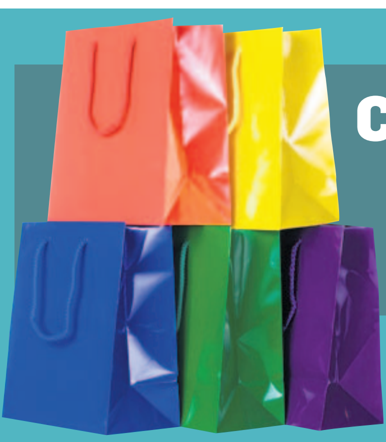

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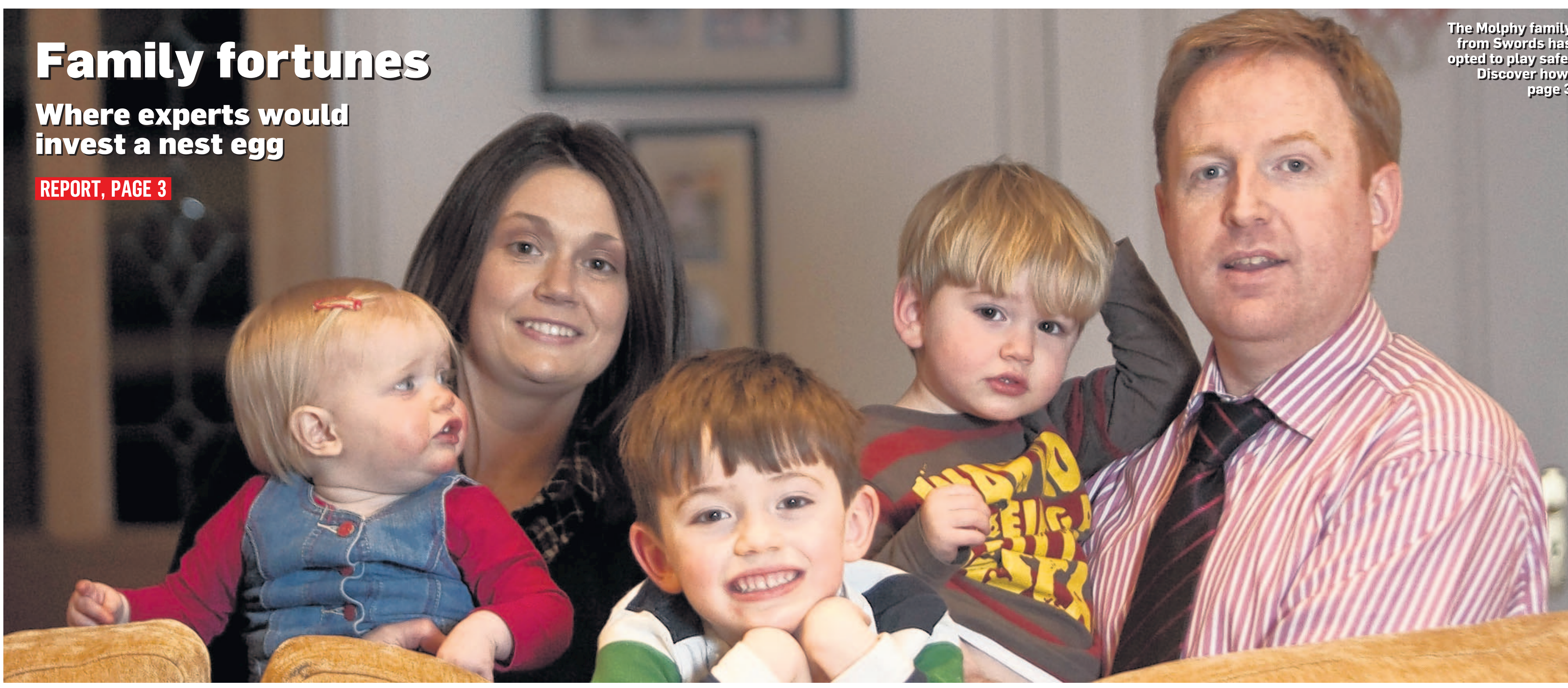

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The Molphy family from Swords has opted to play safe. Discover how, page 3

Avoid paying to spend your cash

As some banks look to bring in charges for using your account, **Niall Brady** looks at the options

BANKS that have been bailed out by the taxpayer are set to reintroduce charges for everyday transactions, including cash withdrawals and direct debits, following the departure of Halifax and Postbank — the pioneers of free banking.

