

Consumer

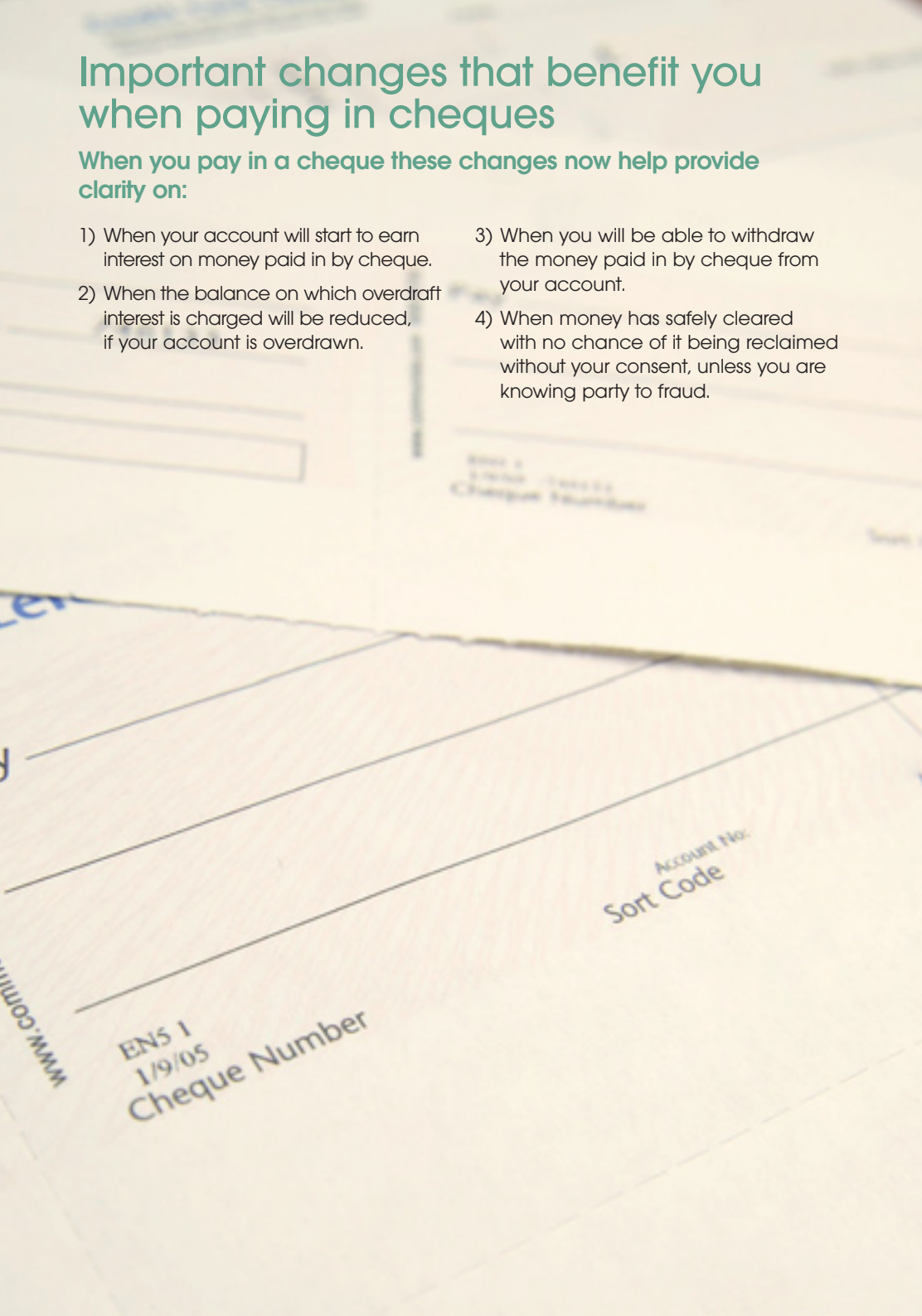
advice on

CHEQUE CLEARING TIMES

Important changes that benefit you when paying in cheques

When you pay in a cheque these changes now help provide clarity on:

- 1) When your account will start to earn interest on money paid in by cheque.
- 2) When the balance on which overdraft interest is charged will be reduced, if your account is overdrawn.
- 3) When you will be able to withdraw the money paid in by cheque from your account.
- 4) When money has safely cleared with no chance of it being reclaimed without your consent, unless you are knowing party to fraud.



The 2-4-6 changes

At the end of November 2007, changes known as 2-4-6 came into force. These have increased clarity and certainty when you are paying in cheques to a bank or building society account.

For the first time, after paying in a cheque, you can be sure that at the end of six working days, the money is yours. You are protected from any loss if the cheque is subsequently found to be fraudulent, unless you are a knowing party to the fraud.

The changes also set maximum times when customers start earning interest on money paid in and when it will be available for withdrawal.

Banks and building societies still compete to offer services that beat these guaranteed time limits for interest and withdrawal. If you are one of the few customers who accept a large number of cheques you should make sure you have an account best suited to your needs.

Day

e.g. Monday

The process starts when your bank receives the cheque¹

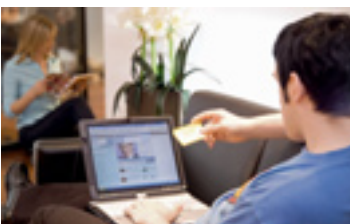
0

Day

e.g. no later than Wednesday

You start to receive interest on the money from today²

2



Example

Simon pays a cheque in to his current account at his bank on Monday morning.

