the Banking Code confirmed that it should apply only to personal customers in the UK and this is reflected in the text of this section of the Code. However, it was recommended that the spirit of the Banking Code, ie, as encompassed by the key commitments, should apply to UK account holders who do not live in the UK.

Following the Code should be a mark of quality and customers should be encouraged to check if their bank, building society or credit card issuer subscribes.

The code applies to:

- *current accounts, including basic **bank accounts***
- ***card** products and services;*
- *loans and overdrafts;*
- *savings and deposit accounts, including mini cash and Tessa ISAs; and*
- *payment services, including foreign-exchange services.*

It does not cover mortgages, investments or insurance. These are separately regulated by the Financial Services Authority or by other codes. There is a list of these codes in section 16.

Also, this code does not cover Premium Bonds.

Current account mortgages are covered by the Banking Code to the extent that the provisions relating to current accounts apply. Mortgages are covered by separate regulation, under the Mortgage Code. The Financial Services Authority is due to regulate mortgages from October 2004.

The Code covers secured lending not covered by the Mortgage Code or FSA regulation). If subscribers are in any doubt as to whether a particular product or service is covered, they should consult the trade associations or the Banking Code Standards Board.

About this code

1.2 *As a voluntary code, it allows competition and market forces to work to encourage higher standards for the benefit of customers.*

Within the code, 'you' means the customer and 'we' means the financial institution the customer deals with.

You can check which financial institutions follow the code by contacting the Banking Code Standards Board, the independent organisation which monitors how well financial institutions are meeting the code. [Their contact details are in section 15.2 of the Code.] The types of financial institution currently include:

- *banks;*
- *building societies;*
- *credit card companies; and*
- *National Savings and Investments.*

The standards of the code are covered by the four key commitments found in section 2.

Not all the financial institutions covered by this code offer all the products and services listed in section 1.1 above.

Unless it says otherwise, all parts of this code apply to all the products and services listed above, whether they are provided by branches, over the phone, by post, through interactive TV, on the internet or by any other method.

*Throughout this code, words in the text which are shown in **bold** print are defined in the glossary at the end of the code.*

This revised edition is effective from 1 March 2003 unless otherwise shown.

It is important that, when considering how the Code will affect products and services, **all** delivery channels are catered for. The Code applies regardless of how a product or service is delivered.

It is the responsibility of subscribers to ensure that any third party or agent acting on their behalf complies with the Code in relation to any products or services which are covered by section 1.1 of the Code.

2 ***Our key commitments to you***

The four key commitments are meant to underpin the whole subscriber/customer relationship. If there is any doubt about the meaning of a particular provision in the Code, the key commitments should provide clarification as to the spirit of the Code. The key commitments should be considered carefully as they may introduce obligations which could be implied into the subscriber/customer relationship.

We promise that we will do the following:

- a *Act fairly and reasonably in all our dealings with you by:***
 - *meeting all the commitments and standards in this code, in the products and services we offer, and in the procedures our staff follow;*
 - *making sure our products and services meet relevant laws and regulations;*
 - *having secure and reliable banking and payment systems; and*
 - *considering cases of financial difficulty sympathetically and positively.*

When interpreting "fairly", consideration should be given to the Unfair Terms in Consumer Contracts Regulations 1999 and to the Data Protection Principles set out in Part 1 of Schedule 1 to the Data Protection Act 1998. The concepts of "fairness" and "reasonableness" should also be considered in accordance with relevant legislation, case law and their normal dictionary meanings.

The need for customer-facing staff (including those dealing with customers by telephone and e-mail, etc) to be aware of the existence and main purpose of the Code is fundamental, especially as copies of the Code should be held in branches and available on request. Individual members of staff do not necessarily need to be aware of the detail of the Code provided the Code's requirements are reflected in the procedures they follow. Refer also to the guidance on key commitments c) and d).

The first bullet point reinforces the basic position that **all** products listed in the Code must comply with the Code. This includes products referred to in section 1.1 run or sold on a subscriber's behalf by an agent, for example, an affinity credit card or a branch agency. It therefore applies to all products which are "badged" or "branded" as those of the subscriber but processed by a third party. The Code also applies to products of non-subscribers which are sold by a subscriber. Specific terms and conditions of products must not seek to override or exclude the effectiveness of the Code.

Under the second bullet point compliance issues need to be considered before new products are launched. Issues of discrimination should be considered. This reflects the recommendations of the Treasury's PAT 14 report and the OFT's January 1999 report, "Vulnerable Consumers and Financial Services", stipulating that banks and building societies should have procedures in place to ensure non-discrimination in all aspects of customer diversity, including race, disability, marital status, age, gender, and sexual orientation.

Subscribers should also comply, where appropriate, with various other industry codes of practice, for example:

- BBA/BSA Code of Practice for the Advertising of Interest Bearing Accounts
- BBA Guide to Bankers' References
- BBA Ten pledges from banks to personal customers on dormant accounts
- BSA Code of Practice on Linking of Services
- British Codes of Advertising and Sales Promotion
- Independent Television Commission Code of Advertising Practice
- Radio Authority Code
- The Guide to Credit Scoring 2000
- BBA Guidance: Implementing Part III of the Disability Discrimination Act
- BBA/RNIB Guidance: Accessible E-banking

However, if the provisions of any code conflict with the Banking Code, the code with the higher standards should prevail.

With the exception of the BBA/BSA Code for the Advertising of Interest Bearing Accounts, the BCSB does not seek to monitor compliance with any of the above industry standards and codes of practice.

The fourth bullet point of section 2a is concerned with the requirements in respect of financial difficulty. This is covered in more detail in sections 13.10 to 13.13 of the Code. It does not prevent legitimate recovery of debts.

b Help you to understand how our financial products and services work by:

- *giving you information about them in plain English;*
- *explaining their financial implications; and*
- *helping you choose the one that meets your needs.*

The information given to customers must be clear and transparent. This commitment applies whether the information is given in writing, on-screen or orally, etc. Information must be sufficiently clear and easily comprehensible so that customers can make informed choices about products.

Subscribers are required to provide assistance to customers but not specific advice. Some basic awareness of a customer's needs is required, although a formal "fact" find need not be completed. Customers should be given a balanced view of products so that they have an accurate understanding of the financial implications. This is especially important for long-term financial commitments (for example, the costs of withdrawing early from a fixed-term loan or savings bond where this is allowed). This also links with the later Code provisions on terms and conditions, interest, charges, etc and reinforces the basic principle of transparency. Customer literature should explain how products work. Staff may need to offer help.

c Deal with things that go wrong quickly and sympathetically by:

- *correcting mistakes quickly;*
- *handling your complaints quickly;*
- *telling you how to take your complaint forward if you are still not satisfied; and*
- *cancelling any bank charges that we apply due to our mistake.*

This is linked, with later paragraphs in the Code (sections 7.4, 9.6, and 14.1 to 14.6 refer). The quick, effective and positive handling of errors and complaints is an important component of good customer service. "Quickly" means that complaints should be dealt with as soon as they arise and as swiftly as possible, in accordance with the standards set by the Financial Services Authority. (FSA DISP.1. 1.2.9 refers.)

d Publicise this code, have copies available and make sure that our staff are trained to put it into practice.

All new customers should receive a copy of the Banking Code 'flyer' when they open their account. The flyer sets out the main features of the Banking Code and tells customers where they can obtain a copy of the Code. Copies of the flyer should be ordered from the BBA's Publications Unit, Pinners Hall, 105-108 Old Broad Street, London EC2N 1EX (phone 020 7216 8890).

A copy of the flyer should also be sent to every current account customer (eg as a statement insert) each time the code is revised, within 6 months of the revised code taking effect. This is a new commitment, from 1 March 2003, and reflects a recommendation of the Julius Report on Banking Industry Codes.

2d links with section 16.2 and key commitment 2a, staff awareness.

3 Helping you to choose products and services which meet your needs

3.1 Before you become a customer, we will:

This section requires certain information to be given to customers to help them choose a product or service. It should be given to them before they choose a particular product or service or open an account. As well as new customers, the section also applies to existing customers who enquire about a product they do not currently have. For the latter, there is no need to duplicate the provision of all the information each time the customer opens a new account. The principle underlying this section is that of transparency of information.

- *give you clear information explaining the key features of the services and products you tell us you are interested in;*

For example, if the customer wants "a savings account", they should be given information on the range of savings products available (unless they specify a particular product – see below). This may be in the form of a summary provided in a leaflet, oral description over the phone, letter or on-screen, etc. The information is important to ensure that customers can make an informed choice of which product or service best meets their needs, and the emphasis is on "informed choice" rather than advice offered by the bank or building society. The "key features" should include information on additional charges or loss of interest on early withdrawal or cancellation, any restrictions on withdrawals, etc. Specific product information is covered in more detail in the guidance on section 3.3 below.

- *give you information on a **basic bank account** if we offer one and it would appear to meet your needs;*

The provision does not require subscribers to offer a "basic bank account" (the definition of which is set out in the glossary). But it does require subscribers who offer a basic bank account to inform certain customers about the account and how to open one. These are customers for whom the basic bank account would appear to be appropriate; such customers may include those:

- who express an interest in opening a money transmission account which does not allow them to go overdrawn;
- whose main source of income appears to be state benefit;
- who are content to accept the limited money transmission functionality of a basic account (eg, no chequebook).

With the introduction of Universal Banking Services from April 2003, and the launch of a Government awareness campaign about basic bank accounts, the demand for basic bank accounts is expected to increase substantially.

As with all products and services, subscribers still have the right to reject applications.

- *give you information on a single product or service, if you have already made up your mind; and*

To ensure that the selling of products and services covered by this Code remains simple and uncomplicated, this "execution only" provision ensures that, if a customer knows what he or she wants, there is no obligation for the subscriber to provide the full information required in the first two bullets above.

- *tell you what information we need from you to prove your identity (by law, we have to check your identity).*

Under the Money Laundering Regulations 1993, all banks, building societies and other providers of financial services have had to put procedures in place to prevent money laundering. Detailed procedures are contained in the Joint Money Laundering Steering Group Guidance Notes for the Financial Sector. The procedures require institutions to verify a potential customer's identity and address, using separate checks. More checks are needed in the case of account opening where the customer is not physically present as, for example, with telephone and internet banking.

Customers should be told why this information is needed, what types of documents are acceptable and what checks may be carried out. The same documents cannot generally be used for verifying both identity and address. Subscribers are encouraged to adopt a flexible approach (within the Regulations and the JMLSG Guidelines) and put in place procedures to deal with exceptional cases where applicants may not have the usual documents. In such cases, the customer should be asked what evidence of their identity/address they can produce and the case may be referred to a more senior person or special unit, which can decide on the acceptability of the evidence that the applicant can provide.

It should be borne in mind that an obligation to check identity can arise for other purposes – for example, section 4 of the Cheques Act 1957 – where the obligations of subscribers may differ.

Subscribers may find it useful to give the BBA/BSA leaflet "Proving Your Identity" to potential customers who query the need for these checks or who have difficulties in producing usually acceptable documents. This explains the requirements, shows that they are industry-wide and helps customers to understand what they can do to help you to verify their identity and address.

3.2 We will tell you if we offer products and services in more than one way (for example, on the internet, over the phone, in branches and so on) and tell you how to find out more about them.

This provision is intended to ensure that customers are made aware of the existence of alternative delivery channels (for example, telephone, post, the internet, etc.) used by the subscriber, **where such channels are operated under the same generic brand name** or where the parent brand is being used in an obvious way to sell a subsidiary brand (it is recognised that, in some cases, this will be a subjective decision).

For example, ABC plc would have to tell customers about ABC Direct – but not 123.com unless it was being advertised as "123.com from ABC plc" (ie where the parent brand is being used to advertise the other brand). It is not envisaged that staff would need to give information on products or the respective merits of alternative channels. But generic notices should be posted, for example, in branches and on the subscriber's website(s), and information on the existence of other channels given to customers in account opening information. It does not require notification on a product by product basis.

As far as affinity products or services are concerned (eg a credit card bearing the brand of a charity), it is recognised that the main reason customers are attracted to such products or services is that they identify with the partner brand (eg the football team they support), rather than the brand of the subscriber.

Accordingly, it is not necessary for customers with such products or services to be apprised of the availability of non-affinity products or services within the subscriber's product range. Nor do they need to be informed about products or services aimed at other affinity groups. Similarly, it is not necessary for non-affinity customers to be informed about any affinity products or services offered by the subscriber.

In regard to the annual summary of interest rate changes on savings accounts, (sections 4.6 & 4.7 refer), it is not necessary to include non-affinity products in mailings to affinity customers, nor is it necessary to include affinity products in mailings to non-affinity product customers.

3.3 Once you have chosen an account or service, we will tell you how it works.

This provision requires information specific to the operation of a product or service to be given to customers. Subscribers may feel that it is appropriate for some or all of this

information to be included in the pre-sale "key features" information provided under section 3.1 above. However, it will also be appropriate for this type of detailed information to be included within an account opening pack or booklet given to the customer after the account is opened. It is recommended that, wherever possible, the information should be given in writing or another durable/printable form.

