

Cheques fact sheet for consumers

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 consumers 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 elderly people and those with disabilities.

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 (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.

I still write cheques - 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.

What if my bank decides to stop issuing me with a chequebook?

What services individual banks provide to their customers is a matter for them. From our discussions with the banks we are expecting very few changes in the short term. The central cheque clearing will continue for another nine years on the basis of the timetable we have now adopted.

How soon will I see any change?

You are unlikely to see any marked changes in the short term – just more of what we've all seen over the past twenty years i.e. almost everyone using and accepting cheques less and less. New alternatives such as payments using your mobile phone handset may start to be seen more widely as early as the next year or two, and we expect cheque volumes to begin falling more rapidly than at present as new methods of payment get more widely used. One of the main reasons that our use of cheques has fallen so drastically, particularly on the high street, is that we increasingly use our debit cards in places like shops,

hotels, restaurants and for remote transactions by telephone, post and online. In many ways these are an electronic version of the cheque.

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 customers to make better use of alternatives that already exist. 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.

The elderly and financially excluded seem most likely to be affected, how will you be supporting them?

We are very aware of the need to listen to the requirements of these customers. We have already consulted representative groups such as Age Concern/Help the Aged, Toynbee Hall and Consumer Focus on the run-up to this decision and we will continue this process, supplemented with detailed market research where necessary. If needs be we will ensure that those least equipped to change continue to have a paper-based payment method available to them.

This is all very complicated – is anyone going to help consumers understand what is happening?

Absolutely. The need for effective information was highlighted early on in our consultation about the proposed change and we place a high priority on this. The Payments Council will be working closely with the banks and other bodies, like the Financial Services Authority, to ensure that major changes in the payments landscape are fully understood by all consumers.

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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