

PAYMENTS COUNCIL

Cheque Use Research

Final Report
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Prepared for:
Payments Council
Mercury House
Triton Court
14 Finsbury Square
London EC2A 1LQ

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EXECUTIVE SUMMARY

Background & research objective

Cheque volumes have been in decline in the UK since 1990. Cheques now comprise 13% of UK non-cash payments compared with 64% in 1990 when cheque volumes peaked. In recent years the rate of decline has accelerated, especially in the retail sector, with many leading retailers and petrol station chains announcing that they no longer accept payment by cheque.

As cheque volumes in the UK continue to decline, a debate has been initiated over the future of cheques and whether an end date should be set for the closure of the cheque clearing. The Payments Council recently consulted on this issue and recognised that before an end date could be set, there was a need for authoritative research to identify how cheques are being used (both for payment and receipt), why people continue to use cheques for particular applications, perceptions of where there are (or are not) adequate alternatives in place, and the features which would be valued in future alternatives to cheques.

The overall objective of this research was to understand the above issues amongst consumers and SMEs across different types of payments and different types of cheque users, including those who are dependent on cheques for specific purposes and may find it difficult to migrate to alternatives. In particular the research sought to uncover the features of cheque payments that make heavier and more committed cheque users reluctant to relinquish them and whether there are uses of cheques for which at present there are not adequate alternatives.

Research methodology and sample

A total of 24 group discussions were conducted: 12 with consumers; 10 amongst SMEs and sole traders; and 2 amongst clubs, associations and societies, schools and charities. In addition, 13 depth interviews were conducted amongst individuals heavily dependent on cheques who may find it difficult to migrate to alternatives and 3 depth interviews with high net worth individuals. Two depth interviews were held with school bursars.

Main findings

The Traditionalist-Progressive Spectrum

This research indicates that attitudes to alternative payment methods (and more broadly, their approach to managing finances) underpinned cheque usage. Amongst consumers, businesses and other organisations, a spectrum of attitudes emerged with 'Traditionalists' at one end and 'Progressives' at the other. Traditionalists were more cheque orientated. They preferred to use cheques to make and receive payments and also used cheques as a way of managing their finances. At the other end of the scale, Progressives avoided cheques insofar as possible and preferred electronic means of managing their money.

This spectrum of attitudes influenced the reasons why cheques were used in particular circumstances. Despite a number of other factors influencing use, habit, tradition and inertia, combined with a lack of awareness and confidence in other payment methods were

the key drivers behind the continued use of cheques.

Factors which continued to influence cheque use were often, but not always, features inherent in the cheque instrument itself. The key features of the cheque that had broad appeal across the sample were:

- ***Flexibility and convenience:*** Cheques were regarded as an extremely flexible and convenient form of payment by payers because they could be written for any amount, any where, to anyone. This feature was often compared to electronic methods where the payee's account details needed to be known and an individual had to log-in to a system to make the payment.
- ***Control:*** Cheques were felt to give the payer comparative control and flexibility over when a payment was made. This was used for both cash flow and float benefit by consumers and businesses alike.
- ***Payment of last resort:*** In some payment situations, cheques were the only payment method available. Examples included situations where the payee did not accept an alternative, postal payments or when electronic methods were not working.
- ***Safety and security:*** Cheques were regarded as a safe and secure method of making and receiving payments. This perception related to wider concerns about the security of alternative electronic methods and in comparison to cash.
- ***Emotional value:*** Because cheques are a paper-based instrument, cheques were felt to offer emotional value through being tangible (compared to electronic payments). This was noted in relation to gifts by cheque in particular.

Traditionalists who managed their money using a simple paper-based system valued the cheque stub in this process. Likewise, cheques were perceived to provide a tangible audit trail of payment and were photocopied in case proof was required in conjunction with a bank statement. The dual signatory function on some cheque accounts were valued by school bursars, clubs and charities where accountability and transparency was important. Many were not aware it was possible to have a dual authorisation function on electronic banking.

Factors discouraging cheque use included features of the cheque that were disliked. Those Progressive individuals who have largely switched to other forms of payment were more ready to find drawbacks compared to Traditionalists. Dislikes included:

- ***The uncertainty in how long it would be before the money leaves the account:*** Payers disliked the uncertainty in when the cheque would be presented and payees felt unsure about clearing times.
- ***The hassle factors:*** These included carrying and writing cheques, and when receiving a cheque, going to the bank to pay it in.
- ***The cost and administrative burden of using cheques (businesses):*** Examples given were higher bank charges compared to other payments and the time consumed by processing large volumes of cheques.
- ***The fact that cheques can bounce:*** Cheques were not a 'guaranteed' payment.

- ***Delayed dispatch of goods and services:*** Both consumers and businesses were aware that vendors may wait for a cheque to clear before dispatching goods which delayed receipt.

Impact of the Potential Demise of Cheques

On the whole, consumers' and businesses' level of concern about the possible demise of cheques was generally low. Most assumed that cheques will not 'disappear' overnight and they will have time to adapt. However, a minority of Traditionalists resisted the idea of cheques being withdrawn and felt, sometimes quite strongly, that it will disrupt the way they manage their finances. There were also some specific segments that were more concerned. Amongst consumers these include individuals who are housebound, elderly or individuals with specific disabilities that make it difficult for them to use or adapt other payment methods. Amongst businesses and other organisations: charities, clubs, schools and smaller (mobile) traders emerged as segments who tended to be more reliant on cheques and were thus more concerned about their potential demise.

Conclusions

Currently, the significant obstacles to giving up cheques are habit and inertia combined with a lack of awareness and confidence in the alternatives. With this in mind there is clearly a need to start the process of fostering change sooner rather than later. There are indications that the process of eroding usage of and dependence on cheques will be encouraged by:

- Raising awareness and understanding of existing and emerging alternatives;
- Making improvements to existing alternatives; and
- Encouraging and incentivising trial and take-up of alternative methods.

There are also indications that some of the more problematic gaps could be plugged by some newer and emerging payment methods such as PayPal and pre-paid cards.

However, some gaps remain and will need to be addressed. For example, those individuals who are housebound, elderly or have physical or mental disabilities are often the most reliant on cheques and the least well equipped to adopt other methods of payment. As cheque use continues to decline it will be important to identify the needs of these segments and focus on ways of helping them manage a switch over to other methods which are not disruptive and yet allows them to continue to make the payments that they currently do with cheques.

For consumers there is also the challenge of finding an acceptable alternative to sending payments or gifts in the post and, to some extent, payments to charities and churches. Amongst some businesses and organisations the challenge will be to replicate the dual signatory feature that some use and value and is required for charities.

Finally, for many cheques represent a 'payment of last resort' and to be able to withdraw from cheque usage altogether, they will need to be reassured that alternatives are secure, reliable and have adequate back up measures should systems fail.

1 INTRODUCTION

1.1 Background and Purpose

Cheque volumes have been in decline in the UK since 1990. In recent years the rate of decline has accelerated, especially in the retail sector, with many leading retailers and petrol station chains announcing that they no longer accept payment by cheque.

Many retailers perceive cheques as expensive to handle and prone to fraud. There is a concern that as cheque volumes decline further, the cost per cheque will rise at an increasing rate. However, in other parts of the economy, especially the SME sector and among older consumers, cheques continue to play an important, though declining, role. Cheques now comprise 13% of UK non-cash payments compared with 64% in 1990 when cheque volumes peaked.

As cheque volumes in the UK continue to decline a debate has been initiated over the future of cheques and whether the use of cheques should be discontinued. The Payments Council recently consulted on this issue and recognised that before an end date could be set for the cheque clearing, there was a need for authoritative research to identify how cheques are being used (both for payment and receipt), why people continue to use cheques for particular applications, perceptions of where there are (or are not) adequate alternatives in place and the features which would be valued in future alternatives to cheques.

As a result, the Payments Council commissioned the research reported here to understand these issues amongst consumers and SMEs across different types of payments and different types of cheque users, including those who are dependent on cheques for specific purposes and may find it difficult to migrate to alternatives. In particular, the research sought to uncover the features of cheque payments that make heavier and more committed cheque users reluctant to give them up.

This report outlines the findings from this qualitative research. This chapter provides an overview of the objectives, design and conduct of the research. It is followed by three further chapters: Chapter 2 describes cheque use, including the circumstances where cheques are still used and the reasons why; Chapter 3 presents the impact of the potential demise of the cheque and barriers to migration, summarising the key obstacles to using alternative methods; and chapter 4 summarises the findings and conclusion of the research.

1.2 Research Objectives

The overall objective of the research was to explore and establish the reasons why users continue to use cheques for particular applications, in order to understand the barriers to migration and the features which would be valued in future alternatives to cheques.

More specifically, the research aimed to:

1. Explore and understand cheque users' motivations for continuing to use cheques (either as payer or recipients), especially when they are aware of the existence of alternative methods of payment.
2. Explore the extent to which payers' or recipients' preferences and attitudes are driving the continued usage of cheques, how this operates, and the factors prompting continued usage.
3. Identify the features of cheques that are particularly valued by users and the reasons for this (e.g. convenience, security, audit trail, float, etc.).
4. Explore amongst both heavy and light cheque users, current awareness, understanding and perceptions of the various alternatives to cheques for different types of payments.
5. Establish cheque users' sources of information about alternative payment methods to cheques.
6. Identify the situations/purposes where low volume cheque users (who are generally aware of the alternatives) still feel a need to make or receive payments by cheque.
7. Explore and understand in general terms the key barriers and obstacles to changing cheque using behaviours.
8. Obtain information about what might encourage and incentivise both those who make and receive payments to change their practices.

1.3 Research Design and Methodology

The exploratory nature of the research objectives meant that a qualitative design was most appropriate for this research. This approach facilitated an in-depth exploration of motivations for cheque use, the features of cheques which are valued, and perceptions of alternative payment methods.

The research design comprised group discussions and depth interviews with the following key groups:

- Consumers (including those who may have difficulty migrating to alternatives);
- Businesses (SMEs and sole traders); and
- Schools, charities, clubs and associations.

Whilst it was important to identify reasons why low volume users still used cheques for some situations, a focus of this research was on those *user groups that have been traditionally slower to migrate from cheques* to alternative payment methods and *heavy users of cheques*.

Those who never use cheques were excluded from the research.

1.3.1 Consumers

The main *consumer* sample comprised 12 group discussions. These groups were structured by age (18-24; 25-44; 45-64; 65+), life-stage (pre-family; with family; empty nesters) and socio-economic group (ABC1, C2DE) in order to create groups with broadly similar demographic characteristics. Additionally, most groups were structured by cheque use, so that heavy cheque users and light cheque users were in separate group discussions. Two groups were mixed heavy and light cheque users (Appendix 1, Table 3).

Structuring the sample by cheque use allowed the discussions and subsequent analysis to focus on the motivations, beliefs and behaviour that have encouraged some individuals to migrate away from cheques whilst others have not. ‘Heavy users’ were defined as writing, on average, at least 12 cheques a year (or one a month) and ‘light users’ were defined as writing, on average, fewer than 12 cheques a year.

The following factors were also taken into account across the sample to ensure that a mixture of different types of heavy and light users were included:

- The number of cheques paid or received in relation to total payments overall;
- Self-definition (whether they saw themselves as a heavy or light cheque user);
- Openness to using other payment methods; and
- Whether cheques were used because they were the *only* method open to them or the *preferred* method.

The following quotas were also imposed across the overall sample on the basis that these consumers may have specific payment needs.

- Different levels of ‘financial sophistication’,
- Individuals with children (up to 16 years old),
- Tenants; and
- Landlords;

Some individuals who had recently used a bank draft or building society cheque were also specifically included.

In addition to the focus groups, 16 one-to-one depth interviews were conducted with the following consumers:

- Individuals who are housebound or have physical impairments, aged under 55;
- Individuals who are housebound or have physical impairments, aged over 65;
- Individuals who act on behalf of those with physical or mental impairments;
- The ‘under-banked’ (holders of a Post Office Card Account or a basic bank account with no cheque book facilities); and
- High Net Worth individuals (individuals with complex financial affairs, for example different types of investments which they actively managed).

Individuals with these particular circumstances were included in order to capture the specialist needs they have in relation to payments. Depth interviews were a more appropriate method to reach these groups who may have been reluctant or unable to attend a group discussion.

The sample structure for the depth interviews is set out in Appendix 1, Table 4.

1.3.2 Businesses

The *business* sample was structured by business size across sole traders; micro businesses (2-9 employees); small enterprises (10-49 employees); and medium enterprises (50-250 employees). The business sample structure is set out in Appendix 1, Table 5.

In the same way as the consumer sample, the business sample was structured according to level of cheque use. It was felt the absolute number of cheques per month paid or received was not going to be a reliable indicator of heavy or light use, because typical payment volumes vary considerably by the type of business. Rather, organisations were allowed to self-define with regard to both payment and receipt scenarios. Those who rated cheques as either ‘very’ or ‘quite’ important for paying and/or receiving payments were classed as ‘heavy users’ whilst those who rated cheques as ‘not very’ or ‘not at all’ important were classed as ‘light users’.

In the event, the approach to selecting heavy and light cheque users worked well for both the consumer and business samples.

Across the business sample we obtained representation of different types of industry sectors. We also included some businesses that were trading with the general public, some which were trading with other businesses, and some which did both. The sole trader sample included a mix of freelancers and one-man businesses.

Businesses that employed people without bank accounts were also included because cheques are often used to pay wages in this situation.

All respondents in the business sample had some responsibility for the decision regarding payment method(s) used.

1.3.3 Schools, charities, clubs and associations

In addition to the group discussions with businesses, one group was conducted with representatives of clubs, associations and societies, and one group with schools and charities. This latter segment was boosted with two depth interviews with school bursars.

These organisations were included because they have different payment and organisational needs to businesses and may have remotely located officials required for dual authorisation payments.

The two groups contained a mix of heavy and light cheque users. A range of different types of clubs, associations and charities were covered, including those for adults and children.

1.4 Conduct of the research

Respondents were recruited by experienced market research recruiters using a combination of networking and free-find. Potential respondents' eligibility for participation was checked using a screening questionnaire (*Appendix 2*).

Fieldwork was conducted between 29th July and 27th August 2008 in several locations as follows:

- England (Greater and Central London, Staines, Egham, High Wycombe, Watford, Farnham, Norwich, Ashby de la Zouch, Redditch, Oldham, Newcastle-upon-Tyne);
- Scotland (Edinburgh); and
- Northern Ireland (Belfast).

Two group discussions were held as extended, 2 hour groups ahead of the main fieldwork. The remaining groups lasted 1½ hours and depth interviews lasted approximately 1 hour. Discussions followed the topic guides in Appendix 3. The topic guides were developed in

conjunction with the Payments Council.

Discussions were recorded with respondents' consent. The audio recordings were transcribed and the data analysed using a matrix to enable the pattern and broad incidence of responses to be assessed and used in the preparation of the reporting. An outline report structure was prepared after the initial phase of interviewing had been completed and the key emerging findings had been identified. Initial drafts of emerging findings were subsequently developed and revised by the lead researchers working collaboratively to ensure that all the main issues were addressed in working towards the final report.