The competition had forced Allied Irish Banks and Bank of Ireland to scrap charges of up to 28c per transaction for many customers. However, the fees are expected to be reintroduced later this year as their competitors flee the market.

Bank of Ireland has already started hiking interest rates, charging more for overdrafts and loans from last Wednesday, while cutting the interest it pays on current account balances from April. AIB, meanwhile, is no longer accepting mortgage-switchers.

Postbank shut for new business on Friday, after only three years in operation, and will wind down its activities at 1,000 post offices by the end of the year. Halifax shut its doors to new customers on February 10 and will start closing its 44 branches at the end of May.

Karl Deeter, operations manager at Irish Mortgage Brokers, said: "Bankers claim that 40% of their costs come from providing payments services, such as ATMs and debit cards. How can they recoup these costs if they provide these services for free? Free banking will go the same way as tracker mortgages and the dodo."

Tracker mortgages were among the early casualties of the credit crunch, after the lifetime price promises they provided transformed them into loss-makers for banks. They quickly stopped offering trackers to new borrowers. Postbank's 170,000 customers must now join those of Halifax in looking for new providers of current accounts, savings accounts and credit cards. The rush has already caused lengthy delays for some.

One reader of The Sunday Times, with savings of more than €50,000, instructed Halifax on February 12 to close his three deposit accounts. His branch on St Stephen's Green in Dublin told him the money would be in his current account at National Irish Bank within three working days.

The funds arrived last Wednesday and Thursday — up to nine working days after Halifax had received the closure instruction — after intervention by The Sunday Times.

"I can understand that Halifax is under pressure because so many customers are transferring their money out of the bank," he said, "but why is it telling people they will have their money within three days when it takes a lot longer?"

Halifax said it could not discuss the affairs of individual customers. It said customers should expect to receive their funds within 24 hours by using electronic transfer — or on the same day for transfers made before noon.

When branches are busy, though, they may send transfers to Halifax's customer services centre in Dundalk for processing — delaying the transactions for up to 10 working days. The bank said customers can insist that transfers are made in the branch rather than being sent for processing in Dundalk.

Here, we look at the best alternatives for those forced to switch banks.

FREE BANKING
Permanent TSB is your best bet — if you are not transferring a mortgage or other loans. It has no transaction charges, an interest-free overdraft of up to €10,000 for three months, and pays 2% interest on balances up to €1,500.

Bank of Ireland is an option if you also want to switch a mortgage. Its broker arm, ICS, normally refuses switchers seeking to borrow more than 50% of the value of their homes. It is prepared to lend up to 75%, though, for borrowers who are current account customers of Bank of Ireland.

Michael Dowling, founder of Michael Dowling Mortgage and Financial Services, said: "ICS is prepared to be flexible on switching if you have a relationship with Bank of Ireland. It won't allow good customers to slip through its hands."

The bank gives free banking to those who keep at least €500 in their current accounts, or who make at least three payments a quarter using phone or online banking. It also pays interest on balances up to €1,500, but the rate will drop to 0.25% from April 28 — a maximum €2.80 a year after deposit interest retention tax.

MORTGAGE SWITCHING
AIB has the best deals, but it stopped accepting switchers last week. Irish Nationwide has a three-year fix at 3.15% for switchers borrowing less than 70% of the value of their homes. This is a good option for those seeking to move from variable rates, which are set to increase as lenders seek to return to profitability and the European Central Bank raises interest rates.

Rachel Doyle, director of Piba Mortgage Services, said two lenders — ICS and KBC Homeloans — will pay €1,000 towards switchers' legal bills, although ICS will pay only for loans greater than €200,000.

KBC is one of the most flexible options for switchers, according to Doyle, allowing them to consolidate up to €40,000 of other debts into their mortgages. It will not accept overdrafts or credit card balances, though, and the mortgage cannot exceed 80% of the value of a borrower's home.

CREDIT CARDS
Instead of trying to switch balances to another card, pay them off with a loan from the credit union. Card companies are increasingly wary of those with persistent debt problems, and are likely to penalise them with high rates of interest.

If you are having problems changing banks, tell us at money.ireland@sunday-times.ie

Best mortgage switches

	ICS	KBC Homeloans	Haven	Permanent TSB	Irish Nationwide
	2.35% variable	2.45% variable	2.70%* variable	3.10% two-year fix	3.15% three-year fix
Max mortgage	50%	80%	80%	75%	70%

*Minimum €250,000 mortgage

SOURCES: Piba, MoneyMate