

Cheques fact sheet for businesses

Following extensive research and consultation with users, the Payments Council has taken the decision to set a target date of 31st October 2018 - in nine year's time - to close the UK's central cheque clearing, effectively bringing an end to the cheque as we know it.

Why has this decision been taken?

The decision was taken in the interests of consumer and business cheque users. Cheque use has been declining since 1990 and everybody recognises that cheques are in permanent decline – the Council has set a target end date to ensure that the process is managed and acceptable alternatives can be developed and made available to all concerned.

For more information visit www.paymentscouncil.org.uk

Were businesses asked for their views?

Yes. The Payments Council has consulted with a very wide range of groups representing cheque users. There was an open public consultation on the National Payments Plan where this issue was first raised, and we host regular forums with different consumer groups including those representing the elderly and vulnerable, large corporates, business organisations and government bodies. In all around 80 meetings have been held with users. In addition we have conducted detailed market research with consumers and small businesses – the results were published on the Payments Council's website in March 2009.

Can this decision be halted?

Yes. The Payments Council has set a target end date for closing the cheque clearing but this is conditional on other commitments being met. A final decision to close the cheque clearing will be taken in 2016 but only if acceptable alternatives to cheques are available to users for all of the significant areas where cheques are still being used, and there is evidence that these alternatives are being used.

What will need to happen and when?

You are unlikely to see any immediate change. The key dates are in 2014 and 2016, and these focus on acceptable alternatives to cheques being in place.

The initial target of 2014 is to ensure that alternatives to cheques are either available or in the pipeline. By 2016 acceptable alternatives to cheques must be available and widely used: they will need to be well publicised and acceptable to customers, including small businesses and sole traders. One early task for the Payments Council is to define the detailed targets that will be needed, so that any final decision is properly backed by hard evidence of progress. The final 'go' decision for a 2018 end date will be taken in 2016 only if all these targets are met.

I disagree with this plan – how can I make my voice heard?

The Payments Council is committed to being fully transparent. Should you have any concerns over the decision, want to find out more about the reasons why it was taken or want to know what alternatives there are for the main areas where cheques are used, please contact the Payments Council. The Payments Council will be holding a series of workshops throughout 2010 to help understand the issues that small businesses have, as well as those that concern small societies and clubs. We will be happy to invite as many bodies as possible to those workshops (see contact details below). Even without a target date being set, cheques are likely to disappear in time. Their use has been in sharp decline since 1990 and this will continue.

Cheques are essential to my business - what should I do?

It is very unlikely that you will need to do anything differently yet. Importantly today's decision is not about doing away with chequebooks now but setting out a plan for how the country as a whole can manage the move away from cheques in a careful and planned way over a long period.

Will you be working with businesses to help them change their plans?

Yes. We plan to work closely with businesses to support their change programmes. Now a target date has been agreed it is likely that many businesses will want to start planning and reviewing what payment options are available to them.

What alternatives are available?

It depends on the type of payment. Certainly there are a number of existing alternatives that could be viable cheque replacements, including debit card and internet and phone banking payments. Using cheques can be a matter of habit and we will be looking at how we can encourage businesses to make better use of alternatives that already exist. Online banking payments can be a real boost to businesses as they arrive in the account promptly. We are working closely with businesses and other organisations to see how online payment methods can be improved in areas such as the reference information provided with payments coming into accounts.

Other solutions are emerging such as mobile payments, prepaid cards and

new forms of online payments. The Payments Council will be sponsoring work on innovation to continue to encourage a wide range of alternatives being available to users, and will be evaluating progress before making any final decision on the 2018 target date.

Key Facts

- Compared with a peak of 11 million cheques written per day in 1990, by 2008 there were just 3.8 million a day. Cheque use has fallen by 40% over the past five years.
- In 2000 cheques represented less than a quarter of all non-cash transactions. By 2008 they accounted for only one in twelve.
- In 2008 each adult wrote 1.2 cheques per month on average and received just 5 per year. Only 54% of adults wrote a cheque and only 48% of adults received a cheque payment in the last year.
- Cheques were used for less than three per cent of non-cash retail transactions in 2008.
- Business cheque use peaked in 1997. Business-to-business cheques have been in marked decline as businesses increasingly move to the use of electronic payments for their trade suppliers.
- The average value of a business-to-business cheque stands at £2,200, much higher than that for business-to-individual cheques (£374) and for cheques written by individuals (£267).
- The use of guaranteed cheques is in rapid decline with volumes down by 70% in the past five years. Following detailed research and consultation with stakeholders, the Payments Council agreed to close the Cheque Guarantee Card Scheme. This will happen on 30th June 2011.
- Last year, of the 1.4 billion cheque transactions, just under 7%, or 95 million were supported by a cheque guarantee card.

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