It is important to note that qualitative research aims to map the range of emergent issues and explore the reasons underpinning these, focusing on questions such as 'how' and 'why', rather than 'how often' or 'how many'. The purposive nature of the sample design means that qualitative research cannot provide any statistical data relating to the prevalence of these views or suggestions.

1.5 Report Structure

The next section of the report sets out the main findings of the research. This is split into two core chapters.

- Chapter two covers the circumstances and reasons why cheques are still used, including features of cheques particularly valued and disliked and other factors influencing cheque use.
- Chapter three covers the impact of the demise of the cheque, including the impact on those most dependent on cheques, key obstacles to giving up cheques and the requirements of alternatives to cheques.

The final section summarises the findings and the main conclusions to be drawn from the research.

As will be seen, there is considerable overlap in the general public and business samples' attitude and behaviour towards cheques. However, in the interests of clarity, we have reported separately on the two samples where possible.

Main Findings

2 CHEQUE USE: CIRCUMSTANCES AND REASONS FOR USE

This chapter of the report outlines the circumstances and reasons why cheques are used. This is covered in two sections:

- Attitude to payment methods and cheque use; and
- Factors influencing cheque use, including the features of the cheque valued and disliked; and other factors influencing cheque use.

2.1 Attitude to Payment Methods and Cheque Use - The Traditionalist-Progressive Spectrum

Attitude to alternative payment methods (and more broadly, approach to managing finances) was found to underpin cheque use, according to whether an individual or business preferred paper-based methods or had taken up electronic methods. Seen as a whole, a spectrum of attitudes and behaviour emerged with ‘Traditionalists’ at one end and ‘Progressives’ at the other. Traditionalists were more cheque orientated and were comfortable with cheques, both as a payment method and as a way of managing their finances; whereas Progressives avoided cheques in so far as possible.

2.1.1 Consumers - *The Traditionalist-Progressive Spectrum*

Making payments

Across the consumer sample, **Traditionalists** tended to be older, more conventional in their approach to managing money and resistant to the idea of debt. They also tended to be somewhat resistant to the idea of using newer payment systems such as Direct Debits, Internet banking or telephone banking.

“I’ve had problems in the past with my electric being estimated too high, and stuff like that and I just prefer to pay my bills by cheque. That’s how I’ve always done it. My mum from when I went off to uni was like ‘use your cheque book to sort out your finances’ and that’s how I’ve always done it. It’s been drummed into me since I left home that it was easier to keep track of things [using cheques].”

(BC1C2D, heavy/light cheque users, 18-24, Farnham)

As a result, Traditionalists were typically using cheques to pay their Council Tax, rent and utility bills, and for transferring money between accounts.

At the other end of the spectrum, **Progressives** were usually younger, more familiar with, and accepting of electronic payment methods such as Direct Debits, credit cards, debit cards,

telephone banking and Internet banking. Overall, they were less cheque orientated and typically used electronic methods for the bulk of their regular and spontaneous payments.

“I use Direct Debits for everything. All our household bills. I think it’s a lot to do with the supplier that’s supplying to you really. They really request you to do a Direct Debit. You haven’t got the choice. Obviously you don’t have to worry about it if it’s Direct Debit. It just automatically comes out on the chosen day of the month. Like all mine comes out on the first for second. By the third, whatever is left in the account is ours.”

(ABC1, light cheque users, 25-44, Southgate)

An individual’s exact position on this spectrum reflected a combination of factors including what they had been taught by their parents, level of financial sophistication, experiences of other payment systems and their own personal circumstances. Circumstantial factors which contributed to heavier cheque usage included family living in different parts of the country, children of school age, regular donations to charity, and disabilities which made it difficult to adopt other payment methods.

Over and above the Traditionalist-Progressive spectrum, there were a number of situations evident across the consumers, where cheques were still used to make payments. These situations included:

- Sending off for something by post (e.g. mail order purchase) where a cheque was used because cash was not seen as secure or they had reservations about the security of using credit or debit cards to make payments by phone or Internet;
- Posting money as a gift, where a cheque was more personal and more secure than sending cash;
- When payment by cheque was specified by the recipient (typically children’s activities, or annual membership to a local club or society);
- Annual bills such as ground rent and magazine subscriptions, where a cheque was seen as easier than setting up a Direct Debit;
- Where cheques were the only alternative to cash, such as paying someone providing a service in the home (e.g. a plumber) or in a shop which did not accept plastic cards.
- Paying for goods and services at outlets with whom the payer had a long standing relationship such as a local butcher or hairdresser;
- Holiday deposits and deposits on holiday accommodation were also sometimes paid by cheque.

In a few cases, cheques were also used to make regular donations to churches or charities.

Both Traditionalist and Progressive consumers were aware that cheque use is in decline. Respondents spoke about how certain outlets, such as supermarkets and petrol stations, were refusing to accept cheques. Furthermore, respondents noted that mortgage providers and landlords were insisting that payments were made by Direct Debit.

“A lot of places now aren’t accepting them. I know M&S doesn’t accept cheques, I think John Lewis are doing a trial at stopping cheques and so on. There’s a few places that are now starting to say no.”

(High net worth, female, Edinburgh)

Some consumers talked about how they used to use cheques to withdraw cash from a bank or Post Office in the past. However, almost all were now using ATMs (although some were still reluctant to do so unaccompanied).

Some elderly and/or housebound consumers, who were often older and had a more Traditionalist outlook, used cheques to pay for products and services delivered to their homes. Like many Traditionalists they were suspicious of, and reluctant to use, new methods of payment.

Receiving payments

Both Traditionalist and Progressive consumers were receiving cheques relatively infrequently. The main purpose for which cheques were received was refunds and rebates from mail order companies, utility providers, phone companies, insurance companies and Government Departments (HMRC). Other situations included cheques from friends and family for a gift or repayment, dividends from shares or investments, returned deposits not cashed and reimbursement of work-related expenses by cheque.

More occasionally, respondents described how they had acted as an agent to collect money from colleagues or friends for items such as tickets, holidays or charity donations. In this scenario they asked to receive payment by cheque so that the money had to be paid into their account and could not be frittered away (which they thought would happen with cash). There were indications that more Progressive respondents would prefer to receive money owed to them electronically.

2.1.2 Businesses and other organisations - *The Traditionalist-Progressive Spectrum*

For businesses and other organisations, attitude to alternative payment methods reflected the nature of the business or organisation and the general approach of the management.

Traditionalist businesses tended to be operating simple, paper based accounting systems. They were more reliant on and comfortable with cheques, and were generally less familiar with, or adept at, using other payment methods.

“I think I’m in a comfort zone with cheques. I’ve grown up with them, I’m used to them ... it’s like an old pair of slippers.”
(Micro business, heavy cheque users, Edinburgh)

Typically the key decision maker tended to be older and old-fashioned in their outlook. Some Traditionalist medium sized enterprises had owners or managers with such an outlook who were also reluctant to let go of the reins and so the business had continued to use systems they had set up when they were a small business.

Smaller businesses, especially in the manual sector, tended to be Traditionalist, however this was not always the case, and some Sole Traders were Progressive. Likewise, medium enterprises were represented at both ends of the spectrum. Therefore, size of a business did not determine position on the Traditionalist-Progressive spectrum.

Non-business organisations such as charities, associations, schools and clubs were typically Traditionalist in outlook.

In contrast, **Progressive** businesses tended to be more financially sophisticated. They had usually explored and adopted new methods such as electronic accounting systems and online banking. They preferred to avoid cheques, either for paying or receiving money, if at all possible.

Within the business sample, some Progressives had adopted alternative methods to cheques because they had experienced bounced cheques or cheque fraud in the past. Reducing costs and the administrative burden of processing cheques were other key motivators to migrate to other systems. In businesses where the volume of cheques used was becoming overwhelming a faster, easier and cheaper alternative was needed.

“When I first came to the company we were literally spending a day and a half writing cheques out, getting them signed and posting them out. That work has now been cut down to 15 minutes by BACS at the press of a button.”

(Small enterprises, heavy cheque users, Northern Ireland)

In between the two ends of the spectrum there were those businesses who felt their current

system worked well and who therefore saw little or no need to change. Many had not really explored other options but were not necessarily averse to change. Interestingly, some in this middle ground had changed to newer payments methods in their personal life but this change had not translated to their business life.

The use of cheques for businesses in this middle ground varied. Some tended to use cheques for quite specific purposes and some larger organisations paid suppliers by cheque as a way of controlling cash flow but insisted on being paid by electronic methods. Other organisations took cheques in payment because they accepted that was how their customers or members wanted to pay. There were also organisations that said they might avoid using cheques because of the paper trail they provided.

Overall, the circumstances and reasons why cheques were used varied across both Traditionalist and Progressive businesses. The following two sections outline the areas where cheques are still used, for making and receiving payments respectively.

Making payments

Using cheques to make payments was acknowledged as a well-established, familiar and (more or less) reliable way of making payments. At a basic level, cheques worked and many, especially Traditionalists, felt they had little reason to seek out alternatives unless and until their suppliers or employees asked them to do otherwise.

Cheques were used to pay:

- Wages;
- Premise-related costs (rent, utilities, insurance, rates);
- Suppliers; and
- Government organisations (for tax, National Insurance).

Cheques were used to pay *wages* in some selective scenarios, such as permanent staff in (smaller Traditionalist) organisations that were not set up with BACS. Cheques were also used in a wide range of organisations to pay temporary or freelance staff where the wage bill was variable because it was easier and more convenient than setting up irregular payments on BACS and cheaper than doing a one-off BACS run. Employees with no bank account were sometimes paid by cheque (to cash) if cash was not available.

In sectors (retail, catering and manual trades), weekly cash payments were a familiar, sometimes expected method of payment. This was particularly the case with casual and temporary staff and for those with no bank account. Wages paid in cash were more prevalent amongst smaller businesses but could also be observed in some small to medium enterprises. Paying wages in cash also helped some businesses, especially in the retail and catering sectors, to ‘recycle’ large amounts of incoming cash that would otherwise have to be banked at some cost and inconvenience.

“The reason I pay in cash is that all mine comes in as cash. If I have to pay cash in to the bank and take it out again to pay the wages I get charged by the bank so therefore I’ve got stacks of cash on me, I might as well pay them by cash.”

(Medium enterprise, heavy cheque user, London)

BACS was accepted as the norm for salary payments in many small and medium enterprises, especially white collar professions and businesses. Once set up, BACS was considered an easy and painless way of paying permanent staff.

A more traditional minority preferred to use cheques to pay *premises related costs* (rent, utilities, insurance and rates) because it allowed them to retain a degree of control over when these costs were paid. Some were also wary of being over or under-charged for utilities and preferred to pay exactly what was owed. Having to pay on the ‘red bill’ also helped some to control cash flow better and to prioritise key payments if things were tight.

However, most were using Direct Debits, or BACS for these known, regular costs. For many businesses it was crucial that essential services were not compromised in any way, and Direct Debit was seen as a safe, reliable and convenient way of ensuring these payments were made on time. Another benefit of Direct Debit was that once they were set up they could (more or less) be forgotten about. Discounts and incentives had also helped to encourage businesses to migrate away from using cheques for these payments.

Cheques were used to pay a wide variety of *suppliers*. Cheques provided businesses with an easy way to control outgoings and enabled them to pick and choose when and whom to pay, and were useful if the recipient was not set up for other payment methods. They were also commonly used for paying one-off or irregular suppliers as it was less time-consuming than setting up alternative methods such as an online transfer or BACS. Smaller businesses and organisations that had not adopted or could not adopt alternatives such as plastic cards or BACS relied more heavily on cheques as a way of paying suppliers.

“I order a lot over the phone, equipment, paper, paint, and all that comes from catalogue companies so I couldn’t send cash. I have to write a cheque.”

(Clubs and associations, Birmingham)

Cash was more prevalent in certain trades, for example the retail and catering industries, as a means of paying (daily) suppliers on delivery of goods. It was also more prevalent in sectors that traditionally dealt in cash such as antiques and wholesale trades. Cash was also used across the sample for a wide variety of miscellaneous expenses and petty cash.

Debit and credit cards were useful when buying supplies and goods when out and about or

when purchasing goods online or over the phone. They were being used more frequently as more outlets started to refuse cheques. However, use of debit cards tended to be confined to sole traders and very small micro businesses where there were fewer employees to control and manage. Credit cards were more prevalent amongst larger organisations that issued employees with credit cards to cover petrol and other miscellaneous business expenses.

When it came to paying *tax* and *National Insurance*, businesses were increasingly using online methods both to submit returns and to make payments, mainly because they were being incentivised to do so. However, some preferred to stick to tried and trusted methods for paying Government departments, especially those who were concerned with being able to provide a ‘tangible’ paper trail in the event of a query or dispute.

Receiving payments

Many businesses had noticed that fewer cheques were being tendered as payment nowadays. Some had noticed that their customers, both other businesses and consumers, were now seeking to pay by other methods such as Direct Debit.

“It’s just how things have gone with our clients. Even the ones who were probably a year ago still paying month in, month out by cheque, suddenly money has started appearing in our bank account. We definitely see that it is changing.”

(Small enterprises, light cheque users, London)

On balance, it was felt that the disadvantages of cheques as a way of receiving money tended to outweigh any perceived benefits. Many admitted that in an ideal world they would prefer to receive money direct into their account rather than by cheque, assuming it was easy to track payments from different sources. Cheques were often positioned as the least preferred way of receiving money - a tolerated rather than preferred method of being paid.

Nevertheless, most were still receiving at least some cheques in payment for services and goods, particularly from more traditional businesses, those with a limited range of payment methods (e.g. charities and associations), and (older) members of the general public who have not yet adopted online or telephone banking.

Some larger organisations were seeking to move customers onto BACS and a minority of smaller Progressive operators were also seeking to try out new technologies such as mobile card readers and online transactions to streamline their processes. However, for many, especially smaller businesses, their key focus was on generating business, getting the work done and earning money. How it came in was viewed as a secondary concern. Thus, despite a general dissatisfaction with cheques as a way of receiving money, businesses acknowledged that they offered one way for their customers to pay them.

The main reasons for continuing to accept cheques were inertia and an underlying belief that

it was their customers' preferred method of payment. Only a minority across the sample had taken a stand and decided not to accept cheques any longer. These were usually those businesses dealing with the general public and who had had more experience of cheques not being honoured.

However, there were some segments who were more likely actively to prefer cheques as a way of receiving payment. For Traditionalists, cheques were easy to handle and record, particularly for those using paper-based systems or with limited accounting or IT skills. It was also considered quick and easy to reconcile cheques with invoices and the paying-in book represented another record of payment having been received.

Similarly, Treasurers in charities, schools, clubs and associations were often doing the job part-time and had limited or no accounting skills. For them, cheques were easy to manage and reconcile payments with members. There were signs, however, that this benefit may be decreasing, especially with children who may have different surnames to their parents. Treasurers had often inherited the role and saw little reason or need to change the way things were done. For these organisations, accountability and transparency of monies coming in and going out was of paramount importance and cheques helped to provide a clear paper trail. Moreover, these organisations were often not equipped to receive monies by alternative methods, nor could they afford to set themselves up for payment by Direct Debit or plastic cards. They were also reluctant to dictate or limit payment options to members or parents who could include those without access to some payment systems and low-income families. Charities especially were sensitive about being seen to dictate to individuals or businesses ways of donating.

