

Section 5 – Learn how to manage your money



Student bank accounts

What is a student bank account?

Student accounts are simply bank accounts made for those in higher education. They let you pay money in and out, and offer additional benefits such as an interest-free overdraft. Students can have access to up to £3,000 without paying any interest. However, as a student you are only allowed to have a student account and no other current accounts, so unfortunately there's no chance to snap up the freebies at all the banks!

When can I open my student account?

You can open your student account **as soon as you receive an offer letter from UCAS**, either conditional or unconditional – you don't have to wait until you've started term at university.

What do you need to open a student bank account?

To open an account, you will be required to show:

- One or two forms of photo ID: such as a passport or driver's licence
- Proof of address: such as a recent utility bill or bank statement
- Proof of student status: a letter of acceptance from your university, or UCAS offer letter.

Most banks now allow you to apply online for a student bank account, but you will still have to send off supporting documents or take them into your local branch. Documents must be original copies, not photocopies. Once you've opened a new account, make sure you update Student Finance with your new bank account details (you can do it online).

Which bank account should I choose?

There are plenty of websites which provides guides to the best accounts. When choosing your student bank account, it's best to focus on what is being offered and make sure you always read the small print. We like the guide by Martin Lewis on the Moneysavingexpert website but here are some others to read through too:

<https://www.moneysavingexpert.com/students/student-bank-account/>

<https://www.which.co.uk/money/banking/student-and-graduate-bank-accounts/student-bank-accounts-ablvm7t6pdjr>

<https://www.savesthestudent.org/money/student-banking/student-bank-accounts.html#define>

<https://moneyfacts.co.uk/banking/student-bank-accounts/>

<https://www.studential.com/applying/before-you-go-to-university/student-bank-accounts>

Top tips for choosing the best account (summarised from the articles above):

Consider the following points when making your choice:

- Don't be taken in by the 'freebies' – some banks offer travel discounts, cash rewards and exclusive 'deals'. However, a large interest free overdraft may be worth more to you, in the long run.
- How much is the overdraft? The most important factor to consider is which bank will give you the **biggest and longest 0% overdraft facility**. All student accounts provide an overdraft if required – this means you can withdraw more money than you actually have, i.e. borrow it. To ensure you are borrowing as cheaply as possible, choose the account that has the lowest interest rate available. This is because the lower the rate is, the less your debt will cost you. As long as you stay within your overdraft limit, you can safely borrow money interest free – this is why you should check to see which bank offers the most 0% borrowing for the longest period of time.
- Check if the overdraft is 'up to' or 'guaranteed'? The advertised student 0% interest overdraft is often the **maximum** they offer (hence the "up to" wording). For many banks, this amount is only available in your final year at university and only to students with a decent credit rating.
- Don't borrow more than you need! Although you may not be paying interest on anything you are borrowing, you still have to repay everything you borrow once you finish university. Only borrow the necessary amount and not any more, as you will have to pay for these debts when you graduate. So take the time to budget your money carefully, and avoid spending more than you need to.
- **Check the repayment conditions** - you probably won't have to repay your overdraft until after you graduate, but the sudden demand for £3,000 could be quite a shock! So don't treat it as free money and plan ahead, Most banks automatically turn your student account into a graduate bank account which deals with repaying your overdraft over a certain period.

Please note - This advice is intended **as a guide only**. Students should always consult the latest advice before taking financial decisions.