

# **Banking in the UK – Things to Consider**

While in the UK, you most likely will have to purchase British “Pound Sterling” on a regular basis so setting up a British Pounds/Sterling account is highly recommended – especially if you plan on living on the economy.

Banking in the UK can be somewhat challenging, so you’ll need to exercise patience due to the amount of time it will take to open an account, transfer funds to your account, and use your account for needed payments. Please note, it is NOT possible to open a British Sterling account before you arrive since the UK law requires that you be physically present.

## **SETTING UP AN ACCOUNT AND WITHDRAWING FUNDS**

There is one US-affiliated bank, Community Bank, on RAF Alconbury, RAF Molesworth and RAF Croughton. Community Bank is also on RAF Lakenheath and RAF Mildenhall. There is one US Credit Union on RAF Alconbury, RAF Lakenheath and RAF Mildenhall - Keesler Federal Credit Union (KFCU). It’s important to note that although Community Bank is a subsidiary of Bank of America, *there is no connection between a person’s Bank of America accounts in the states and the accounts you open in the UK with Community Bank.*

Most personnel assigned to RAF Alconbury, RAF Croughton and RAF Molesworth use one of these two banking institutions to pay for rent, utilities, cell phones, and other personal expense on the economy. This is done by Direct Debit at Community Bank and Sterling Bill Pay at KFCU – methods familiar to US personnel, but different as they are governed by Defense Finance and Accounting Service (DFAS) regulations and UK banking laws. *Please understand this as it will help as you encounter rules and procedures you may not be used to.*

Once you arrive and in-process, you will need to schedule an appointment at either institution to open an account. Plan on the appointment lasting about one hour and remember you will need your APO mailing address, and your military ID for the appointment. It would be good to bring your military orders, just in case. During this appointment, they will help you setup online banking either by Direct Debit or Sterling Bill Pay, based on which institution you are using. Anyone you want on the account must be physically present with his or her military/dependent ID Card.

If you desire to use your debit card from the institution on the economy, we advise you to provide your UK address to your account so as to avoid potential problems in using the debit card. This address can be either the UK-associated address on your APO box, or the UK physical address once you acquire a residence off base.

### **Account Specifics to be aware of**

Exchange Rates: It is important to know the daily exchange rates at both institutions, and at all AAFES locations, *are set by DFAS according to their agreement to operate on US installations – the institutions cannot change it.* This means the exchange rate will NOT be the same rate you will see off-base – it is typically more favorable off-base. There is a trade-off between the convenience of using the on-base banking institutions and the off-base vendors/ATMs, etc. This means it tends to be cheaper to pull Sterling off your cards at off-base ATMs, though the UK banks may charge an

ATM fee. To view international rates, use [www.oanda.com/currency/converter/](http://www.oanda.com/currency/converter/). You can also bring USD into the banking institutions on base to exchange to Sterling, but you will pay the DFAS exchange rate, not the international exchange rate.

General ATM usage and using your US Credit Cards: Be sure to check with your stateside bank to determine what charges and fees you will pay when using your stateside debit and or credit card overseas. Many banks charge international fees, which will add up over the course of 2-3 years. Additionally, VISA debit cards, do not work at many ATMs in the UK, nor do debit cards work at local establishments like you are used to in the US.

Also keep in mind that some ATMs in the UK will ask you if you want to convert your dollars into pounds using their exchange rate listed on the screen or continue without the conversion. It is recommended that you always select continue without the conversion so you get the cheapest international exchange rate. This is the same for purchases at establishments on the economy and online– make the purchase in Sterling to avoid the store’s conversion rate.

Community Bank: We highly recommend you take the option to open a US Dollar (USD) and Sterling account with the bank to increase needed flexibility. You can also ask for a British Debit Card (Chip and Pin). You can use this Chip and Pin Debit Card anywhere, but you will still have to sign the receipt when making purchases. When you use your Community Bank debit card to make a purchase in Sterling off base, the money is deducted from your dollar account at the DFAS rate set for the Community Bank. Also be aware that when making purchases off-base with your debit card, you will be charged a surcharge at the point of sale – roughly 1%.

