



# Cheques & Cheque Clearing **The Facts**

A guide to  
**cheques** and  
the **UK cheque**  
clearing system



# Introduction



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# Introduction

- **This booklet has been produced by the Cheque and Credit Clearing Company, in co-operation with the Belfast Bankers' Clearing Company, to clarify issues about cheques including the clearing cycle, trends in the use of cheques and the target date for the closure of the cheque clearing. Further copies can be downloaded from: [www.chequeandcredit.co.uk](http://www.chequeandcredit.co.uk).**

The Cheque and Credit Clearing Company (C&CCC) is a non-profit making industry body, which has managed the cheque clearing system in England and Wales since 1985, and in all of Great Britain since 1996 when it took over responsibility for managing the Scottish cheque clearing as well.

As well as clearing cheques, the system processes bankers' drafts, building society cheques, postal orders, warrants, government payable orders and travellers' cheques. The company also manages the systems for the clearing of paper bank giro credits (the credit clearing), euro cheques (the euro clearing) and US dollar cheques (the currency clearing for US dollar cheques drawn on London banks).

The Belfast Bankers' Clearing Company was set up in 2007 as a means of formalising the existing rules and standards for the sterling cheque clearing and euro cheque clearing in Northern Ireland.

\* When we talk about banks in this booklet, we include building societies in the same term, as banks and building societies use the same central system for clearing cheques.

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# Cheques and cheque clearing

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## What are cheques?

- **Cheques are written orders from account holders instructing their banks to pay specified sums of money to named beneficiaries.**

They are not legal tender but are legal documents and their use is governed by the Bills of Exchange Act 1882, and the Cheques Acts of 1957 and 1992.

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## History

- **The early days**

**The predecessor of the cheque was the 'bill of exchange', which was developed to support international trade. First introduced in Florence in the 12th century, bills of exchange were a way for traders to buy and sell goods without the need for carrying cumbersome and valuable quantities of gold and silver. By the 14th century they had made their way to England via France and their first reference in English law appeared. At this point they were used almost exclusively for international payments.**

During the 17th century, bills of exchange started to be used for domestic payments. Cheques are a type of bill of exchange and, on 16 February 1659, one of the earliest handwritten cheques known to be in existence in the UK was written, made out for £400. It was signed by Nicholas Vanacker and drawn on an account at Messrs Clayton and Morris, law scriveners, merchant bank and estate agent of the City of London.

The first printed cheque forms were produced in 1717 by the Bank of England. The first known cheques printed with the name of the issuing bank were produced by Child & Co some time before 1762; examples have been reported, but not verified, from as early as 1735.

The Commercial Bank of Scotland is believed to have been the first bank to personalise its customers' cheques, with the earliest example reported from 1811, although the practice may have been introduced from its inception in 1810. The bank printed the name of the account holder vertically along the left-hand edge. Both of these companies eventually became part of The Royal Bank of Scotland Group.

In the very early days of using cheques for payment, they were exchanged informally between the City of London's private bankers. It was before the days of a clearing house but, around 1770, the practice of clearing was officially recognised when bank clerks

started to meet at the Five Bells (a tavern in Lombard Street in the City of London). Here they exchanged all their cheques in one place and settled the balances in cash. The renting of a room for this purpose first occurred in 1773.

Following the formation of a permanent committee of bankers in 1821 to regulate the clearings (later known as the Committee of London Clearing Bankers), the first Bankers' Clearing House was built in Lombard Street in 1833. As volumes and values grew, settlement in cash was replaced by settlement across accounts held by the banks at the Bank of England – an arrangement that continues today.

During the second half of the 19th century, as cheques became more widely used, provincial clearings were set up, based in towns around England and Wales. In 1907 the metropolitan clearing was established, which handled cheques that were deemed neither "provincial" nor "London".

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## History – continued

Apart from when the London clearing was transferred to Stoke-on-Trent during World War II, at which time all the various clearings in England and Wales were merged, cheques were exchanged in Lombard Street for over 220 years, until 1994.

The first Scottish cheque clearing house was founded in Glasgow in 1856. The Edinburgh Clearing House opened in 1865 and other towns soon followed suit.

In Ireland, during the 19th and early 20th centuries the main exchange centre would have been in Dublin, with a local exchange in Belfast. Partition of the country in 1921 led to the formal establishment of a Belfast clearing exchange in the new country of Northern Ireland, which has remained part of the United Kingdom. Belfast is the location for the clearing exchange today.

### Technology and the modern era

**Since the emergence of technology in the 1960s, the production and processing of cheques has gradually become more sophisticated and today's cheque processing machines can scan and sort around 1,000 to 1,800 cheques per minute. Volumes grew rapidly during the 1960s and 1970s. They were still growing in 1985 when the Cheque and Credit Clearing Company was set up to take over responsibility for managing the cheque clearings in England and Wales from the Bankers' Clearing House.**

The London Exchange Centre, based at the old Bankers' Clearing House in Lombard Street, was closed in 1994 and was moved to Goodmans' Fields in Abchurch Lane in the east end of London. From 1996 the Cheque and Credit Clearing Company took over management of the Scottish clearings as well, bringing with it a Scottish Exchange Centre. At the end of 2003, the English exchange centre moved outside London.

Cheque use peaked in 1990, when 4 billion cheques payments were made. Since then cheque volumes have gradually declined due to the growth of alternative ways to pay.

Since 1996 in Great Britain, as well as exchanging the physical paper, the codeline and amount details of cheques have been transmitted from the beneficiary's bank (the collecting bank) to the payer's bank (the paying bank) via a secure electronic network called the Inter-Bank Data Exchange, or IBDE. However, cheques continue to be exchanged physically. This is because the paying bank is responsible for detecting fraud and for ensuring that they are paying the cheque in accordance with their customer's mandate, and the only reliable way to do this is through physical examination of the cheque itself. The requirement to undertake a physical check for security purposes is also the reason why the cheque clearing process takes days rather than hours.

The Northern Ireland banks do not participate in IBDE but operate to the same timeframe as the banks in Great Britain.

Personal cheque use has fallen by 44% in the last five years, with 683 million being written in 2009. Consumers have increasingly chosen to pay bills by Direct Debit and to use plastic cards to pay for goods and services, whilst many retailers have taken the decision to stop accepting cheques as payment.

Business use peaked in 1997 and has since declined as businesses increasingly move to automated payments. Over the last five years, business cheque volumes have fallen by 32%, totalling 598 million transactions in 2009. Despite this trend, the industry is committed to maintaining the quality and integrity of cheque clearing in order to ensure a high level of customer service and transparency.

## '2-4-6' and '2-6-6'

- **There is often confusion about how the clearing system works and the time it takes for a cheque to clear. In November 2007, changes were introduced to increase clarity and certainty for all elements of the UK sterling cheque clearing process. These changes apply to customers paying in UK sterling cheques paid into sterling accounts with UK banks and building societies. These are sometimes referred to as the 2-4-6 and 2-6-6 cheque clearing timescales.**

The 2-4-6 timescales have been implemented for sterling current and basic bank accounts whilst the 2-6-6 timescales have been implemented for UK sterling savings accounts. For customers it means that for the first time after paying in such cheques they can be sure at the end of six working days that the money is theirs. After this point, the customer is protected from loss if the cheque subsequently bounces, and the money cannot be reclaimed without their consent unless they are a knowing party to fraud.

