



## Impact of Cheque Guarantee Card Scheme closure: Research results

The UK Domestic Cheque Guarantee Card Scheme closed on 30th June 2011, meaning that it is now no longer possible to use a card to guarantee a cheque under the Scheme. The decision to close the Scheme was taken by the Payments Council in June 2009, following 20 years of declining usage and after consultation with customers who used the Guarantee and businesses who accepted it. The majority agreed that managing the Scheme's closure was preferable to ad-hoc withdrawal by banks and businesses, which could have led to both consumer and acceptor confusion.

The decision to close the Scheme was based on the following facts:

- use of the Scheme by businesses and consumers was in terminal decline and the guarantee was being used for a declining proportion of cheques;
- customers use cheques in different ways than they did when the Scheme was set up and the majority of cheques do not need to be guaranteed;
- a quarter of all debit cards already did not carry the guarantee;
- for both customers making purchases and businesses accepting payments, alternatives to the guaranteed cheque were widely available; and
- research showed that a well-planned withdrawal of the Scheme would not cause any significant problems for consumers or business acceptors.

More information about the 2009 decision to close the Scheme can be found on the Payments Council website by [clicking here](#).

After the Scheme's closure, the Payments Council commissioned independent market research to measure the impact of its demise on customers who had guaranteed cheques using a card, and also on businesses that had accepted guaranteed cheques. We also wanted to assess whether the withdrawal of guaranteed cheques had caused any impact on overall cheque volumes.

This note summarises the Payments Council's key conclusions from the research and sets out our future plans for how the relatively small number of customers and businesses that have been impacted can be assisted more effectively. Full results from the market research are also available from the Payments Council website.

### Market research

The Payments Council commissioned two surveys from independent market research company Synovate:

**Consumer survey:** Phone interviews with 600 consumers who previously guaranteed a cheque (sourced after talking to 6,644 consumers).

- Quotas ensured older people's views were covered, with a separate quota for those aged 80 or over.
- Consumers surveyed were spread geographically across the entire UK.
- Fieldwork began in October 2011 and was completed on 14 November 2011.

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## Market research (contd.)

**Business survey:** Phone interviews with 501 businesses who were previously accepting guaranteed cheques (sourced after talking to over 1,700 businesses).

- Businesses surveyed were spread geographically across the entire UK.
- The survey targeted businesses most likely to have been accepting guaranteed cheques prior to closure of the Scheme (that is, those providing services to individuals, rather than to other businesses).
- The survey was open to all businesses, but focussed on sole traders, micro and small businesses.
- The fieldwork was conducted during October 2011.

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## Consumer research findings

The conclusions that the Payments Council has drawn from the consumer research are as follows:

- **Just under 10% of consumers wrote a guaranteed cheque in the previous 12 months and in the majority of cases they continue to be able to make payments by cheque.**
  - ◆ Synovate had to contact in excess of 6,600 consumers in order to identify 600 who had been actively using the Cheque Guarantee Card Scheme to guarantee cheques that they wrote.
- **In a substantial majority (93%) of transactions, customers who previously used cheque guarantee cards can continue to pay by cheque.**
  - ◆ Only one in eight of those who had used a guaranteed cheque to pay a business in the past 12 months (representing one in a hundred of all UK consumers) said that any of those businesses had decided to no longer accept a cheque.
  - ◆ Only 2% of consumers surveyed (representing one in five hundred of all consumers) have changed their habits to seek out businesses that still accept cheques.
  - ◆ The research also reflects the impact on consumers of any business that has stopped accepting cheques: for most that decided to do this, this decision had nothing to do with the closure of the Cheque Guarantee Card Scheme. As a result, the impact of the Scheme closure on consumers is very limited, however we recognise that it is not nil, and that our next steps must reflect this.
- **The results show that older citizens have been even less affected by the Scheme's closure than the rest of the population.**
  - ◆ Although a slightly higher proportion of those aged 65 or over used their cheque guarantee card in the past 12 months (12% compared with 9% of under 65s), older people paying by cheque were less likely to be asked to use their guarantee card. Only half of those aged 80 or over were asked by businesses to use a card to guarantee their cheque, compared with 70% of those aged 64 or under.
  - ◆ People with a disability or long-term illness were also less likely than others to have been asked to show a cheque guarantee card when writing cheques.
  - ◆ The research highlighted that some older customers are not aware that their cheque guarantee card is also a debit card, although many use it as such.
- **Some customers who previously chose to use a guaranteed cheque now pay those businesses that have stopped accepting cheques in another way.**
  - ◆ The most significant impact has been an increased use of debit cards.
  - ◆ There has also been some increase in cash use, although this has been more limited than the increase in use of debit cards.

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## Consumer research findings (contd.)

