

### **Authorized and unauthorized overdraft scenarios**

1. We asked the banks to calculate the charges and net interest that would be payable on their different PCAs using four hypothetical overdraft scenarios in order to understand how charges were applied to transactions and to compare total charges for each bank for the same scenario. This allowed us to consider how easy it might be for a customer to calculate correctly the charges and interest that would be payable using published rates and charges information.

### **Methodology**

2. Four bank statements (scenarios) were created to show
  - a balance in overdraft once a quarter;
  - a balance in overdraft once a month;
  - a balance in unauthorized overdraft once a quarter; and
  - a balance in unauthorized overdraft once a month.

The details of each customer scenario are set out in Annex 1.

3. The customer scenarios include a number of transactions over a three-month period (see Annex 1). The transactions were intended to show possible use of a PCA and include a monthly salary deposit of £1,250, a monthly mortgage payment, a number of ATM withdrawals, direct debits, cheque and debit card payments and deposits. The scenarios were not intended to represent average customer behaviour as each customer's transactional behaviour is different. However, the scenarios may be considered as plausible customer transactions for a quarter.
4. We chose the period of one quarter to coincide with the clearers' billing cycle.

5. The scenarios were submitted in draft to banks for their comment. We asked banks to comment on the reasonableness or plausibility of the draft scenarios, in particular, the number, type and value of transactions listed. The banks in their responses considered that with these comments in mind, the scenarios were plausible and reasonable; however, they did not represent typical or average customer behaviour. We then amended the scenarios to reflect these comments where appropriate: increasing the number of ATM transactions, increasing the number of debit card payments, the inclusion of both old and new PCA products, the period of debit to be increased and for all banks to assume that the period specified is a full billing period for charge allocation. After this, the scenarios were submitted to banks to apply their charges and interest.

### ***Account choice***

6. We chose the PCAs for comparison to be representative of the bank's customers, taking into account the appropriate PCA for the level of income. We also included recently introduced PCAs such as Northern's new PCA portfolio introduced in April 2006 for comparative purposes. We did not choose any packaged accounts as these PCAs have a monthly fee for additional services such as travel insurance, roadside assistance etc.<sup>1</sup> In addition, we have not included student accounts as part of the scenario comparison exercise as these are only available to students for the duration of their education.

7. The PCAs chosen for comparison are:

- BoI Clear Level 2.
- First Trust Current account.

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<sup>1</sup>A&L's Premier account offers benefits such as travel insurance to account holders. It was considered to be the most appropriate account to compare given the minimum income limit is met, it does not charge a monthly fee and it offers branch access.

- Northern Current Account, ChequeMaster, Current Account Plus, and Northern Choice.
- Ulster Standard and Current Plus account.
- Abbey Preferred In Credit Option Current Account.
- A&L Premier account.
- Halifax Current account.
- Nationwide Flexaccount.

### *Bol Clear 2*

8. The Clear 2 PCA has a traditional PCA fee structure. The Clear 2 PCA is held by only a small proportion of the customer base. However, the charges applied are standard across all Bol PCAs (with the exception of student and graduate accounts) including the Traditional account and the Advantage Interest Paying current account product which the majority of customers hold. As a result, there is little difference in total charges for comparative purposes. The Clear 1 PCA is not applicable for the scenario exercise as the account has a minimum monthly funding requirement of £1,500 a month which is in excess of the assumed monthly salary deposit.

### *First Trust*

9. First Trust Current Account is a traditional PCA.

### *Northern Current Account, ChequeMaster, Current Account Plus and Northern Choice*

10. The majority of Northern's PCA customers hold a ChequeMaster or Current Account PCA. We also included the Current Account Plus which was on sale between February 2005 and April 2006. Of Northern's new portfolio of accounts on sale since April 2006, we have included Northern Choice which is appropriate for the majority of Northern's customer base.

11. Northern Choice levies transaction charges to cheque and branch withdrawals once they exceed 13 per quarter respectively. There are no other transaction-based charges when in authorized overdraft or in credit. This PCA also pays credit interest of 2 per cent.
12. The ChequeMaster account levies maintenance charges when the account is in authorized overdraft; however, transaction charges are not applied. Authorized overdraft transaction charges are levied on Northern's Current Account PCA which is also included in the scenario exercise.<sup>2</sup>

#### *Ulster Standard Current Account and Current Plus*

13. Ulster has two PCAs which were originally on a traditional-fee structure and were moved to the fee-free structure as part of project Hanover. Therefore, the majority of PCA customers are using one of these fee-free accounts. The Current Plus account pays 0.10 per cent a year credit interest.

#### *Abbey*

14. Abbey provided us with a scenario response using the 'preferred in credit' option PCA; this is also fee-free.

#### *A&L*

15. A&L's Premier account is the most appropriate PCA for the monthly salary deposit (ie >£500). The Premier account is a fee-free PCA and is also similar to the other PCAs chosen as it offers full branch access.

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<sup>2</sup>Northern's ChequeMaster's pricing structure follows closely that of Northern's Principal PCA.

### *Halifax*

16. For the purposes of comparison, we chose the Halifax current account requiring a minimum monthly salary credit of £1,000 to earn 2.5 per cent credit interest; this is also fee-free.

### *Nationwide*

17. Nationwide's Flexaccount is fee-free.

### ***Ensuring comparability***

18. When asked to apply the customer scenarios to their PCAs, we found that the banks had to make a number of assumptions. In particular, some banks assumed that all debit card transactions would be accepted or debit cards up to a specified limit would be accepted regardless of account balance whereas other banks did not. This made comparability between banks difficult.
19. To overcome this issue we asked banks to assume that all debit card transactions up to and equal to £50 would be accepted and processed for comparison purposes only. This is an arbitrary limit as the debit card purchase limit above which a retailer seeks authorization is set by the retailer as part of their agreement with their card services provider. Some banks said that this would not be common with most retailers seeking authorization electronically from the bank at the time of purchase. In this case some of the transactions included in these scenarios could have been refused at the point of sale and as a result would not incur an unpaid charge.
20. The effect of this assumption has been to ensure that, as far as possible, we are comparing differences in charges between banks rather than differences in interpretation of the scenarios. The card payment provider's agreement with retailers on accepting payments can in practice vary from this assumption and as a result,

would have a difference on the total charges that would be payable under these scenarios.

