

You and your joint account



A guide for customers

How can this leaflet help me?

This document will help if you currently hold – or are considering opening – a joint account. It answers a number of frequently asked questions about joint accounts from ‘Is a joint account a good idea?’ and ‘Will the other joint account holder’s credit record affect mine?’ to ‘What if I get into a dispute with the other joint account holder about the joint account?’

This leaflet covers personal joint accounts for:

- current accounts;
- savings accounts; and
- personal loans.

It does not cover joint business accounts or joint account mortgages.

Not all banks or building societies offer all the products and services described in this leaflet. If you are not sure which services your bank or building society offers, you should get in touch with them.

Joint accounts are useful if you share a lot of financial arrangements with someone else. But with the added convenience come extra responsibilities. Some of these are important and may not be obvious. This leaflet explains some of the things to look out for.

Frequently asked questions about joint accounts

What is a joint account?

A joint account is an account opened in the names of two or more people. In this leaflet we assume there are just two: you and the other joint account holder. You can have a ‘sole’ account as well as your joint account. A sole account is held by just one person.

What are the main features of a joint account?

The way a joint account is run, by both you and the bank, is controlled by a document called a mandate or authority which each account holder must sign. Often this document will form part of the joint account application form.

- **Either** of you can use the joint account, although under the terms of the mandate both of you may have to sign whenever money is taken out of the account.

- **Both** of you are separately responsible (and together you are both responsible) for all debts on the joint account. This is generally true even if only one of you puts all the money in the account or if only one of you takes all the money out and spends it.

Together you can organise how the money in the joint account is split or how you will repay any borrowing on it. This is a private matter between you and does not affect the bank or building society or the terms your joint account runs on. The bank or building society will still treat each of you (and both of you) as being responsible for all debts.

Is a joint account a good idea?

It depends on your personal circumstances and those of the person you are thinking about opening the joint account with. It could help you to:

- manage your joint household budget;
- avoid having to decide who pays a bill each time;
- avoid charges;
- earn extra interest by having more money in a joint account than you would have in two sole accounts; and
- sign cheques alone if one of you is away from home for long periods.

You should only open a joint account if you and the other joint account holder understand the commitments you are entering into. You also need to think about what would happen if you split up, or if one of you died.

How is a joint account operated?

A joint account might be set up in one of the following two ways:

- **Both-to-sign** – this applies if you both want to give your permission every time money is taken out of your joint account. This will mean that both you and the other joint account holder know what is being taken out of the account. This may make things more complicated, as it means you will both have to sign every cheque and other withdrawal instruction, even for small amounts.

Some banks and building societies may only offer joint accounts with either-to-sign. Others may let you choose – for example – that both of you must sign for transactions over a certain money limit.

If you are at all worried about how the other joint account holder may use the joint account, you should consider carefully whether a joint account is for you.

Payments

You will **both** be responsible for payments from the account made in the way you have agreed with the bank or building society.

Overdrafts

If you have agreed an either-to-sign joint account, the other joint account holder will be able to make the joint account go overdrawn without you agreeing or knowing about it (if the bank or building society lets them, for example, by paying out the cheques they sign).

You are both responsible together, as well as separately, for any overdrawn balance, even if you did not know about the overdraft or disapproved of it. This applies whether:

- the overdraft was agreed by the bank or building society;
- the joint account was overdrawn because the bank or building society paid cheques or other payments from the joint account, even though there was no agreed overdraft or the balance of the account went over the overdraft limit; or
- the overdraft was unauthorised.

Will the other joint account holder see information about my transactions?

You are both entitled to see all information about all transactions on the joint account. **If you are not happy about this, do not open a joint account.**

Can we change an either-to-sign joint account into a both-to-sign joint account, or the other way round?

If you set up a joint account where either of you can sign, either of you can arrange separately with the bank or building society to only accept transactions with both signatures in future. However, not all banks and building societies will do this and they may suggest that you both open sole accounts instead.

The bank or building society will need a reasonable amount of time to make the change. Once the change has been made, any cheques signed by just one of you under your old instructions may have to be returned unpaid, even if they were signed when the old either-to-sign instructions applied.

If you set up a both-to-sign joint account and you want to change it to either-to-sign, you both have to agree to this and so does the bank or building society.

Can I change a joint account into a sole account?

Yes, as long as it is in credit, but you both have to agree to this and tell the bank or building society. They will want you both to agree how you are going to divide the money in the joint account between you. Some banks and building societies will not let you change a joint savings account to a sole account, so you may need to close the joint account and open a new account in your own name.

If the joint account is overdrawn, the bank or building society may not let you change it to a sole account unless you both agree with the bank how you plan to pay back the debt between you.

Can a power of attorney be applied to my joint account?

A power of attorney lets you give someone else responsibility for your finances. Subject to the applicable terms and conditions, a third party may be given access to a joint account on behalf of one of the account holders.

