

**Congregational  
Federation in  
Scotland**

## **Banking for Beginners**

A Treasurer is also responsible for managing the Church's money and in this respect he/she requires to know about banking and the procedures involved in this aspect of the job.

Banks tend to operate three generic types of account into which all of their products fall. Firstly, there are current accounts some of which give interest and some don't and which tend to be used as working accounts for the payment of bills and so on. Then we have what are known as deposit accounts which are really savings accounts. Finally there are money market accounts where money is deposited for profit for fixed periods at fixed rates of return.

No charity should be banking money to any account which does not get some interest. The higher the interest the better as the charity does not have to pay tax on any interest earned, unlike an individual.

Current accounts don't tend to vary much between banks, but you may find restrictions on an account with a higher rate of interest.

Deposit accounts are usually for saving and are available as instant access or fixed notice accounts. The rate of return will vary depending on how quickly you want access to your money. \*The rate of interest available to depositors will vary as the bank's base rate varies.

Money market accounts will offer a higher rate of interest in return for committing to a fixed period of investment. In theory this means that the capital sum deposited cannot be touched during the term of the investment, but most banks will allow access to the capital in an emergency but you will in all probability lose some or all of the interest for the period in question.

Money market accounts usually fall into two distinct categories. Accounts where the money is deposited for a fixed period at a fixed rate of interest and accounts where an agreed period of notice of withdrawal is required.

One of the security features about using a bank to hold your money is that in the event of the bank going bust, compensation exists for the first £ 20,000 of any investment.

It is also worth remembering that Banks are obliged to deduct tax from any interest which they pay out to depositors and investors. However as charities are not liable for income tax, you need to indicate to the bank that you require your interest to be paid gross of tax. This is done by completing a form R85 and giving it to your bank together with proof that you are a charity.

Like most businesses, banks operate their own computer systems and, contrary to common belief, they do not talk to each other. Money transferred between banks goes through clearing houses which is why it takes time for amounts to be credited or debited to or from your account. The length of time involved can vary between two days and a week depending on the banks involved and whether or not they operate in the same country.

This is how the banks make their profits since they will debit your account as soon as a bill is presented, but the person receiving your money does not get the benefit of it immediately thereby leaving your money in the hands of the bank for several days. They use this time to get what they can by "investing" such money in paper transactions. Even within the same bank, funds are not always credited immediately. Therefore you need to plan for such delays when you are operating bank accounts.

As a general rule of thumb, cash paid into an account at the same branch will usually be credited to the account by the end of the same day while cash paid in at another branch will not usually be credited until the start of business the following day. With cheques, it depends on whether you are dealing entirely within the Scottish Banking system or whether you are having to embrace the system of another bank or another country as well.

Where you require to either make or receive a payment on a regular basis, a standing order instruction can save you having to remember to advise the bank since it will happen automatically on the date you have requested.

Direct Debits are used more in business by companies who require either to vary the amount which they receive from you or to collect the money at irregular intervals.

You may already be using the bank giro system for the payment of your own personal bills now that the utilities have closed most of their showrooms where it was possible to pay bills previously. The same facility is available to Churches who have accounts with the Bank.

BACS is unlikely to be of interest or use to Churches for the outgoing payment of bills. However, it is possible that you may receive money into your account using this system, since Inland Revenue Gift Aid payments which are paid direct to your account may come this way.

In order that each branch of a bank or building society can be uniquely identified by the banks computers, they all have individual 6 digit numeric codes which appear on all cheques and pay in slips. The cheque book and pay in book which you receive from your bank will carry all the information which is required for any of the banks computer terminals to identify your account and the branch at which it is held.

Along the bottom of all cheques and pay in slips are a series of numbers in a rather odd font which can be read by a computer to identify your account. The first is the cheque or pay in slip number. Then there is the sort code which identifies the branch and finally, there is the account number of your account.

It is possible to make transfers of money either to or from your account and almost any other bank account worldwide.

There will be instances where it may be more difficult to make or receive a transfer but it can usually be done for a small fee.

### **Building Societies**

Building Societies offer much the same type of accounts as those which are available in Banks. There is one unique difference. Building Societies can offer share accounts and it is more than likely that these will not be available to Churches unless they are held in the name of your trustees.

Many Building Societies have, in recent years, become banks, but there are still a number of mutual societies around. Not all offer best value for money since they are governed by a law which forces them to use a large proportion of the cash which savers deposit with them in mortgages to borrowers. This tends to limit their ability to be flexible and usually means that they have a difficult time balancing giving value to both borrowers and savers.

Some Churches have indicated that they have been told by certain financial institutions that their Church cannot participate in the most lucrative accounts. This is usually a decision which is made by the local manager and does not necessarily reflect national policy. This can sometimes be got round by opening the account in the name of your trustees.