



10<sup>th</sup> August 2009

**AVOID A DEGREE IN DEBT:  
CHOOSING THE WRONG CURRENT ACCOUNT COULD COST STUDENTS  
£30 MILLION<sup>[1]</sup>**

- **In just one year, choosing the wrong student account could end up costing individuals entering university this September £75<sup>[1]</sup> in interest payments, totalling £30 million<sup>[1]</sup> overall**
- **The average authorised overdraft rate is 8.05%<sup>[2]</sup>, with three providers charging as much as 9.9%<sup>[2]</sup> EAR**
- **Unauthorised overdraft rates are an average of 20.54%<sup>[2]</sup>, reaching a high of 29.99%<sup>[2]</sup>**
- **The average in-credit interest rate on student accounts is a lowly 0.46%<sup>[2]</sup>, with four leading providers paying 0%<sup>[2]</sup>**
- **The average student debt across all years is £14,161<sup>[3]</sup>, expected to rise to £26,400 by 2016<sup>[4]</sup>**
- **With A-Level results just around the corner, uSwitch.com urges students to do their homework before setting off for university to ensure they get the best possible student account to suit their needs**

The cost of studying beyond the age of 18 is continuing to creep up as students face the possibility of rising tuition fees, debt, and not even a job to look forward to at the end of their studies. Meanwhile, new research from uSwitch.com has revealed that in just one year students entering university this September could also find themselves shelling out £75<sup>[1]</sup> in interest payments – simply by choosing the wrong current account – racking up a wasted total of £30 million<sup>[1]</sup>.

Most student bank accounts offer perks such as interest-free overdrafts with incremental increases for each year of study, along with additional freebies ranging from railcards, to YHA membership. However, students mustn't be blinded by these bonus features and assume that student accounts are exempt from the potential sting of extra fees and charges. Of those that do charge for overdrafts, the average authorised rate on a student account is 8.05% EAR<sup>[2]</sup>, with three providers charging as much as 9.9%<sup>[2]</sup> EAR. More notably, unauthorised overdraft

rates (incurred when a customer exceeds their authorised overdraft limit) are a colossal 20.54% EAR<sup>[2]</sup> on average, reaching a high of 29.99% EAR<sup>[3]</sup> in some cases. On the flip side, if you are one of the lucky few students who manages to stay in credit, the average interest rate on a student accounts is a measly 0.46%<sup>[2]</sup>, with four leading providers paying an abysmal 0%<sup>[2]</sup>.

Student surveys reveal the average student debt upon graduation to be £14,161<sup>[3]</sup>, expected to rise to a whopping £26,400 by 2016<sup>[4]</sup>. And, with national unemployment standing at and an additional 10,000 places created nationwide at universities this year, competition for part-time holiday jobs to help fund studies and keep debts under control, is fiercer than ever, meaning the prospect of managing and ultimately paying off these debts remains fairly bleak. It is therefore imperative for students to be as savvy with their financial decisions as they can be by weighing up all their options, and not be swayed by the offer of freebies at the expense of a good deal. Clydesdale Bank and Yorkshire Bank, for example, will offer you commission-free travellers cheques and currency but you miss out on an interest free overdraft as a result.

**Louise Bond, personal finance expert at uSwitch.com, says:** “Amidst the excitement of setting off for university for the first time, finances may not be at the forefront of many students' minds. But with banks fiercely competitive on winning student custom, young people are lured in with the potential to access huge overdrafts and gain impressive freebies. However, it is important for students to not get sucked in by these immediate perks, and examine all aspects of the account, particularly the accompanying fees, charges and interest rates.

“For many graduates, debt is an expected millstone around their neck long after they leave university, and so, with the economic outlook in the years to come still unpredictable and with competition for jobs fiercer than ever, it is vital that students entering university education give themselves the best possible chance of managing that debt by picking the right account from the offset. Graduates too mustn't be lackadaisical when it comes to graduate accounts by simply sticking with their student account provider. Instead, they must review their account upon graduation and shop around for the best deal. Switching an overdraft balance to a new provider may mean you could get a prolonged 0% period.”

#### **Louise Bond's top tips for students:**

- If you are one of the lucky students that has an in-credit balance, consider banking with Abbey or HSBC as they offer up to 2% AER.
- Don't just stick with the same student account when you graduate. If you switch your overdraft to a new provider and you may get a longer 0% period.

- Don't get sucked in by freebies! Clydesdale and Yorkshire Bank offer commission free travel money as a giveaway, but you pay the price by missing out on a 0% interest free overdraft, which could wipe out the saving.
- Remember, any additional overdraft you apply for on top of the authorised overdraft will incur interest. For an extra £1000 for one year you will pay £80<sup>[5]</sup> interest on average.
- Unauthorised overdraft rates vary drastically. Providers are charging as much as 30% EAR which is almost double the average credit card purchase APR. If you do go over your overdraft you will also incur penalty charges so this really should be avoided at all costs.
- A tiered overdraft limit across three years might help you to budget your finances more effectively.