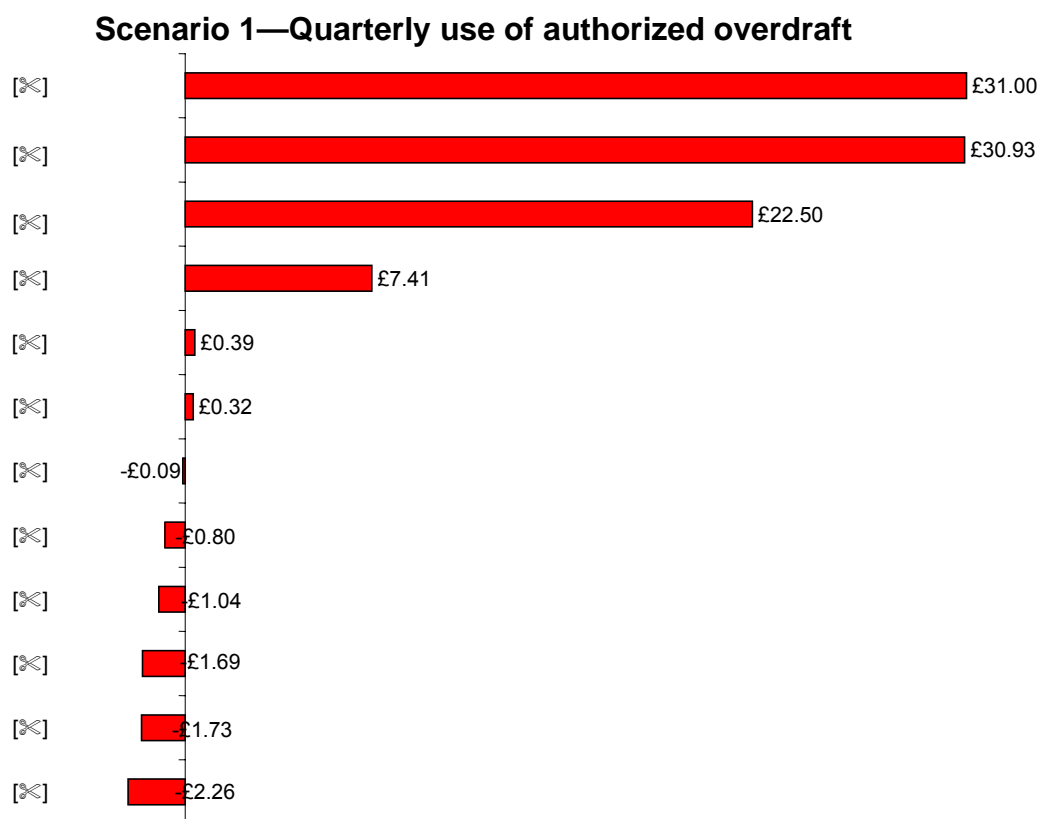
21. We also contacted banks to seek clarification and to correct any omissions in their responses. In particular, we sought an explanation of 'buffer' limits and charging policies in general.

## **Results of scenario exercise**

### ***Scenario 1—Quarterly use of authorized overdraft***

22. The transactions on customer scenario 1 took the balance into authorized overdraft once for a period of six days during the quarter. For this scenario we specified an overdraft limit of £250. To understand better how different types of transactions are affected by charges when in overdraft, we ensured that a direct debit, debit card, cheque and ATM transaction occurred during the overdraft period.

FIGURE 1



Source: Bank responses to final scenario request and subsequent queries.

23. The traditional accounts [X] incur the highest charges as shown in Figure 1. The traditional PCAs apply transaction charges to all transactions during the quarter that an overdraft facility is used (both before, during and after the overdraft period). In addition, a quarterly maintenance charge is levied.

24. [X]

25. The remaining accounts are fee-free and range from little or no charges to paying credit interest under this scenario.

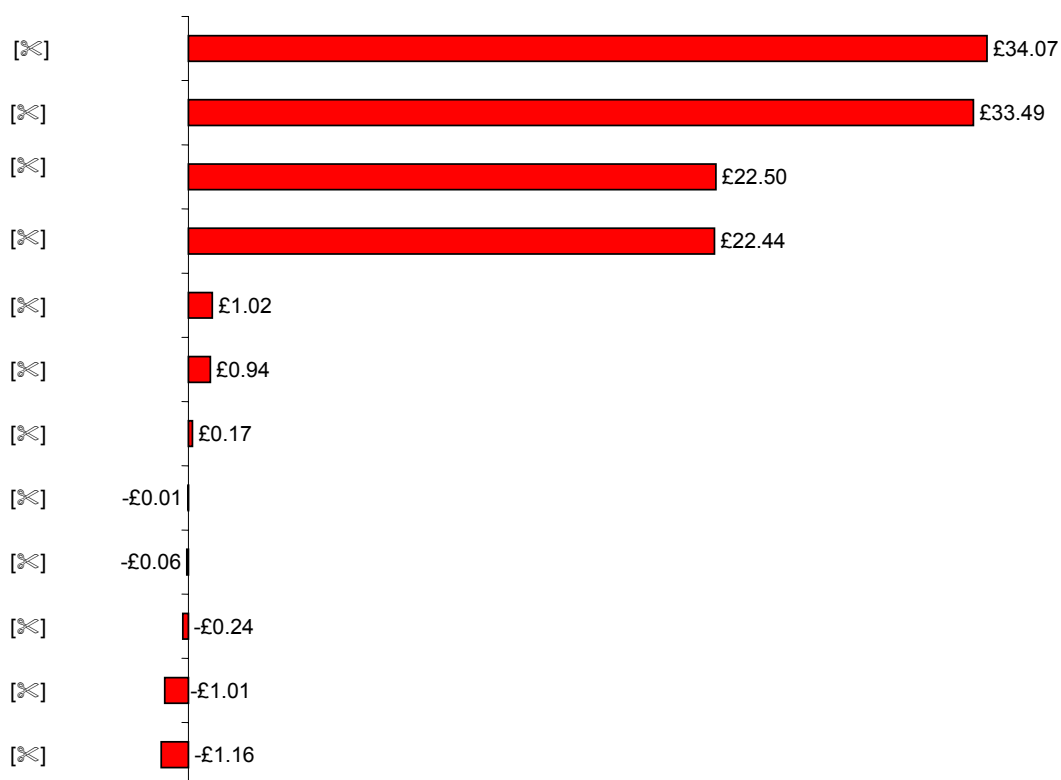
**Scenario 2—Monthly use of authorized overdraft**

