



What Happens to a Joint Bank Account When One Account Holder Dies?

Two or more people hold a joint account with a bank or building society. People use this type of account for various reasons, such as a couple paying their mortgage instalments or an elderly parent sharing an account with their adult child.

What problems can occur with joint accounts?

Joint accounts, while useful, can also lead to problems and disputes over ownership of the funds in the account. Issues may arise from:

- Disagreements over what happens to the account when one account holder dies.
- Unequal contributions from the account holders, causing ownership disputes.
- One person contributes all the funds, leading to questions about who truly owns the money.
- Account holders withdraw funds unless the account requires joint consent.
- When account holders separate, disputes over the account often arise.
- [Inheritance Tax](#) calculations impact joint accounts directly.

What happens if a joint account holder dies?

This blog focuses on what happens to a joint bank or building society account when one account holder dies. When that occurs, the funds in the joint account will usually automatically pass to the surviving account holder by what is known as 'survivorship'. This means that none of the money in the joint account will pass to the

deceased account holder's estate.

Example

An elderly parent has 2 children, A and B. The parent provides A with joint access to their bank account for A to help them with online banking. The account contains the parent's life savings of £500,000 and A makes no payments into the account.

The parent dies and their will provides that their estate is split equally between A and B. The net estate is worth £40,000, with A and B each receiving £20,000. B later discovers that A also received £500,000 from the joint back account by survivorship.

Would it be fair in this example for A to receive the joint account, or should the joint account funds form part of the parent's estate? B is unlikely to be happy with joint account funds bypassing their parent's estate, because:

- their parent provided all of the funds held in the joint account;
- A has also received £20,000 from the parent's estate; and
- The parent's reason for adding A to the joint account was only to help them with online banking.

What can estates do about joint accounts?

In some cases, people challenge the survivorship rule because it's unclear what portion of the joint account funds each account holder owns, or there was no shared intention that the survivor would automatically receive the entire account's value after one account holder's death.

Real-Life Example

A real-life example of such a challenge is the case of *Drakeford v Cotton [2012] EWHC 1414 (Ch)*, where the High Court had to consider who would receive the funds held in two joint accounts. In that case, Mrs Cotton added the name of one of her daughters, Mrs Stain, to two building society accounts. The accounts contained around £51,000, but the deposits were only made by Mrs Cotton. Mrs Stain paid no funds into the accounts.

After Mrs Cotton died in 2008, the survivorship rule indicated that Mrs Stain would receive the funds. A dispute arose over who owned the funds: did Mrs Stain have the right to keep them, or should they be divided equally among Mrs Cotton's three children, as her will directed?

Mrs Drakeford, Mrs Cotton's other daughter, argued that Mrs Cotton set up the joint accounts for convenience, with Mrs Stain acting only as a signatory and having no ownership of the funds. Both parties agreed that they used the accounts to pay bills, but Mrs Stain claimed that Mrs Cotton later gifted her the funds during her lifetime.

The High Court examined the case and found that Mrs. Cotton initially intended to keep the accounts for her own benefit. However, evidence showed that by 2008, Mrs Cotton had changed her intention and decided to share the funds jointly with Mrs Stain. Therefore, the court ruled that after Mrs. Cotton's death, the funds belonged to Mrs. Stain and were not part of Mrs. Cotton's estate.

What can I do to avoid problems with joint bank/building society accounts?

The easiest way to avoid any joint bank/building account problems arising is to keep funds held separately, but that may not always be possible. However, it is important to:

- Decide if a joint account is truly necessary, or if an alternative like setting up a [Lasting Power of Attorney](#) would be more appropriate to allow a relative to manage your finances if needed.
- Document your intentions regarding ownership and use of the funds in a joint account.
- Be aware of how HMRC will treat the joint account for Inheritance Tax in the event of your death.
- Consider placing restrictions on the account, such as requiring both account holders to approve any withdrawals.
- When making your will, inform your solicitor about any joint accounts and specify what you want to happen to the account if you pass away.

Our [Disputed Wills](#) Team advises about disputes involving joint bank accounts after death. To get in touch, call us on 01202 786164 or email online.enquiries@LA-law.com.