

HSBC UK SIMPLIFIES OVERDRAFT STRUCTURE

Following recent changes to help overdraft customers keep a closer eye on their finances by giving them real-time text message alerts if they go into their overdraft, HSBC UK is making additional improvements, including adding an interest free buffer, and simplifying its overdraft fee structure, the bank announced today.

The main changes, which come into effect in March 2020, include:

- Removal of the £5 daily fee for going into an unarranged overdraft;
- Reducing the maximum monthly charge from £80 a month to £20 a month on unarranged overdrafts;
- Introduction of an interest free £25 buffer on Bank Account and Advance accounts, providing customers with some leeway should a customer go slightly overdrawn. Premier customers will continue to have a buffer of £500 and Jade customers will see an increase in their buffer to £1,000; and
- Introduction of a single overdraft rate for arranged and unarranged overdrafts, set at 39.9% APR.

When combined with the fact HSBC does not charge fixed fees or returned item fees, it means the product is one the most transparent and fair in the market.

These changes should also see the majority of customers who utilise an overdraft being charged the same or less, and support those using an unarranged overdraft who may be struggling more financially.

For example, a customer who is overdrawn by £200 in an unarranged overdraft for 15 days would be charged £2.78 under the new payment structure, compared to £80 under the old structure.

Madhu Kejriwal, HSBC UK's Head of Lending and Payments said: "An overdraft gives people a bit of flexibility with their finances especially if there is an unexpected cost or emergency repair required. The new £25 buffer we are introducing will also give people some peace of mind that a small miscalculation on spending won't incur overdraft charges."

“By simplifying our overdraft charging structure we are making them easier to understand, more transparent and giving customers tools to help them make better financial decisions.”

HSBC UK recently extended the use of real-time SMS messaging to inform all customers who go into their overdraft. The bank is also making it easier for customers to assess their eligibility for an increased overdraft, and how much that will cost, with accessible online tools like overdraft calculators.

Madhu Kejriwal added: “Customers will get virtually real-time notification within 15 minutes³ of going a penny into their overdraft, helping them keep tabs on what is going on with their money. If people are able to keep a closer eye on their account they are able to make more informed decisions about their finances.”

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Note to editors:

¹Customers can choose to opt-out of receiving text messages relating to going into an overdraft or unarranged overdraft.

²An overdraft alert will also be sent when a customer is going into an interest-free overdraft.

³The text message alerts are processed at 15 minute intervals from 7am to 11:40pm (10am-11:40pm at weekends).

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