Chapter 8

Tools for personal current account customers

8.2 Cost calculator

Application

8.2.1 **R** This section applies to a *firm* that provides or offers to provide personal current accounts unless all personal current accounts provided or offered by the *firm* are excluded accounts.

8.2.2 **G** In accordance with ■ BCOBS 1.1.5R this chapter does not apply to a *credit union*.

Requirement to provide a cost calculator tool

8.2.3 **R** (1) A *firm* must make publicly available a tool that enables a *banking customer* or potential *banking customer* to easily calculate the cost of overdrawing on personal current accounts other than excluded accounts offered by the *firm* (a "cost calculator").

(2) The cost calculator must be made available continuously on the website of each trading name under which the *firm* offers or provides personal current accounts other than excluded accounts in a prominent and easily accessible location, except in the circumstances provided for in (3).

(3) A *firm* that offers personal current account opening services exclusively through a mobile telephone application may instead make the cost calculator required under this *rule* available through that mobile telephone application, but must refer prominently on its website to the availability of the tool through that application.

(4) A *firm* should choose how and where to make the cost calculator available so as to be consistent with how it ordinarily communicates with its *customers* and select a method most likely to come to the attention of its *customers* and potential *customers*.

(5) The cost calculator or the reference to it must be published on the *firm's* website alongside the information required to be published under ■ BCOBS 4.4.12R.

(6) The cost calculator for each trading name must cover the costs of overdrawing on:

(a) each of the personal current account products offered under that trading name to *banking customers* seeking to open a new current account; and

8.2.4   R   (1) The cost calculator must allow the *banking customer* to easily input or select from an appropriate and representative range:

(a) an amount borrowed;

(b) a number of days for which the amount is to be borrowed; and

(c) (where the terms relating to different personal current accounts offered by the *firm* under a particular trading name would result in different outputs from the cost calculator) the particular type of personal current account the *banking customer* wants to model.

(2) The cost calculator must allow the *banking customer* to choose to:

(a) select whether the amount is to be borrowed under an *authorised non-business overdraft agreement* or without prior arrangement; and

(b) alternatively, input an arranged overdraft limit and input an amount borrowed that exceeds that limit.

(3) The cost calculator must automatically output the following information:

(a) confirmation of the amount and duration of borrowing the calculation is based on;

(b) the total sum (rounded to the nearest £0.01) of interest and charges that the *banking customer* would incur if they overdrew by the amount selected for the duration selected; and

(c) (where the borrowing includes both borrowing under an *authorised non-business overdraft agreement* and borrowing without prior arrangement) the sum of the charges referred to in (b) that relate to borrowing under an unarranged overdraft (rounded to the nearest £0.01).

(4) A *firm* must not require a *banking customer* to input information other than that set out in (1) and (2) to obtain an output from the cost calculator unless that additional information is necessary to enable the *firm* to calculate the outputs required by (3), having regard to the assumptions required to be made under ■ BCOBS 8.2.6R.

(5) A *firm* whose cost calculator requires additional information in accordance with (4) must provide clear explanations that are readily accessible from the cost calculator about how to ascertain the additional details required.

8.2.5   G   (1) A *firm* should ensure that the range of inputs available to a *banking customer* for the amount borrowed and the length of borrowing is representative of the range of borrowing amounts and durations that arise in practice under arranged overdrafts and unarranged overdrafts on the personal current account product in question.

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(2) The cost calculator should clearly communicate any limitations to the valid range of inputs.

(3) A *firm* is not required to provide a continuous range of inputs for either the amount borrowed or the length of borrowing. If a *firm* chooses not to provide a continuous range of inputs it should ensure that it makes available sufficiently granular options that are representative of the borrowing amounts and durations that arise in practice under arranged overdrafts and unarranged overdrafts on the personal current account product in question.

(4) A *firm* has flexibility as to the presentation of the cost calculator and the method or methods of input selected. When designing the cost calculator, a *firm* should have regard to the ease with which a *banking customer* can use the tool. For example, a sliding horizontal bar is likely to be more easily accessible than a drop-down menu holding a large number of options.

(5) The outputs of the cost calculator should include the amounts of any interest or charges incurred in respect of the period even where those charges do not become due for payment until after the end of the period.

(6) The outputs of the cost calculator should not include the amounts of any charges payable by the *banking customer* for the operation of the personal current account whether or not the *banking customer* is overdrawn.

Assumptions

8.2.6   **R**

(1) For the purpose of arriving at the output of the cost calculator, a *firm* must assume that:

   (a) the amount borrowed is drawn down in full at noon on the date of calculation;

   (b) the period specified by the user is a continuous period starting at noon on the date of calculation;

   (c) at the time the borrowing is drawn down, the balance of the personal current account is £0.00;

   (d) no credits will be made to the account during the period;

   (e) any charges and interest relating to the borrowing being modelled will be debited from the account in accordance with the terms and conditions of the personal current account and will not be waived;

   (f) no other debits will be made from the account during the period;

   (g) the outstanding balance of capital, interest and other charges will be repaid in full at noon on the last day of the period;

   (h) in the case of an *authorised non-business overdraft agreement* allowing variations in:

      the rate of interest; or

      any other charge,

unless any variation can be quantified at the time of calculation, it must be assumed that these will remain unchanged during the period; and

(i) (in so far as the terms of the personal current account allow for a monthly or other periodic charging period that will or may influence the charges required to be calculated):

(i) (where the start date of the period may vary between *banking customers*) that the cost calculator is being used on the first day of any such period; or

(ii) (in any other case) that the *banking customer* has not previously overdrawn the personal current account during that periodic charging period.

(2) Where a *firm* determines the rate of interest or level of other charges that apply to an agreement with a *banking customer* on a case-by-case basis by reference to specific features of the individual application, the cost calculator tool is not required to collect or take into account all of the customer-specific information that the *firm* would need to make that determination.

(3) If, in the circumstances described in (2), the cost calculator does not collect all of the information that the *firm* would need to determine the actual rate of interest or level of other charges that would apply:

(a) the *firm* may allow a *banking customer* who is an existing *customer* of the firm to select or input the actual interest rate or level of other charges that applies to their existing agreement if it is for a product that is the same or comparable to the one selected for the purpose of the calculation; and

(b) the *firm* must otherwise base the cost calculation on an interest rate or level of other charges that is no more favourable to the customer than the terms the *firm* reasonably expects to offer to 51% of *banking customers* applying for the relevant personal current account.

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