

Can a bank take my test and trace support payment to pay my overdraft?

No, banks are not allowed to use test and trace support payments or any other benefit to repay an overdraft.

You can protect your housing benefit payments by telling your bank it should only be used to pay your rent. This protection is called a 'first right of appropriation of funds order'.

You can use the first right of appropriation on any money being paid into your account. For example, you may want to make sure that your job seekers allowance (JSA) is used to pay your electricity bill and water rates. You will need to tell your bank how to use these payments.

How do I request a first right of appropriation of funds order?

You need to write to your bank at least seven days before you apply for a test and trace support payment, making it clear, if awarded, that this payment is to support daily living.

Keep a copy of the letter in case there is any dispute later. You may want to ask your bank/building society for a written acknowledgement of your instructions.

If there are any items you no longer want to pay from your account, or which you cannot afford, you should give your bank separate cancellation instructions. This is because the first right of appropriation does not stop the bank paying items as well as those you have listed. If you do not cancel these items, your bank may return the items as unpaid, which they may charge you for. However, payments from your account to re-pay a loan with the same bank cannot be cancelled.

Please see overleaf of an example of a letter to your bank/building society.

Template of a letter for your bank/building society

From:

Name:

Address:

Postcode:

Date:

To:

Creditor's Name:

Account/Agreement No:

Dear Sir/Madam

Account Number:

Sort Code:

RE: First Right of Appropriation

A payment of £_____ will be paid into the above account on this date __/__/____. The account is currently overdrawn; however I need the money to meet my living expenses, utilities and rent payments over the next week.

I am writing to give notice that I intend to use my 'first right of appropriation' to earmark the £_____ for this purpose and will withdraw the sum of £_____ on this date __/__/____ in order to do so.

I will contact you separately to make arrangements to repay my accounts which remain with you.

Yours faithfully