He starts to earn interest on the money on Wednesday (+2 days), and by Friday morning (+4 days) his bank will enable him to withdraw the money from the deposited cheque from his account, even though the cheque could still bounce.

By the end of the following Tuesday (+6 days), he can be certain that the cheque he was given will not bounce and the money from the cheque is his.

In particular, the changes have improved withdrawal times for many of the UK's 7.3 million basic bank account holders enabling them to withdraw their money more quickly.

These industry-wide changes have set a maximum time limit of two, four and six working days for each of the stages after paying in a cheque to a current

or basic bank account. For savings accounts the maximum time limit for withdrawal is longer. If you want faster access to cheque funds you should consider paying it into a current or basic bank account.

Day

e.g. no later than Friday

Your bank will allow you to withdraw the money today³

4

Day

e.g. no later than Tuesday

You can be sure the money is yours by the end of today⁴

6

Footnotes:

¹ You can pay in a cheque in a number of ways – across a branch counter, at a cash machine, by post or at a post office. This may affect when your bank actually receives the cheque. You may also need to deposit a cheque before a certain cut-off time, so if certainty is important to you, you should check with your bank or building society.

² If your account pays interest on credit balances. It is also the point at which this money will reduce the balance on which overdraft interest is charged.

³ Not necessarily for savings accounts.

⁴ You will be able to withdraw this money from your savings account if the account allows withdrawals.

Q+A

What are the main benefits of these changes?

For the first time, after paying in a cheque you can be sure that at the end of six working days, the money is yours. You're also protected from any loss if the cheque is subsequently found to be fraudulent, unless you are a knowing party to a fraud.

In addition, if you have a basic bank account it is likely to enable you to withdraw cheque funds more quickly.

Do these changes mean that cheques are safer from fraud?

No, you should always be wary of accepting high-value cheques or bankers' drafts. If you don't know or trust the person offering you a cheque you should consider other options such as a CHAPS payment, a phone or internet payment or cash. Ask your bank for advice if you are in any doubt.

If your cheque book is stolen and used by a fraudster you will continue to enjoy full protection from financial loss - provided you haven't breached the terms and conditions of your account. You should report a loss or theft as soon as you notice it.

Are bankers' drafts or building society or bankers' cheques covered?

Yes.

Why doesn't the banking industry speed up the cheque clearing process?

Market research, undertaken in 2005 and endorsed by the Office of Fair Trading, confirmed that there is no case for speeding up the central cycle. Only 13% of customers placed any value on faster withdrawal. Some customers also use the current cycle to their benefit to delay money being taken from their accounts.

How do I know when the sixth day after deposit has been reached (when the cheque can no longer bounce)? Do the six days exclude non-working days?

If you pay a cheque in on a Monday (before your bank's or building society's advertised cut-off times) you can be sure it will not be reclaimed (without your consent) after the end of Tuesday of the following week. If you are uncertain, you should check with your bank or building society. Saturdays, Sundays and bank holidays are not included when calculating the six day period.

I sometimes pay in cheques at a post office or send them by post. How will I know when my bank has got my cheque and the timescale starts?

These timescales will be clarified by your bank or building society. If the certainty of a cheque is important, you should ask.

How can I make sure my bank receives my cheque as quickly as possible?

The simplest way is to ensure the cheque is paid in at your bank or building society before their advertised cut-off times. You can pay in a cheque in a number of other ways - such as at a cash machine, by post or at a post office. However, these may all affect when your bank actually receives the cheque and the timescale starts. If you are not sure when day 6 has passed you should check with your bank or building society.



What happens if I am not happy with the service I get from my bank or building society?

You should speak to your bank or building society to try to resolve your issue. If they do not resolve it, The Banking Code sets out how to make a formal complaint. Ultimately you can refer a dispute to the Financial Ombudsman Service.

Why don't the same timescales apply to savings accounts?

Savings accounts are designed to pay interest on funds deposited for a length of time and generally with fewer withdrawals allowed, so withdrawal timescales shouldn't be important.

If you want faster access to cheque funds you should consider paying a cheque into a current account or basic bank account.

Does this affect the charges I pay on my overdraft?

You should check with your own bank or building society. Each bank and building society continues to compete on when it gives interest on cheque funds or, if the account is overdrawn, when cheque funds will reduce the balance on which overdraft interest is charged. These changes mean the latest time you can expect this to happen is two days after you have paid in your cheque.

What happens if I don't wait until the end of day 6 and I decide to withdraw and spend cheque funds before this?

You must be aware that you do so at your own risk. If the cheque subsequently bounces you may have to return funds to your bank or building society.

How many cheques bounce?

It is very rare for a cheque to bounce/be returned unpaid. Only around 0.5% of all cheques are returned unpaid each day.

Do these changes affect business accounts?

Yes. It is particularly small business owners who have expressed concerns about the lack of certainty with cheques, and knowing when the money is definitely theirs. These changes will provide them with a real benefit. If you are a business owner please visit our website for a copy of the advice leaflet for business cheque users.

For more information visit www.chequeandcredit.co.uk or speak to your bank directly.