Examples of information that should be provided as a minimum include:

Current accounts

Product features and any other information that might be necessary to operate the account, for example:

- stopping a cheque or other type of payment; (see, also, sections 9.5 and 12.8)
- how direct debits (including the Direct Debit Guarantee) and standing orders work;
- how the clearing cycle works, including when the customer can withdraw money after paying cash or a cheque into their account, and when the funds will start to earn interest;
- unpaid cheques;
- out-of-date cheques;
- the availability of overdrafts;
- where customers can find out information about interest rates and interest rate changes;
- why an entire balance may not be available for withdrawal (for example, due to uncleared funds or an earmarked debit card transaction);
- (if a card is provided), an explanation of recurring transactions (see guidance on section 9.5 below);
- (if a card & PIN are provided), that the PIN can be changed, and how to do it;
- (when applying to open an account), whether a check will be made with credit reference agencies and what that involves. For example, customers should be told if a record of the search is kept at the credit reference agency and, if so, that this could impact on the customer's ability to obtain credit elsewhere within a short period of time (see, also, section 13.5)
- when the subscriber may pass the customer's account details to credit reference agencies and the checks the subscriber may make with them.

Savings accounts

- how the clearing cycle works, including when the customer can withdraw money after paying cash or a cheque into their account, and when the funds will start to earn interest;
- information on the clearing cycle and withdrawals (including, for example, any charges that have to be paid to withdraw early from a notice or fixed-term product);
- information on direct debits/standing orders if appropriate;
- where customers can find out information about interest rates and interest rate changes (see also, section 4.2).

Individual savings accounts (ISAs)

Cash mini ISAs and TESSA-only ISAs are subject to the Code. Special provisions apply in respect of the key features information on cash mini ISAs and TESSA-only ISAs. Before entering into a cash mini ISA or a TESSA-only ISA (unless stated otherwise), the customer must be given the following information, (this is broadly consistent with the information required to be given under rules governing the selling of cash ISAs by non-banks and building societies issued by the FSA:

- if the ISA is stated as satisfying the CAT standards (the minimum voluntary benchmark prescribed by HM Treasury) a comparison of the account against the CAT standards; or
- if the ISA is not stated as satisfying the CAT standards, a statement making this clear; and
- the minimum amount to open an account;
- that it is a mini ISA, and an explanation of the differences between a mini and a maxi-ISA agreement;
- the minimum and maximum yearly deposit (not applicable for a TESSA-only ISA);
- the interest rate earned and if and how it might vary;
- how the interest will be calculated (eg daily, monthly or annually and when it will be added to the account);
- how to make withdrawals and any limits on withdrawals;
- the arrangements for handling complaints;
- that the favourable tax treatment may not be maintained (subscribers may wish to add that it is the government, not the institution, which is responsible for the tax treatment);
- the name of the compensation scheme to apply;
- a warning that a mini and maxi ISA may not both be opened in the same tax year and that by opening a cash mini ISA, the customer will be limiting the amount of tax-free savings in equities that they can make, if they do not already have a mini stocks and shares or insurance ISA (not applicable for a TESSA-only ISA); and
- the arrangements for the application of the cooling-off period (see section 7.1 of the Code), when they open the account.

Banks and building societies should also have regard to the BBA/BSA Code of Conduct for the Advertising of Interest Bearing Accounts, the ISA Regulations (SI 1998 No 1870), and the Inland Revenue's Guidance Notes for ISA Managers. In the case of a maxi ISA, different rules may apply to the cash component. The cash component of a maxi ISA is not covered by the Code.

Credit cards

- an explanation of how interest is calculated and charged, for example, whether it is charged on the full statement balance or only on any balance remaining after the customer has made the monthly payment;
- how monthly payments are applied to any outstanding balance, ie – are they applied first to new borrowing or old borrowing (this is important where different rates of interest are applied);

- sufficient details to enable customers to pay on time. Subscribers should also ensure that, where customers are offered the facility to pay by cheque by post, sufficient time is given to enable payments to be made in time, taking account of the postal delivery system and the length of the cheque clearing cycle;
- an explanation of recurring transactions (see the guidance on section 9.5 below).

Joint accounts

3.4 When you open a joint account, we will give you extra information on your rights and responsibilities.

Joint account holders should be properly informed of their joint rights and duties and the concept of joint and several liability. Customers should be told what this means if the relationship with the other joint account holder ends. They should be told for example, whether or not the account would be closed or whether or not one name could be removed. They should be told what would happen in the case of an overdraft or loan and in what circumstances it might be necessary to freeze an account. (Subscribers may find it helpful to provide the information required under this section in leaflet form. A BBA leaflet, 'You and your joint account' will be available for this purpose from April 2003. Copies can be purchased from the BBA publications unit.)

Customers should be made aware that, unless the account mandate provides otherwise, in most cases one party to a joint account can withdraw the entire balance of the account alone, or, in the case of a loan or overdraft, that each account holder is themselves responsible for repayment of the entire balance, and not just a pro-rata share.

If requested, subscribers should ensure that statements for current accounts get sent to each party to a joint account at different addresses. (It is recognised that there may be systems constraints in providing statements on a regular basis to more than two parties).

In the case of building societies, it is especially important that the consequences of being first or second named on an account are explained, in relation to being a representative joint shareholding/borrowing member or trustee and the additional rights that brings (such as voting rights, etc.). A concise explanation of the rights of membership and the importance of picking the order the names are put on the account could form part of the product literature or application form. It is up to subscribers to consider how best to communicate this information.

Similarly, in the case of credit cards, the significance of being the primary or additional cardholder should be explained to the customers, ie that the primary cardholder is responsible for all spending by the additional cardholder and is responsible for repayments on the card.

4 **Interest rates**

4.1 *You can find out about our interest rates by:*

- *phoning our helpline;*
- *looking on our website;*
- *looking at the notices in our branches; or*
- *asking our staff.*

The telephone line could be a dedicated helpline, or could be as simple as an operator knowing who to put a customer through to on the main switchboard number. It could also be the telephone number of their relationship manager if this is their dedicated support. Subscribers should also consider how best to make customers aware of the telephone number and website address, for example, by notes on statements or stickers on passbooks, etc. Information on where interest rate details are available should be given to customers in an account opening or welcome pack, for example. There is no need to include details of specialist or non-mainline products, such as currency accounts or money market accounts. Only products that are generally available to customers need to be included. Similarly, it is not appropriate for the individually negotiated element of rates to be published, although customers should be able to access this information through bank staff.

4.2 *When you become a customer, we will give you information on the interest rates which apply to your accounts, and when we will deduct interest or pay it to you. We will also tell you our website address, our helpline numbers and the other ways in which you can find out about changes in interest rates on your accounts.*

At account opening, customers should be told the interest rates applying to their accounts and given information on how interest will be calculated, ie when calculated, compounded and charged. When quoted in the same document, debit and credit interest should also be shown on a consistent basis, (for example, monthly or annually) so as to make it easier for customers to compare and choose whether to save or to repay debts.

Customers should also be told how and where they can get up-to-date information on interest rates. Where newspapers are used, it is understood that, occasionally, it may not be possible to use the normal newspapers. However, subscribers should try, as far as possible, to use the same newspapers each time and ensure that the newspapers used reflect the readership of their customers. This does not mean undertaking a detailed survey, merely that subscribers should be generally confident that the newspapers are appropriate. Generally, advertisements should be carried in two newspapers as a minimum.

In relation to credit cards, see also the guidance relating to sections 9.1 and 9.2.

4.3 *If you ask us, we will also give you a full explanation of how we work out interest.*

This is to enable customers to check the interest charged or credited to their accounts, regardless of how difficult it may be to explain. Customers should be given a worked example or the methodology used, although this may be mathematically complex. Customers should not be charged for this explanation.

Changes in interest rates

Sections 4.4 to 4.8 do not apply to currency accounts.

4.4 *We will keep you informed about changes in the interest rates on your accounts and will tell you about the ways we will do this.*

Until further notice, the requirement to "keep you informed of changes in the interest rates on your accounts" will be fulfilled by complying with the requirements of sections 4.5 and 4.6 of the January 2001 edition of the Banking Code, ie

- 4.5 (January 2001 version) For types of account which we mainly run through branches, we will either:
- tell you personally within thirty days of the change; or
 - within three working days of the change, put notices in our branches and in the newspapers we usually use (to help you compare rates more easily, our newspaper notices will show clearly the old and new rates).
- 4.6 (January 2001 version) For types of account which we do not mainly run through branches, such as postal, internet and telephone accounts, we will tell you personally within thirty days of the change

The Financial Services Authority is due to issue guidance in the second half of 2003 - under the Unfair Terms in Consumer Contracts Regulations 1999 - on interest variation terms for savings accounts and current accounts ('FSA guidance'). It is intended that the Banking Code Guidance for Subscribers will then be reviewed to take account of the FSA guidance. In the meantime, the January 2001 versions of sections 4.5 and 4.6 will continue to apply.

The requirement to "tell you about the ways we will do this" is new. However, as an interim measure, it will not be necessary for subscribers to amend their terms and conditions or other account literature to comply with this new requirement until after the FSA guidance comes into effect. This is to avoid the need for two changes in terms and conditions or other account literature to be implemented in quick succession.

In applying the January 2001 version of sections 4.5 and 4.6, subscribers should follow the BBA/BSA Code of Conduct for the Advertising of Interest Bearing Accounts in advertising the changes. Personal notifications can include:

- post, including
- personalised correspondence
- a product specific statement insert
- a statement message
- a message to the customer accompanying the annual notification of interest rates document
- e-mail
- secure internet messaging

It should be borne in mind that the FSA guidance may well cover the methods of personal notification which it considers to be acceptable under the Unfair Terms in Consumer Contracts Regulations 1999.

The notices in branches, etc. should be clear, prominent and read easily.

The January 2001 version of section 4.6 applies to accounts which are not normally operated through branches (for example, accounts designated as postal accounts, telephone accounts, internet accounts, etc.). Customers of these accounts must be given personal notification of the changes. Both the old and the new rates (or the amount and direction of any change) should be quoted. It is not enough for the changes to be available on the telephone or on the website, should the customer decide to telephone or log-in to the site. They must be sent something, for example, an e-mail, alerting them to the fact that a change has been made and advising them to check the website for the latest rates.

Secure internet messaging may be used by subscribers to communicate changes in interest rates, but only where the subscriber has a reasonable expectation that the customer will view the message. (For example, because the customer has confirmed they wish to be contacted in this way, or because the subscriber's records show that the customer frequently (ie at least every 30 days) accesses their account online.) The message must be prominent.

"*Within 30 days*" should be interpreted sensibly – if the best way of providing the information is by a message on a monthly statement, and if the statement goes out on, say, the 1st of every month and that month happened to have 31 days, it would be acceptable under the Code.

Because customers are personally notified of the changes, there is no need for this to be advertised in the press, although subscribers may of course choose to do so.

Generally, credit cards should be treated as not "mainly run through branches".

*4.5 When we change the interest rates on your accounts, we will update the information on our telephone helpline and our website within three **working days**. To help you compare rates, the old rate will also be available on our website and our helpline.*

Previous rates should be available on websites for comparison purposes and should also be available on interest rate helplines, should the customer ask what their previous rate was. If an automatic telephone system is used, there should be an option for the customer to be able to get details of the previous rates, for example, by calling another number. It is suggested that the previous rates should be displayed on websites for one month as a minimum.

This section (including the provisions set out below) does not apply to interest rate movements on money market accounts (where the interest rate is linked to movements in the money markets), or on an account where the rate of interest is directly linked to another index, for example, BBALIBOR or the subscriber's base rate, changes in which are already

advertised and which normally track the Bank of England Repo rate. However, it would apply where there was a change in the relationship between the interest rate and the underlying reference rate. Similarly, this section (including the provisions set out below) does not apply to changes in interest rates on currency accounts.

Interest on savings accounts

4.6 *To help you compare interest rates on all our savings accounts more easily, at least once a year we will send you a summary of these products and their current interest rates unless your account has less than £500 in it. This summary will also include:*

- *accounts that are no longer available; and*
- *details of how you can find out about the current interest rates that apply to your accounts.*

This is an additional safeguard which applies to all variable rate sterling savings accounts - even if there have been no changes in interest rates. It does not apply to current accounts, tracker accounts¹ or savings accounts with less than £500 in them. (NB The question of whether or not current accounts should be covered by sections 4.6 to 4.8 will be addressed in light of the FSA guidance under the Unfair Terms in Consumer Contracts Regulations.)

The effective date for the £500 cut-off should be the same across the account range. It relates to a point in time balance and not an average balance.

There is no need to send the summary to holders of fixed rate fixed-term accounts, as such accounts cannot be broken. Similarly, there is no need to include information about closed fixed rate fixed-term account issues on the summary.

