

END OF FREE CASHPOINTS

Tuesday March 20, 2012

By Nathan Rao



Bank customers face being charged every time they take money from a cashpoint, it emerged last night.

The future of free banking is in doubt over plans to pass on higher regulatory costs to customers.

Charges could even be levied for setting up standing orders and direct debits.

The high street banks' threat sparked fury last night with campaigners accusing them of "using their customers" rather than providing a service.

Jonathan Davis, economist and wealth management expert, said: "We have bailed out the banks to the tune of £100 billion a year, the same as 200 full NHS hospitals.

"This is yet another example of how the banks are taking from the customers. How do you think they are paying their bonuses? People should be very wary of who they bank with and should shop around."

Accounting firm KPMG says that the plans have been sparked by concerns about future profits.

The five biggest banks saw profits fall by 13 per cent last year to £19.4billion, it says in a report.

They were also hit by higher tax rates from last year's banking levy, rule changes and repayment costs from the payment protection insurance mis-selling scandal.

Bill Michael, UK head of financial services at KPMG, said banks may raise borrowing rates and could start charging for current accounts and cash machines.

He said: "The underlying performance dynamics make it more likely that something will give way."

About 24,000 cash machines in shops and pubs already charge £1.68 or more per use but 96 per cent of withdrawals are at free holes in the wall.

The crisis could also result in further job losses in the banking sector, according to KPMG's UK Banks: Performance Benchmarking Report.

Mr Michael added: "It was a tougher year than many expected and banks will need to continue working hard to turn things around."

Experts warned customers may soon also see other charges. Yvonne Goodwin, managing director of Yvonne Goodwin Wealth Management, said: "We may not be far off having to pay for standing orders, direct debits and services which are currently free.

"The banks have been left in a position where they are paying the price for decades of decadence. We are in a situation where the banks are under severe stress to shore up the balance sheet."

Danielle Paffard, of Move Your Money, said: "It is clear the banks have failed households, companies and society in general.

"We think it is absolutely disgusting they should behave in this way. There is a huge amount of money going round the banking system, that is clear from the bonuses they have given their bankers."

Lesley McLeod of the British Bankers' Association, said: "None of our members have indicated that they intend to end free banking. However, it would be only fair to say there are a variety of other value-added accounts now being offered where you pay extra."