

Fact sheet for acceptors of cheques backed by a guarantee card



The facility to guarantee a cheque using a plastic card is being withdrawn on 30th June 2011. This fact sheet answers the questions you might have if your business is still accepting guaranteed cheques. Cheques can continue to be used after this date, just not with the Guarantee.

Why has the decision been taken to withdraw the cheque guarantee facility?

The use of guaranteed cheques has fallen dramatically over the past twenty years and, following extensive consultation with businesses and customers, the Payments Council - which sets strategy for payments in the UK - decided that it would be better for all parties if its decline and demise was coordinated by setting a closure date.

Before taking the decision, the Payments Council invited acceptors of cheques to make their views known, through their representative bodies. This included the Federation of Small Businesses, Forum for Private Business, British Retail Consortium, British Shops and Stores Association and the British Cheque & Credit Association.

My business still accepts lots of guaranteed cheques - what should I do?

You might decide not to make any immediate change as you can still continue to accept guaranteed cheques but, clearly in light of the closure date on June 30th this year, you will want to make plans.

Over the coming months your bank is likely to contact you to make sure you are aware of your payment alternatives.

What are the main alternatives to accepting a guaranteed cheque?

- Debit or credit cards – 92% of guarantee cards are also debit cards. Rather than waiting for a cheque to clear, card transactions, particularly debit cards, can provide much faster access to funds. Chip and PIN cards are a very secure way to receive payments, providing built-in protection from fraud. If you don't already accept cards your bank or any other merchant acquiring business (which enables businesses to accept cards) will be able to discuss how you go about this, including any costs involved.
- You can continue to accept a cheque with confidence without a guarantee card. Thanks to industry-wide changes introduced in 2007, you can be certain that cheque funds are yours (and won't be returned unpaid unless you are a knowing party to a fraud) at the end of the sixth working day after you've paid in a cheque: so this is the point when it's safe to release goods or

services. Cheque clearing timescales are known as 2-4-6. For more information visit www.chequechecker.co.uk.

- Electronic transfer – you can accept a payment online or over the phone without accepting cards. Faster Payments was launched in 2008 to enable instantaneous online or phone payments, 24 hours a day and seven days a week. Unlike a cheque, you don't have to wait several days to get your money and you can release your goods immediately: your customer may need to check their bank's value limits for sending faster payments and they can do this at the Faster Payments [website](#).
- You may decide you would rather accept cash - about a third of all retail spending is still in cash.

Where can I get more information about closure of the Scheme or advice about my payment alternatives?

You can speak to your bank.

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On the run-up to the closure of the Scheme will banks and building societies re-issue cards without the cheque guarantee functionality?

Banks and building societies are likely to do different things. Some may begin removing the cheque guarantee facility - indicated by a logo or hologram of Shakespeare - from their cards before 30th June 2011. Others may only remove the logo on renewal, which may be after the closure date. Neither approach affects the timescale for the closure of the Scheme on 30th June 2011.

When is the last date I will be able to accept a guaranteed cheque?

The last date that you can accept a guaranteed cheque is one that is written on and dated 30th June 2011. The Guarantee will not apply after this date but obviously you will be able to continue to accept cheques.

When is the last date I can pay in a guaranteed cheque after this date?

As soon as you can - you should always pay in cheques as soon as you receive them to get the funds.

Will I still be able to accept cheques after 30th June 2011?

Yes, of course – but without the Guarantee.

Do other countries use guaranteed cheques?

The only country to have a similar Scheme is Ireland, and its use is also on the decline.

Does this decision mean the death of the cheque is more likely?

No. In December 2009, the Payments Council set a target date for the closure of the central cheque clearing in 2018. However closure will only be confirmed if, by 2016, suitable alternatives to cheques are in place and being successfully used by individuals and businesses.

Key facts

- The use of guaranteed cheques has fallen rapidly over the past few years: 65% in the past five years.
- In 2009, of the 1,282 million cheques written, only 7%, or 88 million, were supported by a cheque guarantee card.
- In 2009, 69% of consumers did not write a guaranteed cheque. Four million consumers still use guaranteed cheques regularly, but often when the Guarantee is not an essential part of the transaction. For instance, customers often put their card details on the back of a cheque when they are posting it to a business but, in fact, the Guarantee only applies if the customer is physically handing over the cheque.
- Even before a date was set to withdraw the Guarantee facility, over a quarter of all debit cards could not be used to guarantee a cheque.
- At the end of 2009 there were 58.6 million cards with the cheque guarantee function compared with 59.9 million at the end of 2008.
- Most major high street retailers and petrol stations no longer accept cheques.
- The average transaction value of a personal cheque is £268. However, the maximum guarantee limit on a card is £250, and 88% of cards only have a limit of £100 or under.
- In research conducted during the review of the Scheme, only a quarter of all businesses (approximately 350,000) said that they had received a guaranteed cheque in the previous six months, and for many this was a rare occurrence.

For more information visit www.ukpayments.org.uk