Products offered under a different brand, or through a branded channel using a different method of distribution, need not be included in the summary.

It is not necessary to include non-affinity products in mailings to customers with affinity products, nor is it necessary to include affinity products in mailings to non-affinity product customers. (See guidance on section 3.2 above.)

4.7 *We will also tell you the different interest rates which have applied to your account during the year and any changes in the Bank of England base rate (unless we have already told you personally about these or if your account has less than £500 in it).*

This information is also required to be provided annually. It is up to subscribers to decide how to do this. For example, the information could be personalised to each account or a schedule of rates and rate tiers could be sent to customers for them to compare the schedule with their statements or passbook. There is no need to send this information to money market account customers, where changes are due solely to market movements, or to currency account customers. The effective date for the £500 cut-off should be the same across the account range. It relates to a point in time balance and not an average balance.

¹ 'Tracker account'. A product, which as defined in its terms and conditions, pays interest at a rate or rates which follows, by a defined amount – and within a defined period – an external and independent index or bank rate. (NB the defined period should be the same when the tracked index or rate goes up as it is when the tracked index or rate goes down.)

The requirement to inform customers about changes in Bank of England 'base rate' is new and refers to the Bank of England Repo Rate.

4.8 *If you have a variable-rate savings account with £250 or more in it and the interest rate has fallen significantly compared to the Bank of England base rate, we will contact you within a reasonable period of time to:*

- *tell you that this has happened;*
- *tell you about our other savings accounts and offer to help you to switch to one of these accounts if you want to;*
- *tell you that you can withdraw all the money in your account; and*
- *give you a reasonable period of time to switch to another account or withdraw the money without any notice period or any charges.*

"£250 or more"

The effective date for the £250 cut-off should be the same across the account range. It relates to a point in time balance and not an average balance. The £250 limit is a cost-benefit measure which takes account of the cost of personal notification to customers. It should not affect the customer's ability to withdraw or switch their funds. Accordingly, customers with balances of less than £250 who, in the circumstances covered by section 4.8, wish to withdraw funds from their account, or switch to another account, should be allowed to do so without notice or penalty in the same way as customers with higher balances.

"fallen significantly"

Each time the interest rate on a savings account is changed or the Bank of England Repo rate (referred to as the Bank of England base rate in the Code) is moved, it will be necessary for subscribers to determine whether the interest rate on the account has fallen significantly relative to the Bank of England Repo rate. "Fallen significantly" is defined as a reduction of 0.5 percentage points or more relative to the Bank of England Repo rate in the previous twelve months (the "reference period"). The 0.5 percentage points fall could occur in a single change or a series of changes, which cumulate to 0.5 percentage points or more.

The interest rate on a variable rate savings account is considered to have 'fallen relative to Bank of England Repo Rate' in each of the following four circumstances when the interest rate:

- is reduced by more than the reduction in BoE Repo rate;
- is increased by less than an increase in BoE Repo rate;
- has been decreased but there has been no reduction in BoE Repo rate;
- has not been increased following an increase in BoE Repo rate.

The twelve-month reference period

The twelve-month reference period is a "rolling" period, ie the reference period on 1.1.04 will be the 12 months from 2.1.03; on 2.1.04 it will be the twelve months from 3.1.03, etc.

² The effective date will be either the date the change in savings account interest rate took effect or, in the case of a section 4.8 notification where the Bank of England Repo rate increased, but the savings account interest rate remained unchanged, the date of the increase in the Bank of England Repo rate.

There will be three sets of circumstances when the reference period will be less than 12 months:

- when a notice under section 4.8 has already been sent to customers within the previous 12 months, in which case the effective date² for the most recent such notification becomes the reference date;
- if the interest rate on an account is increased relative to Bank of England Repo rate, when compared to the margin relative to Bank of England Repo rate that applied at the start of the current reference period. In this case, the reference date becomes the date of the increase and the new relationship to Bank of England Repo rate becomes the margin against which any further changes are measured;
- in the period from 1.3.03 to 31.12.03 the reference date will be 1.1.03, unless the first or second bullets above apply.

Bonuses and tiers

Bonuses offered for a fixed period of time, either to new or to existing customers, should not be considered when deciding whether or not the interest rate on an account has 'fallen significantly' relative to Bank of England Repo Rate. This is subject to the caveat that the terms of the bonus must be clearly communicated to customers.

Accounts with more than one tier of interest rates will be considered to have 'fallen significantly.....' if the rate on any one of the tiers has 'fallen significantly.....'.

"Reasonable period"

Subscribers have up to 30³ days, from a change in the Bank of England Repo rate to make a decision regarding the interest payable on accounts. The 'reasonable period' of time for subscribers to notify customers of downgrading (in the first sentence of paragraph 4.8) should be not more than 30 days from the date the subscriber's decision is made about the interest rate that would trigger a downgrading notification. It would not be 'reasonable' for a subscriber to routinely implement reductions almost immediately in relation to base rate reductions and delay for nearly 30 days increases following rises in base rate.

In the fourth bullet point of paragraph 4.8, a 'reasonable period of time' for customers to switch to another account or to withdraw the money in the account is at least 60 days from the date it is dispatched. Customers who become aware of downgrading prior to dispatch of personal notifications (eg because they have seen the new interest rate(s) for their account on a website notice) must also be free to withdraw their balance without notice or penalty.

Communications to customers

Where it is necessary to contact customers under section 4.8, this should be in the form of a personal written notification that is not subordinate to other material, eg marketing messages. The communication should make it clear to customers that they will need to

³ This may be extended to take account of the decision of the following month's meeting of the Monetary Policy Committee, provided any notification of downgrading is sent within 60 days of the change in the Bank of England Repo rate referred to in the first sentence under 'reasonable period' above.

take action if they are not happy with the revised interest rate and, where appropriate, should incorporate an easy response mechanism for those that wish to switch accounts or withdraw funds. The rate of interest currently being earned should be clearly drawn to the customer's attention, together with the current Bank of England Repo rate, preferably being shown on the face of the letter rather than in an accompanying summary. The notification should also show either:

- the previous savings account interest rate(s) and the previous Bank of England Repo rate; or
- that the relationship between Bank of England Repo rate and the interest rate on the customer's account has changed and tell the customer how it has changed.

Subscribers may restrict the customer to one transaction which is charge-free and notice-free within the period referred to in the fourth bullet point of section 4.8, provided that such a restriction is communicated clearly to the customer before the transaction takes place.

Pre-notification

It is recognised that where customers are pre-notified of interest rate changes, this exceeds the minimum required under section 4.8. In such cases, if the interest rate has fallen significantly relative to Bank of England Repo rate, customers should be given a minimum of 30 days from the date of dispatch of the notification to withdraw or switch accounts without notice or penalty. Subscribers who pre-notify in this way should bear in mind that if base rate has increased, but their savings account interest rate has not, such that there has been a reduction compared to Bank of England Repo rate of 0.5 per cent or more, then the notification provisions of paragraph 4.8 would apply in full.

Exceptions to section 4.8

The requirements under section 4.8 do not apply:

- if the interest rate tier relates to balances below the minimum for the account;
- the minimum balance requirements have been communicated clearly to the customer (eg in terms and conditions); and
- the customer has been told that the interest payable to them will be fixed or nominal (eg 0.5 per cent or less) whilst their balance remains below the minimum level for the account.

The requirements under section 4.8 do not apply to tracker accounts.⁴

Superseded accounts

If the account is a superseded account, superseded prior to 1 March 2003, under section 4.11 of the January 2001 Code, and the customer has been informed that the interest rate on the account is a fixed rate or is a nominal rate which is unlikely to change (this might be where the customer has failed to respond to a notification or switch their account), section 4.8 does not apply.

⁴ 'Tracker account' A product, which as defined in its terms and conditions, pays interest at a rate or rates which follows, by a defined amount – and within a defined period - an external and independent index or bank rate. (NB the defined period should be the same when the tracked index or rate goes up as it is when the tracked index or rate goes down)

However, other superseded accounts (ie those dealt with under section 4.9 and 4.10 of the January 2001 Code) will be subject to the notification provisions of section 4.8 of the March 2003 Code. For the avoidance of doubt, from 1.3.03 there will no longer be a requirement to maintain the interest rates on a superseded account at the same level as an account with "similar features" from the subscriber's current range.

Issues for future review

The Kempson Report recommended (and the Code Sponsors agree) that the impact of the new requirements in paragraph 4.8 need to be monitored and reviewed. 0.5 percentage points is considered an appropriate level given current interest and inflation rates (ie as at 1 January 2003). It will need revision should either of these factors change markedly. The next review of the Banking Codes will assess whether the following continue to be appropriate in the light of experience:

- a 0.5 percentage point change is an appropriate measure;
- the use of a 12 month "rolling" reference period for assessing whether interest rates have fallen significantly relative to BoE Repo Rate;
- a £250 minimum balance.

5 Charges

5.1 When you become a customer, we will give you details of any charges for the day-to-day running of the account you have chosen.

5.2 You can also find out about these charges by:

- *phoning our helpline;*
- *looking on our website; or*
- *asking our staff.*

Customers should be given, at the start of the relationship and at any time they ask, details of the day-to-day charges which apply to their particular account. Table 5 on page 24 shows examples of day-to-day charges for the main types of account.

The intention underlying the requirements in sections 5.2 and those in sections 5.3, and section 5.5 is that customers should not be surprised at any charge they see appearing on their statement in connection with the basic operation of an account. It would also be advisable to include a warning that the charges may change in the future.

There is no need for details of charges for other, non-core services and products provided on a less frequent basis, for example, charges for bankers' drafts, duplicate statements, stopped cheques to be given at the account-opening stage. However, individual subscribers may wish to do this – as a minimum the customer should be told the charges for these non-core services before the service is given.

For non-core products, such as currency accounts, it is not necessary to provide details of charges on websites and helplines, but details of the charges for these products must be available in product literature and any time the customer asks.

5.3 If we increase any of these charges or introduce a new charge, we will tell you personally at least 30 days before the change takes effect.

Section 5.3 refers to the day-to-day charges covered by section 5.1 and 5.2. Personal notification, as before, can be by any one of a variety of methods; for example, letter, statement insert, e-mail secure internet messaging (see guidance on section 4.4 above), etc. There is no need to notify customers of reductions in charges.

5.4 We will tell you the charge for any other service or product before we provide that service or product, and at any time you ask.

This covers those charges not required to be notified to customers when they opened their account (although subscribers mostly choose to do so) and includes non-standard charges in relation to borrowing. Customers should also be told details of any extra interest that would be payable in such cases. Unlike day-to-day charges, any changes in these charges do not need to be personally notified to customers. These are shown in Table 5 below as 'other charges'. The customer should be notified of the charge before the service is provided, whether orally, by e-mail or by some other method.

*5.5 Before we deduct interest or charges for **standard account services** from your current or savings account, we will give you at least 14 days' notice of how much we will deduct.*

Any charge or interest that accumulates to the account, ie that is rolled up to be charged at the end of a particular period, should be pre-notified. This would generally include debit interest, and transactional charges. These are shown in Table 5 below as charges for standard account services.

'Interest' refers to interest deducted from the current or deposit account itself and not to payments made from the account in respect of interest due on another account.

The 14 days start from the date the notification is posted (whether by letter, statement notice or e-mail, etc.), not from the date the notification is received.

Charges for services that are debited at the time a service is provided and where the customer has been notified in advance (for example, in the standard tariff) or is informed at the time the service is provided, are not subject to 14 days notice before they are taken. Section 5.5 does not apply to currency accounts.

Table 5

Product type	Day-to-day charges (section 5.1)	Other charges (section 5.5)	Charges for standard account services (section 5.6)
Current account	<ul style="list-style-type: none"> ● monthly or other regular account fees ● charges for using branch counters ● overdraft fees ● charges for cheques/standing orders/direct debits UK debit card transactions ● charges for returned cheques/standing orders/direct debits, ● unpaid cheques ● standard charges and additional interest payable for unauthorised borrowing ● charges for ATM withdrawals (see also section 5.9) 	Charges for <ul style="list-style-type: none"> ● bankers' drafts ● duplicate statements ● stopped cheques ● special presentations ● CHAPS ● foreign exchange services ● subject access request charges 	<ul style="list-style-type: none"> ● overdraft fees ● debit interest ● charges for cheques/standing orders/direct debits/ UK debit card transactions
Deposit account	<ul style="list-style-type: none"> ● charges for early withdrawal from notice accounts or fixed term accounts ● where applicable charges for any money transmission services (as for current accounts above) 	<ul style="list-style-type: none"> ● where applicable, charges for any 'current account' services (as above) 	<ul style="list-style-type: none"> ● where applicable, charges for any 'current account' services (as above)
Business loan	<ul style="list-style-type: none"> ● charges where the customer is behind with their loan repayments 	<ul style="list-style-type: none"> ● subject access request charges 	
Credit card/Chargecard	<ul style="list-style-type: none"> ● annual fee ● dormancy fee ● charge for exceeding credit limit ● charge for delayed monthly payment ● charges for overseas transactions 	<ul style="list-style-type: none"> ● subject access request charges 	

Cash machine charges

5.6 We will give you details of any charges we make for using **cash machines** when we issue the **card**.

Customers should be told, both when they open their account and every time a card is re-issued, whether and what charges are made for ATM withdrawals, including the basis on which charges for withdrawals at ATMs abroad will be made.

