

Online Banking

Definition:

Banking online means accessing your bank account and carrying out financial transactions through the internet on your smartphone, tablet or computer.

It's quick, usually free and allows you to carry out a number of tasks such as paying bills and transferring money, without having to visit or call your bank.

Many banks also have free apps which let you use these services from your smartphone or tablet.

Online banking services now allow people to check their bank account quickly using technology. They can carry out most banking services online, such as:

- Check your bank balance at any time
- Pay your bills and transfer money to other accounts
- Check any linked mortgages, loans, savings accounts
- Check your bank statements and go paperless (stop getting paper bills sent to you)
- Set up or cancel direct debits and standing orders
- Check on any investments you might have that are linked to your account

Advantages of online banking for the customer:

1. 24/7 Account and Service Access

Online banks are accessible 24/7, as long as you have an internet connection.

2. Speed and Efficiency

If you need to transfer money, apply for a new loan, or perform nearly any banking transaction, you'll typically have to wait in line. With an online bank, there's never any waiting. As long as you can log in, you can access your accounts.

3. Online Bill Payment

One of the great advantages of online banking is online bill pay. Rather than having to write checks or fill out forms to pay bills, once you set up your accounts at your online bank, all it takes is a simple click.

4. Low Overheads Can Mean Low Fees

Online banks don't have to pay for things like electricity, janitorial services, landscaping, or rent, so they can pass those savings along to customers. Typically, this means that online banks can charge fewer fees than traditional banks.

5. Low Overhead Can Yield High Rates

In addition to offering low fees, online banks often have the best interest rates. Whether you are looking for a certificate of deposit, or deposit accounts with high interest, you'll usually find that the banks paying the best interest rates are online banks.

Disadvantages of online banking for the customer:

1. Technology Issues

In many ways, an online bank is only as good as your — or their — internet connection. If there's a power outage, or if servers go down, you might not have any access to your account whatsoever.

2. Security Issues

While many online banks are reputable and well-established, sometimes it can be hard to feel comfortable with a bank that doesn't have a physical presence, particularly when large sums of money are involved. There's also the risk of identity theft — or actual theft — if someone gains unauthorized access to your account via a hacked or stolen password or log-in credentials.

3. Inefficient at Complex Transactions

Online banks might be able to transfer money between accounts or pay bills, but you might be more comfortable with an international bank if you have complex transactions. Worldwide, business-oriented banks have global transaction capabilities, such as the ability to send payments to more than 35 different currencies worldwide, that online banks might not be able to muster.

4. No Relationship with Personal Banker

Over time, you can develop a relationship with a personal banker if you visit a traditional bricks-and-mortar location. If you're dealing with an online bank, on the other hand, you're typically handed off to an anonymous customer service agent. Having a relationship with someone who can help and who knows you well can be a major advantage.

5. Inconvenient to Make Deposits

With an online bank, you can't simply drop off cash or a check at a local branch. In fact, some online banks won't accept cash deposits. To make a deposit you'll have to mail a check, transfer money from another bank or another account, or use the bank's e-check deposit service.