- ◆ The research suggests that older people have shown a smaller increase in use of cash than younger groups.
- Other guaranteed cheque users also reported that they have changed payment methods; however, this was not driven by the business no longer accepting cheques or guaranteed cheques, and so the changes in their spending behaviour are unlikely to be related to the Cheque Guarantee Card Scheme closure.
- **The research confirms that guaranteed cheques were often used incorrectly.**
  - ◆ 40% of people who had written them said that they had paid a business by post with a guaranteed cheque. In that situation the guarantee was never valid.

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## Business research findings

The Payments Council's conclusions from the business research are as follows:

- **The results for businesses are broadly consistent with those for consumers.**
- **A large majority of businesses (84%) that had previously accepted payment by guaranteed cheque still accept payment by cheque.**
  - ◆ 3% of businesses that previously accepted guaranteed cheques said that they have stopped accepting cheques solely as a direct result of the closure of the Scheme; while a further 2% said that they have stopped partly due to the Scheme's closure and partly due to other reasons.
  - ◆ 11% have stopped accepting cheques for other reasons and were not influenced by closure of the Scheme.
- **Importantly, three-fifths of those businesses that said they had stopped accepting cheques solely or partly due to closure of the Scheme remain willing to accept cheques from familiar customers or those whose address is known.**
- **The impact on business income has been minimal.**
  - ◆ Just one business out of the 501 surveyed felt that they had lost income as a result of their decision to stop accepting cheques (a decision that was not related to Scheme closure), and characterised this as only a fairly small proportion of income.
- **Businesses that still accept cheques said that have not noticed any change in the proportion of cheques that bounce.**
- **Only one business that had stopped accepting cheques solely or partly due to closure of the Scheme had received any customer complaints.**
  - ◆ Only 5% of all businesses that had stopped accepting cheques had received any customer complaints.
- **There are alternatives available to businesses for accepting payments from customers.**
  - ◆ The survey shows that 88% of those businesses that have stopped accepting cheques accept payment by debit card.
  - ◆ Only one business that had stopped accepting cheques solely or partly due to closure of the Scheme had started accepting new payment methods as a result (debit cards in this instance); all others were already accepting a wide

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## Business research findings (contd.)

variety of other payment methods.

- ◆ Businesses that still accept cheques are less likely to accept payment by plastic card than other businesses; 49% currently accept debit cards.

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## Trends in cheque usage

- **There is no evidence that closure of the Scheme has led to an increased rate of decline in overall cheque volumes.**
  - ◆ For the 12 month period to the end of October 2011, the volume of cheques cleared declined by 12% - this reflects the trend in cheque decline. In 2010, cheque use declined at 13%.
  - ◆ There has been no observable change in the trend since the closure of the Cheque Guarantee Card Scheme at the start of July 2011.
  - ◆ There has been no change in the number of cheques returned unpaid since Scheme closure. This remains constant at 0.5% of all cheques processed. The research showed that 20% of businesses who had accepted a guaranteed cheque had had it rejected, even though the guarantee had been used.

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## National Payments Plan and next steps

The Payments Council has adopted an evidence-based approach to reviewing the impact of the closure of the Scheme. The research demonstrates that withdrawal of the cheque guarantee card has not significantly impacted customers who wrote guaranteed cheques or businesses who accepted them. Therefore the results do not support a reintroduction of the Cheque Guarantee Card Scheme.

We appreciate that the Scheme's closure has caused concern for some customers and businesses, and it has highlighted areas where more could be done to explain different payment options. This emphasises the importance of our work to enhance payment services for consumers and businesses. In October 2011, the Payments Council launched its updated National Payments Plan; the focus is to deliver innovation and enhance inclusion of payments. This contains a number of actions that will improve existing payment methods and introduce new ways of paying, to benefit customers. Specifically:

- We will promote the availability of a chip and signature option for those customers unable to use PIN.
  - ◆ We will work to raise awareness that this alternative exists for those who have trouble using PINs, including working with retailers so that customers do not experience difficulties when paying with a chip and signature card.
- We will develop a proposition for a second card linked to a current account which can be used, for example, by a carer.
  - ◆ This is one of the ways of delegating payments that we will explore so that customers, particularly those that are housebound, can allow others to make payments on their behalf without compromising any security information.
- We will improve information for customers about the debit card – the protection it affords customers as well as ease of use.
  - ◆ Our research has showed that some people are confused over the functionality of their card that they used to guarantee cheques; some called it their "cheque card", despite it actually being a debit card. We will provide clear information on what the debit card is and work in partnership with other organisations to ensure that a consistent message is given out from a variety of trusted sources.

## National Payments Plan and next steps (contd.)

- We will look at micro-businesses and how we can improve the payment options available to them.
  - ◆ In 2012, we are conducting detailed research into business use of payment methods and what determines the payments they choose to accept. We will use these results to understand where action could be best targeted to improve the abilities of micro-businesses to accept payments speedily and most cost-effectively.

More information on the updated National Payments Plan 2011 can be found by [clicking here](#).