



# DAVID PATTINSON CHARTERED ACCOUNTANTS

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March 2020

## NEWSLETTER



### Budget News

The budget was supposed to have been moved to November, to give more notice of tax changes to operate from the following April, but last year's speech was cancelled because of the impending general election. The budget has therefore reverted to its traditional March date, for this year at least. A summary of changes is included with this newsletter.

### Bank Overdrafts

Banks have long been criticised for the way they charge customers for overdrafts:

1. An annual fee for granting an authorised overdraft facility.
2. A market rate of interest (currently 5% to 10% a year) for an overdraft within the agreed facility, but then a punitive rate (25% or more) for unauthorised borrowing in excess of that.
3. Daily fees for exceeding an agreed overdraft facility.

These practices have been investigated by the Financial Conduct Authority (FCA) which has made two important rulings, which will apply from April 2020:

1. No fees can be charged for granting an overdraft facility or exceeding it.
2. The same rate of interest must be charged on authorised and unauthorised borrowing.

My feeling is that the FCA wanted to stop banks profiteering from customers who exceed their agreed overdraft facility through negligence or incompetence. After all, adding fees and exorbitant interest to an account will just make it more difficult for the customer to bring it under control. There is no doubt in my mind that the FCA wanted the banks to charge everyone a reasonable rate, but that is not what is happening, as the new rates I have seen seem to charge the punitive rate to everyone, even those operating within their agreed overdraft facilities. Here are some of the worst offenders:

- 39.9% - first direct, HSBC, TSB
- 39.49% - Nat West, Royal Bank of Scotland
- 35.9% - Smile
- 25.9% - Co-operative Bank

There is no economic justification for these rates, set at a time when the Bank of England base rate was just 0.75%. Someone who slips into overdraft for a few days will not pay much interest, but anyone who has a permanent overdraft will find it very expensive, so would be much better off replacing it with a personal loan.

The rates quoted above are for personal accounts, as there is not so much information available yet on what banks will charge on business accounts, although I do know that Santander will be charging 25% on one of its accounts. I can make some predictions though:

1. Accounts with a monthly fee will charge a lower rate than those which give free banking.
2. Large businesses will be able to negotiate much better rates than those which the banks will impose on small businesses.

### National Minimum Wage

Hourly rates will increase on 1 April 2020:

	Old £	New £
Living wage (25 and over)	8.21	8.72
Minimum wage (21 to 24)	7.70	8.20
18 – 20	6.15	6.45
16 – 17	4.35	4.55
Apprentice (under 19 or in first year)	3.90	4.15

### PAYE 2020/21

1. Unusually, there is no increase in the personal tax allowance, so most employees' tax codes will not change.
2. Employment Allowance must now be claimed each year. Presumably, the payroll software will prompt employers to do that.

### House Sales

For several years, non-residents who sell a house in the UK have had to declare the Capital Gain and pay any tax within 30 days. From 6 April 2020, that rule is extended to UK residents. Of course, there has to be a potential liability to Capital Gains Tax for the rule to apply, so the change will not affect people selling a house which is exempt because it has always been their main residence. Neither does it apply to sales of non-residential property, which will still be declared on the tax return for the year with CGT payable the following January.

### Coronavirus

For now, my office remains open and all of my staff are healthy, but I would ask that any client who is showing symptoms does not call in to the office or bring any paperwork, as it could be contaminated. Also, some of my staff may work from home, meaning that your books and papers may not be in the office if you need them.