- 5.7 *You will not be charged more than once for any transaction at one of our **cash machines**.*
- 5.8 *When you use a **cash card** at one of our **cash machines**, a message on the screen will tell you, before you commit to making a withdrawal, the amount (if any) you will be charged for the transaction and who is making the charge.*
- 5.9 *When you use a **card** other than a **cash card** at one of our cash machines, a message on the screen will tell you, before you commit to make a withdrawal, the amount, (if any) we will charge you for the transaction. The message will also tell you that your card issuer may charge you for the transaction.*
- 5.10 *We will show **cash machine** charges on your statement of account.*

These provisions are directed both at customers of the subscriber and others who may choose to use the subscriber's cash machines (if any). Customers must be given full details of all charges to be debited from their account, on-screen, before they commit to making a withdrawal using a cash card (as defined in the Code glossary). Credit cards and charge cards are covered by paragraph 5.9.

In the case of cash cards, this means that details of the charges levied by either the ATM owner (the acquirer) or the card issuer must be displayed so that there is full transparency of charging. "Who" is defined widely enough to mean either the issuer or the acquirer. The ATM owner cannot, however, be liable for displaying an incorrect charge if it was the result of incorrect information provided by the card issuer. In such cases, the provider of the incorrect information would be in breach of the Code (if a Code subscriber), not the ATM owner. However, the customer must not be charged twice for the same transaction.

Some issuers may wish to absorb all or part of the surcharge imposed by the acquirer. Provided there is still a net charge to the customer, details will still be pre-notified on the screen with the option to continue or cancel the transaction. Where the issuer wishes to give its customer an "incentive fee" ie the issuer credit exceeds the acquirer's surcharge or there is an issuer credit and no acquirer surcharge, the responsibility of communicating, this "incentive" fee rests with the issuer and this does not have to be communicated via the acquirer's ATM screen.

In the case of credit and charge cards, the same principle – that there should be no double charging – applies. 'Charges', in respect of such cards, include any cash handling charge, as well as any ATM-specific charge. The customer should be warned by on-screen message that the card issuer may make a cash handling charge.

The charge, whether levied by the issuer or the acquirer, should be separately identifiable on the statement. It is for subscribers to decide whether to show a separate debit for the

ATM charge, or to include an appropriate message with the cash debit figure. Either is acceptable, provided that the charge is clearly and separately identifiable. In relation to withdrawals made at ATMs abroad, the detail on the statement should show how the final debit figure has been arrived at from the amount of foreign currency withdrawn, for example, by including details of the exchange rate used and/or any charges applied. (See also, the guidance below, on section 10.3, foreign-currency card transactions.)

It may not be possible for card issuers to separate out a foreign acquirer's charge from the information received, as it may be included in the exchange rate. However, the rate used or the currency amount should be shown, together with any cash-handling fee taken by the issuer. The "no double charging" provision applies only when subscriber-issued cards are used in the UK.

The charges referred to in this section are those that relate solely to the use of the ATM at the time it is used. The section does not cover account transaction charges that become payable at a later date, for example, because an account which was in credit at the time of the transaction subsequently becomes overdrawn or because the number of free withdrawals allowed had been exceeded.

6 Terms and conditions

Section 6 refers to standard terms and conditions, ie those which customers are not able to negotiate.

6.1 When you become a customer or accept a product for the first time, we will give you the relevant terms and conditions for the service you have asked us to provide.

This section does not require that formal terms and conditions, in the legal sense, have to be separately in place for each product or service. Where there are no product-specific terms and conditions applying to the product or service selected by the customer, and the customer is required to sign a customer agreement, the customer's attention should be drawn to the features of the customer agreement.

6.2 All written terms and conditions will be fair and will set out your rights and responsibilities clearly and in plain language. We will only use legal or technical language where necessary.

Unless it is impracticable to do so, (as in the case of telephone banking) customers should be given – and be encouraged to read – any terms and conditions applying to a new product before they are committed to accepting it. All terms and conditions should be written in clear and intelligible language, and be fair in substance. This reflects the requirements of the Unfair Terms in Consumer Contracts Regulations 1999.

Changes to terms and conditions

6.3 When you become a customer, we will tell you how we will let you know about changes to terms and conditions.

"When" customers have to be notified of changes is set out in section 6.3 and 6.4. Customers should be told "how" they will be notified when they become a customer. Only where any change is to the customer's disadvantage does the change have to be personally notified. Therefore, subscribers should tell customers "how" they will be notified of other changes, for example, by press advertisements, branch notices, information on the website, etc. The method chosen should be appropriate for the distribution channel. So, for example, a branch notice would not be appropriate to advertise changes in the terms of an internet-only account.

6.4 If the change is to your disadvantage, we will tell you about it personally at least 30 days before we make the change. At any time up to 60 days from the date of the notice you may, without notice, switch your account or close it without having to pay any extra charges or interest for doing this.

If terms and conditions are changed to the customer's detriment, for example, if the access provisions on a savings account are reduced, customers must be given at least 30 days' personal notice, for example, by letter, e-mail, etc, before the change takes effect. At any time during the 60 days from the date of the notification, the customer must be free to close or switch their account without having to give any notice. Customers should be free to close or switch accounts without any financial penalty.

6.5 We may make any other change immediately and tell you about it within 30 days.

Any changes which are not to the customer's disadvantage are covered by this section. Subscribers should be prepared to justify why they believe a change is not to the customer's disadvantage. The method of notification used should be that explained to customers under section 6.3 above.

6.6 If we have made a major change or a lot of minor changes in any one year, we will give you a copy of the new terms and conditions or a summary of the changes.

In determining what constitutes a 'major change or a lot of minor changes', subscribers should consider what the average customer could expect to receive, bearing in mind that the subscriber's approach must stand up to the objective scrutiny of the BCSB.

If revised terms and conditions have been sent for each change, then a further copy is not required. If a summary is provided, it should contain the precise new wording of the changed terms and conditions. A revised terms and conditions document should always show the date they are issued or become effective.

7 Changing your account

Cooling off

*7.1 If you are not happy about your choice of current or savings account (except for a **fixed-rate** account) within 14 days of making your first payment into the account, we will help you switch to another of our accounts or we will give all your money back*

with any interest it has earned. We will ignore any notice period and any extra charges.

This provision enables customers to change their mind about a product within 14 days of making their first deposit, without penalty. For example, if a customer opened a 90-day savings account but within 14 days decided that it was not the correct product for them, they would be entitled to withdraw all of their funds without loss of interest, penalty or charge.

Interest should also be paid on the funds for the period of time the account was open (starting from the date funds are cleared for the payment of interest). On a savings account, this should be paid at the level of the subscriber's currently promoted instant savings account, as a minimum. On a current account, no interest may be payable and indeed, if the customer has been overdrawn, interest may be payable by the customer. It is acceptable to charge a fee if a facility such as an overdraft has been used, but additional charges to close the account should not be made.

The 14 days start to run from the time the first payment is made into the account. The customer's funds do not have to be returned to them until the funds have cleared. Also, there may be occasions when the customer has to fully satisfy identification requirements under the money laundering rules (see the guidance notes issued by the Joint Money Laundering Steering Group).

It is important that customers are made aware of their rights under this provision no later than the point of account opening.

Moving your account

The following guidance to sections 7.2 to 7.6 includes service standards for sterling current accounts to which subscribers have committed, which are over and above those contained in the text of the Banking Code itself. The Banking Code Standards Board will be with the guidance as well as monitoring compliance with sections 7.2 to 7.6 of the Banking Code.

*7.2 If you decide to move your current account to another financial institution, we will provide them with information on your standing orders and direct debits within five **working days** (reducing to three **working days** from 1 August 2003) of receiving their request to do this. Also we will close your current account when you ask us to do so.*

Direct debit and standing order (DDSO) information should be sent to the new bank within five working days of receiving a request from the new bank. (This will reduce to three working days with effect from 1.8.03.)

Once the new bank has received the DDSO details from the old bank it will provide these to the customer to enable the customer to check their accuracy and ensure that only active ones are transferred. If the customer fails to respond within a reasonable period, the new bank may assume that the customer wants all DDSOs to be transferred to their new account.

All account transfer notifications between banks, customers and with direct debit originators will be made by the most expedient method. Depending on the circumstances, this will likely include first class post, telephone, or electronically.

Also, we will close your current account when you ask us to do so.

If the customer wishes the new bank to transfer their balance from the old bank to their account with the new bank, and this service is a feature of the new account type, the new bank will give sufficient notice of this to the old bank (this will usually be at least 5 working days before the transfer date). The old bank will use best endeavours to close the account on the transfer date and, where there is a credit balance, to send the funds in the manner requested. If the transfer cannot be completed on that date, the old bank will inform the new bank and the customer of the reason and will complete the transfer as soon as reasonably possible.

7.3 *If you want to transfer your current account to us, we will tell you:*

- *how the process for transferring your account will work and who is responsible for each step in the process ;*
- *what information your old financial institution will pass to us;*
- *what features you will be offered with the new account so that you can compare your new account with features on your old account; and*
- *how long the transfer is likely to take.*

*We will give you what you need to operate the account with **10 working days** of approving your application.*

This requires the 'new bank' – ie the bank or building society to which the customer wishes to transfer their current account – to explain to the customer how the process of transfer will work and, in particular, who is responsible for each step in the process: ie, the old bank, the new bank, the customer or the direct debit originator. It is important, also, where the customer requires their account to be transferred within a certain period, that a timescale acceptable to the customer is agreed.

Where the customer wishes to transfer their DDSOs to the new bank account, the new bank will, if so authorised by the customer, request the DDSO information from the old bank within **three working days** of approving a valid application. If the application has already been approved, the new bank will request DDSO information from the old bank within three working days of receiving the customer's written request to do so.

Where the customer wishes it to do so, the new bank will notify direct debit originators of the new account details and will do so on a timely basis. A specific service level eg for the number of days which the bank has to react, is not appropriate in that the new bank will not know when direct debits are due to be collected. It is not in the customer's interest for revised instructions to be sent to direct debit originators prematurely. The important thing for the customer is that DDSOs are transferred to their new account on the date they have agreed with the new bank.

*We will provide you with what you need to operate the account within **10 working days** of approving your application.*

The 10 working days are counted from the date the customer's application is approved, ie once any necessary identification and address validation checks have been completed and, where appropriate, any necessary security has been put in place or any necessary credit has been received. 'What you need to operate the account' means the ability to pay into (including where appropriate, a paying in book) and make withdrawals from the account (eg an ATM card with PIN and, where appropriate, a cheque book).

7.4 We will cancel any bank charges you will have to pay as a result of any mistake or unnecessary delay by us when you transfer your current account to or from us.

This requires bank or building society charges to be waived where the subscriber is at fault. Where charges have been taken from the customer's account before the subscriber's error has been identified, the customer should be reimbursed. (See also section 2c above.)

Closing your account

7.5 Under normal circumstances, we will not close your account without giving you at least 30 days' notice.

Examples of circumstances which are not 'normal' include cases of suspected fraud and cases where the customer was threatening or abusive towards staff.

"Dormant" accounts should be considered in line with the BBA's Ten pledges from banks to personal customers on dormant accounts, or a building society's rules or terms and conditions.

7.6 If we plan to close or move your branch, we will tell you at least eight weeks beforehand, and 12 weeks beforehand if yours is the last bank or building society branch within a five-mile radius. We will tell you how we will continue to provide banking services to you.

This relates to permanent closure, not temporary closures (eg due to branch refits).

If a customer is formally attached to a particular branch (ie they have an individual account number and branch, rather than a central or universal, sort code), and that branch is to close, the customer should be given personal notification of at least 8 weeks and at least 12 weeks if the branch is the last bank or building society branch within a five mile radius. In all cases (ie whether customers are formally attached to a branch or not) a prominent notice should be placed in the branch for all customers to see and consideration given to other local advertising and notifying local councils and community groups. Notifications should provide information on alternative facilities, especially where the subscriber is the last financial institution in the area.

In exceptional circumstances, such as where there have been life-threatening raids, the notification periods may be reduced or waived by the subscriber, although notification should still be given to customers.

This section also applies to branch agencies, where it is the subscriber which chooses to bring the agency agreement to an end (placing notices in the agency is obviously

dependent on the goodwill of the agent, and may not therefore be possible – as this is outside the subscriber’s control, it would not represent a breach of the Code). Obviously, if the agent withdraws from the agreement, at short notice, it may not be possible for the subscriber to give 8 weeks’ notice to customers. However, the arrangements and agreements made with agents should be designed to ensure as far as possible their co-operation in complying with this requirement.