26. The transactions on customer scenario 2 took the balance into authorized overdraft once a month for approximately one week at the end of each month for the quarter.

As in scenario 1, the overdraft limit was £ 250. To understand better how different types of transactions are affected by charges when in overdraft, we ensured that a direct debit, debit card, cheque and ATM transaction occurred during the overdraft periods.

FIGURE 2

**Scenario 2—Monthly use of authorized overdraft**



Source: Bank responses to final scenario request and subsequent queries.

27. The results for scenario 2 are similar to scenario 1 with the traditional PCAs [Redacted] incurring the highest total charges. [Redacted]

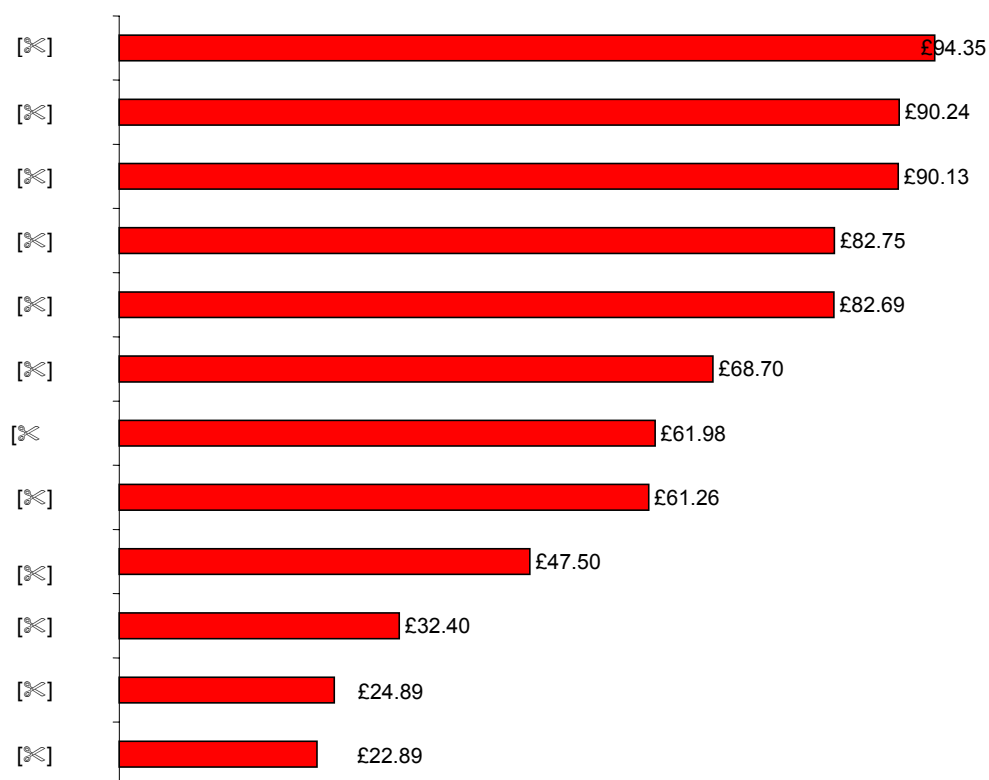
**Scenario 3—Quarterly use of unauthorized overdraft**

28. The transactions on customer scenario 3 took the balance into unauthorized overdraft once during the quarter. In order to simplify the calculations, we assumed that the customer did not have an authorized overdraft limit. To understand better how different types of transactions are affected by charges when in overdraft, we

ensured that a direct debit, debit card, and cheque transaction occurred during the unauthorized overdraft periods. We also requested that banks accept all debit card transactions up to and equal to £50, regardless of balance.

FIGURE 3

**Scenario 3—Quarterly use of unauthorized overdraft**



Source: Bank responses to final scenario request and subsequent queries.

29. Figure 3 shows that the fee-free accounts have higher total charges for this scenario. The exceptions are [X] which incur lower total charges.

30. [X]

31. As seen in Figure 3, [X] has higher charges in comparison to other banks. The main factor contributing to the higher total charges is that [X] charges more for unpaid items ([X]) than other banks. This, in conjunction with its approach in these

scenarios of rejecting all transactions not guaranteed<sup>3</sup> when in unauthorized overdraft, results in higher charges than the clearers. In comparison, the clearers in their response have accepted transactions when in unauthorized overdraft incurring referral charges which are of a lower value.

32. The bank with the next highest total charges is [REDACTED] which charges a higher charge [REDACTED] for every unpaid, paid and card transaction in unauthorized overdraft. It also has an [REDACTED]. In addition [REDACTED].<sup>4</sup>

#### ***Scenario 4—Monthly use of unauthorized overdraft***

33. The transactions on customer scenario 4 took the balance into unauthorized overdraft once a month for approximately one week at the end of each month for the quarter. In order to simplify the calculations, we assumed that the customer did not have an authorized overdraft limit. To understand better how different types of transactions are affected by charges when in unauthorized overdraft, we ensured that a direct debit, debit card, and cheque transaction occurred during the overdraft periods. We also requested that banks accept all debit card transactions up to and equal to £50, regardless of balance.

