Making sense of overdrafts

HSBC UK

Contents

Introducing our Overdraft Service

An overdraft is a short term credit facility. It is intended for short-term borrowing, and is not suitable for longer-term borrowing.

An overdraft can be used to borrow money on your current account and can help in months where there are extra expenses. We will normally charge interest if you use an overdraft.

An **arranged overdraft** is where we agree an overdraft with a limit with you before your account goes overdrawn or over your current arranged overdraft limit.

An **unarranged overdraft** is when your account goes overdrawn and you don’t have an arranged overdraft or you go over your arranged overdraft limit.

An unarranged overdraft may negatively affect your credit rating. If a payment would take you past your arranged limit (or if you don’t have one), we may let you borrow using an unarranged overdraft. There’s a chance that payments you try to make using an unarranged overdraft may be declined. However, we’ll always try to allow essential payments if we can.

We will report to credit reference agencies any accounts that have been in a continuous unarranged overdraft for 30 or more days. This could negatively affect your credit file and your ability to get credit in the future. We will also report as standard any arranged overdraft limit and overdraft usage for all current accounts.

If you agree an arranged overdraft and then change your mind, you have 14 days from the date we provided the overdraft or the day you received a copy of your overdraft agreement (whichever is later) to cancel.

You will have to repay any overdrawn amount plus any interest for the period you’ve had it.

If you wish to re-apply for a new arranged overdraft or increase an arranged overdraft limit, this will be subject to a full application.

Is our Overdraft Service the best way to borrow?

We can help you consider whether there are better ways to manage your finances. Our Overdraft Service is a way to borrow money for a short period of time. It can cover you for a few days before payday:

- If you have particularly heavy spending which you know you can repay over a couple of months; or
- If an item just happens to hit your account at the wrong time.

However, if you find yourself relying on your overdraft, an overdraft may not be the most cost-effective way to borrow. Contact us if you want to discuss other borrowing options.

Who is eligible for this service?

Eligibility depends on your credit status and a check of your financial circumstances. You must be 18 or over to apply. The Overdraft Service is not available on our Basic Bank Account, Appointee Bank Account or any savings account. All overdrafts are repayable on demand and are subject to our Personal Banking Terms and Conditions and Charges. For Private Banking Account clients, please refer to the Private Banking Banking Services Terms and Conditions.

Use our overdraft eligibility tool at hsbc.co.uk/overdrafts to find out more about our overdraft service before applying for or changing an arranged overdraft.

Overdraft calculator

Our overdraft calculator will let you work out how much interest you could pay. You can see if an overdraft is the best way to borrow for you, and also compare costs with other lending options. It’s available at hsbc.co.uk/current-accounts/products/overdraft-calculator.

Sometimes it's hard to keep a track of what's going in and out of your account. And you may not be able to control exactly when an item will be taken from your account.

If you make a payment and there's no money left in your account or you've gone past your arranged overdraft limit, we will treat this as a request from you for an unarranged overdraft. If we agree to that request, the unarranged overdraft will be provided for up to 31 days and we may charge you unarranged overdraft interest.

Overdraft costs

Account	Interest-free arranged overdraft	Interest rates: representative example (assumed arranged overdraft of £1,200)	Unarranged overdraft monthly maximum charge[1]
Bank Account and Advance Bank Account	£25	0% EAR (variable) on the first £25, 39.9% EAR (variable) thereafter, giving a representative rate of 38.9% APR (variable)	£20
Graduate Bank Account	Year 1: £3,000 Year 2: £2,000	Year 1: 0% EAR (variable) on the first £3,000, 39.9% EAR (variable) thereafter, giving a representative rate of 0% APR (variable) Year 2: 0% EAR (variable) on the first £2,000, 39.9% EAR (variable) thereafter, giving a representative rate of 0.0% APR (variable)	£20

1. We'll charge overdraft interest on any arranged and unarranged overdraft balances but no overdraft fees.

Account	Interest-free arranged overdraft	Interest rates: representative example (assumed arranged overdraft of £1,200)	Unarranged overdraft monthly maximum charge[2]
Student Bank Account	Year 1: up to £1,000 Year 2: up to £2,000 Year 3: up to £3,000	0% EAR (variable), giving a representative rate of 0% APR (variable)	No overdraft charges
Premier Bank Account	£500	0% EAR (variable) on the first £500, 39.9% EAR (variable) thereafter, giving a representative rate of 21.8% APR (variable)	£20
HSBC Premier (with retained Jade benefits)	£1,000	0% EAR (variable) on the first £1,000, 39.9% EAR (variable) thereafter, giving a representative rate of 5.8% APR (variable)	£20
HSBC Private Banking Account	£1,000	0% EAR (variable) on the first £1,000. 8% EAR (variable) thereafter, giving a representative rate of 1.3% APR (variable)	£10,000

2. We'll charge overdraft interest on any arranged and unarranged overdraft balances but no overdraft fees.

How does our overdraft compare?