“As a charity we are grateful to get money from any source and you have to be a bit careful when saying ‘sorry, we can’t take your money if you’re giving us a cheque’.”

(Schools and charities, Farnham)

Other than cash, cheques were sometimes the main payment method accepted by smaller tradesmen, especially those who were mobile. For them, the benefits of cheques included being able to get paid as soon as the work was completed; cheques were safer to carry than cash (in case lost or stolen), especially if they were relying on others to collect payment. This segment was also often unaware of or reluctant to adopt alternatives such as mobile card readers or the option to receive money direct into their account. Those who had investigated debit and credit card options had been put off both by cost of entry and on-going charges for themselves and their customers. Only one or two of the more Progressive individuals had moved to BACS or mobile card readers, either in response to customers' requests or to overcome the perceived drawbacks of cheques.

2.2 Factors Influencing Use of Cheques

There were a number of factors identified which influenced the degree to which consumers and businesses used cheques, which were features inherent in the way a cheque works as a payment instrument. Additionally, there were also features unrelated to the way the cheque can be used as a payment instrument, but that influenced use nonetheless.

2.2.1 Features of the cheque that were valued and encouraged use

Amongst both consumers and businesses, the following features of cheques had *broad* appeal and encourage the use of cheques:

- Flexibility and convenience;
- Control;
- A ‘payment of last resort’;
- Safety and security;
- Emotional value; and
- The ability to stop a cheque.

However, there were also a number of features which had more selective value for various segments:

- Cheques could be used as a money management tool;
- Cheques provided an audit trail; and
- The dual signatory function.

All of the above features and the nature of their appeal are discussed below.

Flexibility and Convenience

Cheques were seen as a flexible and convenient method of payment because they could be used anywhere, at any time and, assuming funds were available, for any amount. For example, cheques were regarded as useful for school trips and children’s activities (especially when the child requested money at the last minute) or for making one-off payments to irregular suppliers or employees. One high net worth individual had paid for £50,000 in bonds with a cheque.

It was observed that as the payer only needed to know the payee’s name (and, if the cheque was to be posted, their address) and therefore the cheque was a comparatively simple payment method, compared to those where a sort code and account number was required.

Cheques were considered easy to use and quick for anyone to use when making payments because they do not rely on technology or require a trip to a bank, nor did they need access to a computer and the Internet. In this respect, cheques were particularly convenient for some segments for whom access to other methods could be a problem, for example individuals who are housebound and older people who are frail (if they had not adopted electronic methods)

who could not get out easily to get cash as an alternative. Being able to use cheques also meant these segments did not have to keep large amounts of cash at home. Individuals on low incomes were also less likely to have access to other methods such as credit cards and Internet banking and as a result found cheques to be a convenient alternative.

“It is the convenience if you want to do an ad hoc payment because if you had to set up something with the bank or set up an ad hoc thing you are never going to use, you are cocking your system up. So just to whack a cheque off, you have dealt with it, haven’t you? It’s quicker, I think.”

(Micro businesses, heavy cheque users, High Wycombe)

Control

There was some belief that cheques gave the account holder more flexibility over when payments went out, which could be important for larger payments or to control cash flow. Both businesses and consumers sometimes specifically used cheques as a means of paying people slowly and to keep money in their own account for as long as possible. In some cases, ‘float’ further extended this period of grace although some noted that clearing times were unpredictable. This was especially useful for consumers operating on fairly tight budgets, particularly at the end of the month, and businesses that were seeking to exercise tight control over their cash flow used cheques to delay payment.

For businesses, the perceived controllability of making cheque payments contrasted with BACS payments that were seen as less easy to control. For example, once a batch of payments had been authorised on BACS it was not possible to stop or delay an individual payment.

“It’s control over cash flow to some extent. We have a bunch of cheques sitting on our desk and sometimes we can just delay one or two.”

(Micro businesses, heavy cheque users, High Wycombe)

Cheques also ensured that money received would not be ‘frittered’ away, unlike cash, and recipients could choose which account to pay the money into.

Payment of last resort

In some payment situations, cheques were considered the only payment methods available and therefore, whether the payer wished to pay by cheque or not, cheque was the only option.

For example, cheques were sometimes stipulated as the ‘only’ payment method by the payee. For consumers, these scenarios included:

- Sending or receiving money by post;
- Paying for some mail order goods;

- Paying for school or other children's activities;
- Paying for membership of clubs and associations;
- Paying sole traders or small businesses such as the milkman, newsagent, reflexologist, plumber, dentist, gardener and mechanic.

Likewise, sometimes a cheque also represented the only way a consumer could pay for something because they were unable to access or use other methods (e.g. no Internet access, unable to get out to get cash) or because they were unable to *use* other methods (e.g. difficulties with PIN numbers, using new technology).

For businesses, suppliers sometimes stipulated cheques as the only or preferred method of payment. Furthermore, some businesses employed individuals who did not have a bank account and were therefore paid by cheque which the employee would subsequently cash at a cheque casher.

In this context, cheques were valued as a 'payment of last resort'. Even those individuals least enamoured of cheques recognised that they were useful to have for use in an emergency, if other payment methods failed or if other methods were not accepted. Cheques were regarded as a proven payment method that provided a fallback option, even for those who have largely moved away from cheque usage, in those situations where no other payment method was available.

Safety and security

Cheques were regarded as a secure payment method. This was because they could only be signed by the account holder or authorised signatory and because the payment could only go to the named recipient, so there was no chance of money going adrift from the payer's account. There was also some belief that it was easier to intercept or trace cheque payments because of the cheque number. Electronic payments were thought to be harder to trace. Cheques were also widely regarded as a safe, easy and convenient way of sending and receiving money in the post. For those averse to giving out credit or debit card details over the phone, Internet or on a coupon, cheques were the preferred option for mail order purchases.

In terms of personal security it was felt that cheques were safer than carrying large amounts of cash. Parents felt more comfortable giving their children a cheque when paying for school trips or extra-curricular activities. If mislaid, cheques could be stopped and replaced, whereas cash could get lost or stolen.

Emotional value

As a gift, a cheque addressed to the recipient was considered more personal than a voucher or gift token. Additionally, sending a cheque as a financial gift had the advantage that the money could be saved rather than spent.

For some businesses, cheques were regarded as proof of payment and nice to have in hand.

A cheque was seen as the equivalent of cash in hand. Across the spectrum consumers agreed that it felt good to receive a cheque, especially if it was a large one. One high net worth individual received dividends from shares left to her by her father and the twice yearly cheques were a tangible reminder of her father's generosity.

Ability to stop a cheque

The ability to stop a cheque was often cited as a valuable feature of cheques, but it was acknowledged that it was a feature rarely used. Consumers and businesses talked about how a cheque could be used so that if goods or services were found to be unsatisfactory, they could stop a cheque to exert pressure on the supplier to rectify the situation. Additionally, the ability to stop a cheque before it cleared provided a comfort blanket (especially amongst consumers), in case the cheque got lost or stolen.

Cheque book as a money management tool

Amongst the more Traditional segment, a chequebook (and paying-in book) provided a useful, tried and trusted way of managing their money. They used cheques to pay for most things and they knew exactly where they stood with their finances. Amongst businesses and other organisations, especially charities, clubs and associations, cheques suited those operating simple, paper-based systems and those with little, if any, formal accounting training. It was also generally easier for smaller businesses to operate in this way as they had lower volumes of payments in and out.

My accountant has said it's easier if you did it this way or that way [online], but old habits die hard. It's a habit of just being able to see it down in front of you."

(Micro businesses, heavy cheque users, Edinburgh)

"I find it easier to keep track of the money I'm spending if I'm using a cheque. I find it easier just to look at my cheque book and balance my account out and obviously figure in what cash I'm taking out or whatever."

(BC1C2D, heavy light cheque users, 18-24, Farnham)

Tangible record and audit trail

Consumers and non-for-profit organisations perceived cheques to be a tangible record of payments made. This was felt to be particularly important in situations where there might be a need to prove a payment had been made, such as tax payments and parking fines which had to be paid within a certain time. In these situations cheques were often photocopied in conjunction with the bank record as evidence that payment had been made.

Some, such as those managing the finances of a club or society or those exercising a Power of Attorney on behalf of another needed to be able to show evidence of payment or for audit purposes. These segments were often unaware of how they could demonstrate accountability using other payment methods; for them, cheques were a simple method of providing a clear record of transactions.

“I have to make sure I can prove that I’m using my son’s benefits correctly. Cheques allow me to do this, they’re easier for book-keeping and auditing.”

(Individual with Power of Attorney, Edinburgh)

“My dad got stung for child support ... so if he’d been writing a cheque he would have had the stubs to prove that it had been paid, so he drummed it into us all that if something needs to be paid and it needs to be checked, you pay by cheque.”

(C2DE, heavy cheque users, 25-44, Edinburgh)

Dual signatories

Dual signatories were seen as a feature unique to cheques. The relevance and value of this was mainly confined to bursars and treasurers of schools, charities, local clubs and societies, as well as some business partnerships where accountability and transparency of systems was key.

Charities placed heavy emphasis on the importance of the ability to have a dual signatory function with a cheque. For some charities, the requirement to have dual signatories on all payments was written in their charity rules. Others claimed that dual signatories were mandatory on all payments for any charity.

2.2.2 Other factors encouraging cheque use

In addition to the features inherent in the cheque instrument that encouraged cheque use there were a number of other outside factors that also encouraged usage including:

- Lack of awareness of alternative payment methods or reluctance to use them;
- Lack of access to other payment methods;
- Habit, tradition and inertia.

Lack of awareness of alternative payment methods or reluctance to use them

Amongst consumers, a key factor encouraging the use of cheques was a lack of awareness of alternative payment methods and their benefits, or reluctance to use them. Consumers who had not used Internet or telephone banking to make payments were unaware of how it worked and therefore the benefits it provided compared to cheques, for example, the ability to monitor payments going in and out of their account. Especially amongst more Traditionalist consumers, there was some suspicion about security when it came to paying with cards

and a lack of awareness regarding consumer protection if this happened. Indeed, at several groups there were references to people having had their cards cloned or media stories about shops cloning customers' cards. There were also concerns that using Internet banking would make them vulnerable to identity fraud. Others claimed to have tried electronic banking but had been defeated by the technology and complexity of security devices. As a result, cheques were seen as a safe, secure, tried and trusted method of payment.

Likewise, charities were typically unaware that it was possible to have a dual signatory function built into electronic banking packages.

Lack of access to other payment methods

Lack of access to other payment methods such as being unable to get a credit card or not having access to or the ability to use a computer/the Internet, also encouraged greater dependence on cheques. This was more apparent amongst certain segments, such as the elderly, low income groups and stauncher Traditionalists.

Habit, tradition and inertia

Habit, tradition and inertia also worked to encourage cheque use. For many, cheques worked both as a way of paying and of receiving money. If neither payer nor payee was seeking or driving change, then there was little need or motivation to change their behaviour. The role of habit, tradition and inertia emerged as a key barrier to change, and is discussed in more detail in section 3.3.

2.2.3 Features of cheques that were disliked and discouraged use

Those still using cheques extensively (typically Traditionalists) identified few, if any, features which they disliked. However, those who have largely switched to other forms of payment (Progressives) were more ready to find drawbacks to using cheques which included:

- Uncertainty in how long before cheque payments would be credited to, or debited from accounts;
- Hassle factors associated with using cheques;
- Cost and administrative burden of using cheques (businesses);
- Cheques were not seen as a 'guaranteed' form of payment;
- Cheques could cause delayed dispatch of goods and services.

Uncertainty in how long before cheque payments would be credited to, or debited from accounts

A key drawback identified when making a payment by cheque was the uncertainty in how long it would be until the recipient paid in the cheque, and therefore how long it would be before the money came out of the payer's account.

“Last week I did a charity walk and I had to send them a cheque for £300 and they said it might not be registered for 6 weeks because they’ve got so many cheques coming at the moment... so I’ve got 6 weeks of thinking ‘when is this money going to come out?’”

(BC1C2D, heavy/light cheque users, 18-24, Farnham)

For recipients, there was also confusion about how long a cheque took to clear once it had been paid-in. This was disliked when receiving payment by cheque in particular. This was irritating for both consumers and businesses seeking to exercise control over cash flow and was notably problematic for businesses and organisations with a relatively large volume of payments going in and out of the business.

Hassle factors associated with cheques

Another drawback to using cheques was the perceived hassle factor. For consumers this could include remembering where they kept the chequebook, having to carry it around (men particularly seemed to find this a chore), even writing out a cheque. For many it was quicker and simpler to hand over a debit or credit card. Unlike credit card statements (which itemised payments), keeping a record of payments made by cheque required filling in the stubs on the chequebook.

Both consumers and businesses saw it as a nuisance having to go to the bank to pay in cheques, especially low value cheques. Sometimes the time (and cost) required to pay in a cheque was felt to outweigh the value of the cheque, particularly if the visit to the bank required a special journey and parking fees. Some recalled carrying cheques around for days if not weeks before finally paying them into their accounts. There were references to cheques, mainly for small amounts, being forgotten about, never cashed and sometimes being torn up.

“I could have a cheque in my bag for a small amount someone has given to me and it could be in my bag for two weeks. And I just keep forgetting it.”

(ABC1, heavy cheque users, 25-44, Egham)

Amongst consumers there were some references to losing cheques and not feeling able to ask for them to be re-sent (especially if the original cheque was a gift from a relative) or simply not bothering to pay them in.

Cost and administrative burden of using cheques

For businesses, the higher bank charges incurred for cheques and the administrative burden of processing cheques was another negative. The cost of writing, preparing and sending out cheques was a key disadvantage, especially for larger businesses dealing with a high volume of payments. Furthermore, the need to chase customers for payment by cheque could be time consuming and expensive, and which smaller operations could ill afford.

Cheques were not seen as a 'guaranteed' payment

It was also observed that cheques were not necessarily 'guaranteed' payment. Cheques were not always honoured and retailers recalled occasions when cheques, especially from customers they did not know, had bounced. A minority no longer accepted cheques as payment (or did their best to avoid accepting them). They were however more prepared to accept cheques from customers they either knew very well or knew where they lived. Having to refer cheques back to the customers because they had not been signed or the wrong date or amount had been entered also cost businesses time and money.

“Credit cards [you] have the money. Debit cards [you] have the money. Electronic banking you know you have got the money. When someone hands you a cheque it is a three day Russian Roulette as to whether it is going to clear.”

(Micro businesses, heavy cheque users, High Wycombe)

Cheques could cause delayed dispatch of goods and services

A further drawback for both businesses and consumers was that cheques could delay dispatch of goods as vendors usually waited for the cheque to clear before sending the goods off. Furthermore, goods and services bought by cheque were not covered by any insurance, unlike purchases made by credit card.