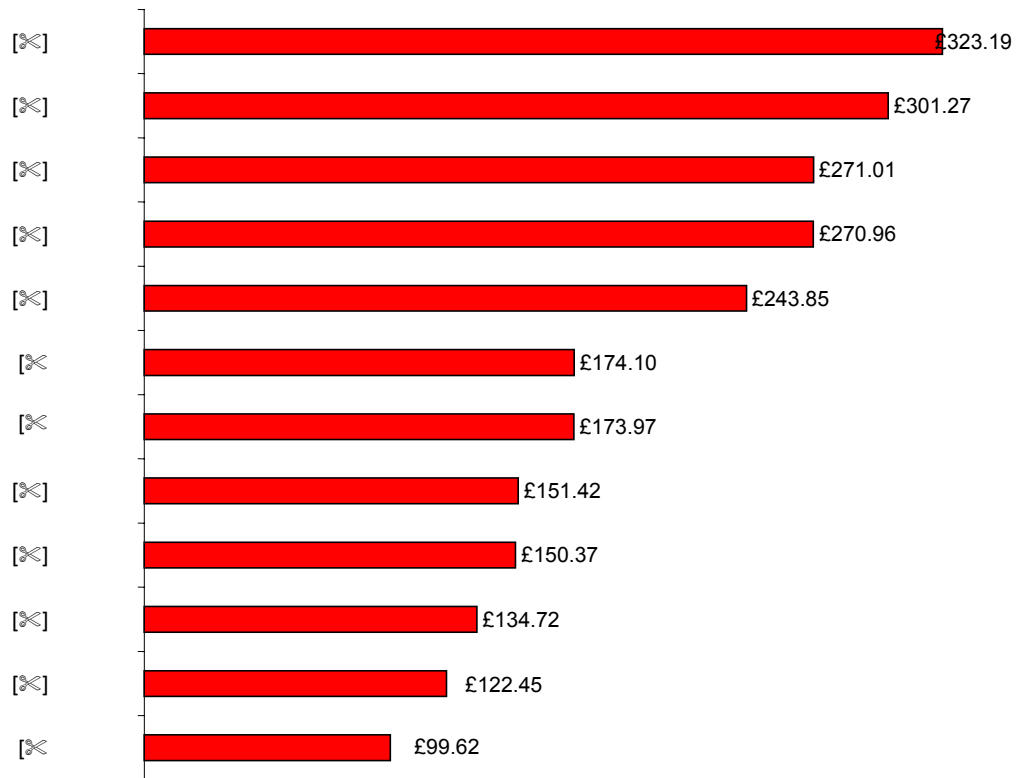
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<sup>3</sup>Only debit card payments (no limit) and cheque payments (up to £100) are guaranteed to be paid when in unauthorized overdraft.

<sup>4</sup>[REDACTED]

FIGURE 4

**Scenario 4—Monthly use of unauthorized overdraft**



Source: Bank responses to final scenario request and subsequent queries.

34. Figure 4 shows that the fee-free PCAs again have higher total charges. [X] incurs higher total charges in scenario 4 than in scenario 3 as a result of the [X].<sup>5</sup> [X] The unpaid charge applied [X] is also higher ([X]) and has been applied more often than the clearers due to different policies on paying direct debits while in unauthorized overdraft.
35. Again, [X] has a higher level of total charges in comparison with the [X] due to the higher value ([X]) of charges [X].
36. The lower charges applied by [X] can be explained by the use of buffers, lower charge levels and fewer types of charges applied.

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<sup>5</sup>[X]

## **Summary of results**

37. The traditional PCAs have higher total charges when an authorized overdraft is used in scenarios 1 and 2. In general, the fee-free PCAs have higher total charges when an unauthorized overdraft is used in scenario 3 and 4. The exceptions to this are [X].
38. The charging policies of banks can make a significant difference to the overall total charges. The implementation of charge caps and buffers can mean that the total charges are significantly less than would be the case if charges were applied to every unauthorized overdraft transaction. Bank policies on accepting payments when in unauthorized overdraft differ and are a significant factor in the level of total charges for scenario 3 and 4.

## **Complexity**

39. The scenario exercise revealed a number of aspects of PCA charges which complicate the assessment of charges payable. For example:
- *Buffers:* These are not generally disclosed in any customer information.<sup>6</sup> This may limit the ability of the consumer to work out in what circumstances a charge would apply with which bank.
  - *Discretion:* Many of the banks have reminded us that the scenario responses do not accurately reflect what a customer will actually be charged as the bank can exercise discretion by refunding charges, in particular unauthorized charges; however, this policy also is not publicly disclosed. Banks also use their discretion in determining whether to honour or reject a payment (such as cheque, direct debit and debit card transaction) made by the customer when in unauthorized overdraft. Some of the banks calculate in advance an undisclosed unauthorized overdraft payment limit which determines the highest value of a payment the

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<sup>6</sup>With the exception of A&L which publishes its buffer.

bank is willing to honour when the account balance is in unauthorized overdraft. Any payment over this value will be rejected. The limit is determined by the customer's account behaviour over the period of their account holding, and this process may be automated. Other banks will assess whether or not to make payments when a payment instruction is received; these assessments may be automated or manual. These limits, and how they are calculated, is not disclosed to the customer.

- *Bank payment policies during unauthorized overdraft:* In the scenario exercise, the bank's policies on paying direct debits differed, with the clearers' processing direct debits while in unauthorized overdraft and the non-clearers refusing the payments.
- *Similar charges can take different lengths of time to be applied:* For example, a card misuse charge (£30) is charged the next day for Ulster accounts when a card transaction takes the account balance into unauthorized overdraft. However, the charges on other transactions taking the account into unauthorized overdraft are charged 12 days later.

