

# Fact sheet for people who still write cheques backed by a guarantee card



The UK Domestic Cheque Guarantee Card Scheme is to be withdrawn on 30th June 2011. This fact sheet answers some of the key questions you might have if you regularly use guaranteed cheques.

## **Why has this decision been taken?**

The use of guaranteed cheques is in rapid decline and following extensive consultation with businesses and customers, the Payments Council - which is the strategic body for payments in the UK - decided that it would be better if the withdrawal of guaranteed cheques was actively managed to prevent confusion and provide clarity and certainty.

As well as those groups representing acceptors of cheques, the Payments Council invited all key consumer groups to make their views known as part of its wide-ranging consultation. This included Help The Aged, Consumer Focus, Which? and similar representative bodies.

Following the Payments Council's decision, the banks and building societies who provide cheque guarantee services to consumers and businesses were asked to establish a workable date for closing the Scheme. This has now been set at 30th June 2011.

For more information visit [www.paymentscouncil.org.uk](http://www.paymentscouncil.org.uk)

## **Do I need to do anything now?**

No.

## **What does this mean for cheques after 30th June 2011?**

This announcement does not mean the end of cheques: even after 30th June 2011 you will still be able to write them and businesses will continue to be able to choose to accept them - without the guarantee.

In fact, in most situations when handing over a cheque the guarantee is not an essential part of the payment so you may well find that whoever you are trying to pay will still be happy to accept a cheque - even without the guarantee.

## **What can I use instead of a guaranteed cheque?**

In most cases you can use your debit card – as the majority of businesses and shops, accept debit card transactions. In other situations you are likely to find that you can either give a cheque without a guarantee, pay by cash or make an online or phone banking transfer.

## **Can I still use cheques after 30th June 2011?**

Yes of course - but without the guarantee.

## **Who can I speak to find out more?**

You can speak to your bank or building society.

## **Will I get a new card?**

Over the next two years banks and building societies are likely to do different things - some may remove the cheque guarantee functionality (indicated by the presence of William Shakespeare's logo/hologram) from their cards on renewal. Others will continue to issue cards including this functionality in which case they can continue to be used up until 30th June 2011.

Neither approach affects the timescale for the closure of the Scheme on 30th June 2011.

## **Where are guaranteed cheques still used?**

In 2008, around one-third of guaranteed cheques were used in shops, one-sixth for bill payments (where the guarantee is not essential and used out of habit) and the remainder were used for a wide variety of other purposes such as paying tradesmen, leisure activities, payments to clubs, professional services, delivered items (e.g. milk), holidays and hotels.

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## ***Who will accept cheques after June 2011 if they're not guaranteed?***

Very little will change. As now any business can decide it is prepared to accept a cheque without a guarantee: as with all types of payment, shops and businesses decide what payment methods they are willing to accept.

Cheques are also used for a wide variety of payments where a guarantee has never traditionally been given: this includes person to person payments, bill payments or any other situation where you are known and trusted by whoever you are paying.

## ***I currently have a cheque guarantee only card. What does this mean for me?***

You should speak to your bank or building society to discuss whether they will be providing you with an alternative card.

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

The long term future of the cheque is currently being reviewed by the Payments Council as part of its commitment within its National Payments Plan. This has involved undertaking a comprehensive consultation with key stakeholders and users of cheques. No decision has been taken yet: if and when it does it will be well publicised.

Should a date be agreed it is likely to be some years off to ensure that there is sufficient time for alternatives to cheques to be widely available to all customers.

### ***Key facts***

- The use of guaranteed cheques is in rapid decline with volumes down a third in the last year and by 70% in the past five years.
- Last year, of the 1,400 million cheque transactions, just under 7%, or 95 million were supported by a cheque guarantee card; the number is falling rapidly. Four million consumers say they still use guaranteed cheques regularly but in many cases the guarantee function is not an essential part of the transaction.
- Over a quarter of all debit cards do not have cheque guarantee functionality. Over 99% of the 59.9 million cheque guarantee cards still in issue are also either debit or credit cards; the vast majority being debit cards which, of course, provide an alternative and widely-accepted means of payment.
- In 2008, losses totalling £43 million were reported as a result of cheque guarantee card misuse.
- Most major high street retailers no longer accept cheques as a form of payment.
- The average transaction value of a personal cheque is £267. The maximum guarantee limit is £250, with 88% of all cards having a limit of £100 or under.
- In the research conducted as part of the Payments Council review of the Scheme, only a quarter of all businesses said that they had received a guaranteed cheque in the previous six months.

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