What happens if the other joint account holder becomes mentally incapable?

In England and Wales, if one party to the joint account loses capacity to operate their account, banks and building societies will use their discretion to determine whether or not to temporarily restrict the operation of the account to essential transactions only (for example, living expenses and medical/residential care bills for both parties) until a deputy has been appointed or a power of attorney registered.

In Scotland, you can continue to run the account as long as the original account mandate was either-to-sign and there is not a court order preventing the account from being used.

In Northern Ireland, practices vary between banks so you should speak to your bank, which will be able to tell you what its practices are.

If the other joint account holder appointed you as attorney, under a 'lasting power of attorney' (in England and Wales) or a 'continuing power of attorney' (in Scotland), you can register the power of attorney and run the joint account.

If they appointed someone else, that person would have to agree with you and the bank or building society how to run the joint account and the bank or building society may need a new mandate from you both.

What happens to my joint account if the other joint account holder becomes bankrupt?

The bank or building society will freeze the joint account when it learns about the bankruptcy and will have to return cheques drawn on the joint account, even if it is in credit. This is because the money in the joint account would come under the control of you and the person who is in charge of the assets of the other joint account holder. It is unlikely that you will be able to use the money in the joint account for some time.

Will the other joint account holder's credit record affect mine?

Yes. Usually, credit reference agencies will create a financial link or 'association' when you set up an account in joint names that lets you borrow money. This means that your financial affairs and those of the other joint account holder may affect each other. You may find it more difficult to get credit, even in your own name, if the other joint account holder has a bad credit history or runs into problems in future. Equally, if the other joint account holder has a good credit record, you may find it easier to get credit in your own name.

Disagreements between joint account holders

What if I get into a dispute with the other joint account holder about the joint account?

If it is an either-to-sign joint account, the bank or building society may be able to give you more control by changing it to a both-to-sign joint account, if you ask it to do so.

You or the bank or building society may decide it is best to freeze the joint account, so that no new transactions can be made on it, or that payments can only be made if you and the other joint account holder both agree. The bank or building society may do this if you explain that there is a dispute between you and the other joint account holder about money in the joint account.

Normally this will be a temporary step, to protect you both until the bank or building society can get instructions from both of you. Meanwhile, the bank or building society may be able to set up a separate sole account for you to run on your own.

What happens if my partner and I split up?

If you have a joint account with your husband, wife or partner and you split up, you both need to contact your bank or building society to arrange for the joint account to be closed and to open new accounts in your own names.

The bank or building society will need to know how you want it to handle any standing orders or direct debits that you have on the account. It will need to know how you are going to divide the money in the joint account between you, and agree how you will deal with any overdraft on the joint account.

The bank or building society may continue to run your joint account in the usual way until it receives new instructions from you or the other joint account holder, even if it learns that you have split up. However, depending on what you and your partner tell them, some banks and building societies may freeze a joint account until they receive further instructions from both account holders.

Will I still be responsible for cheques my partner writes after we split up?

The bank or building society may continue to pay cheques written on the account. Both you and the other joint account holder will still be responsible for the cheques.

What happens to my joint account if I die?

If you live in England, Wales or Northern Ireland

In England, Wales or Northern Ireland the balance on your joint account usually passes automatically to the surviving joint account holder and will belong to them. There can be important advantages, but also drawbacks, in this. If you want your assets to go to someone in particular (like your husband or wife) when you die, having a joint account with them is normally very helpful as long as they are the only other joint account holder and they live longer than you. They will be able to go on using the account when you die.

However, if you have left your assets to someone who is not the other joint account holder, that person will not get what is in your joint account if you die. This is because, unless you have made different arrangements with the other joint account holder, the money in your joint account legally belongs to the other account holder as well as you, and that means it isn't yours to give away.

This also applies if you have not made a will. If your assets pass to your partner or children, they will not get what was in your joint account unless they were a joint account holder and live longer than you.

This is important and if it is likely to cause a problem you should not open the joint account, or you should get legal advice before you do.

If there is an overdraft on the joint account when you die, the bank or building society will apply to the person who is carrying out the instructions in your will, and the other joint account holder, to work out how the debt will be paid back. It may want the other joint account holder to pay it off, for the money to come from your assets, or a mix of the two.

If you live in Scotland

In Scotland different rules apply, so that when you die, the money in your joint account will not automatically pass to the other account holder if they are still alive. It will depend on the terms of the mandate. If the mandate allows control of the joint account to pass to the other joint account holder and they live longer than you, they and your estate will be responsible for any money owed to the bank or building society on the joint account.

If there is money in the joint account when you die, whoever is carrying out the instructions in your will may need to make a claim against the surviving joint account holder for your share of the money in the joint account. In other cases, the joint account will have to be frozen until the person who is carrying out the instructions in your will is given control of your assets. Then the bank or building society will only act on the orders of the person who is carrying out the instructions in your will, and the joint account holder who lives longer than you.

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