If you withdrawal cash from your Community Bank account on base you will have the option to withdrawal money from your dollar account or your Sterling account. You are not given this option when using an off-base ATM which only provides Sterling. NOTE: since Community Bank uses the UK Barclay’s Bank debit system, Barclay ATMs may not charge a fee to withdraw Sterling when using your Community Bank ATM card, but that is only typical at local ATMs around the base (Huntingdon, for example, by RAF Alconbury). Furthermore, Community Bank does charge \$1.50 to use an off-base ATM, unless it is a Barclay ATM.

Community Bank does NOT offer a phone app, nor a web service, to set up and make bill payments from, but this is something being worked for future application. You will need to set up your bill payments at the bank.

Community Bank does NOT currently offer overdraft protection on your Sterling Account, but it does offer it on your USD account. For access to your account, go to:

<https://www.dodcommunitybank.com> and to see where locations are, go to:

[https://www.dodcommunitybank.com/home/locations/united\\_kingdom](https://www.dodcommunitybank.com/home/locations/united_kingdom). To view the daily exchange rate the bank is using, go to:

[https://www.dodcommunitybank.com/home/currency\\_exchange/sterling](https://www.dodcommunitybank.com/home/currency_exchange/sterling)

KFCU: When opening an account with KFCU, you can receive an ATM card for a Savings account and a checking account debit Mastercard. KFCU often has incentives for opening an account and setting up Sterling Bill Pay – look for those when you set yours up and make sure you understand the rules to receive the incentive.

Withdrawing money with a KFCU card on base is free, but they charge \$2.00 for every withdrawal off-base and an International Transaction fee of roughly 1% for every purchase. It is also good to know that KFCU offers bill pay from their website.

*NOTE FOR KFCU CUSTOMERS:* Those with KFCU accounts can do cash advances with their US debit cards (up to \$10,000 – restricted by what your US bank allows) with no fee from KFCU (stressed – debit card, NOT credit card – cash advances against credit carry fees and immediate interest as always). If you are using a USAA debit card, USAA does not charge a fee for the cash advance, but you may have to request a debit card cash advance limit increase – this can be done over the USAA App. This is a very easy way to get cash in hand quickly if you have a KFCU account. IMPORTANT: The amount withdrawing must be in your US bank account or overdraft and other fees may apply! Most banks, like USAA, will not allow more cash to be withdrawn in this transaction, but if you take all the money out of a regular account you use, you may incur overdraft and other fees as other bills hit the depleted account, so pay attention.

KFCU offers “Shared Branching” through the CO-OP Shared Branching Program, which allows account holders to transfer funds from a credit union in the states to your new KFCU account. The transfer is free and immediate so this is a good option for accessing your funds very quickly. For CO-OP Shared Branching locations, please visit: <https://co-opcreditunions.org/locator/search-results/?loctype=AS&country=UK&Submit=Search>

To access the KFCU website, go to: <https://www.kfcu.org/about-us/overseas>

## **OPENING AN ACCOUNT OFF-BASE**

Opening a British Bank Account off-base is only possible when you have a UK Visa which provides residency status. Civilian members are required to come to the island with a Visa and Military Family members can request a Visa Vignette upon arrival, which takes about 2-3 months to receive (and involves surrendering your No-fee Passport during the process).

To open a British Bank account on the local economy, you will have to make an appointment first. When you go to the appointment, you will have to show proof of residency (your Visa), and proof of physical residence, such as an active rental agreement or utility bill with the correct British address. Each person wanting to open an account must be listed on the rental agreement or utility bill. Once a British Bank account is opened, it can take up to 10 days to receive a debit card.