40. This suggests that where a customer fully understands a bank's published charging structure (see also Annex 1 of Appendix 4.3), it would still be difficult or impossible for the customer to fully assess the charges that would be payable, or to make a full comparison of charges between different banks.

### ***Differences in charges***

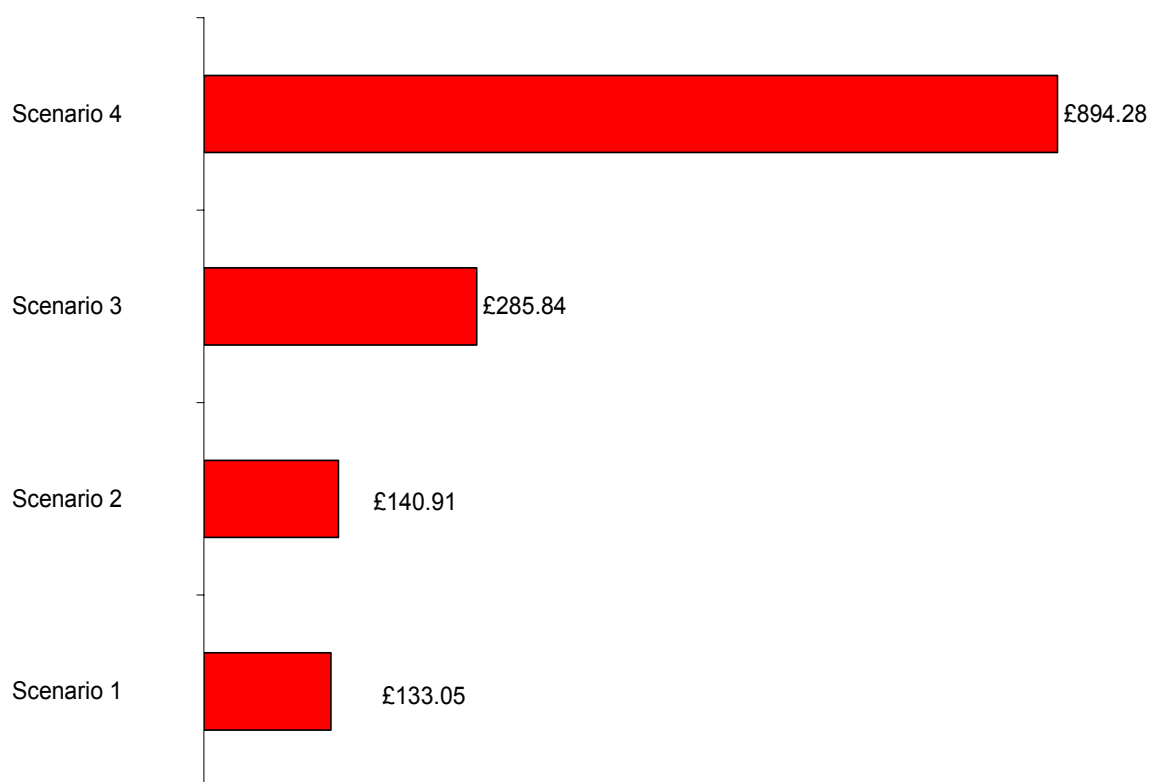
41. As a comparison, we have constructed a simple chart of the differences in total charges from the scenarios assuming the same transaction behaviour has continued for one year by multiplying the scenario results by four. The scenarios are not based on typical patterns of customer behaviour, but are intended to illustrate charges

applying under different patterns of account use. This, therefore, is only indicative of the financial incentives there may be in switching.

42. Many banks told us that if unauthorized balances were maintained or repeated, the bank would contact the customer to discuss the account.<sup>7</sup> As part of this review, the bank would consider possible ways to assist the customer with their financial management offering for example, a larger overdraft, which would possibly reduce the amount charged to their PCA. It is also important to note that the total charges are very sensitive to the type of transaction, the length of overdraft and the number of transactions.

FIGURE 5

**Annual financial incentives**



Source: CC analysis of bank scenario responses.

Note: In each scenario, we took the difference between the most and least expensive account in the quarter and multiplied by four.

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<sup>7</sup>[]

**Customer scenario 1: Occasional brief use of overdraft**

Income 1,250 Mortgage 400

Period 1 February 2006 to 30 April 2006  
Overdraft limit £250

<i>Date</i>	<i>Transaction type</i>	<i>Credit</i>	<i>Debit</i>	<i>Balance</i>	<i>Bank balance</i>
		b/f		£0.00	
31 Jan 06	Salary	£1,250.00		£1,250.00	
31 Jan 06	ATM		£100.00	£1,150.00	
01 Feb 06	Mortgage/rent		£400.00	£750.00	
01 Feb 06	DD		£165.00	£585.00	
01 Feb 06	DD		£35.00	£550.00	
01 Feb 06	DD		£17.80	£532.20	
01 Feb 06	DD		£12.00	£520.20	
11 Feb 06	ATM		£370.00	£150.20	
16 Feb 06	ATM		£40.00	£110.20	
20 Feb 06	ATM		£30.00	£80.20	
20 Feb 06	ATM		£60.00	£20.20	
20 Feb 06	ATM		£50.00	-£29.80	
23 Feb 06	ATM		£80.00	-£109.80	
24 Feb 06	DD		£91.00	-£200.80	
24 Feb 06	CHQ		£30.00	-£230.80	
28 Feb 06	Salary	£1,250.00		£1,019.20	
01 Mar 06	ATM		£100.00	£919.20	
01 Mar 06	DD		£400.00	£519.20	
01 Mar 06	DD		£165.00	£354.20	
01 Mar 06	DD		£35.00	£319.20	
01 Mar 06	DD		£17.80	£301.40	
01 Mar 06	DD		£12.00	£289.40	
02 Mar 06	Deposit	£100.00		£389.40	
03 Mar 06	ATM		£170.00	£219.40	
10 Mar 06	ATM		£40.00	£179.40	
15 Mar 06	ATM		£30.00	£149.40	
20 Mar 06	ATM		£60.00	£89.40	
24 Mar 06	CHQ			£89.40	
26 Mar 06	CHQ		£49.40	£40.00	
29 Mar 06	ATM		£40.00	£0.00	
31 Mar 06	Salary	£1,250.00		£1,250.00	
01 Apr 06	Mortgage/rent		£400.00	£850.00	
01 Apr 06	DD		£165.00	£685.00	
01 Apr 06	DD		£35.00	£650.00	
01 Apr 06	DD		£17.80	£632.20	
01 Apr 06	DD		£12.00	£620.20	
01 Apr 06	CHQ		£91.00	£529.20	
05 Apr 06	ATM		£180.00	£349.20	
06 Apr 06	ATM		£20.00	£329.20	
10 Apr 06	ATM		£40.00	£289.20	
15 Apr 06	ATM		£30.00	£259.20	
16 Apr 06	ATM		£60.00	£199.20	
20 Apr 06	CHQ		£70.00	£129.20	
22 Apr 06	CHQ		£39.20	£90.00	
25 Apr 06	ATM		£20.00	£70.00	
27 Apr 06	ATM		£20.00	£50.00	
28 Apr 06	ATM		£40.00	£10.00	
29 Apr 06	ATM		£10.00	£0.00	
30 Apr 06	Salary	£1,250.00		£1,250.00	

