

# A Guide to Opening Your First Business Bank Account in the UK



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If you're a small business owner, you're not legally required to have a business bank account. However, such accounts come with advantages — plus, it's useful to keep your business transactions clean from any personal transactions. Thankfully, it's pretty effortless to open a business bank account and there's loads of choice too.

## When should I get a business bank account?

You should probably consider getting a business bank account when:

- your company is processing a high volume of transactions
- you want to get a business credit card
- you're looking to get a business loan
- you want to accept card payments
- you're going to incorporate your company as a limited company
- your business expenses and income are getting more complex and you want to simplify things when completing your self-assessment for the tax year



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# The advantages of a business bank account

Separating your business finances from your personal finances can benefit your company in the long run. Here are four big advantages of having a business bank account:

- 1 Looking professional**

With a dedicated business bank account, your company will appear to have more credibility as your customers make payments to your business account rather than your personal account.
- 2 Simplifying the admin**

As your business grows throughout the years and starts to achieve some hefty milestones, such as renting office space and employing staff, your business transactions will be reflected more clearly in a business bank account that isn't combined with your personal one. Plus, you won't have to waste time sorting out your personal expenses from your business ones, so you can manage your business budget and finances more efficiently.
- 3 Building a good credit rating**

Having a business bank account can help you build a credit history for your company, which will then make it easier to apply for business loans.
- 4 Keeping things simple for HMRC**

A business bank account makes it much easier for you to maintain records and submit your tax returns — which will make tax season much easier. When filing your tax return, you're required to inform HMRC of the amount of money your company has earned. You're allowed to deduct certain allowable expenses (such as office costs and travel costs) to work out your taxable profit. If you use one bank account for both your personal and business costs, it can be quite a headache to accurately work out these calculations.

## Business bank account vs personal bank account

Like your personal bank account, your business bank account will offer the basics of a debit card, cash and cheque handling, and possibly an overdraft.

With a business bank account, you'll also be able to get a business credit card and receive payments from customers. You can also set up standing orders and direct debits. If you're successfully paying off debt from your business bank account, you'll also be building your business credit rating at the same time, which lays the groundwork for successful business loans.

The main difference is that a business bank account typically requires a monthly fee of around £5 to £8, with additional fees needed for transactions such as cheque deposits. However, most business banks provide an initial fee-free period for the first one to two years after opening.

	Personal	Business
Debit card, cash and cheque handling	●	●
Overdraft	●	●
Payments from clients	●	●
Business credit card	✗	●
Business credit rating	✗	●
Service fees	✗	●

# What do you need to open a business bank account?

To open a business bank account, the process is fairly simple as long as you adhere to the eligibility criteria.

**You'll need to have these documents ready:**

- proof of address, such as a recent bank statement, utility bill or council tax statement
- proof of ID for all named company directors in the form of a photo driving licence, national ID card or passport

**You'll also need to provide your company details, including:**

- full company address (including postcode)
- approximate annual turnover
- registration number with Companies House (for limited companies and partnerships)
- on a case-to-case basis, you may even be required to show your personal financial situation with documents to prove that your credit and banking history is clean

## If I'm not British, can I still open a UK business bank account?

It's a bit more difficult for foreign entities to open a business account in the UK. If you're banking with a global institution from your region, it may be worth checking if they can create an account for you in the UK.

Otherwise, HSBC is known for extending help to smaller international businesses, but this would depend on your case.

## Which are the best business bank accounts in the UK?

With a [variety of banking options available](#), consider your business needs before you decide on the best account.

The UK's 'Big Four' banks are HSBC, NatWest, Lloyds Banking Group and Barclays, but these may not be the best option for your business. Keep an open mind and also consider newer banks such as Starling or Metro, or even international money transfer companies such as Wise.