These are maximum timescales for when customers will start earning interest on the money paid into their accounts and when it will be available for withdrawal. Individual banks may compete on when they will pay interest or allow funds from the cheque paid in to be withdrawn, so customers should make sure they have an account best suited to their needs.

Customers may deposit (i.e. pay in) a cheque into their account by a variety of means: at a branch counter; at some banks through a cash machine or other accepting machine; at a post office; or by post. Every bank will make clear to the customer the day a cheque is considered to have been deposited for the purposes of calculating the elapsed time before interest is paid, withdrawal allowed and the certainty that the cheque will not be returned unpaid to the beneficiary customer.

## The cheque clearing process

- **Cheque clearing can be likened to an efficient factory process. During the day and night, shift staff work around the clock to ensure that the three-and-a-half million cheques that are paid in every day keep to the 2-4-6 timescales, wherever in the UK the cheque is paid in.**

The way in which the cheque clearing process works in Great Britain is explained here. The Northern Ireland banks do not participate in exchange of electronic data but they achieve the same outcome and operate to the same timeframes as the banks in Great Britain:

### Day 0: Monday morning

On Monday morning, Shelley gives Bob a cheque for £20. Bob immediately pays it into his bank.

Monday is day zero in the 2-4-6 timeline for clearing Bob's cheque. Cheques are generally paid in by the beneficiary customer to a current or basic bank account or a savings account at the beneficiary's bank (known as

the collecting bank). They can also be paid in at a cash machine at some banks, a post office or sent by post. Different methods affect when the bank receives the cheque and how quickly the processing starts.

### Day 0: Monday evening

On Monday evening, Bob's bank sends his cheque to its clearing centre.

All cheques paid-in at the various collecting member banks are taken to their cheque clearing centres at the end of every clearing day to be processed ready for exchange with the other member banks.

### Day 1: Early hours of Tuesday morning

In the early hours of Tuesday morning, Bob's cheque is processed at the clearing centre. Its details are sent to Shelley's bank across a secure network. During the out-clearing process at the clearing centres, the

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## The cheque clearing process – continued

cheques are passed through reader/sorter machines that automatically read the amount of the cheque and the codeline, containing the customer's account number, branch sort code and cheque serial number at the bottom of the cheque. This data is converted into encrypted digital files. The encrypted digital files are known as IBDE (Inter-Bank Data Exchange) files.

All the cheques are then sorted by their sorting codes (unique, six-digit numbers that are used to identify each bank or building society), ready for sending to one of the exchange centres (there is one in England and one in Scotland).

The IBDE files are transferred across the IBDE network provided by the C&CCC. Every encrypted IBDE file is signed with a digital signature so that the receiving bank (the paying bank) can check that the data has not been tampered with by fraudsters. Only the member banks have access to the secure network.

### **Day 1: Late Tuesday morning**

Late on Tuesday morning, Bob's bank delivers his cheque to the exchange centre, where his cheque is passed on to Shelley's bank.

The cheques are delivered by the collecting bank to one of the exchange centres before 11am, where they are passed to the paying bank, which takes them back to their own clearing centres for the process known as in-clearing.

### **Day 1: Tuesday afternoon**

At the paying bank's clearing centre, the paying bank starts the in-clearing process. First of all it checks the digital signature to make sure that the IBDE files have not been tampered with by a fraudster, and then it passes the cheques through reader/sorter machines to match them up with the data on the IBDE file and to separate them into branch order.

The bank needs to be sure that all the cheques it has brought back from the exchange centres belong to it, as it will have to settle for them the following day (Wednesday).

### **Day 2: Wednesday morning**

On Wednesday morning, the settlement process takes place. Shelley and Bob's banks settle with each other for the value of the cheque they've exchanged the previous day, along with all the other cheques they have exchanged with all the other banks the day before. This happens before they have had time to examine the individual cheques to make their pay or no pay decision. The Cheque and Credit Clearing Company calculates how much the GB banks owe each other and settlement takes place across accounts held at the Bank of England. In Northern Ireland each pair of the four clearing banks agrees bi-laterally the net sum due to or from each bank and a CHAPS payment is sent to settle the amount owed.

Later on that morning, Shelley's bank checks to see if she's got enough money in her account to pay the cheque, also that it has been signed, dated, written correctly and is genuine. Based on this information, the bank decides whether to pay Shelley's cheque to Bob or to return it unpaid to Bob's bank.

### **If the cheque is paid:**

#### **Day 2: Wednesday afternoon**

If the cheque is paid, Bob will start to receive interest on the money\* and the deducted item will appear on Shelley's statement. The vast majority (99.5%) of cheques are paid.

#### **Day 4: Friday morning**

On Friday Bob can draw money from the cheque\*\*. For current or basic bank accounts, day four is the day the beneficiary customer can withdraw the money from

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## The cheque clearing process – continued

the cheque. If Bob had paid in the cheque into a savings account, he wouldn't be able to withdraw the money until the end of the sixth working day after paying in the cheque.

*\*Individual banks may compete on when they will pay interest on the funds from the cheque paid-in; customers should refer to the terms and conditions of their account.*

*\*\*Individual banks may compete on when they will allow funds from the cheque paid-in to be withdrawn; customers should refer to the terms and conditions of their account.*

### **Day 6: End of Tuesday**

At the end of the following Tuesday, Bob can be sure that the money from Shelley's cheque won't be reclaimed from his account without his consent – unless he's a knowing party to fraud. In this example the following Tuesday is day 6 of the 2-4-6 timeline as non-working days (Saturdays, Sundays and bank holidays) are not counted in the cheque clearing process.

### **The process if the cheque is not paid:**

#### **Day 2: Wednesday morning**

On Wednesday, if Shelley's bank decides not to pay the cheque to Bob, her bank will send the unpaid cheque back to Bob's bank by special courier.

#### **The unpaids process for cheques:**

The decision to return a cheque unpaid must be made on the morning of the day after exchange so that the cheque can be returned straightaway to the bank which collected the cheque for advice to the beneficiary.

Cheques may be returned unpaid for a number of reasons, such as:

- The customer has not got enough money in their account to pay the cheque
- It is has not been signed, dated, or written correctly
- It is fraudulent for some reason.

## Cheque clearing and 2-4-6 FAQs

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The paying bank writes to their customer to tell them that their cheque has been returned unpaid. The customer might be charged for the unpaid cheque. Only 0.5% of all cheques are returned unpaid.

### Day 3: Thursday morning

On Thursday morning, the unpaid cheque arrives back at Bob's bank and is reclaimed from his account, so he can't withdraw the funds on day four.

Depending on the reason the cheque is returned unpaid, the beneficiary/collecting bank will either try to get the cheque paid again, or they'll send the cheque back to their customer and advise them that it has bounced.

### Day 4: Friday

If the bank sends the unpaid cheque back to their customer, they can try to pay the cheque in again, or contact the payer and ask for another form of payment.

### ■ Do the 2-4-6 timescales mean 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 payment 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 chequebook 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.

### 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. If the certainty of a cheque is important to you, speak to your bank.

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## Cheque clearing and 2-4-6 FAQs – continued

### **How do I know when the sixth day after deposit has been reached? Do the six days exclude non-working days?**

If you are uncertain, you should check with your bank. Saturdays, Sundays and bank holidays are not included within any calculation of the six-day period.