In assessing whether a branch is the ‘last branch’, any branch agencies within a 5-mile radius should not be taken into account, unless the ‘branch’ being closed is itself a branch agency.

8 Advertising and marketing

8.1 We will make sure that all advertising and promotional material is clear, fair, reasonable and not misleading.

Subscribers should also ensure that they comply, as appropriate, with the British Code of Advertising, Sales Promotion and Direct Marketing, the Radio Authority Advertising Code, the Independent Television Commission Code on Advertising Standards and Practice, of course, the FSA Handbook and relevant legislation such as the Consumer Credit Act 1974.

8.2 We will take care when sending marketing material to you, particularly if it relates to loans or overdrafts, or if you are under 18.

This provision discourages casual and random use of marketing approaches and restates the importance of proper controls.

*8.3 Unless you specifically give your consent or ask us to, we will not pass your name and address to any company, including other companies in our group, for marketing purposes. We will not ask you to give your permission in return for **standard account services**.*

This provision restates, in a marketing context, the basic duty of confidentiality that financial institutions owe to their customers (see section 11 below). It means that a subscriber needs to have a customer’s consent before passing information across the group, or to companies outside the group, for marketing purposes.

There are various acceptable methods of obtaining the customer’s consent. It may, for example, be given by way of a clear and unambiguous clause above a signature box on an application form, or a positive "click" on an internet application, or a positive reply to a specific question on the telephone. Subscribers should also be aware of the Information Commissioner’s Guidance for Direct Marketers and telecoms licensing requirements. A consent should not be required in return for the provision of standard account services (defined in the glossary).

8.4 We may tell you about another company’s services or products, and if you say you are interested, that company may contact you directly.

This section is concerned with "host mailing". No confidential information about the customer will be passed to the other company by the subscriber. If the customer is interested in the other company's products or services and they respond, then they are themselves releasing confidential information. For example, a subscriber may have a subsidiary which offers general insurance products. The subscriber could send their customer details of those products. The subscriber should make clear to the customer that the third party is a separate legal entity, and is not a division of the subscriber's company, since this will not always be clear to the customer from the name of the third party. It is only if the customer chooses to respond positively that the subsidiary will learn any details about the customer, or even that the particular customer has been sent the information in the first place.

8.5 When you become a customer, we will give you the opportunity to say that you do not want us to contact you for marketing purposes. At least once every three years, we will remind you that you can do this.

Account opening forms, whether paper or internet based, or questions over the telephone, or other "welcome pack" information, should contain a section or question to allow customers to signify that they do not wish to receive "marketing approaches." Examples of marketing approaches include literature through the post, Emails and telephone calls: the types of approaches could be listed so that the customer can object to some rather than all.)

"Marketing approaches" means information designed to sell **additional** services and products. This means that if there is a clear intention to sell a product or service which the customer does not already have, it will be caught by this provision, however it is sent. However, the provision of information relating to product or service improvements or the availability of new channels (eg, that the customer's existing account(s) can be accessed via the internet) are excluded from this provision, as are changes to administrative details, such as new branch or telephone helpline opening hours.

As an illustration, advising a customer that they have free annual travel insurance with their "added value" current account is not marketing material, but promoting an enhanced credit card to a standard credit card holder is.

Subscribers should consider carefully whether the purpose of a customer communication is operational or promotional. Where "combined" messages are used, a non-promotional version may be needed for customers who have opted out from receiving marketing material.

Section 8.5 does not require express consent to send the information, but does require that the customer be given a clear opportunity to opt-out from receiving it. Subscribers should, however, be aware (in the case of direct marketing telephone calls) of the Information Commissioner's Guidance in relation to the Telecommunications (Data Protection & Privacy) Regulations 1999.

It will not be sufficient for terms and conditions to state that customers can opt-out by writing to a particular address; however, provided it was clear and unambiguous, a notification could be included in, for example, an account opening pack. In addition, existing customers have to be reminded, at least once every three years, that they can opt-out from receiving this information. This reminder could be by letter, e-mail, telephone or other method, provided it is sent personally to each customer and is clear. Whatever notification method is chosen, subscribers should ensure that they are familiar with the various pieces of guidance issued by the Information Commissioner under the Data Protection Act 1998.

The 3-year notice can also be covered by subscribers adopting a more frequent approach, for example, on all statements and/or marketing material.

8.6 We will not insist that you buy an insurance product from us when we agree to provide you with a lending product

This provision prohibits the bundling of insurance products with lending products in such a way that the customer is forced to buy an insurance product from the lending subscriber. It does not prevent subscribers from offering customers an incentive to taking out an insurance product linked to another product, provided the customer is also able to take the other product without the insurance.

It is still permissible for a subscriber to insist that insurance cover is provided in support of the customer's borrowing. However, it should be made clear that the customer is free to obtain a relevant product from their own preferred source. The subscriber's terms for accepting such insurance should not be so disproportionately onerous that the subscriber's own insurance products appear more attractive.

9 Running your account

Statements

9.1 To help you manage your account and check entries on it, we will give you regular account statements unless this is not appropriate for the type of account you have (such as an account where you have a passbook).

9.2 We will normally provide you with a statement every month, every three months or, in any case, at least once a year. You can ask us to provide you with account statements more often than is normally available on your type of account, but there may be a charge for this service.

This provision applies to all accounts, however provided, unless clearly inappropriate. The statement does not have to be in paper form. For example, in the case of internet-based accounts, (or accounts with an internet banking facility where the customer has indicated they are content to receive statements in non-paper form) customers could be e-mailed regularly to remind them to check their statement of account on-line, and encouraged to save it or print it off. If statements are only available on-line, customers should be told how long they will remain available.

Statements should continue to be sent even when the account is inactive unless previous statements have been returned. Although customers may ask for more frequent statements, there is no requirement for subscribers to provide such a service and, if they do, a charge may be made.

It is not necessary for customers with fixed rate, fixed-term loans to be sent a statement, although those with variable rate loans should be sent one. The "statement" does not have to be in traditional statement form – it could, for example, take the form of a letter.

In the case of credit cards, it is common practice not to send a monthly statement if the card has not been used. This is acceptable under the code, although an annual statement at least is required under section 78 of the Consumer Credit Act 1974.

There are a number of specific pieces of information which should be included on every **credit card statement** (where the customer is borrowing and interest is therefore being charged). These are as follows:

- The current interest rate should be printed on each statement. Also, if more than one interest rate applies to an outstanding balance, for example, where one rate applies to a transferred balance and different rates to new borrowing and cash transactions, this should be made clear.
- A clear statement that if the account is not fully cleared, interest will be charged on the total value of the statement, and not just on the outstanding balance.
- A clear statement that interest will be charged on a daily basis and that interest payments therefore increase the longer payment is delayed (even before the monthly payment date).
- The front of each credit card statement should show a cash figure indicative of the amount of interest which would be payable by the customer if they paid the minimum amount and it reached the subscriber on the last day for payment.

9.3 *If you have a **card** which allows you to withdraw money from your account, we will provide you with account statements at least every three months if the **card** has been used.*

This is a fraud protection measure and applies to all card accounts, including passbook accounts with a card.

Clearing cycle

9.4 *We will tell you about the clearing cycle including when you can withdraw money after paying into your account, and when you will start to earn interest.*

Normally this should be provided when the account is opened.

Direct debits, standing orders, and recurring transactions

9.5 *We will tell you how direct debits, standing orders and **recurring transactions** work and how you may cancel one of these when you no longer need it.*

Normally this should be done when the account is opened.

This links with section 12.8. Subscribers should give customers the information set out in section 12.8 relevant to the customer's account. So, for example, the information on cancellation of a recurring transaction would be relevant to a credit card, but not a savings account.

9.6 *We will tell you about the direct debit guarantee, which protects you if a direct debit you have not authorised is taken from your account. If any money is wrongly taken from your account under a direct debit, we will refund your account as soon as you tell us about it.*

Normally this should be done when a customer opens the account.

Cheques

9.7 *We will keep original cheques paid from your account, or copies, for at least six years unless we have already returned these to you.*

This section does not apply to cheques that are not cleared through the customer's own account when finally presented ie managers' payments or branch cheques or drafts, building society cheques, etc. which are "bought" by customers, drawn on the bank or building society itself. Subscribers should also bear in mind the Limitations Act 1980.

9.8 *If, within a reasonable period after the entry has been made on your statement, there is a dispute with us about a cheque paid from your account, we will give you the cheque or a copy as evidence. If there is an unreasonable delay after you have told us about it, we will add the amount of the cheque to your account until we have sorted the matter out.*

Again, this paragraph refers only to cheques issued on customers' own accounts. A common sense approach should be taken in regard to what constitutes a 'reasonable period' and an 'unreasonable delay' and, to an extent, the latter is a function of the former. For example, if the cheque requested was 5 months old rather than 5 days, it would take longer to locate. Similarly, it would likely take longer to respond to a request for ten cheques than a request for one.

The dispute referred to is a dispute between the customer and the subscriber, not a third party. Therefore, if a customer requests a copy of a cheque (to act as a receipt, for example), this provision does not apply. In such cases and in the interests of good customer relations, a subscriber would no doubt wish to accede to the customer's request (and, of course, a charge could be made). But, in such circumstances, there would be no requirement to re-credit the account if there was an unreasonable delay in finding the cheque.

9.9 *We will tell you how we will deal with unpaid cheques and out-of-date cheques.*

9.10 *If we need to tell you that a cheque you have written (or another item) has been returned unpaid, we will do this either by letter or in another private and confidential way.*

The overriding duty of confidentiality is covered elsewhere in the Code, so this provision is simply a restatement. Therefore, unless the customer has specifically requested it, details about bounced cheques, etc. should not be sent, for example, by fax, where the subscriber cannot be sure that someone other than the customer may pick up the information.

This provision does not require customers to be sent a letter or be otherwise informed every time a cheque is returned unpaid; merely that if notification is sent, it is sent by private and confidential means. This would normally be to the customer's mailing address.

Foreign-exchange services

9.11 *We will give you an explanation of the service, details of the exchange rate and an explanation of the charges which apply to foreign-exchange transactions which you are about to make. If this is not possible, we will tell you how these will be worked out.*

Foreign exchange services should be explained to customers who are about to use them. Obviously, if the customer has used the service before or is familiar with it, the explanation does not have to be given again. This paragraph also recognises that it will not always be possible to give a customer an exact cost as, for example, the proceeds of a foreign cheque sent for collection may be dependent on the exchange rate at some point in the future. Where this is the case, customers should instead be told how the eventual charge will be worked out.

9.12 *If you want to transfer money abroad, we will tell you how to do this and will give you:*

- *a description of the services and how to use them;*
- *details of when the money you have sent abroad should get there and the reasons for possible delays;*
- *the exchange rate applied when converting to the foreign currency; and*
- *details of any commission or charges which you will have to pay and a warning that the person receiving the money may also have to pay the foreign bank's charges.*

These provisions reflect the requirements of the Cross-Border Credit Transfer Regulations 1999. Although the regulations apply only to transfers made within EEA countries, the Code provisions apply to all transfers, whatever country is involved.

Subscribers should refer to the APACS implementation guidelines for further details. (In early 2003 APACS will be issuing further guidelines, on the European Regulation on cross border payments in euro.) However, the provisions of the Code recognise the difficulties

inherent in making cross-border payments, especially where a number of agent banks may be involved in the transfer. Customers should, therefore, be given such reasons if there is likely to be a delay and also a warning if additional charges may have to be paid by the recipient of the payment. The exchange rate applied also has to be given – this does not necessarily have to be a specific figure but, if the transaction is carried out on behalf of the subscriber by another institution (for example, a building society may use its bank), the customer should be told the basis of the rate used (ie the rate on a specific day offered by a specific institution).

In respect of transfers to destinations outside the EEA, it is recognised that the subscriber may only be able to give the customer details of the charges and commission which the customer will have to pay to the subscriber.

9.13 If money is transferred to your bank account from abroad, we will tell you the original amount received and any charges. If the sender has agreed to pay all charges, we will not take off charges when we pay the money into your account.

Again, this provision reflects the requirements of the Regulations. This provision refers to payments received directly into an account from abroad. Customers should be told what the original amount received was and the charges deducted by the subscriber, unless the sender of the funds had agreed to pay all charges in which case the customer's account must not be debited with further charges.

Customers should also, when paying in foreign cheques, be told what happens; for example, whether their cheque is to be negotiated or collected, and an estimate of how long it might take the cheque to clear and the costs involved. If the cheque is paid in by post, this explanation should accompany the acknowledgement or receipt.

Protecting your account

9.14 We will tell you what you can do to help protect your accounts. You can find out more about what you can do to help in section 12 of this code.