2.2.4 Other factors discouraging cheque use

In addition to the features inherent in the cheque instrument that were disliked and thus discouraged cheque use, there were a number of other factors that also discouraged use of cheques.

Perhaps not surprisingly, the two key factors discouraging cheque use was the decreasing acceptability of cheques and a willingness to adopt alternative payment methods. Consumers in particular noted that as fewer outlets were accepting cheques as payment there was a greater impetus to find alternative methods.

Furthermore, migration away from cheques for making payments had been further encouraged by discounts and incentives for electronic payment and quicker access to goods (retailers would dispatch goods on being given the customer's credit or debit card details where they would otherwise have waited for a cheque to clear). For businesses, lower bank charges and the reduced administrative burden also worked to discourage cheque use, especially amongst larger businesses with higher volumes of payments.

Migration away from cheques for receiving money was generally confined to businesses who had greater motivation, reason and capability to adopt alternatives which could offer them 'incentives' such as guaranteed payments, faster flow of money into their business, reduced bank charges and less time spent chasing payment or rectifying customers' mistakes.

2.2.5 Perceived Influence over Payment Method

As well as the factors that encouraged and discouraged usage already described, another factor operating was the extent to which payees and payers sought to influence the payment method. This factor could work both ways in terms of both encouraging and discouraging usage.

There were indications that few consumers or businesses had given much thought to whether the payer or payee had more influence over payment method. There was a tendency to place the responsibility on the other party which, in part, reflected a level of inertia when using cheques.

From the payer's perspective, the picture that emerged broadly reflected the Traditionalist-Progressive spectrum. Traditionalists, by and large, tried to adhere to cheques as their preferred payment method unless forced to do otherwise. At the other end of the spectrum, Progressives were happy to adopt alternative payment methods as and when they became available because they regarded them as more convenient, easy to use and cheap. However, only a minority were actively seeking out alternatives or asking to pay in ways other than those offered.

Most consumers were only receiving cheques infrequently and so there was a fair degree of inertia and passivity about seeking to influence payment method used. There was a fairly widespread tendency to accept the cheque "because that was the way it was". There was also some feeling that it could be difficult and embarrassing to ask relatives and organisations not to send cheques, especially if they were meant as gifts. Likewise, many businesses and organisations, even the most progressive and cheque averse, were reluctant to dictate or limit payment methods.

"They are welcome to pay into our account. It would be brilliant but you have to think of the area that we live in. There's child poverty and things like that, it's not like a private school in Chelsea..."

(School Bursar, London)

Those dealing with the general public generally felt more able to dictate payment methods to be used. But many were also loath to limit their options for fear of losing customers. Most retail outlets offered debit or credit card facilities; others had had to adopt new ways of receiving money (such as PayPal or mobile card readers) to keep up with customer demand and to take advantage of benefits or incentives offered by providers of alternative methods. Whilst many tried to avoid certain payment methods, only a minority had taken a stand and actively chosen not to accept certain methods such as credit cards or debit cards because of the cost to themselves, cheques because they could bounce, or online payments because they were reluctant to reveal their banking details to an unknown party.

Those dealing with other businesses were often less willing to dictate how payments were received. Smaller businesses in particular said they were just grateful to get the money in and less bothered about how that happened. The basic rule of thumb seemed to be that the larger the company the more influence they had over how they were to be paid. However, even larger companies were keen to avoid upsetting customers. Whilst they sought to encourage other payment methods such as BACS they would still accept cheques if that was their customers' only or preferred method of paying.

“The power is in their hands. They don’t know that. Well, we hope they don’t know that.”

(Small enterprises, light cheque users, London)

However, unlike consumers, there was usually a compelling business case for businesses to try and encourage consumers to adopt other ways of paying as a result of lower charges or a faster certainty of payment. In these instances, payees sought to shift payers' behaviour gradually and without upsetting key customers. Stating that BACS was the preferred method and putting bank details on invoices did this.

3 THE IMPACT OF THE POTENTIAL DEMISE OF THE CHEQUE AND BARRIERS TO MIGRATION

This chapter of the report focuses on the impact of cheque decline based on the payment needs of respondents and the gaps in alternative payment methods. Specifically, it considers the impact on specific consumer segments who are potentially more reliant on cheques for various reasons. It also looks at the perceived problems with appropriate alternative payments methods. Finally it summarises the key obstacles to giving up cheques underpinning the research findings.

3.1 Impact of the Potential Demise of Cheques

3.1.1 Impact on Consumers

Across the sample as a whole, levels of concern about the possible demise of cheques were generally low. For the majority, and especially amongst those aged under 60, a transition had already been made from cheques to other payment systems for most transactions.

The transition away from cheques was most marked amongst those who were more progressive, and had adopted Internet banking and, to a lesser extent, telephone banking. Amongst this segment, situations where cheques were seen as the only or preferred method of payment were relatively few. The main situation where it was envisaged that it could be difficult to replace cheques regarded sending money through the post, especially as a gift.

A minority resisted the idea of cheques being withdrawn and felt, sometimes quite strongly, that this would disrupt the way they managed their finances. Typically those respondents categorised in the research analysis as Traditionalists, had spent their lives using the chequebook as a way of organising their finances and they felt that withdrawal of cheques, like the closure of Post Offices, was another change designed to make life less easy for them. For a stubborn and forthright segment, objections to the possible change reflected an irritation about being pushed into doing things differently when they felt the existing system worked quite well. Amongst this segment there was some resentment about being financially penalised by utility companies and other large corporates for their reluctance to use Direct Debits.

Amongst some older Traditionalist respondents, who felt either unwilling or unable to adopt other ways of managing their money, there were degrees of concern that they would either be compelled to use payment methods they resisted (such as Direct Debit and debit cards) or they would have to revert to using cash. These concerns tended to be more marked amongst those over 70.

Those more concerned about the demise of cheques were generally older, more traditional in their approach to managing their finances, resistant to using ‘new fangled’ systems, and anxious about using other forms of remote payment.

Those least concerned about the demise of cheques were generally younger; likely to be happy using a range of other payment methods, especially Direct Debits and debit cards; and increasingly were using Internet or telephone banking.

Generally, consumers felt that the withdrawal of cheques would have relatively little impact on them personally. Their assumption was that the process of withdrawing cheques would be gradual and there would be time to introduce alternative payment methods. Specifically, it was assumed that many of the organisations that currently specify payment by cheque (such as schools, clubs and societies) would begin to offer alternative methods of payment.

3.1.2 Impact on Potentially More Vulnerable Consumer Segments

Those who thought they would be adversely affected by the demise of cheques included some of the more specific segments targeted in the research. These groups included:

- Individuals who were housebound
- Individuals who were elderly, (especially those who were frail);
- Individuals with specific disabilities that made it difficult for them to use or adapt to using other systems; and
- People on lower incomes.

Across these groups, it was felt that cheques were a convenient payment instrument, and were sometimes the only way they could make payments.

Individuals who were housebound

The impact of the demise of cheques on those who were housebound was to some extent related to where they were on the Traditionalist-Progressive spectrum. In theory, alternatives such as telephone and Internet banking could make their lives easier and give them more independence. Some of the younger housebound were quite progressive in their outlook and telephone and Internet banking had to some extent revolutionised the way they were able to make payments. In contrast however, the elderly housebound were typically Traditionalists and as such exhibited all of the familiar resistances and barriers to using cheques already identified with this segment. This Traditionalist outlook could further exacerbate the vulnerability of their position should cheques be phased out as their reluctance to use or adopt other methods combined with an inability to get out to get cash as an alternative means it would be more difficult for them to migrate to alternatives.

Regardless of their willingness to adopt other methods however, cheques still had an important role for all housebound respondents in terms of being able to pay for goods or services delivered in their home, especially if it was unexpected or the amount was not

known in advance. One individual provided the example of when a washing machine repairer fixed their washing machine. They were also a useful method for paying back relatives or friends who had paid money out on their behalf.

Individuals who are elderly and frail

This segment was the least likely to have access to alternative payment methods and the most likely to have concerns about them. They particularly disliked automated phone systems and also sometimes had trouble remembering PINs and other security information. They rarely had either access to a computer or the Internet and also lacked the necessary IT skills and know how. As a segment they were also not that interested in learning about or adopting 'new' payment methods nor did they have a particular need or motivation to do so. This segment felt they could lose their financial independence if cheques were phased out. In the absence of appropriate alternatives, which they were willing or able to adopt, they indicated that they might need to become increasingly reliant on others to help them make payments and manage their financial affairs.

Individuals with specific disabilities that made it difficult for them to use or adapt to using other systems

One or two respondents had specific disabilities that made it difficult for them to use or adapt to using other payment systems. For example one respondent had an eye condition that made it very difficult for her to see to use chip and PIN. However, she was able to see well enough to write a cheque.

People on lower incomes

People on lower incomes were also less likely to have online banking as an available option because they often did not have easy access to a computer or access to the Internet.

Although there were financial incentives to pay things like utility bills by Direct Debit those on lower incomes were particularly concerned about not being in control. They were concerned about the payee being able to increase the amount taken out with little notice as well as being worried about the money going out on a fixed date when they might not have enough funds to cover the payment. For those on tight budgets this was a particularly worrying scenario and one they would be prefer to avoid.

All these factors limited the number of available alternatives those on lower incomes could turn to in the event that cheques are phased out.

As demonstrated, for many in these specific segments, cash was often seen as the only alternative to cheques. However, those with limited mobility and who had difficulty in leaving their home acknowledged that it would be difficult for them to get access to cash unless they had help and support from family or friends, either to draw the cash out for them or to take them to the bank so they get the cash out themselves. This in turn led to concerns about personal safety and the risk of being mugged while carrying cash.

3.1.3 Impact on Businesses and Other Organisations

Like consumers, levels of concern about the demise of cheques varied depending where businesses, charities, associations, clubs and schools were on the Traditionalist-Progressive spectrum. For Progressives, who had largely transferred to other systems of paying and receiving money, levels of concern were low to very low, particularly for paying out. They acknowledged that there were probably enough alternatives in place that they could switch to if necessary. But even for the most cheque resistant, cheques still provided an additional and potentially useful option.

“It’s a matter of choice. We all like choice, we may not use the choices but we all like choices and when they take those choices away we get miffed about it.”

(Micro businesses, heavy cheque users, High Wycombe)

The demise of cheques was likely to cause most problems to Traditionalists who were using cheques and the chequebook for accounting purposes. By and large these people were not accountants, and cheques provided a simple and manageable way of keeping track of their business finances. As such, they recognised that they would probably have to re-evaluate their systems and might need to ‘bite the bullet’ and adopt unfamiliar methods.

Charities and associations stood out as a segment that was particularly concerned about the demise of cheques since they were often least likely to have adopted other payment methods. Those managing charity finances felt they were relatively unsophisticated in their approach to keeping accounts and they looked for a simple system that was both easy to operate and to keep records. They were also keen to retain a paper record because they felt that paper gave them a tangible means to show they were not mismanaging accounts. Dual signatory of cheques provided these amateur “treasurers” with further protection against suspicion of malpractice.

Other business groups that tended to be more concerned about the demise of cheques were smaller (mobile) traders who claimed that they could not afford the time or money to investigate and adopt alternative methods for receiving and paying out money.

There was, however, across the board concern about the impact the demise of cheques might have on their customers, especially those who were more cheque orientated. Some struggled to imagine how some of their customers would adapt in the event that cheques were no longer available. For example, if they knew their customers were unwilling or unable to adopt other methods such as plastic cards or direct transfer of funds.

3.2 Perceived Gaps

In the event of cheques being phased out both consumers and businesses were able to identify some payment scenarios which would be potentially hard to fulfil in the absence of cheques.

The more challenging gaps were seen as relating more to situations where money was being paid out. Both consumers and businesses recognised that some of the scenarios which seemed more problematic were where individuals or organisations stipulated cheques as the method of payment or only offered a limited range of payment options. They did, however, acknowledge that if cheques were no longer an option, payees would have to offer suitable alternatives.

3.2.1 Consumers

Paying out scenarios

For consumers one of the main gaps that could exist after cheques had been phased out was sending gifts and purchases through the post. The idea of sending cash through the post was almost universally ruled out. Those who were reluctant to give out card details thought that they would not be able to make a mail order purchase without cheques.

Similarly, parents were happy to give their children cheques to make low value payments to schools. However cash was not seen as a satisfactory alternative in case it made their child a target for mugging, but also because parents were worried the child might lose the money or spend it on something else. Consumers also noted that clubs and societies often specified cheques as a payment method. It was observed that if cheques disappeared the onus would be on these types of organisations to set up and provide payment alternatives. Individuals on lower incomes resisted the idea of Direct Debits as a replacement for payments to schools and clubs because they typically preferred payments they ‘pushed’ so that they could avoid going overdrawn. Schools and clubs in particular were aware they needed to make sure the range of payments options they offered did not inadvertently exclude anyone. For example, only accepting bank transfer payments was felt to exclude those who did not have easy access to telephone or Internet banking.

There were signs that when making donations to churches and charities cheques were taking over from cash because there was less chance of money being lost or stolen. Also it was a visible indication of who the donor was. Interestingly, it was suggested by a churchgoer that electronic forms of payment were less acceptable because the donors would not be seen to be giving by other members of the congregation.

In situations where people wanted to retain ‘evidence’ of payment, a copy of the cheque was seen as a good way of doing this. Whilst payment could be made by other methods, not all

were aware of how to create an audit trail from, say, online transfers. In comparison, a photocopy of a cheque and the bank statement provided simple, straightforward proof.

A cheque could be a payment of last resort when other methods were not available. If cheques no longer existed then it was argued people would have to carry more cash and keep cash at home. Neither option was considered very attractive. It was observed by the housebound and those living in rural areas (or further from an ATM) that they find it difficult to access cash.

Receiving money scenarios

For most *consumers*, situations where they received cheques presented fewer problems. By and large the cheques they received were usually tax refunds from HMRC, Premium Bond winnings, share dividends and refunds from suppliers. It was often felt that money could have been transferred directly to their accounts. (However, some acknowledged that they had been invited by the issuer of dividend cheques to give their bank account details but had not bothered to do so.)

A greater problem lay with cheques as gifts from family members. Most felt that it would be inappropriate to ask relatives, especially elderly relatives, not to use a cheque but to send the money in another way.

3.2.2 Sole traders, SMEs and other organisations

Paying out scenarios

Sole traders, SMEs and other organisations identified a number of situations which could be problematic in the absence of cheques. In particular, making one-off or irregular payments to suppliers, and paying temporary and freelance staff. Cheques were often used in these situations because the alternatives (BACS, online transfers) were not suitable for such irregular payments as they were costly or time-consuming to set up. Other than cheques, cash was seen as the only way of paying employees without bank accounts.