Provider	Account name	Freebie	In credit interest rate (AER) from £1	Authorized overdraft rate (EAR)	Authorized overdraft limit year 1 (0% unless stated)	Authorized overdraft limit year 2 (0% unless stated)	Authorized overdraft limit year 3 (0% unless stated)	Unauthorised overdraft (EAR)	Graduate overdraft deal
Abbey	The Abbey Account (Student)	£50 cash incentive paid into the account after one month of it being opened	1.98%	9.90%	£1,000	£1,250	£1,500	28.70%	Interest-free advance overdraft – up to £2,000, which gradually decreases over three years so that you can pay it off in manageable chunks.
Bank of Ireland (III)	Student C/A	Travelink Student Discount card offering discounts on travel in III discounts at Domino's Pizza O'Brien's Sandwich Bar Topshop/Topman & Waterstones	0.50%	N/A	Agreed case by case			12.68%	A continuation for two years with additional benefits such as a full facility current account
Barclays Bank	Student Additional	Orange mobile broadband offer	0.00%	8.90%	Maximum £3,000 based on individual			N/A	In the £2,000 interest-free overdraft on account opening with further interest-free limits available up to £3,000 (Certain conditions)
Clydesdale Bank	Student Account	Commission free traveller's cheques and currency	0.00%	7.49%	7.49% up to £1,000	7.49% up to £3,000	7.49% up to £3,000	29.99%	No specific graduate account
The Co-operative Bank	Student	None	0.00%	9.90%	£1,400	£1,700	£2,000	15.90%	No specific graduate account
HSBC	Student Bank Account	Two years of worldwide travel insurance if you pay in at least £250 in one lump sum into your Student Bank Account between 1st August 2009 and 31st October 2009, in your first year at uni.	2.00%	3.5%	£1,000	£1,250	£1,500	N/A	Up to £1,500 in interest free overdraft in your first year, and up to £1,000 in your second year after graduation (subject to status and account conduct)
Halifax	Student	Discounts on AA breaks down and Carca re cover	0.10%	7.20%	Maximum £3,000 based on individual			24.20%	No specific graduate account
Lloyds TSB	Student	Free VHA membership	0.10%	8.20%	£1,500	£1,500	£1,500	8.20%	An interest-free overdraft (subject to status) of up to £2,000 in your first year after graduation, £1,500 in the second year and £1,000 in the third year.
NatWest	Student	5 year 16-25 RailCard (worth £130) and 4GB USB memory stick for online apps	0.10%	N/A	£1,250	£1,400	£1,600	17.81%	An interest free overdraft for up to three years after you graduate, plus a clever way to pay off your previous student overdraft
Royal Bank of Scotland	Student Royalties	Free 4GB USB stick with online applications	1.02%	N/A	Maximum £2,750 based on individual			29.84%	An interest free overdraft of up to £2,000.
Smile	Student Account	None	0.12%	9.90%	£1,000	£1,400	£1,800	15.90%	No specific graduate account
Ulster Bank	Student Account	None	0.01%	N/A	£1,250	£1,400	£1,600	12.68%	Interest-free overdraft and graduate loans available – depending on your circumstances
Yorkshire Bank	Student Account	Commission free traveller's cheques and currency	0.00%	7.49%	7.49% up to £1,000	7.49% up to £3,000	7.49% up to £3,000	29.99%	No specific graduate account
			0.46%	8.05%	N/A	N/A	N/A	20.54%	

**ENDS**

**For more information visit [www.uSwitch.com](http://www.uSwitch.com) or call 0800 093 06 07**

**An ISDN line is available for radio interviews. For further information please contact:**

Tracy North, uSwitch.com 020 7802 2925 / [tracynorth@uswitch.com](mailto:tracynorth@uswitch.com)  
 Lisa Folwell, Lansons Communications 0207 294 3650 / [lisaf@lansons.com](mailto:lisaf@lansons.com)  
 Lizzi Malley, Lansons Communications 020 7566 9717/ [lizzim@lansons.com](mailto:lizzim@lansons.com)  
 Charli Scouler, Lansons Communications 020 7294 3602 / [charlis@lansons.com](mailto:charlis@lansons.com)

**Note to editors**

1. Best student account for overdrafts is Lloyds TSB student account. (Overdraft 0% interest for year 1 up to £1500).

Most expensive student account for overdrafts is Yorkshire or Clydesdale banks (7.49% interest charged up to £1000 in year 1).

If a student borrowed £1000 in year 1 from Yorkshire or Clydesdale banks then they would pay £74.90 in charges for the year. If they chose Lloyds there would be no charge.

Number of all students accepted into universities in 2008 is 405,024 (UCAS)

$405,024 \times £74.90 = £30,336,297.60$

Data correct as of 28th July 2009

2. Table 1

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3. Survey by push.co.uk – [www.push.co.uk/push-releases-figures-for-2008-student-debt-survey](http://www.push.co.uk/push-releases-figures-for-2008-student-debt-survey)

4. Universities UK report published in March 2009 found that by 2016, a graduate's average debt would be £26,400 if fees were raised to £5,000

5. £1000 on an average authorized overdraft rate of 8.05% EAR = £80.50 for a year.

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