This is a new requirement. Subscribers should determine the information it would be most useful for customers to receive and the information set out in sections 12.4 and 12.5 is indicative of the information customers may find useful. It should be communicated to the customer, at an appropriate time, such as when the account is opened.

*9.15 If you tell us that your cheque book, passbook, **card** or **electronic purse** has been lost or stolen, or that someone else knows your **PIN** or other **security information**, we will take immediate steps to try to prevent these from being used.*

This ensures that a stop will be put on the lost items as soon as possible and a block on PINs, personal information, etc. that may be known by someone other than the customer.

It links with sections 12.6 and 12.7 which give guidance to the customer on the need for them to inform the financial institution as soon as they become aware their cards, cheque books, etc have been lost or stolen.

10 Cards and PINs

This section applies to cash cards and other cards, as defined in the Code glossary. Some subscribers may offer customers credit cards which are actually issued on their behalf by another institution. As far as the customer is concerned, however, the card comes from their bank or building society and is badged and branded as such. In such cases, therefore, subscribers should ensure that their card issuer complies with the provisions of this Code (see guidance in relation to section 3.2 above).

*10.1 We will only send you a **card** if you ask for one or to replace a **card** you already have.*

This prohibits the unsolicited mailing of cards. It does not include "electronic purses" so, if they ever become a widely used product, this section would not prevent the sending of test or sample cards for marketing purposes. Be aware also of section 51 of the Consumer Credit Act 1974 which prohibits the mailing of unsolicited cards.

*10.2 If you do not recognise a **card** transaction which appears on your statement, we will give you more details if you ask us. In some cases, we will need you to give us confirmation or evidence that you have not authorised a transaction.*

This is designed to cover all circumstances when a customer may query a card transaction – whether a single debit or credit card transaction, an ATM transaction, or a recurring transaction. Whilst in some cases – a disputed single card transaction or ATM transaction, for example – the subscriber will need to investigate and recover copy vouchers, etc., in other cases, particularly recurring transactions, the customer may need to provide evidence that they have in fact cancelled the authority. If a customer has cancelled the authority for a recurring transaction to be taken from their account and can evidence this, no mandate exists for payment to be made. Subscribers should tell customers what evidence, such as copy letters, will be needed. Each subscriber should determine what it needs to prove a claim, but audit trails, systems checks, ATM cameras, and the sending of cards by registered post or courier could all be considered.

10.3 From 1 September 2003 your statement will show the rate of commission or charge (if any) we apply to foreign-currency card transactions.

This is a new requirement introduced in response to the Kempson Report of November 2002. The rate of any commission charge subsumed within the exchange rate should also be disclosed. This may either be on the front of the statement or prominently on the back of the statement. For online-only statements, the information can be made available via a click-box link, provided this is prominent.

Subscribers may also find it helpful to refer to the UK banking industry guidelines – published by APACS in December 2002 – on cards and the European Regulation on cross border payments in euro.

10.4 From 1 September 2003, we will warn you when an introductory promotional interest rate on your credit card is about to come to an end.

In accordance with the Kempson Report, from 1.9.03, where an introductory promotional interest rate applies (ie, in respect of new customers), the expiry date of the promotional offer will be shown on the front of the statement or in a separate, prominent personal notification to the customer. This should be given between four weeks and eight weeks before expiry of the offer. However, if the best way of providing the information is by a message on or with a monthly statement, and this means the four or eight week period is exceeded by a few days, this would be acceptable.

The requirement in section 10.4 does not apply where the customer is in breach of the terms and conditions of the account and the subscriber is concerned that giving the customer warning that the promotional period is about to end may result in abuse of the card.

*10.5 We will give you your **PIN** (personal identification number) separately from your **card**. We will not reveal your **PIN** to anyone else.*

This is necessary for security reasons.

*10.6 We will tell you about our systems to allow you to choose or change your **PIN**. This should make it easier for you to remember.*

All subscribers should have arrangements in place to allow customers to choose or change their PINs. This is normally by way of ATMs, including reciprocal arrangements with ATM owners, but could be by any other secure method.

In offering this facility, subscribers may wish to block certain combinations of numbers, for example "1234", and encourage customers not to pick, for example, their birthday or another number which could be easily guessed or found out. This provision means that there will be no need for customers to write their PINs down, even in a disguised way. (For the avoidance of doubt, PIN relates only to cards.) Subscribers should ensure that they notify customers that they can choose their own PIN, for example, in account opening welcome packs, on card carriers or on PIN notifications, etc.

11 Your personal information

Confidentiality

11.1 We will treat all your personal information as private and confidential (even when you are no longer a customer). We will not reveal your name and address or details about your accounts to anyone, including other companies in our group, other than in the following four exceptional cases when we are allowed to do this by law.

- *If we have to give the information by law.*
- *If there is a duty to the public to reveal the information.*
- *If our interests require us to give the information (for example, to prevent fraud)*

but we will not use this as a reason for giving information about you or your accounts (including your name and address) to anyone else, including other companies in our group for marketing purposes.

- *If you ask us to reveal the information, or if we have your permission.*

This paragraph reflects the overriding duty of confidentiality that banks and building societies owe to their customers (*Tournier v National Provincial and Union Bank of England* (1924) 1KB 461). A subscriber is not permitted to pass information about a customer's accounts or their names and addresses to anyone (which includes other companies in the group) without the customer's consent, except in the cases stated in the Code. Consent, as a result of the Data Protection Act 1998, should be "explicit" if the data is sensitive ("sensitive" data includes racial or ethnic origin, medical history, criminal convictions, etc.).

The additional section under the third bullet point is intended to make it clear that the third exception is designed to protect an institution's legitimate interests, but does not extend to the transfer of information for marketing purposes unless, of course, the customer has requested or consented to such disclosure (see section 8). Subscribers should take their own legal advice before relying on any of these exceptions in the absence of the customer's consent.

Bankers' references

*11.2 If we are asked to give a **banker's reference** about you, we will need your written permission before we give it.*

Subscribers should also explain to customers, when asked, how a banker's reference works, reflecting the key commitment which states that subscribers should give customers information and explain if there is any aspect which they do not understand. For example, subscribers may wish to explain to customers requesting a banker's reference about another customer the limitations of the reliance which can be placed on such references.

Data protection

11.3 We will explain to you that, under the Data Protection Act, you have the right to see the personal records we hold about you.

Subscribers need to explain to customers their right of access to their personal information, including the fee (either the amount of the fee or – given that the fee might change – the fact that a fee may be payable and where the customer can find out about it,) under the Data Protection Act 1998. A notification may be made, for example, on an application form, on the Internet or in product literature, including terms and conditions.

11.4 We will tell you if we record your telephone conversations with us.

The recording of telephone conversations could be notified to customers in product literature, terms and conditions, at the start of a call or in some other way. This is consistent with the Lawful Business Practice Regulations of October 2000 which require any organisation that undertakes call recording, live monitoring, or any form of interception to make all reasonable efforts to advise individuals of what it is doing or may do.

12 What you can do to protect your accounts

This section is all about what you can do to help prevent your accounts being misused.

These provisions are designed to help customers and subscribers prevent fraud and to help subscribers meet their obligations elsewhere in the Code.

Keeping us up-to-date

12.1 *Please make sure you let us know as soon as possible when you change your:*

- *name;*
- *address;*
- *phone number; or*
- *e-mail address (if this is how we communicate with you).*

Checking your account

12.2 *We recommend that you check your statement or passbook regularly. If there is an entry which seems to be wrong, you should tell us as soon as possible so that we can sort it out.*

This provision draws customers' attention to the importance of checking their statements and passbooks since, in general, the longer the delay between their notifying the bank or building society of a disputed entry, the more difficult it will be to resolve.

12.3 *If we need to investigate a transaction on your account you should co-operate with us and the police, if we need to involve them.*

If a customer refused to co-operate in an investigation, the Financial Ombudsman Service or the courts could take this into account.

Taking care

12.4 *The care of your cheques, passbook, **cards, electronic purse, PINs and other security information** is essential to help prevent fraud and protect your accounts. Please make sure that you follow the advice given below.*

- *Do not keep your cheque book and **cards** together.*
- *Do not allow anyone else to use your **card, PIN, password or other security information**.*
- *If you change your **PIN** you should choose your new **PIN** carefully.*
- *Always learn your **PIN, password and other security information**, and destroy the notice as soon as you receive it.*
- *Never write down or record your **PIN, password or other security information**.*
- *Always take reasonable steps to keep your **card safe and your PIN, password and other security information** secret at all times.*
- *Keep your card receipts safe and dispose of them carefully.*
- *Never give your account details or security information to anyone unless you know who they are and why they need them.*

The objective of this provision is to encourage customers to take proper care of their cheque books, passbooks, PINs, cards and other security information (for example, numbers, passwords and personal details that may be used to access telephone or internet accounts). The advice listed in the bullet points represents the most important security requirements, which have been highlighted as customer responsibilities.

12.5 If you send a cheque through the post, it will help to prevent fraud if you clearly write the name of the person you are paying the cheque to and put extra information about them on the cheque. For example:

- *If you are paying a cheque to a large organisation such as the Inland Revenue, write on the cheque the name of the account you want the cheque paid into (for example, Inland Revenue, account - J Jones, reference xxxyyz); or*
- *If you are paying a cheque into a bank or a building society account, always write on the cheque the name of the account holder (XYZ Bank, account - B Brown). You should draw a line through unused space on the cheque so unauthorised people cannot add extra numbers or names.*

This provision is designed to prevent, as far as possible, cheques being intercepted in the post. The more details about the true payee and the fewer spaces left on the cheque, the less likely it is that it can be tampered with and used fraudulently.

What to do if you lose your cheque book, passbook, electronic purse or card, or if someone else knows your PIN

12.6 It is essential that you tell us as soon as you can if you suspect or discover that:

- *your cheque book, passbook, card or **electronic purse** has been lost or stolen;*
or
- *someone else knows your **PIN, password or other security information.***

The requirement for customers to tell their bank or building society as soon as they can of loss, etc., rather than immediately, is to cover situations where the customer is unable to give immediate notice for a good reason. All of the information in this section should be included in documentation about cards, PINs, etc. given to customers.

12.7 The best way of telling us about the loss will usually be by phone, using the numbers we have given you, or by e-mail to the address we have given you for this purpose.

It is important that subscribers should take proper steps to inform customers of how they can give details of lost/stolen cards, information, etc. and to give them the appropriate telephone numbers, etc. It is up to subscribers to decide which method of notification they require, but it should be easily accessible to the customer.

Cancelling payments

12.8 If you want to cancel a payment or series of payments you have authorised, you should do the following:

- *To cancel a cheque or standing order, you must tell us (we cannot cancel cheques covered by a cheque guarantee card).*

- To cancel a direct debit, you can either tell the **originator** of the direct debit or tell us. We recommend you do both.
- To cancel a **recurring transaction**, you must tell the **originator**. We recommend you keep proof of cancellation.

It may not be possible to cancel payments if you do not give enough notice of your decision to cancel.

Subscribers should give customers the information relevant to their account. It should not be assumed customers would read the relevant section of the Code. Where relevant and possible, customers should be told whether there is a minimum notice period for cancellation, and what the minimum period is.

Liability for losses

12.9 If you act fraudulently, you will be responsible for all losses on your account. If you act without reasonable care, and this causes losses, you may be responsible for them. (This may apply if you do not follow section 12.4.)

This applies to all cards, including electronic purses. Customers cannot take advantage of the limits on liability (in sections 12.10, 12.13 and 12.14 below) if they have acted fraudulently. Similarly, this paragraph makes it clear that subscribers may also hold a customer liable if they have acted without 'reasonable care'. (ie with 'gross negligence' see comment under section 12.10 below).

Whilst there is reference to the advice to customers in section 12.4, it does not follow that the Ombudsmen or the courts would necessarily find that the failure to follow any of the safeguards set out in that paragraph would amount to 'gross negligence' by the customer. See the guidance under section 12.10 below above for comment on gross negligence.

*12.10 Unless we can show that you have acted fraudulently or without reasonable care, your liability for the misuse of your **card** will be limited as follows.*

- *If someone else uses your **card**, before you tell us it has been lost or stolen or that someone else knows your **PIN**, the most you will have to pay is £50.*
- *If someone else uses your **card** details without your permission for a transaction where the cardholder does not need to be present, you will not have to pay anything.*
- *If your **card** is used before you have received it, you will not have to pay anything.*

Unless the customer has acted fraudulently or without reasonable care (which the subscriber must prove – see below), the customer is liable for a maximum of £50 in total (and not for each transaction) before they give notification of loss, etc., if the card is out of their possession.

Previous editions of the Code referred to "gross negligence" rather than "without reasonable care". The words have changed to make them more readily understandable to consumers, given that "gross negligence" is not a phrase in common usage. However, subscribers

should note that the standard has not changed and the old "gross negligence" standard is still that applied by the Financial Ombudsman Service.

