



PAYMENTS COUNCIL

**NATIONAL PAYMENTS PLAN**

*“CONSULTING ON CHANGE IN UK  
PAYMENTS”*

**RESPONSE OF THE  
BRITISH CHEQUE CASHERS  
ASSOCIATION**

## **Introduction**

The British Cheque Cashers Association (BCCA) is a trade association which was formed in 1994. It represents the interests of businesses which offer encashment facilities for third party cheques and/or the deferred presentation of personal cheques. The former activity is a “money service business” as defined in the Money Laundering Regulations 2007 and hence regulated by HMRC. The latter activity falls within the definition of “consumer credit” contained in the Consumer Credit Act 1974 and the principal regulator is therefore the Office of Fair Trading (OFT).

The BCCA has around 1,100 members, the vast majority of which are small businesses. Two members are public companies listed on AIM, one is a subsidiary of a company listed on the main market and another is the UK arm of a company listed in the USA.

The BCCA is in daily contact with its members and therefore understands fully their commercial needs and concerns. It should be noted that all members are, in effect, High Street retailers, engaged in providing a variety of services and products as well as the two mentioned above.

This response has been submitted following consultation with BCCA members.

We confirm that we would be content for the Payments Council to contact us in future public consultations on payment topics.

We confirm that there are no confidentiality issues contained in this response.

## **CONTACT DETAILS**

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## **RESPONSE TO QUESTIONS**

The BCCA has limited its response to those questions which are of particular relevance to its members. It has not submitted a response where the subject covered by the question is outside its remit or on which has no particular opinion.

***Question 1: The Payments Council is minded to develop a proactive industry plan to manage what it sees as the irreversible decline in cheques. Do you agree that a plan for cheques should be developed?***

Many SMEs still consider that cheques are the most convenient method of making and receiving payment. This is mainly because many such businesses do not have dedicated administrative staff or sophisticated software systems. In addition, cheque payments have a highly transparent audit trail.

Although the Consultation Document mentions the cost of processing cheques, there is nothing at all about convenience. Indeed, the actual cost to a SME of making a payment electronically via, for example, internet banking may be much higher if that payment has to be administered by the proprietor. It would be irresponsible for the proprietor of any small business to give a junior or part time employee on-line access to its bank accounts.

Although the Consultation Document comments on the fall in cheque numbers, it does not mention cheque **values**. These have not declined at anywhere near the same rate and indeed, figures released by APACS show that the value of cheques cleared in England in 2007 decreased by just 1.4% and in Scotland actually rose by 0.3%.

In 2006 (the latest figures published by APACS), the reduction in personal cheques fell by 11.7% but the fall in business cheques was just 3.0%. Indeed, businesses accounted for 87% of the value of all cheques.

APACS also projects that there will be 448 million business cheques issued in 2016 out of a total of 840 million.

Whilst the BCCA acknowledges the decline in total cheque volumes, APACS's statistics and projections show a considerable decrease in the rate of that decline up to 2016, with an apparent leveling off after that date.

It is, of course, far less costly for banks to process wholly electronic payments but this should not be the main driver for the phasing out of cheques. Neither do we accept that "the cost of processing each cheque will keep on rising", as we feel that the clearing system could be scaled back at a rate which reflects the reduction in volumes.

In Section One of the Consultation Document, it is stated that "*the best outcomes may often be achieved through the operation of market forces alone.*" The BCCA feels that the decline in cheque usage should indeed be left to market forces. There will be no need for a plan as suggested if alternatives to cheques which offer genuine cost savings and which are just as flexible and convenient are developed.

**Question 2: For which types of payment currently made by cheque do new alternatives need to be introduced?**

"**The Way We Pay 2007 – UK Cheques**", published by APACS, states "*....cheques are a uniquely flexible payment method and can be used for almost any payment or transfer whether face-to-face or remote.*"

We would agree with this statement. Cheques are of particular benefit to SMEs (as detailed in the response to question 1), voluntary and charitable organizations, schools, clubs and societies and the elderly, particularly those who have limited mobility or are housebound.

Cheques are particularly convenient for *ad hoc* payments where the only other realistic method of payment would be cash, with the security risk that this would bring.

The Consultation Document states that "*Retailers perceive cheques as .....prone to fraud.*" However, this perception is not born out when comparing cheques with other payment methods. In the document "**Fraud - The Facts. 2007**" published by APACS, the figures for payment fraud in 2006 are:

Plastic cards:	£428m
Online banking:	£33.5m
Cheque fraud:	£30.6m

Therefore, cheque fraud accounted for just 6.2% of total payment industry fraud in 2006.

It is therefore important that any alternative payment methods, as well as being convenient and flexible, are no less secure than cheques and do not facilitate fraud.

**Question 3: Would it be acceptable for the National Payments Plan to include a target date of 2018 for the closure of the cheque clearing (on the assumption that acceptable alternatives to cheques have been developed)?**

As we have said in our response to question 1, the BCCA believes that the decline of the cheque should be left to market forces and that therefore a target date should not be included. Additionally, any alternatives should be thoroughly tried, tested, established and be acceptable to all customers, not just the banks. If the alternatives meet all the necessary criteria then customers will migrate from cheques without being forced. A target date is therefore not necessary.

**Question 4: What sort of education of users is needed to support the migration away from cheques?**

If alternative systems which have genuine benefits over cheques are developed, customers will adopt them with no great need for education. Over recent years, UK consumers and businesses have shown time and again their enthusiasm for new technological products but only those which are genuine advances.

**Question 5: Do you agree that, as part of the National Payments Plan, there should be an objective review of the future of the Cheque Guarantee Card Scheme?**

Despite the fall in the numbers of guaranteed cheques, the Cheque Guarantee Card Scheme still has a valuable role to play as a method of payment. It is particularly useful in situations where electronic payment methods are not available, such as markets and for payments made in the home, for example for the repair of domestic appliances. In the absence of guaranteed cheques, the only realistic alternative which would provide the same degree of certainty would be cash. The big disadvantage of cash would be security.

Whilst an objective review would seem appropriate, the BCCA suggests that it should be carried out impartially and preferably independently of the banking sector.

**Question 6: What other actions, if any, should there be in the National Payments Plan in relation to cheques?**

As the volume of cheques declines, the BCCA would suggest that the Payments Council coordinates a rationalization process in conjunction

with all interested parties and in particular the Cheque and Credit Clearing Company Ltd, so that the unit cost of cheque processing does not increase or at least is kept to a minimum.

**Question 7: Do you agree that, as part of the National Payments Plan, there should be an objective review of the future of the paper credit clearing?**

The BCCA agrees that a review could prove beneficial but, again, it must be genuinely objective, conducted impartially and preferably independently of the banking sector.

**Question 8: The Payments Council believes that the National Payments Plan should be developed on the assumption that cash will remain a major payment method for the foreseeable future. Do you agree?**

The BCCA agrees with this assumption.

**Question 9: Should the issues of the supply and quality of notes and coin in circulation be within the scope of the National Payments Plan? If so, how should they be addressed?**

The BCCA has no strong opinion on this issue but feels that it is probably better dealt with elsewhere. General comments include the shortage of five pound notes at banks and also that ATMs do not give users a choice as to which denominations of notes are dispensed.

**Question 10: What other actions, if any, should there be in the National Payments Plan in regard to cash?**

We do not feel that there should be any other actions included with regards to cash.