

Some thoughts on Bank Interest

Interest on Funds

A question on earning interest on funds? With experience of Lloyds.

Conclusions

- Keep funds in the existing Lloyds Bank account
- Open a savings account with Lloyds (current rate 1.3%)
- The way tax applies to interest is not clear – may have a tax liability

Overview

Savings rates over the past 13 years have been negligible. Over the past year the base rate has continuously increased resulting in a better return on savings.

Personal savings rates are different to those offered to unincorporated bodies (clubs and associations). The legal position of unincorporated bodies can be complex [The law of clubs - they can be tricky! - Myers & Co Solicitors \(myerssolicitors.co.uk\)](https://www.myerssolicitors.co.uk)

To obtain a savings account with an organisation other than Lloyds the association would need to demonstrate its legal status. This was done when opening the Lloyds account.

A "Treasurers Account" with Lloyds is treated as a business account. According to this web site [Best 12 Charity & Community Bank Accounts | Merchant Savvy](#) Lloyds "is perhaps one of the strongest community accounts on the market" .

I have a reluctance to change accounts. Experience reinforces my view of sticking with something that works.

Lloyds offers a rate of 1.3% on instant savings of £1 to £1m and 1.83% for £1m +. For Notice accounts and fixed term accounts the Lloyds rates vary between 2.63% - 2.99% and 2.02%- 3.6%. These are not the best rates on the market.

It is understood that a large BC, who are likely to have a much larger deposit, earn 1.5%. I expect, but don't know, that this club has a fair level of expertise in this area and have probably concluded this is a

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satisfactory way of managing their finances – that is accepting a lower rate than others offer.

According to MoneySavingExpert the top pick easy access account pays 5.2% - however this is for personal accounts and not club accounts. I anticipate that you will not get the same rate on a business/ charity / associations savings compared with personal savings.

This site for clubs [Compare Charity Bank Accounts \(moneyfactscompare.co.uk\)](https://moneyfactscompare.co.uk) offers an instant access account of 3.15% with Charity Bank however the deposit is £10K. It is open to associations and clubs etc. Better rates are available, 5.01% but on a 1 year bond and £10k deposits. Most higher offers for clubs involve a deposit of £10k. United Trust Bank offers 5.25% on £5000, 180 Day Notice – this offer appears to be restricted to a limited range of clubs when comparing with the Charity Bank. United Trust Banks appears to be suitable for Registered Charities rather than associations.

This site [Business savings accounts explained | Savings Accounts | money.co.uk](https://money.co.uk) provides information on the considerations if opening a business saving account. There is section on tax liability – it is a minefield trying to work out what the tax position is on interest from savings accounts held by an association.

My understanding is that unincorporated bodies are liable to corporation tax on profit, investments and interest. However clubs which are eligible sports clubs are exempt. Bridge is not classified as a sport. If interest is earned on investments then it may be liable for corporation tax. The sums involved and the work involved in informing HMRS seem onerous e.g. £5k @1.3% = £65 taxed at 25% corporation tax = £16.25 (see [Unincorporated associations - GOV.UK \(www.gov.uk\)](https://www.gov.uk) and [Corporation Tax - GOV.UK \(www.gov.uk\)](https://www.gov.uk))

However for a club whose tax liability is less than £100 it is removed from the obligation to make a tax return. The club is treated as dormant for a maximum of 5 years without being reviewed (see para 5

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[COM23110 - Assessing: CTSA assessments: members' clubs and associations - HMRC internal manual - GOV.UK \(www.gov.uk\)](#)

Conclusions

Interest rates for Personal savings are not comparable with rates offered to clubs.

High Street banks offer relatively low interest on club savings.

Higher interest rates are available but need £10k deposits for instant access or £5k for notice accounts. Even then they may be limited to a registered charity (not an association as NCBA).

Banks which offer higher rates are obscure and possibly carry greater risk and issues with accessibility.

The tax position on savings account for clubs is complex

Opening an account with a different organisation can be fraught. Future dealings with an unfamiliar organisation may not be straightforward.

Recommendation

Keep assets in Lloyds bank

Open an instant access savings account paying 1.3% interest with Lloyds

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