The requirements in paragraph 12.10 reflect the provisions of the Consumer Credit Act 1974 but apply to all cards not just credit cards. If card details, etc. are misused while the card is still in the customer's possession (ie it has not been lost or stolen), the customer cannot be liable, unless they have acted fraudulently or without reasonable care. This would include misuse of card details in the case of distance transactions (this reflects the requirements of the EU Distance Selling Directive). Under the Consumer Credit Act 1974, if the card was used as a credit token, then the consideration of gross negligence is irrelevant.

This provision confirms that the burden of proof lies with the subscriber and not with the customer, so the subscriber will have to provide proof if necessary. However, this should be read in conjunction with section 12.3, which requires co-operation by the customer.

Account aggregation services

12.11 *If you use an account **aggregation service** you may be liable for any fraud or mistakes that happen on your accounts as a result.*

Electronic purse

12.12 *You should treat your **electronic purse** like cash in a wallet. If you lose your **electronic purse** or it is stolen, you will lose any money in it, in just the same way as if you lost your wallet.*

12.13 *However, unless we can show that you have acted fraudulently or without reasonable care, your liability for the misuse of your **electronic purse** will be as follows:*

- *If money is transferred to your **electronic purse** by unauthorised withdrawals from your account before you tell us it has been lost, stolen or misused, the most you will lose is £50.*

12.14 *You will not lose anything if money is transferred from your account to your **electronic purse** after you have told us it has been lost or stolen or that someone else knows your **PIN**.*

Although the electronic purse is not yet a product in common use, the provisions remain in the Code at the request of HM Treasury to comply with EU requirements. If a card is lost or stolen, any credit on that card will be lost. The rest of the paragraph is self-explanatory.

13 Lending

13.1 *Before we lend you any money or increase your overdraft, credit card limit, or other borrowing, we will assess whether we feel you will be able to repay it.*

This assessment should include looking at one or more of the following.

- The customer's income and financial commitments.

- How they have handled their finances in the past.
- Information from credit reference agencies and, with the customer's permission, others such as other lenders, the customer's employer and landlord.
- Information the customer provides including information to prove their identity and why they want to borrow the money.
- Credit assessment techniques, such as credit scoring.
- Any security provided.

There is no obligation to take all these areas into account when making a lending decision, but one or more should be taken into account. Not every measure will be needed in every case and, of course, assessment may include areas not listed. Subscribers should also ensure that they are familiar with the requirements of the OFT's Guide to Credit Scoring and the explanations that need to be given to customers if credit scoring is used, and also the Information Commissioner's Guidance on Credit Referencing.

13.2 If we offer you an overdraft, or an increase in your existing overdraft limit, we will tell you if your overdraft is repayable on demand.

This is a new requirement which reflects a concern raised in Professor Kempson's Report. The explanation to the customer could be contained in a facility letter or similar document.

13.3 If we cannot help you, we will explain the key reason why if you ask us to. We will give this in writing if you ask.

The written explanation could be given in the form of a leaflet if this is sufficiently focused. In regard to refusals based on credit scoring, the Guide to Credit Scoring 2000 (and in particular, section 6 of the Guide) refers. Subscribers will want to have regard to the potential for financial crime in the information they provide and will want to avoid compromising their security procedures.

*13.4 If you want us to accept a **guarantee** or other **security** from someone for your liabilities, we may ask you for your permission to give confidential information about your finances to the person giving the **guarantee** or other **security**, or to their legal adviser. We will also:*

- *encourage them to take independent legal advice to make sure that they understand their commitment and the possible consequences of their decision (where appropriate, the documents we ask them to sign will contain this recommendation as a clear and obvious notice);*
- *tell them that by giving the **guarantee** or other **security** they may become liable instead of, or as well as, you; and*
- *tell them what their liability will be.*

*We will not take an unlimited **guarantee**.*

This provision was modified in the 1997 edition of the Code at the suggestion of the Banking Ombudsman who was keen that regular financial information about the person on whose behalf a guarantee/indemnity or other security is given should always be made available to the guarantor or granters of third party security ('granters'), so that they would

be able to assess the likelihood of being called upon to pay. The Code allows this so long as permission is given and confidence is not breached. If the guarantor or granter requests confidential financial information (with the exception of the current level of liability), for example details of balances, copy statements, etc, the customer's consent should first be obtained (as required by section 11).

It is important that guarantors or granters receive independent legal advice to help them understand the full nature of their commitment and the potential implications of their decision. Case law on this issue is well developed and subscribers should encourage, as far as possible, potential guarantors or granters to take independent advice. Subscribers may wish to go further than what is covered in this section and actually get a potential guarantor or granter who refuses to take legal advice to sign a declaration to that effect. In any case, the recommendation to take independent legal advice and the potential consequences of their decision should be stated clearly on all appropriate documents that the guarantor or granter is asked to sign.

In relation to guarantees/indemnities, subscribers must also inform guarantors or granters that, by giving the guarantee/indemnity or other third party security, they may have to pay instead of or as well as the customer. Subscribers must also tell the guarantor what the limit of their liability is and must not take an unlimited guarantee. This is to ensure that the guarantor does not become liable for a further commitment (in respect of an additional advance of principal) that they do not know about, without a further guarantee/indemnity being taken.

However, other forms of unlimited third party security may still be taken, provided that the limit of the granter's liability is explained in a side letter. This is to avoid the need for the expense and inconvenience to customers in taking fresh security each time a facility changes.

"Unlimited" applies to the capital amount of the loan and excludes interest, charges and arrears, etc. An explanation of this should be covered in the guarantee/indemnity or other security documents that the guarantor is asked to sign.

Credit reference agencies

13.5 When you open your account we will tell you when we may pass your account details to credit reference agencies and the checks we may make with them.

At account opening customers should be told whether a check will be made with credit reference agencies and what that involves. For example, customers should be told if a record of the search is kept at the credit reference agency and, if so, that this could impact the customer's ability to obtain credit elsewhere within a short period of time.

*13.6 We may give information to **credit reference agencies** about the personal debts you owe us if:*

- *you have fallen behind with your payments;*
- *the amount owed is not in dispute; and*

- *you have not made proposals we are satisfied with for repaying your debt, following our formal demand.*

13.7 *In these cases, we will give you at least 28 days' notice that we plan to give information about the debts you owe us to **credit reference agencies**. At the same time, we will explain to you the role of **credit reference agencies** and the effect the information they provide can have on your ability to get credit.*

Sections 13.6 and 13.7 refer to the disclosure of default information, and when it can be relayed to credit reference agencies. It has been for some time common practice for banks and building societies to obtain the customer's consent to such disclosures before borrowing is taken out, usually by way of a declaration on an application form.

Whether or not notice was given by the subscriber and consent was obtained from the customer at the time the account was opened, disclosure of default information can be made. But, in all cases, the customer must be given further notice of the intention to disclose the information at least 28 days before the disclosure is made, for example, when a notice of default or formal demand is given. At the same time, customers must be given an explanation about how default information registered against them may affect their ability to obtain credit in the future. This notice will mean that customers have 28 days to try to repay or come to some arrangement with the subscriber before default information is passed to the credit reference agencies.

Subscribers should refer also to the Information Commissioner's Guidance on Credit Referencing and Default Information.

13.8 *We may give **credit reference agencies** other information about the day-to-day running of your account if you have given us your permission to do so.*

This section refers to non-default information. It is consistent with the legal position, that any other disclosure to credit reference agencies can be made only with the customer's consent, usually by way of a declaration on an application form. The Information Commissioner accepts that such permission may be made a condition of borrowing. See also the Information Commissioner's Guidance on the Data Protection Act 1998 which requires, in the absence of consent, one of eleven other conditions to be met. The "permission" can be covered in a number of ways, for example, in terms and conditions, in an account opening pack, or obtained at the time the disclosure is made.

13.9 *If you ask, we will tell you how to get a copy of the information that **credit reference agencies** have about you, or their leaflets that explain how credit referencing works. You should contact them direct. They may charge a small fee for this. Their details are as follows:*

*Experian
PO Box 8000
Nottingham, NG1 5GX
www.experian.co.uk*

*Equifax
Dept 1E, PO Box 3001
Glasgow, G81 2DT
www.equifax.co.uk*

*Callcredit
PO Box 491
Leeds LS3 1WX
www.callcredit.co.uk*

Financial difficulties - how we can help

13.10 We will consider cases of financial difficulty sympathetically and positively. Our first step will be to try to contact you to discuss the matter.

This spells out existing good practice. Subscribers will consider customers to be in financial difficulty when income is insufficient to cover reasonable living expenses and meet financial commitments as they become due. This may result from a change in lifestyle, often accompanied by a fall in disposable income and/or increased expenditure, eg:

- loss of employment
- disability
- serious illness
- imprisonment
- relationship breakdown
- death of a partner
- starting a lower paid job
- maternity leave
- starting full-time education

A customer's financial difficulties may become evident to the subscriber from one or more of the following events:

- Items repeatedly being returned unpaid due to lack of available funds;
- failing to make loan repayments or other commitments;
- discontinuation of regular credits;
- notification of some form of insolvency or court proceedings;
- regular requests for increased borrowing or repeated rescheduling of debts.

However, the subscriber will not usually be aware that the customer's circumstances have changed until the customer tells them. Where a customer requests that the subscriber deals with them in writing rather than by telephone, they will do so as long as the customer remains co-operative and in regular dialogue.

If a customer does not respond to attempts at contact, there will be little a subscriber can do to 'discuss the matter.'

Subscribers should make available to customers straightforward information in plain English on their procedures and systems for dealing with customers in financial difficulty. This might explain, for example, the main rights and responsibilities of customers and subscribers, and what is involved in legal demands or a referral to a debt recovery unit. The BBA publishes a leaflet, *Dealing with Debt* which is suitable for this purpose.

Where management of a customer's debt is transferred to an agent or where agents, such as debt collectors, act for the subscriber in the debt recovery process, the subscriber will use all reasonable endeavours to ensure that Code standards are applied to such agents. Code compliance standards should be applied to all third party contracts agreed on or after 31 March 2002.

If the debts are securitised and sold to a third party, then the subscriber must ensure that the purchaser accepts agreements previously reached with customers and that they

undertake to comply with Code standards.

13.11 If you find yourself in financial difficulties, you should let us know as soon as possible. We will do all we can to help you to overcome your difficulties. With your co-operation, we will develop a plan with you for dealing with your financial difficulties and we will tell you in writing what we have agreed.

13.12 The sooner we discuss your problems, the easier it will be for both of us to find a solution. The more you tell us about your full financial circumstances, the more we may be able to help.

These paragraphs emphasise that efforts to solve financial problems are a partnership between the customer and the subscriber, and that any solutions should take account of the needs of both parties. Whilst subscribers will try to assist customers in financial difficulties, there is also an onus on customers to try to help themselves. These requirements do not mean that the commercial judgement of subscribers is compromised.

Where a customer and subscriber agree that the customer is in financial difficulties the subscriber should explore a range of options with the customer.

When it becomes clear to the subscriber that the customer needs specialist assistance, the customer should be referred promptly to specialist teams, who deal with customers in financial difficulties, where these exist. In some cases, referral to a debt recovery unit may also be necessary.

Section 13.11 requires the initial plan to be in writing. There is no need for every small departure from the basic plan to be in writing, (for example, an agreement to accept a lower repayment for one week) but any amendments which change the fundamental nature of the plan should also be in writing. If, at the subscriber's discretion, the plan includes an agreement to accept smaller repayments, the subscriber should tell the customer whether this is regarded as "falling behind with repayments" (see section 13.6 above) and what information will be passed to credit reference agencies.

If the customer does not co-operate with the subscriber, a plan cannot be developed and the subscriber may proceed with normal debt recovery procedures. Lack of co-operation would include not responding to the subscriber's attempts at contact and unreasonable demands on the part of the customer (for example, a request that the debt be written off or repaid over a very long period, even though the customer could afford to make reasonable repayments).

If a customer has assets which could reasonably be expected to be sold to reduce outstanding debts, the subscriber may request that the customer and, if appropriate, their adviser, considers this option. Thereafter, the subscriber should acknowledge that income may only be available to repay 'non-priority' debts once provision has been made for any 'priority' debts.

A debt will be considered 'priority' where the customer's failure to pay could lead directly to the loss of one or more of the following:

- the customer's home (eg rent, mortgage, secured loans),
- their liberty (eg council tax, child support maintenance, income tax, court fines),
- their utility supplies (eg water, gas, electricity), or
- their essential goods or services (eg a cooker, a fridge, or the means to travel to work).

In general, subscribers should then be prepared to accept an offer of repayment which is based on the principle of equitable distribution of available income, in line with the amount outstanding to each creditor.

When a customer is in receipt of an income and/or there are credit balances on accounts held with the subscriber, the subscriber will, as part of a repayment plan, leave the customer with sufficient money for reasonable day-to-day expenses, taking into account individual circumstances. Subscribers will not subject customers to harassment or undue pressure when discussing their problems.

