

Bank overdraft

[Finance](#), [Banking](#)



Just as there are now many different types of accounts available to the customer so there are many different types of borrowing facilities, or lending products as they tend to be called. Bank overdraft is one of the lending products provided by the banks in New Zealand. Not only register banks provide overdraft but also some non-bank organization. Therefore, overdraft is the most common source of short-term finance available. What is bank overdraft Overdrafts are provided to both personal and commercial customers for what are known as working capital purposes and are attached to a cheque account. Overdraft enables you:

An overdraft facility permits the account holder to draw cheques in excess of his balance. For the majority of overdrafts, arrangements are made with the bank in advance and the purpose of the borrowing is stated and the length of the borrowing agreed. The bank will adopt its normal criteria in deciding whether or not to agree to the customer's request and its decision will be put in writing. Technically all overdrafts are repayable on demand though in reality they are allowed for the period agreed and would not be called in earlier unless there were exceptional circumstances

Some current accounts provide for an automatic overdraft facility up to a prescribed limit, which could possibly specify that interest will not be charged for borrowing up to a specified sum and beyond that a rate of interest and a fixed quarterly commission charge which is generally more favorable than that charged to customers who borrow without such an account. Some account even free interest for 3 months, such as student account in National Bank, you can apply for overdraft up to \$5, 000 with 3

months-free-interest. In the following is an example of how to apply for Tertiary and Graduate Overdrafts in ASB Bank:

Stay within your limits. If you think that you are likely to go over your limit, you should contact the Bank to discuss. This way you maybe able to avoid dishonors and penalty interest. 2. Regular deposits. It is important that your account has regular fluctuations, and you are required to make regular deposits. 3. Keep in contact. If you have any financial problems, you should go and talk to your bank consultant. Let them know your situation and help you to find the other options that more suitable to you.

References:

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4. Code of Banking Practice, the third Edition December 2002