### **Do the 2-4-6 and 2-6-6 timescales apply to all banks and all cheques in all situations?**

All banks have implemented these maximum timescales for their customers. In exceptional situations, should they be unable to deliver on the timescales, they would explain the reason why.

### **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 before their advertised cut-off times. You can

pay in a cheque in a number of other ways – such as at a cash machine (at some banks), 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.

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

You must be aware that you do so at your own risk and if the cheque subsequently bounces you may have to return funds to your bank.

### **Do the 2-4-6 timescales impact when I can or should release goods or services to my clients?**

They may do – as these timescales will give you certainty on cheque funds and clarify when you can be sure

the cheque funds are yours and when you can release goods or services with confidence.

### **Do the 2-4-6 timescales affect the charges I pay on my account?**

You should check with your own bank. Each bank will continue 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 that the latest time you can expect this to happen is two days after you have paid in your cheque.

### **Why don't the same timescales for clearing apply to savings accounts?**

Savings accounts are designed to pay interest on funds deposited for a length of time, and frequency of payments to and from these accounts is generally less.

These features allow customers to benefit from a higher rate of interest. If you want faster access to cheque funds you should consider paying a cheque in to a current account or basic bank account. The timescales on saving accounts for earning interest and knowing the money is yours still apply.

### **Why don't all banks allow access to funds on the same day?**

The industry has set maximum timescales but this does not prevent banks beating those timescales with their own competitive offerings.

### **What advice would you offer to customers who are inconvenienced by the time taken to access cheque funds?**

If speed is important you should consider being paid in some other way. If you are a customer who receives a

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## Cheque clearing and 2-4-6 FAQs

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lot of cheques you should ensure you have an account which best suits your needs. Some accounts allow early access to funds from cheques, possibly as early as the day you pay your cheque in. However, you should be aware that if a cheque is returned unpaid after funds have been withdrawn and before the end of the sixth working day after paying in, then the bank would seek reimbursement from you.

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## The cheques market

■ **Since the number of cheques written peaked at 4 billion in 1990, the cheques market has been in decline and, in 2009, 1.3 billion cheques were used for payments and to acquire cash. However, in value terms, the cheque is still an important payment method: in 2009 cheques were the second largest retail payment system in value terms (£1,255 billion in 2009) after Bacs automated payments (£3,860 billion).**

The rate of decline in personal cheque transactions has accelerated in recent years and between 2004 and 2009 volumes fell by 44% to 683 million. The decisions by many merchants to stop accepting personal cheques, particularly in the retail sector, have been a major factor driving this change. Consumers are also using cheques less for regular bill payment, preferring instead to pay by Direct Debit and internet and telephone banking. In 2009 cheques accounted for 5% of personal non-cash payments, down from 12% in 2004.

Total business cheque transaction volumes peaked in 1997 and, mainly due to migration to automated methods, have fallen by 32% over the last five years to 598 million transactions in 2009. Almost all businesses still use cheques to a greater or lesser extent and, for around half of businesses, cheques comprise the same or a higher proportion of the payments they make now as they did three years ago.

A key development with regard to future cheque usage is the Payments Council's decision to set a target end date for the cheque clearings in the UK of 31 October 2018. With cheque use in long-term decline, the Payments Council was faced with the choice of either managing the decline to ensure that personal and business cheque users have alternatives easily available to them; or to stand back and let the decline take its course. The Payments Council decided that its active involvement can help prevent confusion and

deliver cheque alternatives that are acceptable to cheque users.

The Payments Council's vision for 2018 is of a payment market where there is no need for any consumer or business to make or receive payments by cheque as there are accessible and acceptable alternatives. The critical areas where users require acceptable alternatives include sole traders and other small businesses, charities, schools, clubs and societies, and those consumers that are highly dependent upon cheques and least equipped to change. Person-to-person payments and bulk payments from businesses to individuals also present major challenges.

# The Payments Council's National Payments Plan: cheque clearing

- **In December 2009, the Payments Council Board agreed to set a target date for 31 October 2018 to close the central cheque clearing (see The cheques market). Over the next few years the payments industry has to rise to the challenge of finding easy-to-use, efficient alternatives for various payments and to ensure that they are easily accessible, acceptable and well understood by cheque users. A full review will be undertaken in 2016 before any final decision is taken. The goal is to ensure that by 2018 there is no scenario where customers, individuals or businesses, still need to use a cheque though there may be a need for a paper-based payment method to continue for those who are highly-dependent upon cheques.**

## **2010 to 2014**

The focus of the work in this initial period will be on delivering alternatives to cheques, on communicating the message of change to users and encouraging

migration. Included in the high-level targets for this period are, that by 2014:

- There will be significant progress in reducing cheque use in areas where alternatives are already available.
- There are emerging alternatives in the key gaps of: person-to-person payments; payments to small businesses, schools, clubs and small charities; and from businesses to individuals.

## **2014 to 2016**

The final decision on closure will be in 2016, when the final go/no-go decision on the end date of 31 October 2018 will be taken. For a positive decision to be taken the high-level targets that need to be met by 2016 are that:

- There will be alternatives to cheques accessible to users for all significant types of payment where cheques continue to be used;

- These alternatives will have shown themselves to be acceptable to users, in particular that there will be widespread awareness and adoption of these alternatives;
- The Payments Council will have determined what measures to put in place to ensure that those users least equipped to change are not disadvantaged, including any requirements for the use of paper to continue.

### 2016 to 2018

Following a decision in 2016 to close the cheque clearings, there will be an intensive programme of activity leading to the closure. This will include an extensive communications campaign explaining the closure decision and supporting users in the adoption of alternatives methods.



# Closure of the UK Domestic Cheque Guarantee Card Scheme

## ■ History

**The first cheque card was introduced in October 1965, guaranteeing payment of cheques up to a value of £30. This limit was raised in 1977 to £50 and two additional limits of £100 and £250 were introduced in 1989.**

In July 1969 the UK Domestic Cheque Guarantee Card Scheme was established to create common, easily-identifiable design features to simplify acceptance procedures for retailers and other businesses.

## Decline

However, of the 1.3 billion cheques written in 2009 only 88 million (7%) were guaranteed. This represents a fall of 70% in the number of guaranteed cheques over the past five years. This decline has been driven by many

retailers and petrol stations taking a decision not to accept cheques. No major UK-wide supermarket chain now accepts cheques.

## Closure

In 2008, the Payments Council undertook a full stakeholder review and detailed research into the use of the Cheque Guarantee Card Scheme. This confirmed that the use of the Scheme was in terminal decline and that this decline needed to be managed to provide clarity and certainty for users and acceptors.

As a result, in June 2009 the Payments Council Board made the decision to set a timescale for managing the decline of guaranteed cheques and ultimately to close the Scheme, which the members of the Cheque Guarantee Card Scheme set for 30 June 2011. It will no

longer be possible to guarantee a cheque after this date. However, this does not mean the end of cheques in 2011 as businesses will continue to be able to accept them and customers will still be able to write them.

Banks and building societies with customers who have cards carrying the cheque guarantee function – indicated by Shakespeare’s hologram or logo – will be managing its removal in different ways.

Typically cards will be issued without Shakespeare’s logo on renewal: this may be before or after the closure date. This means that although Shakespeare will still be on many customers’ cards after 30 June 2011 it will be redundant.