You can compare our overdrafts with other ways of borrowing by looking at the Annual Percentage Rate (APR). APR is the cost of borrowing over a year and lets you compare the costs with other credit products.

EAR (Effective Annual Rate) takes account of the interest rate, the compounding of interest and how often interest is charged, and does not include any other fees or charges.

APR (Annual Percentage Rate) is the rate at which someone who is borrowing money is charged, calculated over a period of 12 months.
It takes into account not just the interest, but also any other charges that may have to be paid and any interest free amount. It lets you compare the costs with other credit products.

We won't charge overdraft interest if covering funds are paid in before the end of the day (defined as 11:45pm).

Monthly cap on unarranged overdraft charges

1. Each current account will set a monthly maximum charge for:
   - **a.** going overdrawn when you have not arranged an overdraft; or
   - **b.** going over/past your arranged overdraft limit (if you have one).

2. This cap covers any:
   - **a.** interest and fees for going over/past your arranged overdraft limit;
   - **b.** fees for each payment your bank allows despite lack of funds; and
   - **c.** fees for each payment your bank refuses due to lack of funds.

Overdraft text alerts

We'll send you text alerts when you have or are about to enter:

- Your arranged overdraft – so you are aware of your usage.
- Your unarranged overdraft – so you are aware of your usage and can take steps that day to avoid being charged interest.

We'll send you these if we have a valid mobile number for you and you haven't opted out.

If you don't provide your mobile number, or let us know when you've changed it, we won't be able to send alerts and you may incur avoidable charges.

If you choose to opt out of text alerts, this will apply to all personal current accounts you hold with HSBC UK.

Student Bank Account customers will still receive our text alerts to advise about overdraft usage, but they'll also confirm no interest will be charged.

Keeping track of your balance

When you check your balance, you will see your 'Balance' and 'Available Balance'. Your 'Balance' is the balance of your account.

Your 'Available Balance' takes into account any pending payments, for example, when you use your debit card to buy goods or services and the amount isn't yet showing on your statement, but excludes any cheques that haven't yet cleared and does not include your arranged overdraft limit.

Use HSBC UK cash machines, which warn you if your withdrawal may incur a charge. Or use Online Banking to view balances, statements, payment details and request a change to your arranged overdraft. You can also call us any time, to check your balance using our automated service.

Account management

We will review your account regularly to make sure your overdraft borrowing is suitable, based on credits to your account.

If we feel that your overdraft borrowing may be too much, we will recommend an appropriate amount to pay in. When we get in touch, we will also explain how we may be able to help, in the short and long term, if you are unable to pay this amount.

We will share information about your account usage with credit reference agencies. When payments are refused due to lack of funds, your credit rating may be affected.

You can reduce your limit or remove your arranged overdraft limit at any time. Please make sure that you're within any new arranged overdraft limit or in credit before doing so to avoid any unnecessary overdraft interest charges or impacts to your credit file.

Want to know more?

Go online or visit your local branch or call us if you'd like to:

- Reduce or remove your arranged overdraft limit.
- Opt out of arranged or unarranged overdraft texts.
- Set up, or change, an arranged overdraft on your current account.
- Know more about how to get your current account back in credit.
- Know more about other products which could help you with larger, longer term borrowing needs.
- Talk to someone about your borrowing – if you think you may be having difficulties it's important to speak to us as soon as possible to see where we can help.

Click hsbc.co.uk/overdrafts

Visit your local branch

Call 03457 404 404

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Accessibility

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There are also lots of other options available to help you communicate with us. Some of these are provided by third parties who are responsible for the service. These include a Text Relay Service and a British Sign Language (BSL) Video Relay Service. To find out more please get in touch. You can also visit: hsbc.co.uk/accessibility or: hsbc.co.uk/contact.

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