**Customer scenario 2: Monthly use of authorized overdraft**

Income £1,250.00

Mortgage

£400.00

The customer has:

5–6 direct debits per month

6–7 ATM/Debit transactions per month

2 cheques per month

£100 cheque guarantee card (which is used for all cheques)

Period 1 February 2006 to 30 April 2006

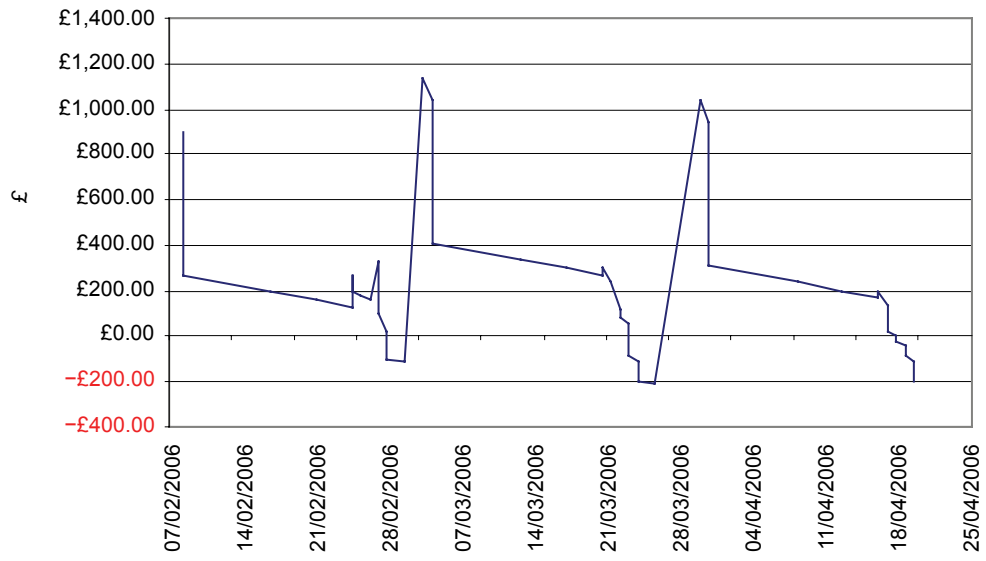
Authorized overdraft limit

£250

<i>Date</i>	<i>Transaction type</i>	<i>Credit</i>	<i>Debit</i>	<i>Balance</i>	<i>Bank balance</i>
				£0.00	
	b/f	£1,000.00		£1,000.00	
01 Feb 06	ATM		£100.00	£900.00	
01 Feb 06	Mortgage/rent		£400.00	£500.00	
01 Feb 06	DD		£165.00	£335.00	
01 Feb 06	DD		£35.00	£300.00	
01 Feb 06	DD		£17.80	£282.20	
01 Feb 06	DD		£12.00	£270.20	
11 Feb 06	ATM		£70.00	£200.20	
16 Feb 06	ATM		£40.00	£160.20	
20 Feb 06	ATM		£30.00	£130.20	
23 Feb 06	Deposit	£200.00		£330.20	
20 Feb 06	ATM		£60.00	£270.20	
20 Feb 06	CHQ		£70.00	£200.20	
21 Feb 06	ATM		£20.00	£180.20	
22 Feb 06	ATM		£20.00	£160.20	
23 Feb 06	ATM		£20.00	£140.20	
23 Feb 06	ATM		£40.00	£100.20	
24 Feb 06	ATM		£80.00	£20.20	
24 Feb 06	CHQ		£30.00	–£9.80	
24 Feb 06	DD		£91.00	–£100.80	
26 Feb 06	ATM		£10.00	–£110.80	
28 Feb 06	Salary	£1,250.00		£1,139.20	
01 Mar 06	ATM		£100.00	£1,039.20	
01 Mar 06	Mortgage/rent		£400.00	£639.20	
01 Mar 06	DD		£165.00	£474.20	
01 Mar 06	DD		£35.00	£439.20	
01 Mar 06	DD		£17.80	£421.40	
01 Mar 06	DD		£12.00	£409.40	
11 Mar 06	ATM		£70.00	£339.40	
16 Mar 06	ATM		£40.00	£299.40	
20 Mar 06	ATM		£30.00	£269.40	
20 Mar 06	Deposit	£30.00		£299.40	
21 Mar 06	ATM		£60.00	£239.40	
22 Mar 06	CHQ		£119.20	£120.20	
22 Mar 06	ATM		£20.00	£100.20	
22 Mar 06	ATM		£20.00	£80.20	
23 Mar 06	ATM		£20.00	£60.20	
23 Mar 06	ATM		£40.00	£20.20	
23 Mar 06	ATM		£100.00	–£79.80	
24 Mar 06	CHQ		£30.00	–£109.80	
24 Mar 06	DD		£91.00	–£200.80	
26 Mar 06	ATM		£10.00	–£210.80	
31 Mar 06	Salary	£1,250.00		£1,039.20	
01 Apr 06	ATM		£100.00	£939.20	
01 Apr 06	Mortgage/rent		£400.00	£539.20	
01 Apr 06	DD		£165.00	£374.20	
01 Apr 06	DD		£35.00	£339.20	
01 Apr 06	DD		£17.80	£321.40	
01 Apr 06	DD		£12.00	£309.40	
11 Apr 06	ATM		£70.00	£239.40	
16 Apr 06	ATM		£40.00	£199.40	
20 Apr 06	ATM		£30.00	£169.40	
20 Apr 06	Deposit	£30.00		£199.40	
21 Apr 06	ATM		£60.00	£139.40	
21 Apr 06	CHQ		£119.20	£20.20	
22 Apr 06	ATM		£20.00	£0.20	
22 Apr 06	ATM		£20.00	–£19.80	
23 Apr 06	ATM		£20.00	–£39.80	
23 Apr 06	ATM		£40.00	–£79.80	
24 Apr 06	CHQ		£30.00	–£109.80	
24 Apr 06	DD		£91.00	–£200.80	
26 Apr 06	ATM		£10.00	–£210.80	
30 Apr 06	Salary	£1,250.00		£1,039.20	

