

Understanding Dormant Accounts

Do you have a dormant bank account?

Sometimes people open bank accounts, deposit money for a while, then forget about them. Or, let the account go to a low or zero balance instead of closing the account. If you do not formally close the account, fees may continue which you will be responsible for paying to your bank.

What is a dormant account?

Most banks classify savings, current accounts and other types of deposit accounts as dormant where those accounts have no activity other than transactions initiated by the bank (such as interest and charges) after a specified period of time, generally 6 months or more.

Why is a dormant account undesirable?

Banks incur huge costs to maintain dormant accounts. They establish special procedures to protect dormant account holders, such as requiring extra approvals, and maintaining special security for signature cards.

Dormant accounts are a poor use of money. Very little or no interest is earned if the balance in the dormant account is low. Most banks levy a small charge on dormant accounts because of the high costs to maintain them, and some banks discontinue providing certain services to dormant accounts such as the ATM service. There is less incentive for the customers to keep the banks up to date of their personal information, and so notices or statements from the banks may be returned undelivered. As customers may be less vigilant in monitoring transactions and reconciling statements, there is also a greater risk that the account may be tampered with.

How to avoid having a dormant account?

- Review what bank accounts you have. Keep only those accounts you need, or better still, consolidate them to earn a better return on your accounts and avoid paying charges. Formally close any accounts that you don't need. Make certain to identify all standing instructions and direct debit authorisations and discontinue them before closing your account.
- Always notify your bank when there are changes to your personal information. There is no way for your bank to contact you or send statements to you at your old address. Not knowing the status of your account does not excuse you from being responsible for it.
- Read your mail – don't ignore notices from the bank.

Source: The Hong Kong Association of Banks