# Facts & advice

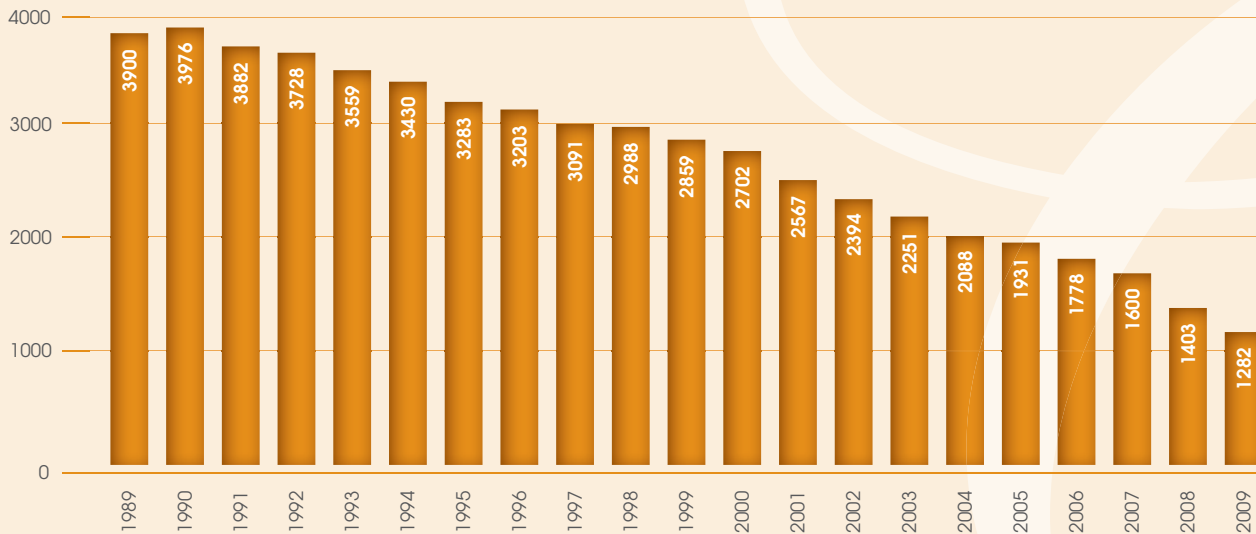


## Cheque facts and figures 2009

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- 3.5 million cheques were issued each day, compared with 11 million in 1990, the peak year for cheque volumes.
- In 2009, each adult received on average fewer than five cheques during the year.
- Only one in 30 regular payments was made by cheque in 2009, compared with one in 12 as recently as 2000.
- The average value of a personal cheque was £268.
- Only 2% of retail spending by value is still paid by cheque, compared with over 65% by debit or credit card.
- Business cheque use peaked in 1997 and has since declined as businesses increasingly move to automated payments.
- Over the last ten years business cheque volumes have decreased by 46%.
- It is very rare for a cheque to bounce/be returned unpaid. Only around 0.5% of all cheques are returned unpaid each day.
- The overwhelming majority of attempted cheque fraud was spotted and stopped in the cheque clearing process in 2009.
- If all the cheques processed in 2009 were laid end-to-end, they would stretch almost 3.5 times round the world. This compares with 9 times around in 2000 and in 1990, the peak year for the number of cheques processed, 12 times.
- Of a typical day's cheque clearing in 2009, more than half were written for less than £100 and 34 had a value in excess of £1 million; £25 was the most common amount.
- The carbon footprint of an ongoing Direct Debit is just 0.76g CO<sub>2</sub> per payment – a tiny proportion in comparison to cheques, which generate carbon emissions of 49.3g CO<sub>2</sub> each time they are used.

## UK cheque payment volumes 1989–2009 (millions)



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## Top tips for writers and issuers of cheques

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- Make sure you write the name of the payee clearly and correctly. The vast majority of cheques are crossed 'a/c payee', which means that they must and can only be paid into the account of the named beneficiary (i.e. the person to whom the cheque is made payable). This prevents cheques being cashed or paid in to the accounts of third parties.
- If you are making a cheque payable to a bank, building society or a credit card company, you must ensure that you provide sufficient details on the payee. Enter the full details for the account holder in the payee line, for example XYZ Bank, re J Jones, account number 123456. This helps to guard against fraud and to ensure the money gets to the right account without unnecessary delay.
- Make sure you write the words clearly starting from the left hand side of the cheque and write the amount in figures as close to the £ sign as possible.
- You should draw a line through all unused space so fraudsters cannot write in extra names or change the amount – either in words or by adding extra numbers in the amount box.
- It is also good practice to write the word 'only' after writing the amount in words to help prevent a fraudster making an alteration.
- To prevent processing delays, don't let your signature overlap the amount box or use commas or £ signs in the amount box.
- If you are using a sterling chequebook, don't write your cheque in a foreign currency (including euros).
- Write your cheque using a black or blue ballpoint or a pen with indelible ink. Do not fold or staple cheques.
- Never pre-sign blank cheques – they might be stolen and used fraudulently.

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## Top tips for writers and issuers of cheques – continued

- If you issue a cheque that is not presented within six months, do not assume that it can no longer be used. It may be cleared when presented, unless there are no funds in your account, in which case the cheque will be returned unpaid. You may wish to ask your bank to place a stop on the item (some banks may charge for this service).
- Although cheques issued by UK banks can be used in Gibraltar, the Isle of Man and the Channel Islands, customers wishing to make overseas payments are advised to consult their bank about alternative payment methods.
- It is advisable not to post-date a cheque. It is likely to be outside the terms and conditions of your account and it may simply be cleared as soon as it is paid in. If this happens, and there are insufficient funds in your account or you have already reached your overdraft limit, the cheque may bounce.
- If you need to make amendments, these should be made clearly by crossing through the error and initialling or signing the correction.
- When writing cheques, be sure to complete all sections, including the payee name, and the amount in both words and figures.
- To help protect your account from fraud you should report any misuse of cheques as early as possible. Use chequebook counterfoils to record details of cheques issued and compare them with bank statements. Any discrepancies should be reported to your bank immediately.

## Advice for business users of cheques

- If you are a business, school or public sector body and you print and personalise your own cheques in-house, having adequate security in place is of paramount importance. C&CCC has produced three security Best Practice Guidelines for Business Users of Cheques.

Their aim is to help businesses protect themselves from cheque fraud. The guidelines will also help improve the print quality of the printed cheques so preventing costly processing errors from occurring. The Guidelines can be downloaded from the Cheque Printers/Publications section of the C&CCC website at:

[www.chequeandcredit.co.uk](http://www.chequeandcredit.co.uk).

If you want to contact a company to print cheques for your business, a list of accredited printers can be found at [www.chequeandcredit.co.uk](http://www.chequeandcredit.co.uk). These printers are part of the Cheque Printer Accreditation Scheme (CPAS) which was set up in 1995 with the aim of tackling fraud involving cheques.



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## Cheque fraud – be on your guard!

- **Cheques and bankers' drafts can be forged or altered, so never accept a cheque, banker's draft or building society cheque from someone unless you absolutely know and trust them. Be especially wary when accepting high-value cheques or bankers' drafts.**

If you are selling a high-value item it is always safer to ask for payment by some other means such as an automated payment via Faster Payments, Bacs or CHAPS. There is a charge for a CHAPS payment but it is a guaranteed, irrevocable, same-day value payment. If the buyer is unwilling to pay the relatively small cost involved – or to split it with you – then you need to be on your guard.