### The Big Four

- A global bank with 4,400 offices in more than 7 countries
- 1,100 branches across England and Wales
- Corporate accounts offered to sole traders, partnerships, limited companies and charities
- Variety of corporate bank accounts available
- If you already bank with HSBC in your home country, they are able to help you create an account in the UK prior to your arrival
- Companies with a turnover of up to £2 million will get an annual review to make sure their business receives the best standard tariff
- Account fees are £5.50 per month but waived for a period of up to 18 months for new customers

- 1,400 branches across the UK
- Four business accounts are available depending on your company's size
- NatWest's Select current account comes with a standard contactless Visa debit card and is free to use

- Approximately 1,300 branches across the UK
- Corporate accounts offered to sole traders, partnerships, limited companies and charities, with an annual turnover of up to £1 million
- Three business accounts available, with a variety of tools, such as accounting software and reduced-price legal assistance
- Account fees are £6.50 per month but waived for a period of up to 18 months for new customers

- 1,500 branches across the UK
- Corporate accounts offered to sole traders, partnerships, and limited companies
- Free to use, with a standard contactless Visa debit card
- Corporate account is free for first year, with financing options available
- Account fees are £6 per month but start-ups can get fee-free banking on a case-by-case basis



## Alternatives to the Big Four

- Corporate accounts offered to partnerships and limited companies
- £0 monthly fee, free to send money within the UK by Faster Payments, Direct Debits and Standing Orders, £20 fee for each CHAPS payment
- Fees are applicable to send money outside the UK (there are charges to send money to a country outside the UK)
- Free to receive Sterling pounds from both within and outside the UK

- Free monthly account if you maintain the balance of your Business Bank Account above £5000 a month
- Need to be aged 18 or over and have a turnover and/or annual balance sheet total of less than £2 million
- If you're a sole trader, you need to reside in the UK

- Opening a business account is free
- You can hold up to €70k before incurring a 0.40% charge per year
- Allows you to hold money in 55+ currencies

## What to consider when choosing a bank

The features of business bank accounts vary depending on the product you choose. Before you choose your provider, here are some considerations:

### Initial fee-free period

Many providers offer to waive account fees for a certain period when you first open a business bank account. Make sure you're aware of the fees you'll incur after the initial fee-free period, as it can be time-consuming to change your business bank account at a later stage if the fees end up being too high.

### Personal adviser

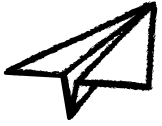
Having a personal adviser who understands your business needs and can provide you with a personal experience can be especially useful — particularly when explaining your corporate account features and available lending options.

Some online-only business accounts don't offer a personal adviser, so if it's something you're interested in, it may be worth looking at one of the Big Four.



### Bank charges

Most business bank accounts charge a monthly fee, as well as extra fees for some other transactions, such as cheque deposits. Basic accounts typically cost between £5 and £10 per month, whereas those that have more features can be more expensive at upwards of £40 per month.



## Overseas transactions

If you transact with foreign customers, you'll need a corporate bank account that can carry out foreign currency transactions. Remember to check this before you sign any account paperwork, particularly if it's a non-negotiable service for your business.



## Insurance

Starting your own business always involves some risks, including incoming and outgoing missed payments. Luckily, some banks provide insurance at an additional fee, which can be a load off your mind if your borrower defaults on payments. Before you sign the documents for any corporate banking products, be sure to understand the coverage level offered by your provider.

## How long does it take to open a business bank account in the UK?

It can take anywhere between three weeks to three months for your corporate bank account application to be approved, followed by subsequent meetings.

However, some providers such as Metro allow you to walk in and make an appointment on the same day. Alternatively, opening a corporate bank account with an online money transfer service like Wise can be even faster. You simply create an account in a matter of minutes, and your corporate account will generally take between 2 to 5 working days for verification.

# We deal with the admin. You focus on your business.

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We take over paperwork, cross-check data, and submit your annual reports. You'll also have advice from [experienced Chartered Accountants](#) to help you pay tax efficiently.

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