

A guide to business banking for small businesses

Who Needs a business bank account?

A business bank account is similar to a personal bank account, but it's opened solely for your business income and expenditure. It can range from a simple money-in, money-out account to an account that helps you issue invoices, run payroll, and assist with your accounting and tax return¹.

If you've set up your business as a limited company in the UK, or if your annual turnover has reached a level that makes it tricky to manage your business using everyday banking, you need a business bank account¹. However, if you're a sole trader, freelancer, or doing gig work, you're not required to open a business account.

Choosing the right bank?

The traditional high street banks will be suitable for nearly all small businesses as they have a range of bank accounts for businesses of all shapes and sizes, with all sorts of complexities and currencies. The positives to the high street banks is you can pay in cheques and cash in person, sign paperwork and access a host of additional services such as loans and credit cards. The downside to the high street banks tends to be the slow service, paper process for account opening and a lack of cutting edge technology.

Over the last 10 years online "challenger" banks have become more common (Starling, Tide and Mettle are examples). These tend to be online based only meaning if you have a high volume of cash or cheques they may not be suitable, although some allow you to pay in at a post office. The technology tends to be better with more features available.

The downside to the online banks is they have strict criteria such as a limit on transaction value or quantity, and when you outgrow this you often have to change banks. Where as with the bigger high street banks you can upgrade your account.

Will it Cost me?

Many of the banks both traditional and challenger are free, or offer a free trial.

Some banks will charge per transaction on your bank statement, so if you have lots of transactions this can quickly add up. It is usually the newer online/challenger banks that offer this fee structure, although not all of them do.

Other banks offer a fixed monthly fee that includes transfers in and out to other UK banks and debit card purchases.

Expect to pay more money for foreign transactions and anything non-standard.

Is my money protected

The most well-known business banks will be protected by the FCA meaning if the bank goes bust, you will get up to £85,000 protected (there are some exclusions for foreign entities or insurance companies for example, so double check and don't take this for granted).

We would always recommend you use a bank registered with the FCA.

The £85k protection applies per bank, so if you hold 3 accounts with HSBC for example, you would only get a maximum of £85k and not £85k per account. If you intend to hold more than £85,000 in the bank it could be worth spreading the risk across different banking groups.

What Do We Use?

Well working in finance we have used most of the banks out there!

HSBC is our preferred choice. Its got a fixed monthly fee and we very rarely incur extra charges above this. The app is getting better all the time and there is more options to manage the account online and increase your payment limits or cash withdrawal limit for example. We feel HSBC is future proof and can grow with our business an offer us long term options and flexibility.

Our second choice is Mettle. Mettle is actually owned by NatWest and its completely free! We loved how easy it was to open the account on the app, and you can chat to the support team via the app and change things like your name or address easily. A big bonus is that you get free access to Free agent which is an online bookkeeping system that keeps track of all your invoices and receipts, and will even file your VAT return and end of year accounts.

Please note we are not affiliated with any banks nor are we making a recommendation e are only giving a review of our personal experience working with these banks.