Be aware that if you decide to withdraw funds or release goods before the end of the sixth day after paying in a cheque there is a risk that the money could be reclaimed by your bank if the cheque is bounced or it turns out to be stolen or fraudulent. If you're not

sure when the sixth working day has passed you should check with your bank or visit our *Cheque Checker* at: [www.chequeandcredit.co.uk](http://www.chequeandcredit.co.uk).

Be aware also that if you are a knowing party to a fraud your bank or building society may recall funds paid-in by cheque from your account at any time.

### How do cheque scams typically happen?

In recent years organised gangs have targeted consumers selling high-value goods such as cars. So if you are selling a high-value item be particularly wary of accepting a cheque. If you do, you shouldn't hand over the goods until you have certainty that the cheque funds will not be reclaimed from you (this happens at the end of the sixth working day after you have paid the cheque into your account).

Typically the gangs use stolen or counterfeit cheques. They will offer a cheque or banker's draft for more than

the price of the goods (as ever, anything that sounds too good to be true should set alarm bells ringing, but their excuse may sound plausible).

You are then asked to transfer the amount of the overpayment either to them or to a third party three days after you have paid the cheque in when, it is claimed, the cheque will have cleared. Of course, the cheque or draft isn't genuine and, whilst banks do all they can to spot and stop such cheques in the clearing process, it is not until the end of the sixth working day after you have paid the cheque in that your bank, or you, can be sure that the cheque funds are certain and the cheque will not be returned unpaid to you.

### **Where can I go for more advice?**

Always contact your bank for advice or refer to your bank's terms and conditions. The Cheque and Credit Clearing Company ([www.chequeandcredit.co.uk](http://www.chequeandcredit.co.uk)),

Financial Fraud Action ([www.financialfraudaction.org.uk](http://www.financialfraudaction.org.uk)), the British Bankers' Association ([www.bba.org.uk](http://www.bba.org.uk)), and the Metropolitan Police ([www.met.police.uk](http://www.met.police.uk)) all have information and facts about cheque fraud on their websites. If you are concerned about the most suitable payment option, your bank should be able to offer you advice.

### **What are the banks doing to protect customers from fraud?**

The banking industry introduced the 2-4-6 changes to sterling cheque clearing timescales for customers in November 2007. As a result, you can be confident that at the end of the sixth working day after paying in a sterling cheque or banker's draft the money is yours and you are protected from any loss, even if the cheque subsequently bounces or turns out to be fraudulent. The funds cannot be reclaimed without your consent unless you are a knowing party to fraud.

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## Cheque fraud – be on your guard! – continued

### What are banks doing to prevent fraud?

There is a range of prevention measures at both bank and industry level. They include the following:

- The industry sponsors its own specialist police fraud squad – the Dedicated Cheque and Plastic Crime Unit – to target the organised gangs behind cheque fraud.
- Focusing on identifying lost or fraudulent cheques as they pass through the clearing system. The industry has an excellent track record and the overwhelming majority of attempted cheque fraud is spotted and stopped in the cheque clearing process.
- The Cheque Printer Accreditation Scheme (CPAS) helps combat fraud by requiring that all customer chequebooks are printed to the highest security standards. All cheque printers have to be accredited to this Scheme. Security features on cheques are particularly effective in combating both counterfeit and fraudulently altered cheques. CPAS is managed by the Cheque and Credit Clearing Company.

# Frequently asked questions

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## Frequently asked questions

### ■ Why don't cheques clear instantly?

Cheques are paper items which are physically transferred between banks. Although the paying bank receives some of the data electronically, the cheques themselves must also be transferred. This is so they can be examined by the paying bank for security and fraud prevention purposes and to make the decision whether to return a cheque unpaid. The 2-4-6 timescales are maximum timescales and individual banks may decide to allow customers to withdraw cheque funds more quickly. However, if a cheque bounces before the end of the sixth working day after paying in, then the bank would seek to reclaim the cheque funds.

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

Market research, undertaken in 2005 and supported by the Office of Fair Trading, confirmed that there is no case

for speeding up the central clearing cycle. Only 13% of customers placed any value on faster withdrawal and some customers exploit the current cycle to their benefit to delay money being taken from their accounts.

### Can I stop a cheque?

You can request your bank to stop payment of a cheque before it makes its decision whether or not to pay it but it is best to do this as soon as possible after issuing it. There may be a charge for this. Until 30 June 2011, when the UK Domestic Cheque Guarantee Card Scheme is closed, if payment of the cheque is guaranteed by a cheque guarantee card, provided all the conditions of use were met, you cannot subsequently ask your bank to stop payment.

### What is special presentation or special clearance?

If you are the beneficiary (i.e. payee) of a cheque and you wish to know as soon as possible whether it will be

paid, you can ask your bank to present that cheque specially. The bank then sends the cheque by first-class post directly to the paying bank, contacting them by phone on the following working day to confirm whether it will be paid. You may not receive the funds any sooner, but you will have the knowledge that the cheque has been paid before the end of day 6.

### **Can a cheque be paid into the account of someone other than the named payee?**

Most cheques are crossed 'a/c payee' which means they can only be paid into the account of the named payee. The crossing cannot be deleted, nor can the cheque be transferred over to a third party.

### **Why are retailers no longer accepting cheques?**

You would need to ask those involved as the reasons may vary – some have said it is driven by cost and some by fraud concerns. However, none of them would

be making this decision if they felt they would lose customers or business and so the deciding factor must be that so few customers are using them.

### **Why has the Payments Council set a target date to close the cheque clearing?**

In light of falling cheque use, the Payments Council was faced with the challenge of assessing whether it would be in customers' best interests if the decline was managed, and cheque alternatives were identified and promoted, or to just let the decline run its own course.

Before making a decision, the Payments Council consulted widely with business and consumer representatives – including elderly and other cheque dependent groups. The vast majority considered that it was better to manage the decline of cheques, and that this was preferable to running the risk of customers being left high and dry, or without clear alternatives.

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## Frequently asked questions – continued

The Council has set a target date of 2018 – but has made it very clear that this will be reviewed in 2016, and will only go ahead if alternatives to cheques are in place, accessible to users and are actually being used.

### **What alternatives are there to cheques for consumers?**

This depends on the type of payment. Many already exist; but may need adapting, explaining or making more widely available. Using cheques can be a matter of habit and the Payments Council is looking at how they can encourage customers to make better use of alternatives that already exist.

Many consumers already choose to use Direct Debits and standing orders for paying regular bills and commitments. Credit and debit cards have, by and large, overtaken cheques for retail purchases and CHAPS provides an electronic, irrevocable, same-day payment system, usually for high-value payments. Phone and internet banking

are also increasingly used to make payments and many banks now offer the Faster Payments Service for same-day phone and internet payments.

Emerging solutions include mobile payments, prepaid cards and new forms of online payments. The Payments Council will be supporting work on innovation to continue to encourage a wide range of alternatives being available to users, and will be evaluating progress before making any final decision on the 2018 target date.

### **What is the best way for a business to receive or make payments?**

This depends on the type of payment. Many alternatives to cheques already exist; but may need adapting, explaining or making more widely available and it is important to consider your company's needs when choosing how to accept or make a payment. Existing viable cheque replacements include debit card and

internet and phone banking payments. Using cheques can be a matter of habit and the Payments Council is looking at how they can encourage businesses to make better use of alternatives that already exist.

