Wealth workout

Is it time to move to a better bank account?

Emma Wall

Free banking may soon be a thing of the past – there are already more paid-for accounts on the market than free ones, and those that are free of charge increasingly come with conditions.

Nevertheless, competition for current account customers is hotting up, offering higher interest rates than many savings accounts and many banks now paying up to £100 if you agree to switch. We examine such incentives below.

Santander sweetens switch

Santander is offering £100 to customers transferring their main current account to either the paid-for Santander Reward or Premium accounts or its free Zero or Preferred current accounts. Previously only awarded to customers who switched online, this payment will now be credited if you switch in branch or over the telephone too.

Santander promises to move all your direct debits and standing orders for you, and is offering a 0pc rate on arranged overdrafts for the first year. For more information and to switch go to www.santander-products.co.uk/banking or call 0800 707 6692.

Verdict While this might feel like you're getting money for free, make sure you study the small print. This deal is not available for those switching to the standard current account. Instead, the Preferred account requires you to pay in at least £1,000 a month, or risk a £2 fee, set up at least two direct debits within the first three months. If you don't pay in this amount, the sweetener will be worth a lot less.

Kevin Mountford, head of banking at Moneysupermarket.com, said: "The main thing to understand about current accounts is that one size does not fit all, and people will need different things from their bank account depending on their individual circumstances."

Rock solid savings

Hot on the heels of its eIsa launches last week, Northern Rock has launched an online instant access savings account paying 3.01pc, beaten only in the best buy table by a Nationwide online account which restricts withdrawals. The rate includes a 12-month bonus of 1.5 percentage points and has a minimum deposit of £1,000. For more information and to apply go to www.northernrock.co.uk/savings.

ALAMY

In the market: Nationwide has launched an account tailored to first-time buyers

Verdict This account might offer unlimited access to your savings, but it has a relatively high minimum deposit. If you are interested in the ease of online savings, and can lock away your funds, opt for one of Northern Rock's fixed-rate eIsas instead; these have a top rate of 4.25pc and are tax free.

Save to buy with Nationwide

Nationwide has launched a savings account aimed at first-time home buyers. The Save to Buy account is a regular saver with a difference: customers deposit a minimum of £50 a month, earn 2.5pc interest and have an offer of a 95pc loan-to-value mortgage at the end, provided they have saved for at least six months (the account will run for three years maximum). There is a cash bonus of up to £1,000 depending on how much you save. Save to Buy customers will qualify for any Nationwide first-time buyer deals available at the time, including any discounts. Currently Nationwide offers a £500 discount off the product fee.

> *At the moment there are already more paid-for accounts on the market than free ones*

Go to your nearest branch or view online at www.nationwide.co.uk for more details.

Verdict There are very few 95pc loan-to-value mortgages currently on the market, so it's hard to argue with the attractiveness of Nationwide's loan offer. However, with a rate of just 2.5pc it will take you a very long time to save £8,146, 5pc of the average UK house price. Instead, first-time buyers looking to save should opt for Santander's First Home Saver account, a slightly higher minimum monthly deposit of £100 gets you an inflation-busting 5pc interest rate, and a promise of a mortgage consultation when you're ready. Who knows, by then there may be more 95pc loan-to-value mortgages on the market.