## SCENARIO 2

### Balances before charges



**Customer scenario 3: Quarterly use of unauthorized overdraft**

Income £1,250.00

Mortgage £400.00

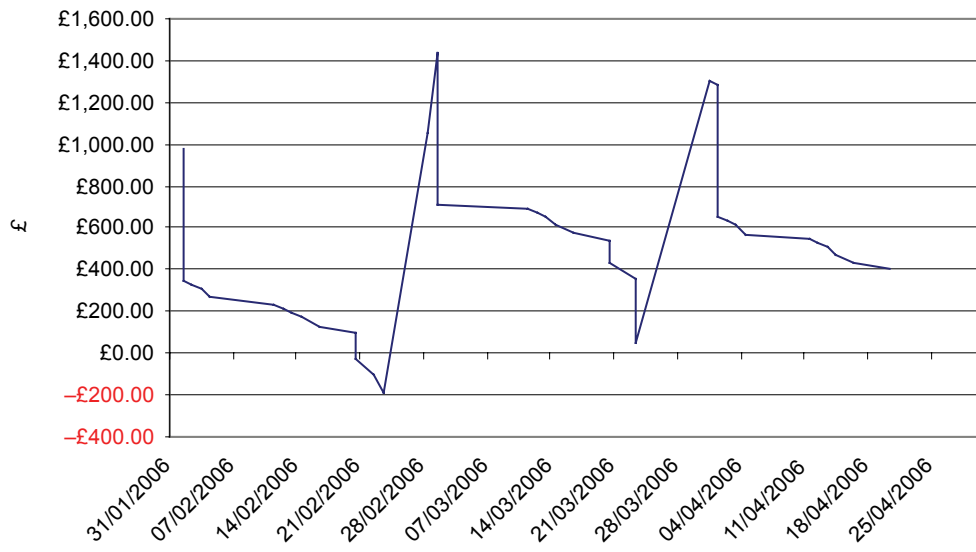
The customer has:  
 5–6 direct debits per month (the variation is due to a quarterly dd)  
 7–9 ATM/Debit transactions per month  
 2 cheques per month  
 £100 cheque guarantee card (which is used for all cheques)

Period 1 February 2006 to 30 April 2006  
 Authorized overdraft limit £0

Date	Transaction type	Credit	Debit	Balance	Bank balance
	b/f	1,000		£1,000.00	
01 Feb 06	ATM		£20.00	£980.00	
01 Feb 06	Mortgage/rent		£400.00	£580.00	
01 Feb 06	DD		£165.00	£415.00	
01 Feb 06	DD		£35.00	£380.00	
01 Feb 06	DD		£17.80	£362.20	
01 Feb 06	DD		£12.00	£350.20	
02 Feb 06	ATM		£20.00	£330.20	
03 Feb 06	ATM		£20.00	£310.20	
04 Feb 06	ATM		£40.00	£270.20	
11 Feb 06	ATM		£40.00	£230.20	
12 Feb 06	ATM		£20.00	£210.20	
13 Feb 06	ATM		£20.00	£190.20	
14 Feb 06	ATM		£20.00	£170.20	
16 Feb 06	ATM		£40.00	£130.20	
20 Feb 06	ATM		£30.00	£100.20	
20 Feb 06	ATM		£60.00	£40.20	
20 Feb 06	CHQ		£60.00	–£19.80	
20 Feb 06	ATM		£10.00	–£29.80	
22 Feb 06	Debit card		£70.00	–£99.80	
23 Feb 06	DD		£91.00	–£190.80	
28 Feb 06	Salary	£1,250.00		£1,059.20	
01 Mar 06	Deposit	£382.60		£1,441.80	
01 Mar 06	ATM		£100.00	£1,341.80	
01 Mar 06	Mortgage/rent		£400.00	£941.80	
01 Mar 06	DD		£165.00	£776.80	
01 Mar 06	DD		£35.00	£741.80	
01 Mar 06	DD		£17.80	£724.00	
01 Mar 06	DD		£12.00	£712.00	
11 Mar 06	ATM		£20.00	£692.00	
12 Mar 06	ATM		£20.00	£672.00	
13 Mar 06	ATM		£20.00	£652.00	
14 Mar 06	ATM		£40.00	£612.00	
16 Mar 06	ATM		£40.00	£572.00	
20 Mar 06	ATM		£30.00	£542.00	
20 Mar 06	ATM		£60.00	£482.00	
20 Mar 06	ATM		£50.00	£432.00	
23 Mar 06	ATM		£80.00	£352.00	
23 Mar 06	DD		£91.00	£261.00	
23 Mar 06	CHQ		£60.00	£201.00	
23 Mar 06	DD		£91.00	£110.00	
23 Mar 06	CHQ		£60.00	£50.00	
31 Mar 06	Salary	£1,250.00		£1,300.00	
01 Apr 06	ATM		£20.00	£1,280.00	
01 Apr 06	Mortgage/rent		£400.00	£880.00	
01 Apr 06	DD		£165.00	£715.00	
01 Apr 06	DD		£35.00	£680.00	
01 Apr 06	DD		£17.80	£662.20	
01 Apr 06	DD		£12.00	£650.20	
02 Apr 06	ATM		£20.00	£630.20	
03 Apr 06	ATM		£20.00	£610.20	
04 Apr 06	ATM		£40.00	£570.20	
11 Apr 06	ATM		£20.00	£550.20	
12 Apr 06	ATM		£20.00	£530.20	
13 Apr 06	ATM		£20.00	£510.20	
14 Apr 06	ATM		£40.00	£470.20	
16 Apr 06	ATM		£40.00	£430.20	
20 Apr 06	ATM		£30.00	£400.20	
20 Apr 06	ATM		£60.00	£340.20	
20 Apr 06	ATM		£50.00	£290.20	
23 Apr 06	ATM		£80.00	£210.20	
30 Apr 06	Salary	£1,250.00		£1,460.20	