Emerging solutions include mobile payments, prepaid cards and new forms of online payments. The Payments Council will be sponsoring work on innovation to continue to encourage a wide range of alternatives being available to users, and will be evaluating progress before making any final decision on the 2018 target date.

Speak to your business adviser at your bank to find out what your options are.

### **How can I be kept informed of progress on the cheque closure plans?**

The Payments Council is committed to being fully transparent. Should you want to find out more about

the reasons why the decision was taken, a copy of the evaluation report is available from:  
[www.paymentscouncil.org.uk](http://www.paymentscouncil.org.uk).

The Payments Council will also be publishing regular updates available via email or post free-of-charge. To receive these, just send your email or address to [cheques@paymentscouncil.org.uk](mailto:cheques@paymentscouncil.org.uk) or call the Payments Council on **020 3217 8368**.

### **Is it true that cheques are only valid for six months?**

It is common banking practice to reject cheques that are over six months old to protect the payer, on the basis that payment may already have been made by some other means or the cheque may have been lost or stolen. However, this is at the discretion of individual banks. It should not be assumed that cheques in excess of six months old would automatically be rejected – the only certain way to cancel a cheque is to request

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## Frequently asked questions – continued

that a stop be placed on it. It is recommended that, if possible, customers in possession of cheques that are over six months old obtain a replacement. In case of disputes, a cheque remains legally valid to use to prove a debt for six years.

### **Can I post-date a cheque?**

Banks set their own policies on post-dated cheques and, in many cases, their account terms and conditions state that customers should not write them.

If the beneficiary of a post-dated cheque attempts to pay it into their account prior to the date shown, it may be returned unpaid, possibly incurring charges for both parties, if the terms and conditions of the account state that cheques should not be post-dated.

Or it may be cleared and paid, potentially creating problems for the customer who wrote it.

### **How much are total cheque fraud losses?**

In 2009 cheque fraud in the UK amounted to £29.8 million – a 29% decrease from the 2008 total of £41.9 million.

### **Who pays for cheque fraud losses – retailers, banks or customers?**

This will always depend upon the facts of each case. However, any innocent customer who has their chequebook stolen and used by a fraudster can expect to get their money back from their bank.

### **How are foreign cheques cleared?**

There is no overseas cross-border cheque clearing system. Foreign cheques, therefore, have to be sent abroad for payment to the bank on which they are drawn. This process often takes several weeks and can be expensive as it is done on a cheque-by-cheque

basis. This service is called collection. If the cheque is in a foreign currency there will be a charge for converting it to sterling. By the time the beneficiary bank has received payment from the overseas bank, the exchange rate may have moved so the beneficiary customer may get less money than would have been the case on the day the cheque was paid in. Some banks may provide value immediately subject to recourse. This means that the beneficiary's bank would reclaim the money from the beneficiary if the cheque bounces and, because there are no fixed timescales, this might happen several weeks later. This service is known as negotiation. There is a fee for both these services.

### **Can UK cheques be cleared abroad?**

Cheques written on sterling or euro accounts with UK banks are intended solely for use in the UK (plus

Gibraltar, the Isle of Man and the Channel Islands), and if paid into an account with a bank abroad they would need to be sent back here for collection or to be negotiated (see above for further details of these services).

### **Is it true that you can use euro-denominated cheques in the UK?**

Some banks offer euro-denominated cheque clearing services to customers who hold a UK euro bank account. Euro-denominated cheques drawn on UK banks can only be used in the UK and are mainly of interest to businesses.

The Cheque and Credit Clearing Company runs a euro cheque clearing to process these in Great Britain and the banks in Northern Ireland have their own processes for cheques drawn in euros. The 2-4-6 and 2-6-6 timescales do not apply to euro cheques.

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## Frequently asked questions – continued

### **Are bankers' drafts and building society cheques as good as cash? How do they work?**

No, they are not as good as cash as they can be lost, stolen or fraudulently used. Bankers' drafts and building society cheques are treated in the same way as ordinary cheques and have to go through the clearing system. Therefore you should still wait until the end of the sixth working day to be certain that the money is yours. The comfort they provide is that they will not be returned unpaid due to lack of funds as they are drawn on the account of the actual bank and are paid for in advance by the customer.

### **Why has the decision been taken to withdraw the cheque guarantee facility?**

The use of guaranteed cheques has fallen dramatically over the past twenty years. Following extensive consultation with businesses and customers, the Payments Council - which sets strategy for payments in the UK - decided it would be better for all parties if

its decline and demise was coordinated by setting a closure date.

### **Will I get a new card without the Guarantee?**

In the run-up to closure, banks and building societies will do different things. Some may begin removing the cheque guarantee facility - indicated by a logo or hologram of Shakespeare - from their cards before 30 June 2011. Others may only remove the logo on renewal, which may be after the closure date. Neither approach affects the timescale for the closure of the Scheme on 30 June 2011.

### **Can I still write a cheque after 30 June 2011?**

Yes. The change in June 2011 does not mean the end of cheques: you will still be able to write them and businesses will still be able to choose to accept them - without the Guarantee. In most situations guaranteeing a cheque is not an essential part of the payment so you may well find that whoever you need to pay will still be happy to accept a cheque without the Guarantee.

# Further information and contacts

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## The cheques timeline

- 1659** Date of the earliest known surviving English cheque
- 1704** The first Act defining the status of bills of exchange and promissory notes in law
- 1706** Act providing for bills of exchange to have two counterfoils
- 1717** Bank of England introduce printed cheques
- 1759** Earliest known surviving cheque on a printed form drawn on Vere Glyn & Hallifax
- 1768** Boldero Carter Barnston & Snaith issue coloured cheques
- 1770** Daily cheque clearings formalised among private London bankers at the Five Bells tavern
- 1782** First Act to impose a tax on all cheques made out "to order"
- 1805** Clearing of items drawn within London moved to premises in Lombard Street
- 1821** Committee of bankers formed to regulate clearings in London
- 1833** First clearing house built in Lombard Street, London
- 1854** Settlement in cash replaced by settlement across accounts held at the Bank of England using cheques drawn on the Bank
- 1858** Country clearing established; 1d stamp duty applicable to all cheques
- 1865** Edinburgh clearing house opened
- 1882** Bills of Exchange Act
- 1907** Metropolitan clearing established
- 1918** Stamp duty on cheques doubled from 1d to 2d

- 1939** Clearing transferred to Stoke-on-Trent due to World War II – all clearings merged
- 1946** Clearing transferred back to Lombard Street, London
- 1957** Cheques Act published
- 1960** First reader/sorter demonstrated to Committee of London Clearing Bankers
- 1961** Credit clearing established
- 1962** First MICR reader/sorter system in Europe opened at the Westminster Bank, Lothbury Head Office
- 1965** First cheque card issued by National Provincial Bank allowing cheques to be cashed at its branches up to the value of £20 per day
- 1966** First cheque cards issued guaranteeing encashment of cheques and payment by cheque for goods and services up to a value of £30 per cheque
- 1969** UK Domestic Cheque Guarantee Card Scheme introduced
- 1971** Stamp duty on cheques abolished
- 1973** Clearing processes exempted from three-day week restrictions
- 1977** £50 cheque guarantee card limit introduced
- 1985** Cheque and Credit Clearing Company established
- 1989** £100 and £250 cheque guarantee card limits introduced
- 1990** Peak year for cheque volumes
- 1990** William Shakespeare image (logo/hologram) appeared on all cheque guarantee cards
- 1992** Cheques Act and Account Payee crossing regulations