Some businesses such as the antiques trade, catering and wholesale traders were very reliant on cash to pay suppliers or employees. Unless they also received large amounts of cash from their business, they would need to make cash withdrawals from the bank, very often for large amounts which could only be withdrawn by cheque. Likewise, for businesses without debit or cash cards, cheques were the only means of withdrawing cash. Even for those who had debit cards, cash withdrawal limits were usually fairly low. Currently there was no perceived alternative to cheques for accessing larger amounts of money, although increasing the limits on the amount that could be withdrawn could solve the problem, at least in part.

The gap that might be particularly difficult to fill in the event of cheques being phased out was dual signatories. This feature was valued by associations, schools and some partnerships. Some charities explained that it was mandatory for them to operate their finances

using dual signatories and that they were not aware of any other means of duplicating this function in an alternative payment instrument.

Receiving money scenarios

For SMEs and other organisations there was no readily identifiable gap when it came to receiving money. Many acknowledged that they could receive money in other ways and in many cases would prefer to do so. However, most were also reluctant to insist on how they should be paid and resisted limiting their customers' options in this way.

Whilst in principle many were not too bothered about the idea of cheques being phased out, there were concerns about the cost of adopting some alternatives such as (mobile) card readers. These concerns were most apparent amongst smaller businesses and non-profit organisations. There were also concerns from a variety of organisations about how they would deal with people who had limited access or ability to use alternative payment methods.

“For us chip and PIN [charge for accepting card payments] is a killer because it is usually about 3%. If you are working on commodities, working on about a 5% margin, it's a big chunk out of our profit margin which is why most of our business is in cash.”

(Small Enterprises, Light Users, London)

The following tables set out attitudes towards alternative payment methods in more detail.

Table 1. Attitudes towards alternative payment methods for making payments

	<i>Reasons to consider method as replacement to cheques</i>	<i>Barriers to uptake as replacement to cheques</i>
Cash	<ul style="list-style-type: none"> > Nearly always accepted > Possibly only alternative method accepted by employee/supplier (business) 	<ul style="list-style-type: none"> > Can be lost and stolen > Harder to trace and account (<i>businesses</i>) > Expensive to handle and obtain (<i>businesses</i>)
Direct Debit	<ul style="list-style-type: none"> > Safe and efficient way of making regular payments > Ensured bills would not get overlooked and be paid on time > Discounts offered for bills paid by Direct Debit 	<ul style="list-style-type: none"> > Less appropriate for irregular, unknown payments (<i>business</i>) > Resisted by older, more traditional segment > Concerns that Direct Debits might trigger penalties if it takes an account overdrawn unexpectedly > Lack of control of when it is paid > No ability to cancel payment once made¹ > Lack of ability to tightly control cash flow (<i>business</i>)
Online Banking	<ul style="list-style-type: none"> > Easy, instant way of making payments <i>if recipient's bank details known</i> > Allows for goods to be released (more quickly) > Once payee set up; easy and quick to make further payments 	<ul style="list-style-type: none"> > No access to computer or Internet/not computer literate > Scepticism re: security and safety of online financial transactions > Resistance to asking people for their banking details > Length of time it took to set up new payee (in some cases 3-4 days)
Telephone Banking	<ul style="list-style-type: none"> > Seen as relatively secure (more so than online) > Calls could be made at time to suit account holder > Accessible to those who were not computer literate or had no access to computers/Internet 	<ul style="list-style-type: none"> > Remaining scepticism re: security and safety of financial transactions > Resistance to/dislike of automated style telephone systems > Concerns re people in call centres taking correct details > Resistance to asking people for their banking details
Debit Card	<ul style="list-style-type: none"> > Fast payment, instant access to goods/supplies > Portable, easy to carry around > Able to take advantage of online discounts, etc > Some appreciation that money went out of account more or less immediately 	<ul style="list-style-type: none"> > Not universally accepted outside of retail situations > Less easy to manage paper trail/record payments made if lose receipts (<i>especially businesses</i>) > Hard to track/control expenditure if multiple cardholders (<i>business</i>)

¹ However some businesses and consumers were aware of the protection afforded by the Direct Debit Guarantee.

	<i>Reasons to consider method as replacement to cheques</i>	<i>Barriers to uptake as replacement to cheques</i>
Credit Card	<ul style="list-style-type: none"> > Fast payment, instant access to goods supplies and was portable, easy to carry around > Able to take advantage of online discounts, etc. > Bill provided record of payments > Provided level of protection/insurance > Exploitation of 0% offers and transferring debit from one card provider to another (consumers) 	<ul style="list-style-type: none"> > Easy/tempting to overspend (consumers) > Have to remember to pay bill
PayPal	<ul style="list-style-type: none"> > Popular means of payment, especially amongst E-bayers > 'Person to person' payment method which did not require bank details to be exchanged > Safe and secure way of paying for items purchased from unknown individuals/businesses > Protection policy to buyers 	<ul style="list-style-type: none"> > General lack of awareness outside E-bay network/retailer sector
Postal Orders	<ul style="list-style-type: none"> > As good as money from payee perspective > Could be used as alternative to online methods/credit and debit cards for purchases on Internet 	<ul style="list-style-type: none"> > Hassle to go and obtain (and for the receiver, a hassle to go and cash) > Fees charged
Bankers' Drafts	<ul style="list-style-type: none"> > Good for high value amounts 	<ul style="list-style-type: none"> > Cumbersome and expensive to obtain
BACS (business)	<ul style="list-style-type: none"> > Quick, easy and simple (once set-up) > Can be very cost effective > Engenders positive goodwill because suppliers know they are going to get paid on certain date > Can control payment dates/cash flow to some extent (but only minority aware) 	<ul style="list-style-type: none"> > Perceived cost and hassle of setting up > Inability to rescind payment once approved > Requirement to approve everything in one go – no room for selective approval > Expensive for one-off payments
CHAPS (business)	<ul style="list-style-type: none"> > Instant payment for one off/emergency situations 	<ul style="list-style-type: none"> > Cost

Table 2: Attitudes towards alternative payment methods for receiving payments

	<i>Reasons to consider method as replacement to cheques</i>	<i>Barriers to uptake as replacement to cheques</i>
Cash	<ul style="list-style-type: none"> > Guaranteed payment > Businesses might revert to cash if not prepared to offer any other alternative 	<ul style="list-style-type: none"> > Consumers: <ul style="list-style-type: none"> ○ not safe to receive in post ○ can be frittered away > Businesses: <ul style="list-style-type: none"> ○ can be expensive to bank ○ concerns re: safety and security if dealing in large amounts ○ hassle factor of handling cash/going to bank to deposit
Direct into account (online/telephone transfers and BACS)	<ul style="list-style-type: none"> > Preferred by consumers for most receiving situation (with the exception of gifts) > The holy grail for many businesses <ul style="list-style-type: none"> ○ Guaranteed payment once notified of BACS payment ○ Can be very cost effective ○ Secure and safe ○ Business flowed faster (no delays) 	<ul style="list-style-type: none"> > Concerns re: ease of reconciliation with invoices, etc. (not always that easy if payee does not notify you, not clear what has been paid) > Hassle of tracing/tracking payments which do not come through > Reluctance to reveal bank account details (especially consumers and smaller organisations)

	<i>Reasons to consider method as replacement to cheques</i>	<i>Barriers to uptake as replacement to cheques</i>
Debit/Credit Cards	<ul style="list-style-type: none"> > Increasingly the way customers wanted to pay > Direct into bank account so no concerns about cleared funds 	<ul style="list-style-type: none"> > Cost of machines and charges levied (especially for credit cards) prohibitive for smaller businesses > Concerns about ease of creating paper trail
Direct Debit (<i>businesses only</i>)	<ul style="list-style-type: none"> > Ensures the payment is made on the due date 	<ul style="list-style-type: none"> > Widespread lack of awareness of DD as recipient > Perceived to be hassle to set-up and execute (especially the DD guarantee) > May bounce if there is a lack of funds in the account
CHAPS (<i>businesses only</i>)	<ul style="list-style-type: none"> > Instant payment for one-off or emergency situations. Happy to receive. 	<ul style="list-style-type: none"> > Cost (to payees)

3.3 Key Obstacles to Giving Up Cheques

For many, significant barriers to giving up cheques were *habit* and *inertia*: currently there was no need or motivation to do so. So long as the advantages of using cheques still outweighed any disadvantages, people would continue to use cheques (including those who use cheques only infrequently).

“While the cheque is still there, it’s historic. We will carry on using them. If tomorrow they said ‘you’re not having cheques any more’, we wouldn’t have cheques would we? But until someone says that, we’ll carry on.”

(Medium Enterprises, Light Users, Ashby)

The position that payers and payees occupied on the Traditionalist-Progressive spectrum could help to reinforce or overcome the obstacles to changing behaviour with regard to cheque use as the following examples illustrate:

- Where a Traditionalist was dealing with another Traditionalist: things were unlikely to change in this relationship unless both parties are forced to do so;
- Where a Progressive was dealing with a Traditionalist, the Progressive might subtly try to move things forward but this was probably easier for the payer to do rather than the payee, particularly in a consumer to consumer gifting scenario;
- Where a Progressive was dealing with a Progressive there was a greater chance that alternative or newer payment methods might be adopted in place of cheques as both are more inclined to take up new methods. However, one or other of them would need to make the first move and there is evidence to suggest there is sometimes a degree of inertia or reluctance to do this if they are unaware of the other party’s preferences with regard payment methods.

A lack of *awareness and/or resistance or reluctance to adopt other methods* for transactions was clearly another obstacle, as were concerns about the security of Internet and telephone banking. Specifically amongst some less financially sophisticated businesses there was also limited and confused understanding about the cost of cheques versus the alternative methods. For example awareness of bank charges for different payment methods was limited and/or confused. Moreover, those that traditionally used cheques had sometimes not really thought about the total costs of this method of payment (time spent writing out cheques, postage, envelopes as well as bank charges).

Limited knowledge or experience of how alternative methods could mimic some of the more valued features cheques further reinforced this view. For example:

- Ease of reconciliation
- Creating an audit trail;
- How to control or delay payments;
- How to trace electronic payments that had gone astray;
- How to cancel payments once authorised;
- How to replicate the dual signatory feature.

“I can’t think of another way of having dual signed cheques to guarantee an open and honest way of accounting.”

(Clubs and Associations, Birmingham)

For those who have in the main moved on, remaining obstacles related to the belief that cheques were the only way they could pay or be paid, or that they were at least another option if all others failed. In this context, there was a general acceptance that if cheques no longer existed this obstacle would be removed, as everyone would be forced to adopt different methods.

Amongst sole traders and SMEs, a significant obstacle was the time and cost of exploring and adopting alternative methods such as mobile card readers and BACS, especially for those less at ease with new technologies. There were strong indications that education and assistance with costs and technology could go a long way to overcoming this barrier.

“They charge for those machines. If I have one of those machines I have to hire that or acquire it from a certain company and they would charge me and they are not cheap.”

(Clubs and Associations, Birmingham)

Less significant but nonetheless irritating obstacles were the apparent weaknesses of the existing alternatives. For consumers, especially those on tighter budgets, there were concerns about Direct Debits going out and bridging a period when there might be insufficient funds in the account, which would prompt penalties from the bank.

For both consumers and businesses these included:

- The inability to control expenditure tightly with debit or credit cards;
- The need to obtain or give full bank details from/to payers/payees;
- The time it took to set up new payees on online banking;
- Concerns about security of using credit and debit cards on the telephone or over the Internet;

- The hassle of withdrawing cash and concerns about personal safety.

Specifically for businesses there was the perception that BACS was not suitable for one-off or irregular payments, and some were concerned about the inability to authorise BACS payments selectively to help control cash flow.

3.4 Requirements of Alternatives to Cheques

There was a general consensus that there were currently a number of alternatives which could be adopted in the event of the demise of cheques.

However, there was also a fairly widespread belief that the current weaknesses of these alternatives needed to be addressed. Amongst both consumers and businesses, there was a perception that for **paying out scenarios** there would be a need to:

- Provide reassurance about the safety and security of online and other remote transactions;
- Address barriers associated with alternative methods;
- Educate people about the benefits of alternative methods and how they can mimic some of the valued features of cheques (e.g. easy reconciliation, audit trail, delay payment, dual signatories);
- Consider alternative security measures given the current requirement for multiple passwords and PINs which could present problems.

For sole traders, SMEs and other organisations, other improvements were also required such as:

- being able to set up new payees online more quickly;
- reducing costs and incentives to use alternative methods;
- modifying BACS so that it was cheaper and more flexible for one-off/irregular payments.

Consumers in the main are less concerned about **receiving scenarios** and would generally be happy to switch to other methods such as receiving money direct into their bank account. For SMEs and other organisations however, issues such as entry costs, ongoing charges and incentives to encourage take-up of (mobile) card readers are important, and also the ease of reconciliation with incoming electronic payments.

Given the cheque's positioning as a payment of last resort, there was also a need to improve back up measures if other (electronic) systems fail.

For paying out scenarios there was some suggestion that some of the more problematic gaps could, in theory, be 'plugged' by less familiar and emerging technologies such as pre-paid debit cards which could address concerns relating to control, security and accountability, and PayPal and mobile-to-mobile payments which could address concerns about divulging or taking bank account details to make payments.

4 CONCLUSIONS

This research demonstrates that consumers, SMEs and other organisations recognise that cheque usage is in decline. It also shows that there is also a general expectation that cheques would be phased out at some time in the future.

With regard levels of concern about the potential decline of cheques, three key segments emerged:

- a sizeable minority of *Progressives* who are largely unconcerned. Cheques for them are already a payment system they rarely use and which have effectively been replaced by a combination of alternative methods;
- a further large segment who only use cheques alongside other payment systems for a *limited number of specific situations* and especially when paying individuals and organisations who specified cheques. To a large extent their concerns about the demise of cheques could be addressed if appropriate alternatives were in place;
- a smallish minority of (mainly older) people with a much more *Traditional* approach to money management who are rather more concerned. They see cheques and the chequebook as a key part of their financial management system and fear that the withdrawal of cheques would force them to use unfamiliar systems that they consider less appealing or unsatisfactory.

This research also highlighted some specific segments who might be experience genuine practical difficulties making payments if and when cheques were phased out altogether.

Amongst **consumers** this includes the housebound, the (frail) elderly, those with specific disabilities which made it difficulty to take up existing alternatives and those on lower incomes and the fringes of financial exclusion. If they are also attitudinally towards the Traditionalist end of the spectrum this can further exacerbate their unwillingness and inability to use alternatives to cheques. At the most extreme end of this spectrum, cheques could represent the final barrier between some individuals and financial exclusion. So for example, if they are unable to get out and get cash they may not have any other way of both paying for goods and services or repaying friends and family.

Amongst **businesses and other organisations**, charities, associations, clubs, schools and smaller (mobile) traders stand out as segments that are more concerned. Currently they also seem to be the least likely to consider adopting the alternatives. Specifically they often have neither the time, money or motivation to look for alternative payment mechanisms.

It should be noted, however, that whilst there is a general acceptance that cheques will eventually be phased out; there is also an assumption that it will not happen overnight. In this

context many are confident that appropriate alternatives would be in place when the time comes.