The advantages of using a British Bank on the economy is the ease in which local payments can be made, using account numbers and sort codes. The transaction is immediate and typically can be completed using the UK bank’s phone APP. Another benefit to using a bank off-base is you can request overdraft protection which is based on income. One significant drawback to using a bank off-base is that it is not possible to setup direct transfer deposit from your US bank. In order to electronically convert money from a US Bank account to an off-base British Pounds account, you must use an online foreign exchange company such as XE.COM. The process to transfer funds from your dollar account to an off-base pounds account using a foreign exchange company takes about 5 days and has fees associated in the exchange rate or the transaction.

## **PAYING BILLS**

Whether you use Community Bank, KFCU, or a bank off-base, bills are normally paid by direct debit. Which means, the utility company or internet service provider will ask your permission when you sign the contract to pull the amount owed each month from your Sterling account automatically each month. It is important to watch your bills and ensure you have enough Pounds in your Sterling account to cover the upcoming bill, for if a direct debit amount is much higher than you forecasted, such as a phone bill, you will have to pay a fee and the direct debit will not go through if there are not sufficient funds. This is according to UK banking laws and allowances.

As an alternative to paying bills via direct debit, you can use your KFCU Checking account to pay British bills automatically each month instead of the company taking money out of your account. Please remember, if you choose this method, you will get the DFAS exchange rate. KFCU also offers overdraft protection with a limit of USD \$600.00 which could cover an automatic bill pay if there was not enough money in the account.

You can set up funds transfers from your US bank to Community Bank and KFCU. You will need to plan for anywhere from 24-48 hours for the transfers to show up in your UK accounts for use. If you plan to fund an account using a check after you arrive, plan on it taking 7 business days to clear before you will have access to the funds. *This is a DFAS rule both banks must follow and they have no control over.* Once the money reaches your account you will have four options to pay bills:

- 1) Complete an Electronic Funds (EFT) request – free, but can take up to 3 business days
- 2) Set up a Direct Debit – free, but the first one takes a full 5 days by UK banking laws to activate where the money MUST be available at the *beginning* of the 5 days in the account. This does cause issues with making your first rental and/or utility payment (see below). So, we recommend you have enough Sterling in your account well in advance of your first Direct Deposit due date.
- 3) Wire the funds - the banks do charge wire fees by UK banking law – up to \$25. A wire can take one day, if requested before noon.
- 4) Withdraw the funds at an ATM and physically take it to the business. An ATM withdrawal is subject to ATM fees, but there are ATMs in the UK that offer free withdrawals. Your bank may charge a fee (see above) to use the off-base ATM, but the ATM does use an exchange rate closer to the international rate.

## **SOME LAST THOUGHTS – BE PREPARED!**

Setting up rental payments takes a minimum of 5 days for the first payment due to British banking laws. Again, this means you must have the Sterling available *at the beginning* of the 5 days *in the account*. If you want to make a payment quicker than the 5 days waiting period, you must plan to use cash, otherwise you will have a lot less flexibility. PLEASE NOTE: OHA payments will only hit on the mid- and end-of-month days, and will not start until *after* you sign your lease, which is when the British companies require payment – *so plan on having cash in hand for the deposit and the first month's rent.*

The only quick option (outside of using your KFCU account for debit card cash advances – see above) is to withdrawal funds through an ATM using your stateside account. Keep in mind, most stateside banks limit the amount you can withdrawal in one day and will likely charge ATM withdrawal fees and or commissions. Communicate with your bank on the withdraw needs you have to make your first payments. One secure method is to bring the cash into the Community Bank and deposit it into your Sterling Account, then have the bank give you a cashier's check (they will charge a fee for this) – this way, you aren't carrying so much hard currency around.

Most landlords will require the first month's rent and a security deposit equal to one month's rent. There may also be letting agency fees on top of the security deposit. Consequently, you may need 2-4 thousand dollars, converted to Sterling, to secure a rental property. A nice property will not remain available long, so it's important to be aware of the banking challenges and to plan ahead.

Your Banking Liaison Officer is the 501<sup>st</sup> CSW/FM, currently Lt Col Lyle Swapp - DSN: 268-3140, commercial: 01480-84-3140. You can email him at [lyle.swapp@us.af.mil](mailto:lyle.swapp@us.af.mil).