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## The cheques timeline – continued

- 1994** London Exchange Centre moved from Lombard Street to Goodman's Fields in the east end of London
- 1995** Introduction of the Cheque Printer Accreditation Scheme (CPAS)
- 1995** Town clearing closed
- 1995** Lloyds Bank introduced left-handed chequebooks
- 1996** Deregulation (Bills of Exchange) Order to allow collecting bank truncation (non-presentation of paper)
- 1996** Banks began to exchange data as well as paper – Inter-Bank Data Exchange (IBDE)
- 1996** Scottish cheque clearing with Scottish Exchange came under the responsibility of the C&CCC
- 1998** IBDE extended to banks in Scotland
- 2000** Number of Direct Debits exceeded cheques for the first time
- 2003** London Exchange moved outside London and renamed the English Exchange
- 2005** Shell stopped accepting cheques – the first major retailer to do so
- 2006** Office of Fair Trading report requiring certainty of fate
- 2007** Cheque volumes in double digit decline for the first time
- 2007** 2-4-6 changes introduced to cheque clearing timescales giving customers certainty on cheque funds for the very first time
- 2008** Most major retailers stopped accepting cheques

- 2009** All IBDE cheque data files encrypted
- 2009** Target date of 2018 set for closure of central cheque clearing
- 2010** C&CCC moved from Finsbury Square to Thomas More Square, E1W
- 2011** 30 June – the closure date for the UK Domestic Cheque Guarantee Card Scheme
- 2016** Final go/no go decision taken on closure of cheque clearing
- 2018** 31 October is the target date for the closure of the cheque clearing



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# Glossary

## 2-4-6 and 2-6-6 timescales

These are the maximum timescales for clearing cheques, implemented by UK banks and building societies.

2-4-6 covers sterling current and basic bank accounts and business accounts. It has given customers maximum clearing timescales and increased transparency – providing clarity and certainty when paying in a sterling cheque issued by a UK bank. It refers to 2, 4 and 6 working days after a cheque has been paid into a current or basic bank account:

The start of the 2nd working day is the maximum timescale for 'clearing for value' (see glossary).

The start of the 4th working day is the maximum timescale for 'clearing for withdrawal' (see glossary).

The end of the 6th working day is the maximum timescale for 'clearing for fate' (see glossary).

2-6-6 applies to sterling savings accounts. It has given customers maximum clearing timescales and increased transparency – providing clarity and certainty when paying in a sterling cheque issued by a UK bank. It refers to 2, 6 and 6 working days after a cheque has been paid into a savings account:

The start of the 2nd working day is the maximum timescale for 'clearing for value' (see glossary).

The start of the 6th working day is the maximum timescale for 'clearing for withdrawal' (see glossary) provided withdrawals are allowed under the terms and conditions of the savings account.

The end of the 6th working day is the maximum timescale for 'clearing for fate' (see glossary).

## Automated payment

An automated payment is a payment made by electronic

transfer directly into a bank account. Internet and telephone payments, as well as Direct Debits and Bacs direct credits are currently processed through the automated Bacs central infrastructure. Many banks offer the Faster Payments Service which is a same-day service for phone, internet and standing order payments.

### **Banker's draft and banker's or building society cheque**

A banker's cheque is a cheque drawn directly on the issuing bank (or building society if it is a building society cheque) rather than on the account of a customer, and signed by a bank or building society official. They are cleared in the same way as a cheque. The customer pays for a banker's cheque or draft at the time it is issued. This means that, provided the cheque or draft is genuine, the recipient can be certain that funds will clear. The 2-4-6 timescales for clearing for value, withdrawal and fate apply.

### **Beneficiary**

The person or business to whom the cheque is payable. Another term meaning the same is payee.

### **Beneficiary bank**

The bank that provides the account for the payee of the cheque.

### **Bounced**

Customers often use this term, whereas the bank refers to a cheque being "returned unpaid".

### **CHAPS payment**

An electronic, irrevocable same-day value payment (formerly known as a telegraphic transfer).

### **Cheques crossed "A/C Payee" or "Account Payee"**

The vast majority of cheques are crossed 'a/c payee',

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## Glossary – continued

which means that they must be paid into the account of the named beneficiary (i.e. the person to whom the cheque is made payable). This prevents cheques being cashed or paid into the accounts of third parties. The issue of cheques crossed “account payee” is covered in the Cheques Act of 1992, Section 1 which gives statutory force to the crossing.

### **Clearing for fate or cleared for fate**

The point at which funds from a cheque have cleared, the cheque can no longer be returned unpaid, and the beneficiary can be sure the money is theirs and cannot be reclaimed from their account (unless they are a knowing party to a fraud). Conversely, the fate of a cheque may be that it is returned unpaid – but the beneficiary will know if this is the case by the end of the sixth working day after paying in the cheque.

### **Clearing for value or cleared for value**

From a beneficiary’s perspective this is the point at which funds deposited (i.e. paid in) by cheque start earning credit interest or, if the account is overdrawn, start reducing the balance on which overdraft interest is charged. Although included in the account balance and shown on the statement or cash machine slip, the funds may not yet be available to withdraw.

### **Clearing for withdrawal or cleared for withdrawal**

When funds deposited (i.e. paid-in) by cheque are available for withdrawal from the beneficiary’s account (either as cash or to fund another payment from the account). The ability to withdraw is subject to the overall status of the account (e.g. the balance after the withdrawal remains within an agreed overdraft limit).

Also there may be value limits on the amounts that may be withdrawn by particular methods (e.g. a daily limit on the value of cash machine withdrawals). The cheque may still bounce and the beneficiary bank may still reclaim the money from the cheque paid in until clearing for fate has been reached.

### Codeline data

Cheque number, bank sort code and account number printed along the bottom of a cheque and read electronically.

### Collecting bank

The bank where the cheque is deposited (i.e. paid-in). It is often, but not necessarily, the same as the beneficiary bank.

### Deposited

Another term meaning "paid-in" – see below.

### IBDE (Inter-Bank Data Exchange)

A secure electronic network used in Great Britain to transmit codeline and amount details of cheques from the collecting bank to the paying bank.

### Paid-in

Cheques may be deposited (i.e. paid-in) to a beneficiary's own account by a variety of means: at a branch counter, through a cash machine or other accepting machine (at some banks), at a post office or by post. Normally for a counter deposit the day of deposit will be the same day, if deposited before the advertised cut-off time for that counter (and the next working day

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## Glossary – continued

if after the cut-off time). For postal deposits it will normally be the day the cheque is received by the bank. Every bank will make clear the day a cheque is considered to have been deposited for the purposes of calculating the elapsed time before value, withdrawal or fate.

### **Payee**

The beneficiary of the cheque into whose account the cheque is paid.

### **Payer**

The person or business that writes and issues the cheque, whose name is on the bottom of the cheque and whose account will be debited when the cheque is paid.

### **Paying bank**

The bank where the person or business who issued a cheque holds their account.