It is also likely that with the passage of time, numbers in the Progressive group will grow as numbers in the Traditionalist group decline. However, in the short term there is clearly a need to address the concerns and barriers of those at the Traditionalist end of the spectrum. Currently the significant obstacles to giving up cheques are habit and inertia combined with a lack of awareness and confidence in the alternatives. In this context the process of eroding usage and dependence on cheques and encouraging usage of other systems will be advanced if awareness, understanding of and confidence in other systems were enhanced.

There is clearly a need to start the process of fostering change. Looking ahead, the process of eroding usage and dependence of cheques will be encouraged by:

- **Raising awareness of and confidence in existing and emerging alternatives** such as Direct Debit, telephone and Internet banking, BACS or PayPal.
 - Providing reassurance about the safety and security of existing online/electronic payment methods and when using credit or debit cards remotely;
 - Educating consumers and SMEs about how alternative methods can replicate features of cheques which are particularly valued, e.g. easy reconciliation, creating a paper trail, how to control or delay payments, how to cancel payments once authorised, and dual signatories;
- **Making improvements to existing alternatives**
 - Providing alternative security measures which avoid the requirement for multiple and complex password systems;
 - Making it quicker to set up new payees for electronic transfers;
 - Reducing the cost of BACS for one-off and irregular payments;
 - Allowing for easier reconciliation of electronic transactions;
- **Incentivisation**
 - Encouraging and incentivising take-up of alternative methods amongst both consumers and SMEs. Reaching out to sole traders and SMEs will be particularly important as they often have neither the time, inclination nor resources to investigate alternatives;
 - Encouraging organisations such as schools, clubs, charities and smaller and mobile tradesmen currently requesting or specifying cheques as a way of receiving money to offer practical, inclusive and cost effective alternatives.

There are also indications that some of the more problematic scenarios identified could, in theory, be plugged by newer or emerging payment methods. For example, (business) PayPal and mobile-to-mobile payments could address concerns about having to divulge bank account

details to make or receive payments, and pre-paid debit cards could address concerns relating to control, security and accountability.

However, some gaps remain and will need to be addressed. Specifically, there are concerns from older people, those with certain disabilities and those on lower incomes about how they will cope with the eventual demise of cheques. As the process of decline in cheque usage continues it will be important to identify the needs of these segments and focus on ways of helping them manage to switch over to other payment methods in a way which is not too disruptive and incapacitating.

Other remaining challenges include finding a suitable and acceptable alternative to sending payments or gifts in the post and, to some extent, payments to charities and churches. Currently, existing alternatives are seen as less satisfactory, less convenient and less personal. Amongst clubs and associations, a way needs to be found to replicate the dual signatory feature which they value and which is mandatory for charities.

Finally, for many the cheque represents a payment of last resort and, in order to withdraw from cheque usage altogether, they will need to be reassured that alternatives are secure, reliable and have adequate back up measures should systems fail.

APPENDICES

- Appendix 1: Sample Structures
- Appendix 2: Recruitment Questionnaires
- Appendix 3: Discussion Guides

Appendix 1: Sample structures

Table 3: Consumer group discussions

	Total	Heavy Users	Light Users	Heavy/light users
18-24 mainly pre-family	1	-	-	1
25-44, mainly with family,C2DE	2	1	1	-
25-44, mainly with family, ABC1	2	1	1	-
45-64, mainly empty nesters ABC1	2	1	1	-
45-64, empty nesters C2DE	1	-	-	1
65+ ABC1	2	1	1	-
65+ C2DE	2	1	1	-
Total group discussions	12	5	5	2

Table 4: Consumer depth interviews

	Total depths
Individuals who are housebound/have physical impairments, under 55	3
Individuals who are housebound/have physical impairments, 65+	3
Individuals who act on behalf of those with physical/mental impairments	3
The ‘under-banked’	4
High Net Worth individuals	3
Total depths	16

Table 5: Sole Traders, SMEs, and other Organisations group discussions

	Total	Heavy users	Light users	Heavy/light users
Sole traders	3	2	1	-
Micro-businesses	3	2	1	-
Small enterprises	2	1	1	-
Medium enterprises	2	1	1	-
Clubs, associations and societies	1	-	-	1
Schools and charities*	1	-	-	1
Total	12	6	4	2

*In addition to the group discussion with schools and charities, two depth interviews were carried out with school bursars.

Appendix 2: Recruitment Questionnaire

Respondent's Name: _____ Address: _____ _____ _____ Post Code: _____	Area: South 1 Midlands 2 North 3 Scotland 4 Wales 5 N. Ireland 6 Sex: Male 1 Female 2 Group Date:
Telephone: _____	Group Time:

Good morning / afternoon. I am from Andrew Irving Associates and we are conducting some market research in this area. We will be looking at some issues of general interest to businesses. Could you help us, please? Thank you very much, but first of all can I ask a few questions to make sure that we talk to the right cross-section of people.

Q1a. Do you or any members of your immediate family/close friends work in:

READ OUT/SHOW CARD 1

Q1b. And is your own business/organisation in any of the following sectors *STILL CARD 1*

	Family occupation (a)	Own business (b)	
Market research or marketing	1	1	
Advertising	2	2	
Public Relations or Journalism	3	3	
Banks/Building Societies	4	4	<i>Close</i>
Department for Work & Pensions	5	n/a	
The Payments Council/APACS	6	n/a	
----- None of the above	7	7	<i>Q2</i>

Q2. Which of the following statements best applies to you?

READ OUT/SHOW CARD 2

I have sole responsibility for decisions regarding payment methods used in my business	1	
I share responsibility for decisions regarding payment methods used in my business	2	<i>Q3a</i>

Someone else is responsible for decisions regarding payment methods used in my business	3	<i>Close</i>

Q3a. Does your organisation require dual authorisation for payments? Yes 1 *Q3b*

No 2

Q3b. Is/are your co-signatory(s) on the same site as you? Yes 1
No 2 *See **

** IDEALLY, AIM TO RECRUIT AT LEAST ONE RESPONDENT IN EACH GROUP CODING 2 AT (b). CHECK QUOTA THEN Q4.*

Q4. How many people do you employ in your business/company? Sole trader – no employees 1 *Q6*

READ OUT /SHOW CARD 3

2-9 employees 2
10-49 employees 3 *See **
50-199 employees 4 *then Q5*
200-250 employees 5

** IF 1 CODED CONSIDER FOR 'SOLE TRADER' GROUPS ONLY. CHECK QUOTA THEN Q6.
IF 2 CODED CONSIDER FOR 'MICRO-BUSINESSES' GROUPS ONLY
IF 3 CODED CONSIDER FOR 'SMALL ENTERPRISES' GROUPS ONLY
IF 4 OR 5 CODED CONSIDER FOR 'MEDIUM ENTERPRISES' GROUPS ONLY
CHECK QUOTA THEN Q5*

Q5: ask micro businesses, small and medium enterprises only

Q5. Do you pay all your employees direct into their bank accounts? All 1
Some/None 2 *See **

** AIM TO GET A SPREAD OF RESPONDENTS CODING 1 AND 2. CHECK QUOTA THEN Q6.*

Q6-Q9: Ask all

Q6. And what area of business does your company/organisation cover?
 WRITE IN BELOW AND CODE OPPOSITE

- Agriculture/farming 1
- Automotive 2
- Building and construction 3
- Design 4
- Education 5
- Health & social work 6
- Hotels and restaurants 7
- Retail (trade/wholesale) 8
- Service 9
- Transport 10
- Utilities 11
- (water, gas or electricity)
- Other 12

Q7a

Aim to get a spread of business types/sectors in each group

Q7a. I am going to read you a list of different methods of paying/receiving money. Please can you tell me how important each method is to your business **with regard to paying money**.
 READ OUT BELOW AND SHOW CARD 4

	← Important →			
	Very	Quite	Not very	Not at all
Cash	1	2	3	4
Cheque	1	2	3	4
Credit card	1	2	3	4
Debit card	1	2	3	4
Standing order/Direct Debit	1	2	3	4
BACS Direct Credit	1	2	3	4
Electronic transfer/telephone banking	1	2	3	4

Q7b

Q7b. Now can you tell me how important each method is to your business **with regard to receiving money**.
 READ OUT BELOW. STILL CARD 4

	← Important →			
	Very	Quite	Not very	Not at all
Cash	1	2	3	4
Cheque	1	2	3	4
Credit card	1	2	3	4
Debit card	1	2	3	4
Standing order/Direct Debit	1	2	3	4
BACS Direct Credit	1	2	3	4
Electronic transfer/telephone banking	1	2	3	4

See *

* IF 1 OR 2 CODED FOR CHEQUE AT Q7a AND/OR Q7b, CONSIDER FOR HEAVY USERS GROUPS.;

IF 3 OR 4 CODED FOR CHEQUE AT Q7a AND Q7b, CONSIDER FOR LIGHT USERS GROUPS.

CHECK QUOTA THEN Q8.

Q8. Thinking of your customer base, would you say ...

READ OUT/SHOW CARD 5

I/we trade mainly with the general public	1	
I/we trade mainly with other businesses	2	Q9
I/we trade with both general public and other businesses	3	

Aim to get a spread of businesses coding 1-3 in each group

Q9. Finally, have you taken part in any market research group discussion in the last 6 months?

Yes	1	Close

No	2	Recruit

If respondent fits quota, send him/her an invitation card confirming date, time and location of the interview. Make sure that respondent's name, address and telephone number, and the date and time of the interview is clearly recorded on the front of the questionnaire so that you can telephone him/her with a reminder to attend.

I hereby declare this questionnaire has been completed according to the instructions and the Market Research Society's Code of Conduct, and that the respondent was unknown to me at the time of recruitment.

RECRUITER'S NAME: _____

SIGNED: _____

DATE: _____

Andrew Irving Associates
 Lloyds Bank Building
 Muswell Hill Broadway
 London N10 3RZ
 Tel. 020 8444 5678

JN2547
 Recruitment Questionnaire
 Associations
 July 2008

Respondent's Name: _____

- Area: South 1
- Midlands 2
- North 3
- Scotland 4
- Wales 5
- N. Ireland 6

Address: _____

- Sex: Male 1
- Female 2

_____ Post Code: _____

Group Date:

Telephone: _____

Group Time:

Good morning / afternoon. I am from Andrew Irving Associates and we are conducting some market research in this area. We will be looking at some issues of interest to schools and associations. Could you help us, please? Thank you very much, but first of all can I ask a few questions to make sure that we talk to the right cross-section of people.

Q1. Do you or any members of your immediate family/close friends work in:

READ OUT/SHOW CARD 1

- Market research or marketing 1
- Advertising 2
- Public Relations or Journalism 3 *Close*
- Banks/Building Societies 4
- Department for Work & Pensions 5
- The Payments Council/APACS 6
-
- None of the above 7 *Q2*

Q2. And which of the following best describes your organisation:

READ OUT/SHOW CARD 6

WRITE IN NAME OF ASSOCIATION BELOW

- School 1
- Society 2
- Club 3 *Q3*
- Charity 4
-
- None of the above 6 *Close*

Q3. Which of the following statements best applies to you?

READ OUT/SHOW CARD 7

I have sole responsibility for decisions regarding payment methods used in my organisation	1	
I share responsibility for decisions regarding payment methods used in my organisation	2	<i>Q4a</i>

Someone else is responsible for decisions regarding payment methods used in my organisation	3	<i>Close</i>

n.b. for clubs, societies and charities the relevant person is likely to be the Treasurer or have Treasurer responsibilities. For schools, the relevant person is likely to be the Bursar or Finance Officer in State schools. Check respondent's capacity within the association and write in below:

Q4. Does your organisation require dual authorisation for payments?	Yes	1	<i>See</i>
	No	2	

* *IDEALLY, AIM TO RECRUIT AT LEAST ONE RESPONDENT IN EACH GROUP CODING 1. CHECK QUOTA THEN Q5a.*

Q5: Ask schools/colleges only

Q5a. Is your school or college ...	State	1	<i>Q5b</i>
	Secondary	2	
Q5b. And which category does it come into?	Infants/Nursery	1	
<i>READ OUT/SHOW CARD 8</i>	Primary	2	<i>Q8a</i>
	Middle/Secondary	3	
	Sixth Form College	4	

Q6-Q7: Ask societies, clubs and charities only

Q6. And what area of activity does your society/club/charity cover?	Adult health/welfare	1	
<i>WRITE IN BELOW AND CODE OPPOSITE</i>	Animal health/welfare	2	
	Child health/welfare	3	
	Culture	4	<i>Q7</i>
	Education	5	
	Recreation	6	
	Religion	7	
	Sport	8	
	Other	9	

Aim to get a spread of activity types in each group

Q7.	What is the approximate size of your membership at local level?	Under 50	1
		50-249	2
	<i>READ OUT/SHOW CARD 9</i>	250-499	3 <i>Q8a</i>
		Over 500	4

Q8-Q9: Ask all

Q8a. I am going to read you a list of different methods of paying/receiving money. Please can you tell me how important each method is to your organisation **with regard to paying money**.

READ OUT BELOW AND SHOW CARD 10

		← Important →				
	Very	Quite	Not very	Not at all		
Cash	1	2	3	4		
Cheque	1	2	3	4		
Credit card	1	2	3	4		
Debit card	1	2	3	4	<i>Q8b</i>	
Standing order/Direct Debit	1	2	3	4		
BACS Direct Credit	1	2	3	4		
Electronic transfer/telephone banking	1	2	3	4		

Q8b. Now can you tell me how important each method is to your organisation **with regard to receiving money**. *READ OUT BELOW. STILL CARD 10*

		← Important →				
	Very	Quite	Not very	Not at all		
Cash	1	2	3	4		
Cheque	1	2	3	4		
Credit card	1	2	3	4		
Debit card	1	2	3	4	<i>See</i>	
Standing order/Direct Debit	1	2	3	4	<i>*</i>	
BACS Direct Credit	1	2	3	4		
Electronic transfer/telephone banking	1	2	3	4		

- * **IN BOTH CLUBS/SOCIETIES GROUP AND SCHOOLS/CHARITIES GROUP:**
- **AT LEAST TWO RESPONDENTS SHOULD CODE 1 OR 2 FOR CHEQUE AT Q8a OR Q8b AND AT LEAST TWO RESPONDENTS SHOULD CODE 3 OR 4 FOR CHEQUE AT Q8a OR Q8b**

• *CHECK QUOTA THEN Q9.*

Q9.	Finally, have you taken part in any market research group discussion in the last 6 months?	Yes	1	<i>Close</i>

		No	2	<i>Recruit</i>

If respondent fits quota, send him/her an invitation card confirming date, time and location of the interview. Make sure that respondent's name, address and telephone number, and the date and time of the interview is clearly recorded on the front of the questionnaire so that you can telephone him/her with a reminder to attend.

I hereby declare this questionnaire has been completed according to the instructions and the Market Research Society's Code of Conduct, and that the respondent was unknown to me at the time of recruitment.