Token offers may be accepted where the customer has demonstrated they have no surplus income available for their 'non-priority' creditors and there is a realistic prospect of the customer's circumstances improving.

Subscribers may consider agreeing with their customers in financial difficulty appropriate concessions, relating to charges and interest payable by the customer. The nature of any concessions will need to be assessed on a case-by-case basis, taking account of the seriousness of the customer's situation. (Charges will have been communicated to the customer under section 5 of the Banking Code).

Where the subscriber considers the customer's personal and financial circumstances to be exceptional and unlikely to improve, the subscriber may, among other options, consider writing off or not pursuing part or all of the customer's debts. Where write-off is requested by a customer or adviser in these exceptional circumstances but is not considered appropriate by the subscriber, the subscriber will give their reasons in writing.

Agreements between subscribers and customers in financial difficulty may be subject to regular review. Any review period will be agreed with the customer or their adviser, and subscribers should seek to revise contributions only at the end of the review period or if a customer's personal circumstances change. (Customers and/or their advisers should inform the subscriber when the customer's personal situation changes).

13.13 If you are in difficulties, you can also get help and advice from debt counselling organisations. We will tell you where you can get free money advice. If you ask us to, we will work with debt counselling organisations, such as Citizens Advice Bureaux, money advice centres or The Consumer Credit Counselling Service. Their contact details are as follows:

National Debtline – 0808 808 4000 (www.nationdaldebtline.co.uk)

Consumer Credit Counselling Service – 0800 138 1111 (www.cccs.co.uk)

Money Advice Scotland – 0141 572 0237(www.moneyadvicescotland.org.uk)

Federation of Independent Advice Centres – 020 7407 4070 (www.fiac.org.uk)

*Citizens Advice Bureaux – You can get the phone number of your local bureau from the phone book, the local library or www.nacab.org.uk
Citizens Advice Scotland – 0151 550 1000 (www.cas.org.uk)*

This paragraph acknowledges formally the role of money advisers. Subscribers should tell customers where they can get free money advice when the subscriber thinks the customer is in financial difficulties. Subscribers may give customers time to consult a money adviser (this would not prevent subscribers protecting their position if necessary), and will be prepared to enter dialogue with a money adviser when an appropriately completed authority to disclose information has been received, either by fax or post (original or photocopy).

Subscribers will also work with a nominated adviser from an organisation not listed at the back of the Code, unless they have reasonable grounds for believing that it would not be in the customer's interests.

Communications with customers and/or their advisers should, wherever possible, acknowledge and reflect any previous discussions that have taken place. Subscribers should be willing to communicate with customers and/or their advisers by phone, post or fax. Also, they should give a phone number on all communications that will put the customer in contact with a named person or a team dedicated to dealing with cases of financial difficulty.

Where possible, money advisers will use the BBA/MAT Common Financial Statement format and principles when submitting information to subscribers⁵.

14 Complaints

Internal procedures

- 14.1 *If you want to make a complaint, we will tell you how to do this and what to do if you are not happy about the outcome. Our staff will help you with any questions you have.*
- 14.2 *When you become a customer, we will tell you about the availability of our procedures for handling complaints fairly and quickly. These procedures meet the requirements of the Financial Services Authority.*
- 14.3 *Within five **working days** of receiving your complaint, we will send you a written acknowledgement.*
- 14.4 *Within four weeks, we will write to you again with our final response, or to explain why we need more time to respond.*

⁵ More information on the BBA/MAT statement is available from the British Bankers' Association or Money Advice Trust as well as the agencies supported by MAT eg National Associations of the Citizens Advice Bureaux Service, Federation of Information and Advice Centres, Money Advice Association, Money Advice Scotland, National Debtline, and the Consumer Credit Counselling Service.

14.5 If we have not already sent it, we will send you our final or other response within eight weeks and will tell you how to take your complaint further if you are still not satisfied.

Details of the internal complaints procedures do not need to be given to each customer (unless the subscriber chooses to do so) but they must be given to customers who wish to make a complaint.

Each subscriber should have a set of internal procedures for handling complaints and staff dealing with customers, whether in branches, on the telephone or on the internet, should know what these are so that customers can be informed if the need arises. Procedures should be clear and well defined.

This section of the Code refers to FSA rules (DISP. 1. 1.2.9). As such, enforcement of compliance with these requirements will be a matter for FSA, not the BCSB.

Consistent with the FSA rules, the requirements under section 14.3 to 14.5 apply only if the complaint has not been resolved to the complainant's satisfaction by the close of business the next working day. Similarly, the requirements under sections 14.4 and 14.5 apply only to those complaints which are potentially eligible for referral to the FOS.

Customers should also be told what further steps are available if they are not happy with the outcome (ie recourse to the Financial Ombudsman Service). Although subscribers may feel that it is premature to mention the Ombudsman at that early stage, it should be remembered that there will already be a notice advertising the existence of the Ombudsman (see section 14.6 below).

Financial Ombudsman Service

14.6 We will display on our website and in all our branches a notice explaining that we are covered by the Financial Ombudsman Service (FOS). The FOS is available to settle certain complaints you make if they cannot be settled through our internal complaints procedures. The contact details of the FOS are as follows:

*The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR
Website: www.financial-ombudsman.org.uk
Phone: 0845 080 1800*

The requirement under section 14.6 is to assist in building up customer awareness of the availability of the FOS and reflects the requirements of the FOS Scheme Rules. The reference to "certain complaints" means that the complaint must be within the terms of reference of FOS. For example, in relation to building societies FOS cannot consider complaints about membership or constitutional matters.

14.7 National Savings and Investments (NS&I) has an independent arbitration scheme to settle disputes between NS&I and its customers.

*The Independent Adjudicator for National Savings and Investments
1st Floor, South Quay Plaza
183 Marsh Wall
London E14 9SR*

As a government department, NS&I also comes under the Parliamentary Ombudsman scheme which deals with complaints of poor management. For such a complaint, you should write to your MP asking them to refer your complaint to the Parliamentary Commissioner for Administration.

15 Monitoring

15.1 We have a 'Code Compliance Officer' and our internal auditing procedures make sure we meet the code.

Subscribers should appoint a Code Compliance Officer who is likely to be the contact person for co-ordinating the annual statement of compliance, compliance visits and other contact with the Banking Code Standards Board (BCSB).

Banking Code Standards Board

*15.2 The code is monitored by the Banking Code Standards Board whose directors include a majority of independent members as well as representatives of financial institutions. Their address is:
Banking Code Standards Board
33 St James's Square
London SW1Y 4JS
Phone: 020 7661 9694
Website: www.bankingcode.org.uk*

This tells customers who actually monitors the Code in practice.

16 Getting help

16.1 If you have any enquiries about the code, you should contact. The British Bankers' Association, The Building Societies Association or the Association for Payment Clearing Services. Their addresses and phone numbers are shown at the front of this booklet. Or, contact the Banking Code Standards Board at the address above.

The BCSB is interested in hearing from customers where there appears to have been a clear breach of the Code, although it is the role of the FOS and not the BCSB, to resolve individual complaints.

Copies of the code

*16.2 All financial institutions that follow this code will make copies of it available to all their **personal customers** and have notices in all their branches and on their websites explaining that copies of the code are available and how you can get one.*

- 16.3 *You can get a copy of this code and guidance notes on how this code should be followed from the Banking Code Standards Board, whose contact details are given in section 15.2, or from the British Bankers' Association or The Building Societies Association at the addresses shown at the front of this code.*

Copies of the Code must be made available to customers. Subscribers should display a clear notice in branches, positioned so that it can be read easily by customers, and on websites stating that copies of the Code are available on request. It is not sufficient for branches to tell customers "how" to get a copy – they must be available in branches. They must also be made available on websites, whether on the subscriber's own site or via a link to the BBA, BSA or BCSB sites, all of which include full copies of the Code and this guidance. Other customers, such as those with telephone banking relationships, should be made aware of the existence of the Code and told that copies are available. For example, this information could be included in an account-opening pack.

Further Information

- 16.4 *You can get more information on a range of banking matters from the British Bankers' Association's (BBA) 'BankFacts' leaflets, factsheets and information leaflets, from The Building Societies Association (BSA), and from the Association for Payment Clearing Services' (APACS) 'payment facts'. Also, the BBA, BSA and APACS have customer helplines (the phone numbers are given at the front of this code).*
- 16.5 *If we offer you insurance that is designed to repay the money you have borrowed in case you have any problems such as ill health or redundancy, this will be covered by separate regulation. Until further notice, this will be the General Insurance Standards Council's Private Customer Code or the Association of British Insurers' General Insurance Business Code. (It is planned that these will be replaced in November 2004 by the Financial Services Authority.) The contact details are as follows:*

*The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS
Phone: 020 7676 1000
www.fsa.gov.uk*

*General Insurance Standards Council
110 Cannon Street
London
EC4N 6EU
Phone: 020 7648 7800
www.gisc.co.uk*

*Association of British Insurers
51 Gresham Street
London
EC2V 7HQ
Phone: 020 7600 3333
www.abi.org.uk*

- 16.6 *Mortgages are covered by The Mortgage Code. Details are available from:
The Mortgage Code Compliance Board
6 Frederick's Place
London
EC2R 8BT
Phone: 020 7556 7373
www.mortgagecode.co.uk*

From late 2004, responsibility for regulating mortgages will move to the Financial Services Authority, whose details are given in section 16.5.

17 Glossary

These definitions explain the meaning of words and terms used in the code. They are not precise legal or technical definitions.

Account aggregation

Account aggregation services allow the customer to have details of some or all of the on-line accounts he or she holds with financial institutions, and other information, presented on one web page. These services may be operated by a financial institution (with whom the customer may already hold an account) or they may be provided by a website not owned by a financial institution.

Banker's reference

An opinion about a particular customer's ability to enter into, or repay, a financial commitment.

Basic bank account

A basic bank account (also known as an 'introductory' or 'starter' account) will normally have the following features.

- *Employers can pay income directly into the account.*
- *The Government can pay pensions, tax credits and benefits directly into the account.*
- *Cheques and cash can be paid into the account.*
- *Bills can be paid by direct debit, by transferring money to another account or by a payment to a linked account.*
- *Cash can be withdrawn at cash machines.*
- *There is no overdraft facility.*
- *The last penny in the account can be withdrawn.*

Card

A general term for any plastic card which a customer may use to pay for goods and services or to withdraw cash. In this code, it includes debit, credit, cheque guarantee and charge cards. It does not include **electronic purses**.

Cash card

A card, other than a charge card or credit card, which allows the cardholder to withdraw cash from a cash machine which is covered by the LINK network.

Cash machine

An automated teller machine (ATM) or freestanding machine which a customer can use their **card** in to get cash, information and other services.

Credit reference agencies

Organisations, licensed under the Consumer Credit Act 1974, which hold information about people that is useful to lenders. Financial institutions may contact these agencies for information to help them make various decisions, for example, whether or not to open an account or provide loans or grant credit. Financial institutions may also give the agencies information.

Electronic purses

Any card, or function of a card, which contains real value in the form of electronic money which someone has paid for beforehand. Some cards can be reloaded with more money and can be used for a range of purposes.

Fixed rate

An interest rate which is guaranteed not to change over a set period of time.

Fixed term

This applies to products and services which have a set lifetime. The customer may be charged if the financial institution agrees to alter the product or service before the end of its life.

Guarantee

A promise given by a person called 'the guarantor' to pay another person's debts if that person does not pay them.

Originator

A company (either a retail or service organisation) which collects payments from a customer's account in line with the customer's instructions. This only applies to direct debits or **recurring transactions**.

Other security information

A selection of personal facts and information (in an order which only the customer knows) which is used for identification when using accounts.

Out-of-date cheque

A cheque which has not been paid because the date written on the cheque is too old (normally older than six months).

Password

A word or an access code which the customer has chosen, to allow them to use a phone or internet banking service. It is also used for identification.

Personal customer

A person who has an account (including a joint account with another person or an account held as an executor or trustee, but not including the accounts of sole traders, partnerships, companies, clubs and societies) or who receives other services from a financial institution.

PIN (personal identification number)

*A confidential number which allows customers to buy things, withdraw cash and use other services at a **cash machine**.*

Recurring transaction

*A regular payment (other than a direct debit or standing order) collected from a customer's card account by an **originator**, in line with the customer's instruction. Recurring transactions are not covered by the Direct Debit Guarantee.*

Security

A word used to describe valuable items such as title deeds to houses, share certificates, life policies and so on, which represent assets used as support for a loan or other liability. Under a secured loan, the lender has the right to sell the security if the loan is not repaid.

Standard account services

Opening, maintaining and running accounts for transmitting money (for example, by cheque or debit card). These services would normally be provided in basic or current accounts.

Unpaid cheque

This is a cheque which, after being paid into the account of the person it is written out to, is returned 'unpaid' (bounced) by the financial institution whose customer issued the cheque. This leaves the person the cheque was written out to without the money in their account.

Working days

Monday to Friday, not including bank holidays.

