

Limited Company Banks and Bank Reconciliations

A limited company must operate using its own bank account.

Where ever possible the bank account needs to be set up prior to the start of trading.

A bank will require all director details, even if these directors are not authorised to sign cheques.

The Bank will also check the registration of the company through Companies House, and will not open an account until satisfied that the company exists.

There is often up to 2 years free banking for new companies, which is worth £20-30 per month in bank charges. Some banks may even offer free banking to small companies as long as they meet certain criteria.

It is worth shopping around for a bank that is approachable and not just banking with the first bank that will accept the business. Many banks have small business advisors that are a free service.

Some Building Societies have business accounts, and they may offer free banking up to a certain number of cheque transactions per month.

Unless an agent has further qualifications in financial advice, bank recommendations cannot be given, and are expressly forbidden in most cases.

The bank reconciliation is important for all types of businesses but it is essential for a limited company. The funds within the bank are owned by the company as a legal entity, and therefore the directors/shareholders **MUST NOT** misappropriate those funds and draw on them as if the bank account was their own account.

Wages, loan repayments and dividends are the only withdrawals that directors and shareholders may make.