RECRUITER'S NAME: _____

SIGNED: _____

DATE: _____

Andrew Irving Associates
 Lloyds Bank Building
 Muswell Hill Broadway
 London N10 3RZ
 Tel. 020 8444 5678

JN2547
 Recruitment Questionnaire
 Consumer Groups
 July 2008

Respondent's Name: _____ Address: _____ _____ _____ Post Code: _____	<table style="width: 100%; border-collapse: collapse;"> <tr><td>Area: South</td><td style="text-align: right;">1</td></tr> <tr><td>Midlands</td><td style="text-align: right;">2</td></tr> <tr><td>North</td><td style="text-align: right;">3</td></tr> <tr><td>Scotland</td><td style="text-align: right;">4</td></tr> <tr><td>Wales</td><td style="text-align: right;">5</td></tr> <tr><td>N. Ireland</td><td style="text-align: right;">6</td></tr> <tr><td colspan="2"> </td></tr> <tr><td>Sex: Male</td><td style="text-align: right;">1</td></tr> <tr><td>Female</td><td style="text-align: right;">2</td></tr> </table> Group Date: Group Time:	Area: South	1	Midlands	2	North	3	Scotland	4	Wales	5	N. Ireland	6			Sex: Male	1	Female	2
Area: South	1																		
Midlands	2																		
North	3																		
Scotland	4																		
Wales	5																		
N. Ireland	6																		
Sex: Male	1																		
Female	2																		

Good morning / afternoon. I am from Andrew Irving Associates and we are conducting some market research in this area. We will be looking at some issues of general public interest. Could you help us, please? Thank you very much, but first of all can I ask a few questions to make sure that we talk to the right cross-section of people.

Q1. Do you or any members of your immediate family/close friends work in:
READ OUT/SHOW CARD A

- | | | |
|--------------------------------|---|--------------|
| Market research or marketing | 1 | |
| Advertising | 2 | |
| Public Relations or Journalism | 3 | <i>Close</i> |
| Banks/Building Societies | 4 | |
| Department for Work & Pensions | 5 | |
| The Payments Council/APACS | 6 | |
| ----- | | |
| None of the above | 7 | <i>Q2a</i> |

Q2a. Which of the following do you have?
READ OUT/SHOW CARD B

Deposit/Savings account	1	
Bank or Building Society account	2	<i>See *</i>
Mortgage	3	
Bank loan	4	

* *RESPONDENTS MUST CODE 2 THEN Q2b. IF 2 NOT CODED CLOSE.*

Q2b. And do you have a cheque book?

Yes	1	
No/Don't know	2	<i>See *</i>

* *NO MORE THAN TWO RESPONDENTS IN EACH GROUP SHOULD CODE 2. CHECK QUOTA THEN Q3a.*

Q3a. Roughly how often would you say you **wrote** a cheque? On average ...
READ OUT/SHOW CARD C

At least 12 cheques a year/one a month	1	
Less than 12 cheques a year/one a month	2	<i>Q3b</i>
I do not write cheques	3	

Q3b. Roughly how often would you say you **received** a cheque? On average ...
SHOW CARD D

At least 12 cheques a year/one a month	1	
Less than 12 cheques a year/one a month	2	<i>See *</i>
I do not receive cheques	3	

* *IF 1 CODED AT (a) AND/OR (b), CONSIDER FOR HEAVY USERS SAMPLE.
 IF 2 CODED AT (a) AND (b), CONSIDER FOR LIGHT USERS SAMPLE
 IF 3 CODED AT (a) AND (b), CLOSE
 CHECK QUOTA THEN Q4*

*IN 'HEAVY/LIGHT USERS' GROUPS ONLY AT LEAST TWO RESPONDENTS TO CODE
 HEAVY AND AT LEAST TWO SHOULD CODE LIGHT. CHECK QUOTA THEN Q4.*

*n.b. respondent should be writing and receiving sterling cheques drawn on UK banks and
 building societies*

Q4. What is the occupation of the main wage earner in your household?
WRITE IN BELOW AND CODE OPPOSITE

A	1	
B	2	<i>Check</i>
C1	3	<i>quota</i>
C2	4	<i>then</i>
D	5	<i>Q5</i>
E	6	

In each group aim to get a spread of occupations

Q5. And which of the following age bands do you come into?
Close
READ OUT /SHOW CARD E

Under 18	1	

18-24	2	
25-29	3	
30-34	4	
35-39	5	<i>Check</i>
<i>In each group aim to get a spread of ages</i>	6	<i>quota</i>
	7	<i>then</i>
	8	<i>Q6a</i>
	9	
	10	
	11	
	12	
	13	

Q6. And do you have any children under 16 living at home with you? Yes 1 See *
No 2

* IF 1 CODED, CONSIDER FOR 'MAINLY WITH FAMILY' GROUPS.
IF 2 CODED, CONSIDER FOR EITHER 'MAINLY PRE-FAMILY' OR 'MAINLY EMPTY NESTER' GROUP. CHECK QUOTA THEN Q7.

Q7. Which of the following statements best applies to you?
READ OUT/SHOW CARD F

I am an owner-occupier 1
I am a private tenant 2 See *
I am a Council/Housing Association tenant 3

* AT LEAST TWO RESPONDENTS IN EACH GROUP SHOULD CODE 2 OR 3.
CHECK QUOTA THEN Q8a.

Q8a. Do you own any property/properties which are currently let to tenants? Yes 1 Q8b

No 2 Q9a

Q8b. And do you yourself deal with your tenants on financial/monetary matters Yes 1
No 2 See *

* IDEALLY, AIM TO RECRUIT AT LEAST ONE RESPONDENT IN EACH GROUP CODING 1 AT (b). However, if a respondent fits on all other criteria, do not necessarily reject – check with the office first. CHECK QUOTA THEN Q9

Q9a. Thinking of the following ways of making payments, which do you use regularly
READ OUT/SHOW CARD G

Q9b. And which do you use sometimes? STILL CARD G

Q9c. And which do you never use? STILL CARD G

	Use regularly (a)	Use sometimes (b)	Never use (c)	
Cheque	1	1	n/a	
Credit card	2	2	2	
Debit card	3	3	3	
Standing order/Direct Debit	4	4	4	
Bankers draft/• Building society cheque	5	5	5	See *
Telephone/online banking	6	6	6	

• explain to respondent that a building society cheque is a cheque written by a building society when a customer asks to make a payment or transfer funds. It is different from an ordinary cheque in that it is bigger and the customer doesn't sign it. It is **not** a cheque from a personal cheque book which the customer uses day to day.

* AIM FOR A SPREAD OF RESPONDENTS CODING FROM 1 TO 6 AT (a), (b) AND (c).
CHECK QUOTA THEN Q10.

Q10. Which of the following statements best applies to you?

READ OUT/SHOW CARD H

- I feel very confident and well-informed when managing my money and financial affairs 1
- I feel quite confident and well-informed when managing my money and financial affairs 2 *See **
- I do not feel very confident and well-informed when managing my money and financial affairs 3
- I am not at all confident and well-informed when managing my money and financial affairs 4

* *AIM FOR A SPREAD OF RESPONDENTS CODING 1 to 4. CHECK QUOTA THEN Q11.*

Q11. Finally, have you taken part in any market research group discussion in the last 6 months?	Yes	1	<i>Close</i>

	No	2	<i>Recruit</i>

If respondent fits quota, send him/her an invitation card confirming date, time and location of the interview. Make sure that respondent's name, address and telephone number, and the date and time of the interview is clearly recorded on the front of the questionnaire so that you can telephone him/her with a reminder to attend.

I hereby declare this questionnaire has been completed according to the instructions and the Market Research Society's Code of Conduct, and that the respondent was unknown to me at the time of recruitment.

RECRUITER'S NAME: _____

SIGNED: _____

DATE: _____



Appendix 3: Discussion Guides

jn2547, Payments Council

Consumers Revised Topic Guide

*Introduce self and AIA and explain purpose of research and Payments Council.
Introduce/indicate any observers and reassure about confidentiality and recording.
Explain about group discussion process and “rules”*

1. Warm up/Background

5 mins

- Ask each respondent to introduce themselves – name, family circumstances, employment status, interests etc.

2. General Attitudes/Approach to Making Payments

20 mins

*Explain this section is about **MAKING PAYMENTS** and we will talk about different ways of receiving payments later*

- Explore choice of payment method in different payment situations [*use showcards and show those appropriate to the specific group, no need to cover all*]
 - > supermarket shopping
 - > purchasing petrol
 - > utility bills
 - > rent/mortgage
 - > withdrawing cash from a bank or a Post Office
 - > annual membership to a local club or society
 - > school or other children’s activities
 - > plumber called out to your home
 - > friend money owed after a meal out
 - > holiday
 - > Council Tax
 - > car repairs/servicing
 - > dentist
 - > buying something at a market stall
 - > mail order purchases
 - > internet purchases
 - > special offer on a cereal packet
- Probe around:
 - > choice of payment methods available for situation – what’s suitable and why
 - > factors influencing choice – why
 - > advantages/disadvantages of different methods available
 - > has payment choice changed over time, if so, why?
 - > how important is it to manage finances/balance receipts and payments?
- Explore how and why cheques were/were not used for different types of payment and the thought processes underlying behaviour.
- What other occasions are there for using cheques (apart from ones already mentioned, e.g. transferring money between accounts, withdrawing cash, reasons?)

3. Detailed Attitudes Towards Using Cheques for Making Payments **20 mins**

*In this section we are seeking to explore the features of cheques that are valued and barriers to giving up cheques for making payments. The **MAIN AIM** of this sections is to draw up a list of the features valued and the barriers to giving up cheques to be used as stimulus in the following sections.*

- How and why are cheques being used for different types of payment? (*Draw up a list on flip chart of different scenarios to be referred back to later*)
- What are the main advantages and disadvantages of using cheques to **make payments** in different circumstances
- What are the particular benefits of using cheques, *probe [if not spontaneously mentioned]:*
 - > cost
 - > ease of use
 - > reliability
 - > ability to attach other information to the payment when using cheques, e.g. remittance advice
 - > control over making the payment
 - > the time it takes for the money to leave your account
 - > security compared to other forms of payment
 - > guarantee of payment for receiver (if cheque guarantee card used)
 - > other aspects of acceptability to the receiver (e.g. convenience to them, only form of payment they'll accept/can't otherwise do business with them)
- What problems are there in using cheques?
- What do you particularly like/value about using cheques?
 - > tradition
 - > familiarity
 - > tangibility (i.e. it's something paper you can hold)
 - > paper trail
 - > habit
 - > feelings towards alternatives

Explore reasons and note on flipchart as barriers to giving up or features valued

- Going back to the different cheque using scenarios discussed early – why are cheques used? preferred method, only method or easiest method:
 - > if cheques are the *only* method is this because they say that's the only way they will take the payment or are they just not aware of alternatives
 - > if there was an alternative, would they use it?
 - > have they always made payments in these situations by cheque? If not, why did they change to cheque?
 - > would they pay by telephone banking or internet banking if they knew the account details of who they are paying?
 - > have they ever paid by cheque because they don't know the account details of who they are paying?
 - > do they tend to use cheques as a last resort in this situation? Why?
- Amongst **heavier cheque users** seek to explore nature and extent of the factors driving cheque use and who is driving cheque usage for payments out – customer or business.

- Amongst **lighter cheque users** explore why and how usage of cheques has been eroded (if eroded), why they continue to use cheques in certain situations and what prevents them giving up cheque use altogether?

4. Receiving Cheques

15 mins

*Make clear we are now talking about when and why payments are **RECEIVED** by cheque*

- What cheques do you receive nowadays? Who from and what for? *Prompt*: state benefits, gifts, wages, money owed, expenses from work, dividends, tax rebates, other
- Have they always received these payments via cheque? If not, why did they start receiving cheques for these payments? Who suggested the change – payee or payer?
- How do you feel about receiving these cheques – what do you like or dislike?
- What are the main benefits of receiving payments by cheque (*note on flipchart*)
- What are the main drawbacks of receiving payments by cheque (*note on flipchart*)
- What are the advantages and disadvantages of cheques versus other ways of receiving money?
- Do they have any influence over how they are paid by cheque or another method? How does this work?
- In the past what other payments did they used to receive by cheque? How and why did this change and how did they feel about it when it happened? How do they feel about it now?
- Have they ever requested to be paid by cheque because they don't want to disclose their account details? In what situations? Why?
- Find out whether cheques are the **best**, **only** or **easiest** method to receive these payments.
- Why considered best, only or easiest?

Pick up any features valued or barriers to not using cheques and note on the flip chart

5. Requirements of Alternatives to Cheques

30 mins

*Split out the discussion by requirements for **making** payments and **receiving** payments.*

- Revisit scenarios of cheque usage drawn out in sections 3 and 4. For each scenario:
 - > what are the barriers to giving up cheques/features they value
 - > what alternative methods would they consider/which would they not
 - > what might make them consider alternative methods in the future
 - > where are the gaps in alternatives and how problematic are they? Could they manage
- For which types of payment that **they** make/receive will it be hardest to replace cheques? Why do they feel this?
- Now imagine that cheques no longer exist for either payment or receipt of money: (explore in relation to each of the situations where they currently use cheques)
 - > how would they feel about this scenario?
 - > what would they do?
 - > what other payment methods might they consider now?
 - > what difference would it make to them or the people they deal with?

- > what solutions can they envisage?
- As a former cheque user what would you want from a **new/alternative system**? (*explore as alternatives to situations where they currently use cheques, especially if gaps identified where no alternative currently exists*)
 - > What are the essential characteristics? Why?
 - > What would be desirable? Why?
 - > What would be the concerns? Why?
- If not covered adequately, explore reactions to **other sorts of payment options** (cash, credit cards, debit card, Direct Debit, Standing Order, online or telephone transfers, contactless payments, mobile payments, PayPal, etc.)
 - > explore pros and cons of each compared to cheques
 - > are they acceptable substitutes for cheques (in the situations they used them)? Why/why not?
 - > spontaneous suggestions for improvement
 - > What would you need to use these alternatives? What would alleviate concerns *Probe* – better/clearer information? Security guarantees? Easier access to alternatives? Paper trail? No need to know account details?

6. Summary

- What is the main obstacle to using other forms of payment or way of receiving money in the circumstances where cheques are used
- What one thing would encourage them to change to an alternative payment option?
- Which alternative payment option would they prefer? Why?

jn2547, Payments Council

SMEs

Revised Topic Guide

Introduce self and AIA and explain purpose of research and Payments Council. Introduce/indicate any observers and reassure about confidentiality and recording. Explain about group discussion process and “rules”

1. Warm Up/Background

10 mins

- Ask each respondent to introduce themselves and their organisation
 - > first name, organisation they are representing, role in organisation
- For businesses:
 - > nature of business
 - > length of time trading
 - > number of employees
 - > who its customers are (business, public, public sector, other) and how it comes into contact with them (shop, office, internet, travel to/from home office)

2. Accounting and Finance

10 mins

- For each business, seek to understand the nature of accounts/finance within each respondent:
 - > dedicated function or done as part of other duties?
 - > is an external accountant used for formal accounting?
 - > explore any financial reporting responsibilities to other parts of the organisation
- Is the organisation primarily **paper-based or electronic** in its record keeping?
- Does it use **internet banking**? If so, what for – just monitoring account balances or for making payments as well?
- How important/flexible is **cashflow control** for the business/organisation? On occasions, are they dependent on *receiving* payments before they can *make* payments?