### SCENARIO 3

#### Balances before charges



**Customer scenario 4: Monthly use of unauthorized overdraft**

Income £1,250.00

Mortgage £400.00

The customer has:  
 5–6 direct debits per month  
 7–8 ATM/Debit transactions per month  
 2 cheques per month  
 £100 cheque guarantee card (which is used for all cheques)

Period 1 February 2006 to 30 April 2006  
 Authorized overdraft Limit £0

<i>Date</i>	<i>Transaction type</i>	<i>Credit</i>	<i>Debit</i>	<i>Balance</i>	<i>Bank balance</i>
	b/f	£1,000.00		£1,000.00	
01 Feb 06	ATM		£20.00	£980.00	
01 Feb 06	Mortgage/rent		£400.00	£580.00	
01 Feb 06	DD		£165.00	£415.00	
01 Feb 06	DD		£35.00	£380.00	
01 Feb 06	DD		£17.80	£362.20	
01 Feb 06	DD		£12.00	£350.20	
02 Feb 06	ATM		£20.00	£330.20	
03 Feb 06	ATM		£20.00	£310.20	
04 Feb 06	ATM		£40.00	£270.20	
11 Feb 06	ATM		£70.00	£200.20	
16 Feb 06	ATM		£40.00	£160.20	
20 Feb 06	ATM		£30.00	£130.20	
20 Feb 06	ATM		£60.00	£70.20	
20 Feb 06	CHQ		£70.00	£0.20	
23 Feb 06	Deposit	£200.00		£200.20	
23 Feb 06	ATM		£100.00	£100.20	
24 Feb 06	ATM		£80.00	£20.20	
24 Feb 06	CHQ		£30.00	–£9.80	
24 Feb 06	DD		£91.00	–£100.80	
25 Feb 06	Debit card		£20.00	–£120.80	
26 Feb 06	ATM		£10.00	–£130.80	
28 Feb 06	Salary	£1,250.00		£1,119.20	
01 Mar 06	ATM		£20.00	£1,099.20	
01 Mar 06	Mortgage/rent		£400.00	£699.20	
01 Mar 06	DD		£165.00	£534.20	
01 Mar 06	DD		£35.00	£499.20	
01 Mar 06	DD		£17.80	£481.40	
01 Mar 06	DD		£12.00	£469.40	
02 Mar 06	ATM		£20.00	£449.40	
03 Mar 06	ATM		£20.00	£429.40	
04 Mar 06	ATM		£40.00	£389.40	
11 Mar 06	ATM		£70.00	£319.40	
16 Mar 06	ATM		£40.00	£279.40	
20 Mar 06	ATM		£30.00	£249.40	
20 Mar 06	Deposit	£30.00		£279.40	
22 Mar 06	ATM		£60.00	£219.40	
22 Mar 06	CHQ		£119.20	£100.20	
23 Mar 06	ATM		£100.00	£0.20	
24 Mar 06	CHQ		£10.00	–£9.80	
24 Mar 06	DD		£91.00	–£100.80	
25 Mar 06	Debit card		£20.00	–£120.80	
26 Mar 06	ATM		£10.00	–£130.80	
31 Mar 06	Salary	£1,250.00		£1,119.20	
01 Apr 06	ATM		£20.00	£1,099.20	
01 Apr 06	Mortgage/rent		£400.00	£699.20	
01 Apr 06	DD		£165.00	£534.20	
01 Apr 06	DD		£35.00	£499.20	
01 Apr 06	DD		£17.80	£481.40	
01 Apr 06	DD		£12.00	£469.40	
02 Apr 06	ATM		£20.00	£449.40	
03 Apr 06	ATM		£20.00	£429.40	
04 Apr 06	ATM		£40.00	£389.40	
11 Apr 06	ATM		£70.00	£319.40	
16 Apr 06	ATM		£40.00	£279.40	
20 Apr 06	ATM		£30.00	£249.40	
20 Apr 06	Deposit	£30.00		£279.40	
22 Apr 06	ATM		£60.00	£219.40	
22 Apr 06	CHQ		£119.20	£100.20	
23 Apr 06	ATM		£100.00	£0.20	
24 Apr 06	CHQ		£20.00	–£19.80	
24 Apr 06	DD		£91.00	–£110.80	
25 Apr 06	Debit card		£20.00	–£130.80	
26 Apr 06	ATM		£10.00	–£140.80	
30 Apr 06	Salary	£1,250.00		£1,109.20	

# SCENARIO 4

## Balances before charges

