

## Chapter 2

# Communications and financial promotions

## 2.2B General information about overdrafts for personal current accounts

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- (1) A *firm* must ensure that a *direct offer financial promotion* includes the information set out in ■ BCOBS 2.2B.2R if:
  - (a) it relates to an account, other than a current account mortgage which:
    - (i) is a payment account within the meaning of the *Payment Accounts Regulations*; and
    - (ii) does not fall within paragraph (2); and
  - (b) it is made in writing.
- (2) An account falls within this paragraph if it is offered on terms that:
  - (a) an agreement which provides authorisation in advance for the *banking customer* to overdraw on the account cannot arise; and
  - (b) either:
    - (i) the account cannot become overdrawn without prior arrangement; or
    - (ii) no charge is payable (by way of interest or otherwise) if the account becomes overdrawn without prior arrangement; and
  - (c) no charge is payable where the *firm* refuses a payment due to lack of funds.
- (3) In the case only of a *direct offer financial promotion* on paper, it is sufficient for the purposes of (1) if the *direct offer financial promotion* is accompanied by the required information on a separate sheet.

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The information required by this *rule* is:

- (1) general information about overdrafts consisting of, so far as is relevant to the account or accounts that are the subject of the *direct offer financial promotion*:
  - (a) an explanation that an overdraft is a borrowing or credit facility;
  - (b) a general description of the nature and principal features of arranged and unarranged overdrafts associated with the personal current accounts offered by the *firm*;
  - (c) a general explanation of the principal risks associated with:

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- (i) overdrawing without prior arrangement; and
- (ii) opting out of an unarranged overdraft facility (if the *firm's* terms and conditions permit this).
- (d) a general explanation of what may happen when a customer attempts to exceed an arranged overdraft limit or to overdraw in the absence of an arranged overdraft;
- (e) a general explanation of how the use of an arranged or unarranged overdraft might impact a *banking customer's* credit file;
- (2) information about the availability of the following tools and how a *banking customer* can access them:
  - (a) the overdraft cost calculator required by ■ BCOBS 8.2; and
  - (b) (if ■ BCOBS 8.3 applies to the *firm* in relation to the personal current account) the overdraft eligibility tool required by ■ BCOBS 8.3.

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- (1) The information required to be included under ■ BCOBS 2.2B.2R must be:
  - (a) concise;
  - (b) in clear, simple language; and
  - (c) presented prominently.
- (2) The information required to be included under ■ BCOBS 2.2B.2R must be presented together.
- (1) A *firm* may consider including the following in the information included to comply with ■ BCOBS 2.2B.2R(1):
  - (a) that overdrafts are primarily intended for short-term borrowing and are not generally suitable for longer-term borrowing;
  - (b) an explanation of what an arranged overdraft is and how to request one;
  - (c) an explanation of what an unarranged overdraft is and how it might arise;
  - (d) that use of an overdraft will or may give rise to interest or other charges (as applicable) and how a *banking customer* can find out more; and
  - (e) that attempting to exceed a credit limit or become overdrawn without a pre-arranged overdraft may result in items not being paid and that this will or may incur charges.
- (2) Where the nature and features of arranged and unarranged overdraft facilities associated with the accounts that are the subject of the *direct offer financial promotion* differ significantly between accounts, the *firm* should set out the ways in which they differ.
- (3) The information provided under this chapter should be general in nature, but a *firm* may indicate where additional or more detailed information can be found.

- (4) Information will not be treated as included prominently unless it is presented, having regard to other content it is presented alongside, in such a way that it is likely that the attention of the average *banking customer* would be drawn to it.
- (5) The effect of ■ BCOBS 2.2B.1R(1) is that the information must be incorporated in the *direct offer financial promotion* itself. It is not sufficient, for example, to include in a *direct offer financial promotion* that appears on a website a link to a separate page containing the information. ■ BCOBS 2.2B.1R(3) provides a limited exception to this where a *direct offer financial promotion* is on paper, in which case the information may accompany the *direct offer financial promotion* as a separate document.

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*Firms* are reminded that they will also need to comply with the *rules* in ■ CONC 3 (Financial promotions and communications with customers) where those *rules* apply.