3. Making Payments

*Explain that this sections is about **MAKING PAYMENTS** and that we will talk about different ways of receiving payments later*

3.1 General Attitudes/Approach to Making Payments

15 mins

- Explore choice of payment method in different **payment situations** [*use showcards and show those appropriate to the specific group, no need to cover all*]
 - > **wages** [distinguish between regular employees and new/casual employees]; **trade suppliers** [distinguish between regular and one-off suppliers]; **expenses claims**; **utilities**; **rent and rates**; **credit card payments** [probably more relevant to certain sectors, e.g. service, retail, where employees pay for expenses incurred on a company credit card]; **Government agencies, e.g. PAYE, VAT**
- Probe around:
 - > choice of payment methods available for situation/underlying thought process
 - > factors influencing choice/key drivers – why
 - > advantages/disadvantages of methods available, what do they avoid and why
 - > how far do they feel able to choose/specify payment method

- > *Probe*: company/organisation policy favouring methods, reasons
- > how has this changed over time, last 5 years – why
- Throughout above scenarios, explore business/organisation context to payments:
 - > responsibility for payments – one individual or more
 - > controls in place, e.g. authorisation procedures required for payments of different amounts
 - > payments authorisation policy, e.g. double signatories required
 - > other information sent with it, e.g. remittance advice?
 - > if BACS payments are made, are these on a fixed cycle, e.g. monthly, fortnightly? If so, why? How do they obtain details of those they wish to pay by BACS?
 - > do some suppliers insist on payment by a particular method (or a particular method if account terms are wanted?) How do you feel about that?

3.2 Detailed Attitudes Towards Using Cheques for Making Payments 15 mins

In this section we are seeking to explore the features of cheques that are valued and barriers to giving up cheques for making payments. We would seek to compile a list on the flipchart of the features valued and barriers to giving up cheques and then use as a stimulus in the following sections.

- How and why are cheques being used for different types of payment? (*Draw up a list on flip chart of different scenarios to be referred back to later*)
- In what situations are cheques seen as the preferred means of payment? Why? By whom?
- What are the thought processes underlying current behaviour in relation to cheques?
- Get respondents to explain in their own words what the main advantages and disadvantages of using cheques to make payments in different circumstances
- *If not spontaneously mentioned*: are there any particular benefits/problems in using cheques in terms of:
 - > cost
 - > administrative burden
 - > ease of use
 - > reliability
 - > authorisation procedures/requirements
 - > ability to attach other information to the payment when using cheques, e.g. remittance advice
 - > control over making the payment
 - > the time it takes for the money to leave account
 - > checking money has been taken from account
 - > security compared to other forms of payment
 - > guarantee of payment for receiver (if cheque guarantee card used)
- Explore **features valued in cheques**, reasons and degree to which they are felt (spontaneous, then prompt) **WRITE UP ON CHART**
 - > tradition/conservatism
 - > familiarity
 - > tangibility (i.e. it's something paper you can hold)
 - > need for record/paper trail
 - > habit
 - > feelings towards alternatives (lack of confidence in/ignorance of, etc.)

- What are the features of cheques that are particularly key or important? Can they be provided by other means of payment?
- What are the key barriers to giving up cheques? *WRITE UP ON CHART*
- Amongst **heavier cheque users** seek to explore nature and extent of the factors driving cheque use and who is driving cheque usage for payments out – customer or business.
- Amongst **lighter cheque users** explore why and how usage of cheques has been eroded (if eroded), why they continue to use cheques in certain situations and what prevents them giving up cheque use altogether?

3.3 Attitudes to Alternative Methods for Making Payments

15 mins

- Thinking about different scenarios discussed in **SECTION 3** explore why cheques are used as opposed to alternative payment methods Probe: preference (theirs or the recipient), ease/convenience, cost, other
EXPLORE REASONS AND NOTE ON FLIPCHART
- Briefly explore awareness, understanding and attitudes towards other payment methods:
 - > Direct Debit
 - > BACS Direct credit
 - > telephone banking
 - > internet banking
 - > debit cards
 - > credit cards
 - > mobile payment solutions
 - > contactless payment solutions
 - > non-bank payment solutions (e.g. PayPal)
 - > cash, etc.
- What, if anything, might encourage them to consider alternatives now
- What, if anything, might encourage them to consider alternatives in the future (probe for cost of cheques, etc.)
- For each of the scenarios discussed where cheques are used, probe attitudes towards using different payment methods and establish key barriers to change
- For what types of payment in will it be hardest (or impossible) to replace cheques?
Explore spontaneous views on any gaps for which there is no existing satisfactory alternative to cheques.

SO CHEQUES ARE NO MORE.

- If cheques no longer existed, what would they do?
- How would this vary for different payment scenarios?
- If none of existing alternatives are considered appropriate, how problematic are the gaps, could they manage
- What would encourage them to use other payment methods/help to overcome the barriers to giving up cheques with regard to **paying** money out? What kinds of incentive would be more relevant/motivating?
- What would they want from a **new/alternative system** for paying money out:
 - > what are the essential characteristics/features (i.e. those highly valued in cheques)
 - > what would be desirable

4. Receiving Payments

*Explain that this section is about **RECEIVING PAYMENTS**. Moderator will need to pick up from initial discussion what type of circumstances the organisations receive payment for – this will be specific to the nature of business – prompt around these*

4.1 **General Attitudes Towards Receiving Payments**

15 mins

- Explore briefly, attitudes towards different ways of receiving money and probe around:
 - > choice of methods available for situation/underlying thought process (compare and contrast different respondents' reasons)
 - how far do they feel able to choose/specify way money is received? Why?
 - advantages/disadvantages of methods available,
 - Explore differences between preferred way to receive, what *can't* they receive, what *won't* they receive and reasons for this,
 - what do they avoid, why? – what happens when someone asks to pay in a different way?
 - > has their policy for 'payment in' methods changed in the last 5 years, explore reasons
 - > compare for different circumstances of SMEs; customers vs. other parts of the business/organisation vs. other businesses

- Then focus on **various paying in scenarios** and invite respondents to indicate/discuss payment methods preferred and why. (*DRAW UP LIST OF FLIP CHART OF DIFFERENT SCENARIOS*). Scenarios covered would relate back to the introduction but would include a range such as:
 - > face to face payments in retail environment
 - > face to face payments taken in someone's home or other location
 - > payments taken over the phone or internet
 - > payment of invoices

- For each relevant **payment in scenario**, explore as appropriate pros and cons of alternative methods and degree to which recipient feels able to influence methods used.

- What **factors influence willingness to accept different payment methods** (e.g. size of payment, familiarity with payer, type of contact with the customer? And hence guarantee, immediacy, etc. required). How important are relative costs of different payment methods to them?
- **What/who is influencing methods used for receiving money?** (*push on this*) the business policy, payers'; choices, banks, Inland Revenue – why? To what extent do they try to influence the methods that customers use to pay them?
- How do they reconcile payments received? Do they expect remittance information to accompany payments received? How does this feed through to the accounts (e.g. are the processes integrated)?

4.2 **Detailed Attitudes Towards Receiving Payments via Cheque**

15 mins

Overall we would seek to compile a list on the flipchart of the features valued and barriers to giving up cheques and then use as a stimulus in the following sections.

- As a business, what are the advantages and disadvantages of receiving money by **cheque**? Does this vary for different types of cheque? How does this work?
- *Probe [if not spontaneously mentioned]:* following benefits/problems of cheques:
 - > cost
 - > administrative burden

- > ease of use
 - > reliability
 - > remittance advice
 - > control over where money is paid in
 - > checking money has been received
 - > security compared to other forms of payment
 - > guarantee of payment (if cheque guarantee card used)
- Explore features valued in cheques, reasons and degree to which they are felt.
 - > tradition
 - > familiarity
 - > tangibility (i.e. it's something paper you can hold)
 - > paper trail
 - > habit
 - > feelings towards alternatives (lack of confidence, ignorance, etc.)
 - What are the features of cheques that are particularly key or important? Can they be provided by other methods of receiving money? *NOTE ON FLIP CHART*
 - Would they prefer to be paid in other ways? Why? Why not?
 - What are the obstacles to setting up other ways of receiving payment?
 - How does this vary for different types of payment? How does this work?
 - If they would prefer to receive fewer/no cheques, what can they do about it? What problems have they encountered?
 - Explore difference of attitudes amongst **heavier and lighter users of cheques**. For lighter users, explore how usage of cheques has been eroded (if eroded), why they continue to use cheques in for some situations and what prevents them giving up cheque use altogether?

4.3 Attitudes to Alternative Methods for Receiving Money

15 mins

- Explore awareness, understanding and attitudes towards other payment methods:
 - > electronic transfer into your account
 - > debit cards
 - > credit cards
 - > non-bank payment solutions (e.g. PayPal)
 - > Direct Debit
 - > cash, etc.
 - Are they a Direct Debit collecting organisation?
 - > If not, have they looked into this?? Would it be a useful alternative to the situations where they receive payment by cheque? Why?
 - > If they are, what triggered this decision, do they do it themselves or by a third party? Do they perceive it as an alternative to cheques
 - Going back to the different scenarios discussed in SECTION 4.1 explore why cheques are used as opposed to alternative payment methods. *Probe: preference (theirs or the recipient), ease/convenience, cost, other*
- EXPLORE REASONS AND NOTE ON FLIPCHART AS BARRIERS OR FEATURES VALUED*
- For each scenario, explore feelings towards using other methods of receiving money, w what are the incentives/barriers to change?
 - For what scenarios will it be hardest to replace cheques as a way of receiving money? *Explore spontaneous views on any gaps for which there is no existing satisfactory alternative to cheques.*

- What if just the cheque guarantee function disappeared tomorrow, how would this impact on the way they receive payments?

SO CHEQUES ARE NO MORE.

- If cheques no longer existed, what would they do? Would they be pleased or horrified if cheques disappeared tomorrow? What issues would they need to consider/deal with (*encourage respondents to focus on their business rather than wider impact on others*)
- How would this vary for different receiving money scenarios?
- What difference would it make to them or the people they deal with?
- If none of existing alternatives are considered appropriate, how problematic are the gaps, could they manage?
- What would encourage them to use other ways of receiving money
- What would help to overcome the barriers to giving up cheques with regard to **paying** money in?
- What kinds of incentive would be more relevant/motivating?
- As a former cheque user what would they want from a **new/alternative system** for paying money in:
 - > essential characteristics/features (i.e. those highly valued in cheques)
 - > what would be desirable

5. Summary/Key Messages

5 mins

- Main obstacles to the business/organisation to using other forms of payment or ways or receiving money
- What one thing would encourage them to change to alternative options
- Which alternative options seem most likely to act as replacements to cheques? Why?

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Housebound/physically impaired

Bolt-On Topic Guide

- Nature of impairment. Length of time that they have had this impairment?
- How does it impact on their ability to get out and about easily?
- How does this difficulty impact on their life in general?
- How much help do they get with managing their everyday living?
- Who do they rely on for assistance? How does this work?
- How much help do they get with their financial affairs? Who does this? How does it work?
- What is their overall approach to making payments? Which methods do they use more/less nowadays? Which do they particularly rely on? Differentiate between payments made/received in person (point of sale, handing over) vs. those made remotely (e.g. posting a cheque)
- In what ways does their situation impact on the way that they make payments?
- In what ways does it impact on the way that they receive, prefer to receive payments?
 - Probe differences between getting cash, face to face payments, remote, person to person, electronic
- **Use cards to prompt respondents' views using on different payment methods.**
- What are the main payments that they need to make nowadays. What methods of payment do they use for these items? Has your approach making payments changed at all in the last few years? In what way? Why?
- Where cheques are used currently what alternatives could be used in place of the cheque?
- If cheques were no longer available how would that affect you? What problems would you encounter? What would help to reduce these problems?
- What alternatives to the cheque could you use?
- If you were inventing an alternative to the cheque what would it be like? What features would it have? (use prompts and probes in main guide)

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'The Underbanked'

Bolt-On Topic Guide

NB: These individuals will probably not have a cheque book.

- Current arrangements for accessing money/making payments.
 - Bank accounts/building society accounts/Post Office accounts
 - Informal methods, friends and family
- What methods have they used in the past?
 - What triggered changes
- What are their main methods of paying for items purchased? (use scenarios in main topic guide – additionally prompt around postal orders and building society cheques)
 - Differentiate between payments made/received in person (point of sale, handing over) vs. those made remotely (e.g. posting a cheque)
- Do they ever have problems with making payments? What kind of problems have occurred? How have they got round them? e.g. if asked for a cheque getting someone else to write a cheque for them.
 - Would they like a cheque book? Why/why not? When would they use it?
- How do they receive incoming payments? How do they manage this?
- Do they ever receive cheques nowadays? Is this a problem? How do they cash them? Pay them into their account?
- What if there were no cheques, how would they receive payments from current cheque users?
- What if they had no bank account? How would they receive payments?
- Looking ahead, if cheques were no more what other systems of receiving money could they use instead? What are the advantages and disadvantages of alternatives?

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'High Net Worth Individuals'

Bolt-On Topic Guide

- Explore the nature of the transactions they make in relation to their savings and investments
 - Frequency (regular or spontaneous), smaller, medium or larger amounts etc.
- When managing investments what do you use cheques for?
 - Why are cheques used in these situations (Is this in response to requests by the recipient? Or do they have other reasons for using cheques?)
 - Do they like or dislike cheques, why?
- What alternative methods of payment/receiving money could they use? Do they have a preference for how they move money around?
- What do they see as the advantages and disadvantages of cheques as a method of making payments when managing investments?
- What do they see as the advantages and disadvantages of cheques as a means of receiving payments when managing investments?
- What specific features of cheques contribute to their advantages and disadvantages.
- If the cheque was no more what would be their ideal payment method which retained the key benefits of the cheque?

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Those with power of attorney

Bolt-On Topic Guide

Focus the interview on the respondents' perspective as an individual making and receiving payments on another person's behalf. How they use cheques personally is not of relevance.

- What are your responsibilities as a Power of Attorney in relation to making payments on behalf of the other person?
- What are your primary concerns when administrating someone's affairs as a PoA (in relation to making payments)?
- What specific payments are you responsible for making? Why these ones?
- What payments methods do you use for these different payments? Why?
 - Cash
 - Cheques
 - Direct Debits
 - BACS payments (electronic payments)
- What are the attractions of these payment methods? Are there any disadvantages?
- Are there other methods of payment you can use? Why do you choose not to use them?
- What problems are there with other methods, why don't you use other methods?
 - Probe: electronic banking, debit cards, cash, cheques, Direct Debits
- How do cheques fit into your system of managing payments
 - What benefits do cheques offer you? How?
 - What disadvantages? Why?
- If there are no cheques how would this affect the way you run things? What problems do you envisage? Could you use alternatives? Are there any situations where there is no alternative available?
- If you were thinking of the ideal payment method for a person with a PoA what would it be? What features would it have?