### **Returned unpaid**

If the paying bank is unwilling to pay the cheque, it will be returned unpaid to the beneficiary customer via the beneficiary bank. There are a number of reasons why this may happen. For example, there may be insufficient funds in the payer's account, the cheque may be fraudulent, or it may be wrongly dated or unsigned. When a cheque is returned unpaid its value may be reclaimed from the beneficiary's account by the beneficiary bank – this may be after the funds have been withdrawn by the beneficiary but it will be before the end of the sixth working day after paying in the cheque.

# Role of the Cheque and Credit Clearing Company

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- **The Cheque and Credit Clearing Company (C&CCC) is a non-profit making industry body, which has managed the cheque clearing system in England and Wales since 1985, and in all of Great Britain since 1996 when it took over responsibility for managing the Scottish cheque clearing as well.**

In addition to clearing cheques, the system processes bankers' drafts, building society cheques, postal orders, warrants, government payable orders and travellers' cheques. The company also manages the systems for the clearing of paper bank giro credits (the credit clearing), euro cheques (the euro clearing) and US dollar cheques (the currency clearing for US dollar cheques drawn on London banks).

## The role of the company is to:

- Provide members with the central infrastructure for the exchange and settlement of cheques and credits (i.e. the exchange centres, the network for the transfer of electronic cheque data, an automated settlement system), and the courier service for the return of unpaid cheques to the collecting bank.
- Manage the operational processes of the central infrastructure.
- Determine the rules, standards, and procedures required to maintain the integrity of the clearings.
- Ensure that members comply with these rules, standards and procedures.
- Provide thought leadership in non-competitive matters relating to cheques and cheque clearing.
- Engage with the full range of stakeholders: from cheque users of all kinds, to banks that offer cheque clearing services, to the cheque processors, to cheque printers and suppliers of all kinds, and to regulators, trade associations and other payment schemes.
- Manage the Cheque Printer Accreditation Scheme.

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## Role of the Cheque and Credit Clearing Company – continued

The company does not clear foreign cheques – i.e. cheques drawn on overseas banks based abroad. These are processed separately on a cheque-by-cheque basis by the banks where they are deposited.

### Membership of the clearings

Banks and building societies which clear cheques and credits through the GB clearings are required either to become settlement members of the Cheque and Credit Clearing System or to clear through an agency arrangement with one of the settlement members.

The list of current members can be found in the membership section of our website at:  
[www.chequeandcredit.co.uk](http://www.chequeandcredit.co.uk).

C&CCC members are individually responsible for processing cheques drawn by or credited to accounts of their customers.

Banks and building societies wishing to become a settlement member must meet the eligibility criteria for joining the system. The criteria are published on the C&CCC's website at [www.chequeandcredit.co.uk](http://www.chequeandcredit.co.uk).

Members do not have to participate in all three clearing systems but, in practice, they all do with the exception of the Bank of England, which is not a member of the euro cheque clearing system.

### Application for membership

Any bank or building society wishing to become a member needs to apply in writing to the Managing Director. An organisation may apply to be admitted to participate in one or more of the Cheque Clearing System, the Credit Clearing System and the Euro Cheque Clearing System. The application must set out sufficient detail for the C&CCC to satisfy itself of the prospective member's compliance with, and its ability

to continue to comply with, the eligibility criteria. There is an annual charge for being a member of the C&CCC and there is an initial joining charge.

Further details on how to become a member and details about the various charges can be obtained by contacting the C&CCC at: [info@chequeandcredit.co.uk](mailto:info@chequeandcredit.co.uk).

### **Agency banks or indirect clearers**

Around 400 banks and building societies provide cheque clearing services for their customers, obtaining indirect access to the cheque and credit clearing mechanism by means of agency arrangements with one of the settlement members.

These arrangements are separate from the C&CCC and are commercial agreements between the bank or building society concerned and the C&CCC member. Once the arrangement is in place the entity becomes

an 'indirect clearer'. The sponsoring member is responsible for ensuring that their agency banks comply with the rules.

### **Cheque Printer Accreditation Scheme**

The company also manages the Cheque Printer Accreditation Scheme (CPAS). This scheme was introduced in 1995 with the aim of tackling fraud involving company cheques. The scheme requires that all cheques for use in the GB clearing are produced by printers accredited to the Scheme, who are required to adopt stringent security standards. More information on CPAS can be found in the Cheque Printers section of our website at: [www.chequeandcredit.co.uk](http://www.chequeandcredit.co.uk).

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# Role of the Belfast Bankers' Clearing Company

- The Belfast Bankers' Clearing Company (BBCC) is a non-profit making, industry body, which was set up in 2007 as a means of formalising the existing rules and standards for the sterling cheque clearing and euro cheque clearing in Northern Ireland. Previously these rules were monitored on an ad-hoc basis by the BBCC.

## The role of the company is to:

- Maintain the integrity of the clearing arrangements and ensure the system is efficient and effective.
- Maintain the clearing rules and regulations.
- Determine fair, open and transparent eligibility criteria for admission to membership of the scheme.
- Ensure that members comply with the rules and the obligations which membership entails.

Membership of the Northern Ireland clearings currently comprises Northern Bank, Ulster Bank, First Trust and Bank of Ireland.

## Application for membership

Any bank or building society wishing to become a member should contact the BBCC at the address listed under 'Other useful contacts' for details of the eligibility criteria and how to apply.

## Agency banks or indirect clearers

Many banks have access to the clearings through agency arrangements with one of the four clearing banks. These arrangements are separate from the BBCC and are commercial agreements between the bank or building society concerned and the BBCC member. Once the arrangement is in place the entity becomes an 'indirect clearer'. The sponsoring member is responsible for ensuring that their agency banks comply with the rules.

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## Useful contacts for C&CCC

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Cheque and Credit Clearing Company media enquiries:

**press@ukpayments.org.uk**

Sandra Quinn, director of corporate communications:

**T: 020 3217 8234**

**M: 07768 044656**

**sandra.quinn@ukpayments.org.uk**

Jemma Smith, head of PR:

**T: 020 3217 8340**

**M: 07811 113075**

**jemma.smith@ukpayments.org.uk**

Mark Bowerman, PR manager:

**T: 020 3217 8251**

**M: 07799 627256**

**mark.bowerman@ukpayments.org.uk**

General enquiries about cheques and cheque clearing:

**T: 020 3217 8259**

**corpcomms@ukpayments.org.uk**

**www.ukpayments.org.uk**

Cheque and Credit Clearing Company:

2 Thomas More Square  
London E1W 1YN

**T: 020 3217 8200**

**www.chequeandcredit.co.uk**

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## Other useful contacts

### Belfast Bankers' Clearing Company

c/o McGrigors Belfast  
12-16 Bridge Street  
Belfast BT1 1LS

### Financial Fraud Action UK (FFA)

General enquiries

**T: 020 3217 8200**  
**[www.financialfraudaction.org.uk](http://www.financialfraudaction.org.uk)**

### British Bankers' Association

Pinner's Hall  
105-108 Old Broad Street  
London EC2N 1EX

**T: 020 7216 8800**  
**[www.bba.org.uk](http://www.bba.org.uk)**

### Financial Ombudsman Service

South Quay Plaza  
183 Marsh Wall  
London E14 9SR

**T: 0845 080 1800**  
**[www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)**

### Payments Council

General enquiries

**T: 020 3217 8200**  
**[www.paymentscouncil.org.uk](http://www.paymentscouncil.org.uk)**

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